

ING Bank Śląski S.A.

Business and Financial Results
for Q2 2018

Warsaw, 2 August 2018

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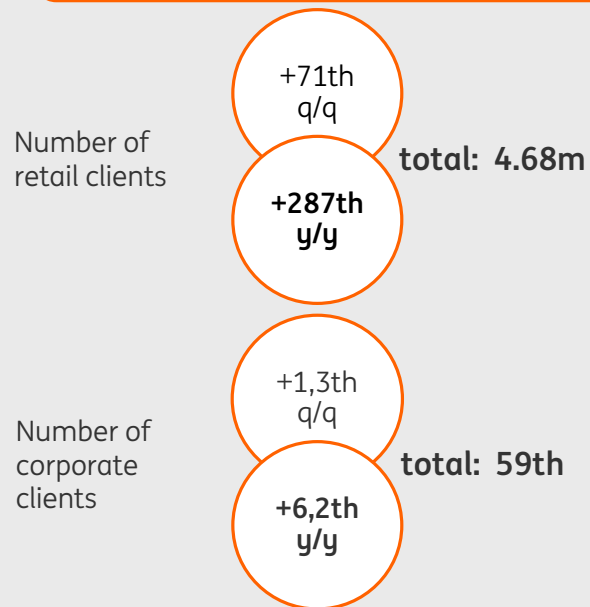


Introduction to financial results and the Bank's market position



Main achievements in Q2 2018 – we support the development of Polish economy

Increased number of clients...

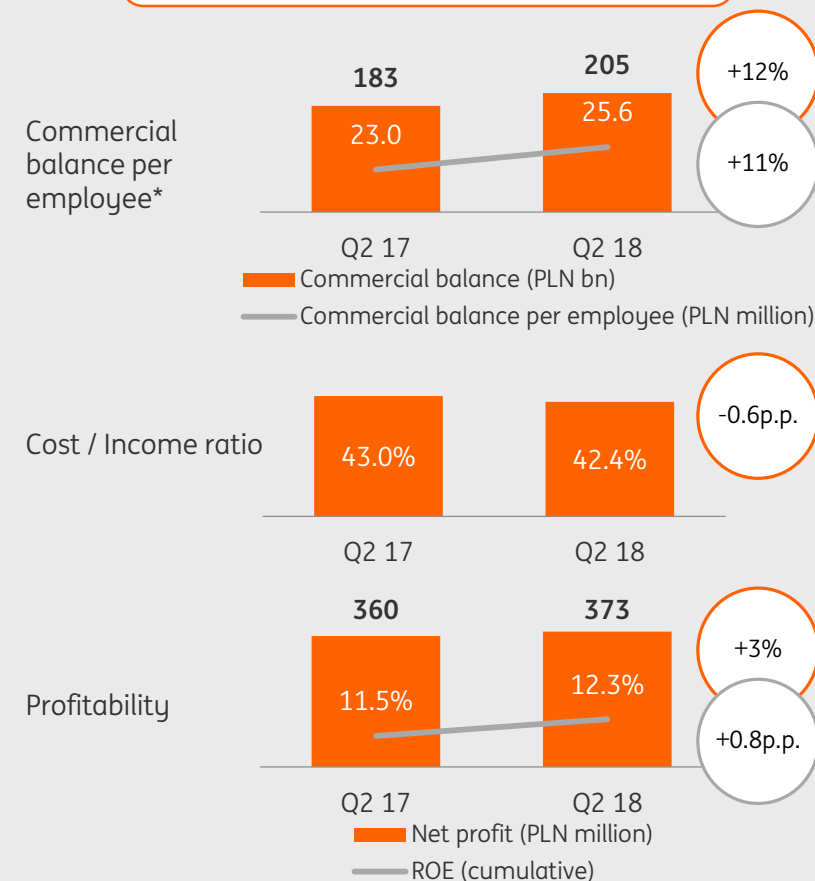


- New bank account offer – Mobi dla młodych (Mobi for the young)
- New tool for mobile payments – Moje ING keyboard
- We have over 200 thousand users of the Trusted Profile

...higher number of clients and increased number of transactions...

- Portfolio of retail receivables increased by PLN 7.7bn y/y (+ 22% y/y), out of which mortgage loans by PLN 5.4bn y/y (+21% y/y) and receivables from entrepreneurs by PLN 1bn y/y (+25% y/y); market share grew to 6.0% (+0.8p.p. y/y)
- Portfolio of corporate receivables increased by PLN 4.2bn y/y (+8% y/y), out of which receivables from SME and mid-corporates by PLN 2,8bn y/y (+9% y/y) and receivables from strategic clients by PLN 1.5bn y/y (+8% y/y); market share grew to 10.7% (+0.4p.p. y/y)
- Total deposits increased by PLN 11.5bn y/y (+12% y/y), out of which current account deposits by PLN 4.9bn y/y (+14% y/y)
- Retail clients make 29.3 million transactions in mobile banking in H1 2018, 9.2 million more y/y
- In H1 2018, retail clients made 134 million transfers in total (up by 13 million y/y); the number of POS transactions was over 260 million (up by nearly 50 million y/y)

...lead to improved efficiency and profitability



Elements shaping income statement

Income	Total revenues (+4% q/q and +10% y/y)	NIM 2.93% (2.91% in Q1 2018 and 2.80% in Q2 2017)	Net fees and commissions (+7% q/q and +16% y/y)
Operating costs and risk costs	Total costs (-12% q/q and +8% y/y) including personnel costs (+4% q/q and +10% y/y)	Cost / Income ratio 46.1% (46.3% in H1 2017)	Risk costs at 55b.p. (50b.p. in Q1 2018 and 48b.p. in Q2 2017)
Asset quality, profitability, and capital position	Asset quality (share of loans in Stage 3 at 3.0% in Q2 2018 and 3.0% in Q1 2018; NPL ratio 2.7% in Q2 2017)	ROE 12.3% (12.4% in Q1 2018 and 11.5% in Q2 2017)	Capital position (Tier 1 ratio – 14.4%; TCR – 15.2%)

We are one of the most socially responsible companies



We received the Golden Banker statuette for the best commercial



We are the leader of Banking Stars



Selected financial data

<i>PLN million</i>	Q2 17	Q1 18	Q2 18	<i>change q/q</i>	<i>change y/y</i>	H1 17	H1 18	<i>change y/y</i>
Total income	1,191.6	1,256.9	1,310.2	+ 4%	+ 10%	2,326.9	2,567.1	+ 10%
Total expenses	512.1	628.3	555.0	- 12%	+ 8%	1,077.7	1,183.3	+ 10%
Result before risk costs	679.5	628.6	755.2	+ 20%	+ 11%	1,249.2	1,383.8	+ 11%
Risk costs	123.0	94.8	173.7	+ 83%	+ 41%	199.5	268.5	+ 35%
Bank levy	80.4	87.5	91.1	+ 4%	+ 13%	159.8	178.6	+ 12%
Profit before tax	476.1	446.3	490.4	+ 10%	+ 3%	889.9	936.7	+ 5%
Income tax	115.7	124.1	117.7	- 5%	+ 2%	229.3	241.8	+ 5%
Net profit	360.4	322.2	372.7	+ 16%	+ 3%	660.6	694.9	+ 5%
Total capital ratio	15.3%	16.1%	15.2%	- 0.8 p.p.	- 0.0 p.p.	15.3%	15.2%	- 0.0 p.p.
Tier 1	14.4%	15.1%	14.4%	- 0.8 p.p.	+ 0.0 p.p.	14.4%	14.4%	+ 0.0 p.p.
ROE (%)	11.5%	12.4%	12.3%	- 0.1 p.p.	+ 0.8 p.p.	11.5%	12.3%	+ 0.8 p.p.
C/I ratio (%)	43.0%	50.0%	42.4%	- 7.6 p.p.	- 0.6 p.p.	46.3%	46.1%	- 0.2 p.p.

Major business accomplishments

Business volumes

<i>in PLN million</i>	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Change q/q	Change YtD	Change y/y	Diff q/q	Diff YtD	y/y
Total deposits	95,064	95,954	96,941	102,849	102,782	107,468	+ 5%	+ 4%	+ 12%	4,685	4,619	11,514
Corporate clients' deposits	30,301	30,740	31,288	34,800	31,671	35,119	+ 11%	+ 1%	+ 14%	3,449	320	4,380
Retail clients' deposits	64,763	65,214	65,653	68,050	71,112	72,349	+ 2%	+ 6%	+ 11%	1,237	4,299	7,134
Total funds entrusted by retail clients	75,555	76,550	77,666	80,315	83,763	85,105	+ 2%	+ 6%	+ 11%	1,342	4,789	8,555
Mutual funds assets (TFI) + other off-BS products distributed by the Bank	10,792	11,335	12,013	12,266	12,651	12,756	+ 1%	+ 4%	+ 13%	105	491	1,421
Total loans	81,786	84,277	87,356	88,484	91,630	96,151	+ 5%	+ 9%	+ 14%	4,522	7,667	11,874
Loans to corporate clients incl. leasing and factoring	49,000	49,956	51,561	50,975	51,943	54,179	+ 4%	+ 6%	+ 8%	2,237	3,204	4,223
Loans to retail clients	32,786	34,321	35,795	37,509	39,687	41,972	+ 6%	+ 12%	+ 22%	2,285	4,463	7,651
Mortgage loans	24,172	25,180	26,235	27,540	28,892	30,541	+ 6%	+ 11%	+ 21%	1,649	3,001	5,361

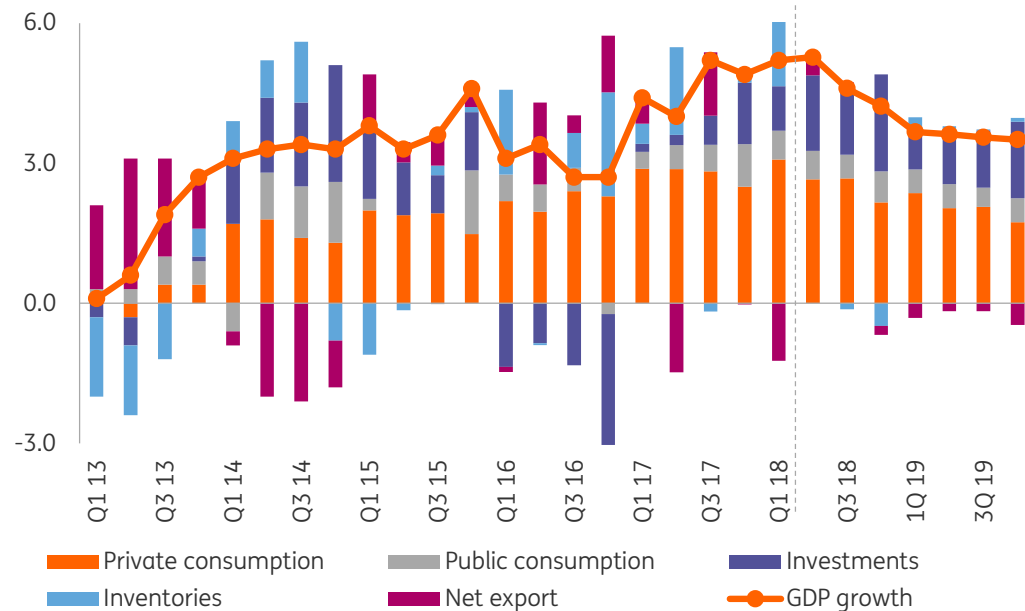
Update on the macroeconomic situation



Good economic situation in Poland, despite the slowdown in the Eurozone

- The Polish economy peaked in this business cycle, in Q2 2018 when GDP grew by 5.3% y/y (we estimate 4.8% in the entire 2018). The rebound of investment continues - in 2018 we expect them to grow by 8.9% y/y. This is mainly public expenditure, especially on road and rail infrastructure. Private investments have so far not supported growth (in Q4 2017 their growth was 0% y/y), but they should improve during the year (we forecast a 6% annual increase). However, their rebound is weakened by regulatory and international uncertainty (eg. the risk of tariffs increase - recently smaller).
- Very good business climate and demographic trends translate into a drop in the unemployment rate. Companies are increasingly complaining about the shortage of employees. The inflow of migrants partially compensates for the lack of hands to work and hampers wage growth. Thanks to this, prices, even in the service industries, are growing at a moderate pace.

Structure of annual GDP growth (%)*

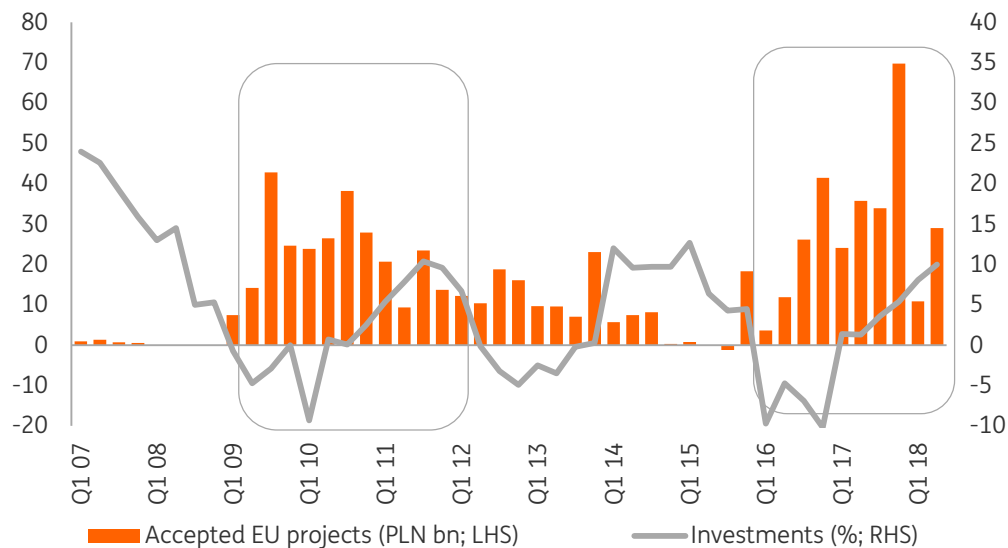


ING BSK economic forecasts*	Q1 18	2018F	2019F
GDP (average)	5.2%	4.8%	3.7%
Investments (average)	8.1%	8.9%	7.0%
Private consumption (average)	4.8%	4.4%	3.6%
Wages (average)	7.0%	7.4%	7.5%
Unemployment (as at period end)	6.6%	5.8%	5.7%
CPI (average)	1.5%	1.4%	2.2%
Reference rate (as at period end)	1.50%	1.50%	1.50%
Total loans (as at period end; y/y)	4.1%	6.2%	7.4%
Retail loans (as at period end; y/y)	3.3%	6.2%	6.9%
Corporate loans (as at period end; y/y)	5.5%	6.1%	8.2%
Total deposits (as at period end; y/y)	5.0%	5.9%	5.7%
Retail deposits (as at period end; y/y)	4.6%	7.0%	5.1%
Corporate deposits (as at period end; y/y)	5.8%	3.8%	6.8%

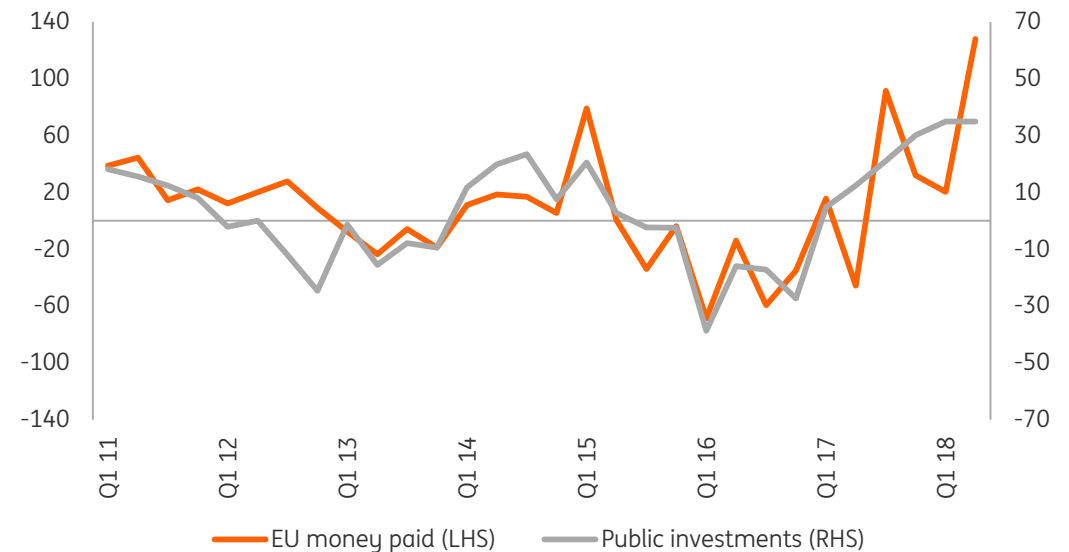
Public investments have started

- The launch of EU funds allowed the rebound of public investments (over 30% y/y in Q2 2018). The payments of BGK significantly accelerated in Q2 2018 (130% y/y), which suggests a further increase in public expenditure in H2 2018. In the first 5 months of the year, construction of civil engineering facilities increased by nearly 40% y/y - mainly expenditure on road and rail transport. A large volume of contracted EU projects (nearly PLN 320 billion, 40% for transport infrastructure) allows you to expect high expenditures at a later date.
- The risk is the growing costs of performance, making it impossible to settle the tender procedures due to significant cost overruns (there are cases that the lowest price is 90% higher than the investor's budget) and the decrease in spare capacity of contractors - the number of offers for construction works in public procurement in the H1 2018 it is 30% lower than in the same period last year.

Accepted EU projects



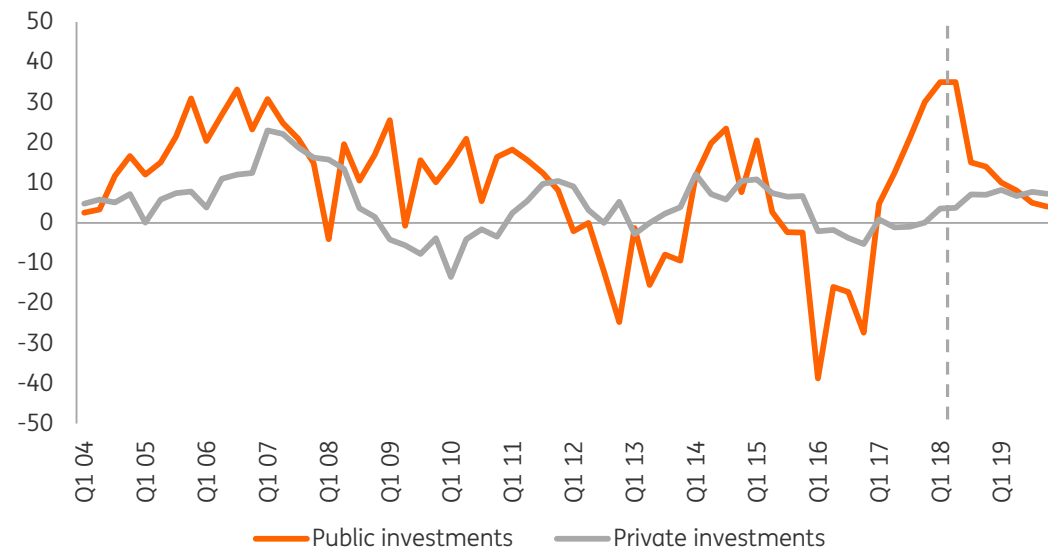
Payment of EU funds and public investments (%; y/y)



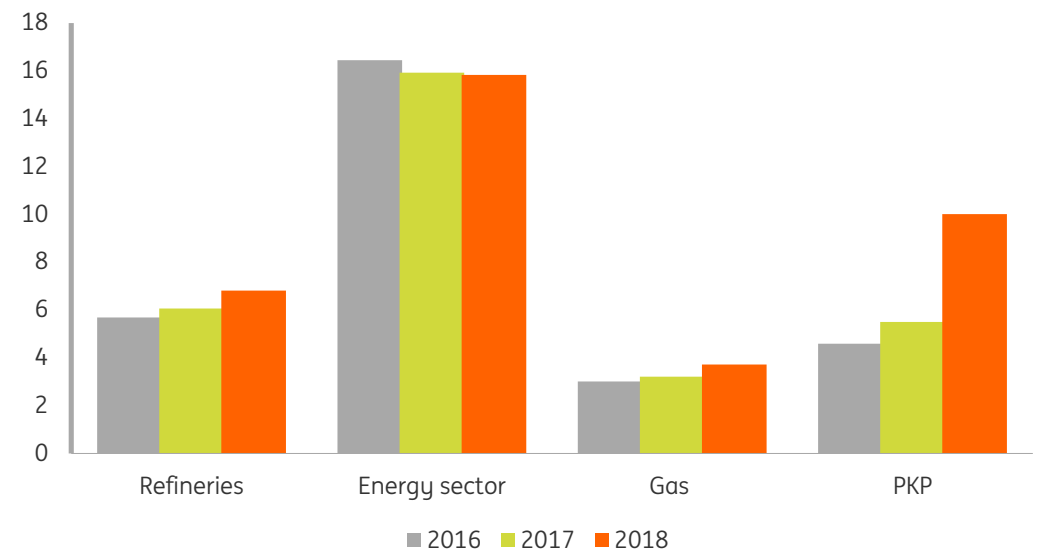
Private investments will also increase

- ING Bank Śląski is of the opinion that, in 2018, investments outside the public sector will increase 5-7% y/y. We see signals of their acceleration in H1 2018. The biggest barriers to their greater recovery include: (1) low expenditures of enterprises controlled by the State Treasury - jointly they plan an 17% increase in investments, but 90% of this growth is PKP's expenses; in the strategies of energy companies (Tauron, PGE, ENEA), the stagnation of expenditures at the 2017 level was recorded. PGNiG announced bigger investments, but their scale will be too small to change the picture of the entire sector, (2) new burdens for companies: rigorous tax policy, split payment, PPK, others, (3) shortage of employees limiting the extensive development model of Polish companies and (4) uncertainty about the continuing prosperity abroad.
- In addition, private enterprises are more willing to finance expenditures outside the banking sector, eg. through leasing.

Investment in Poland (%; y/y)



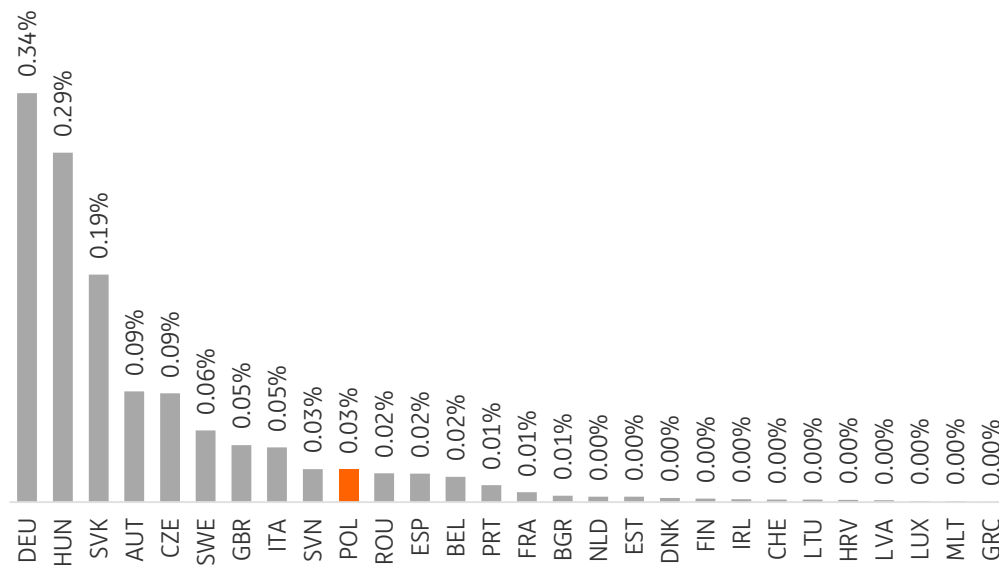
Investments and plans in selected sectors (PLN bn)*



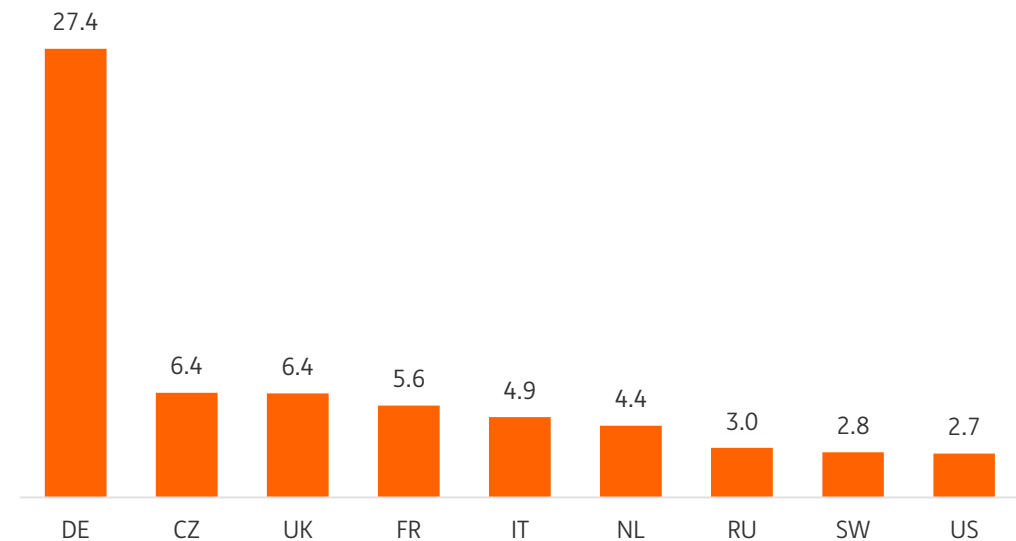
Poland resistant to trade wars, also at a dropback of CEE peers

- Due to the low exposure of Polish exports to the US and the diversified structure of domestic industry, Poland is relatively resistant to the growth of trade barriers. The exchange with the US accounts for less than 3% of Poland's exports. According to ING estimates, total stoppage of car exports to this country would lower Polish GDP by less than 0.2%, CEE countries are more exposed (eg. Hungary - a loss of 0.5% GDP). The possible increase in customs duties on imports of cars to the US (which can only limit the volume of trade) would be hardly noticeable for the domestic economy.
- However, a greater threat are secondary effects of duties, ie. deterioration in business sentiments leading to investment slowdown. Especially in the Eurozone, which economy is just coming out of the industry slowdown in H1 2018.

The contribution of car exports to the US in the GDP of EU countries*



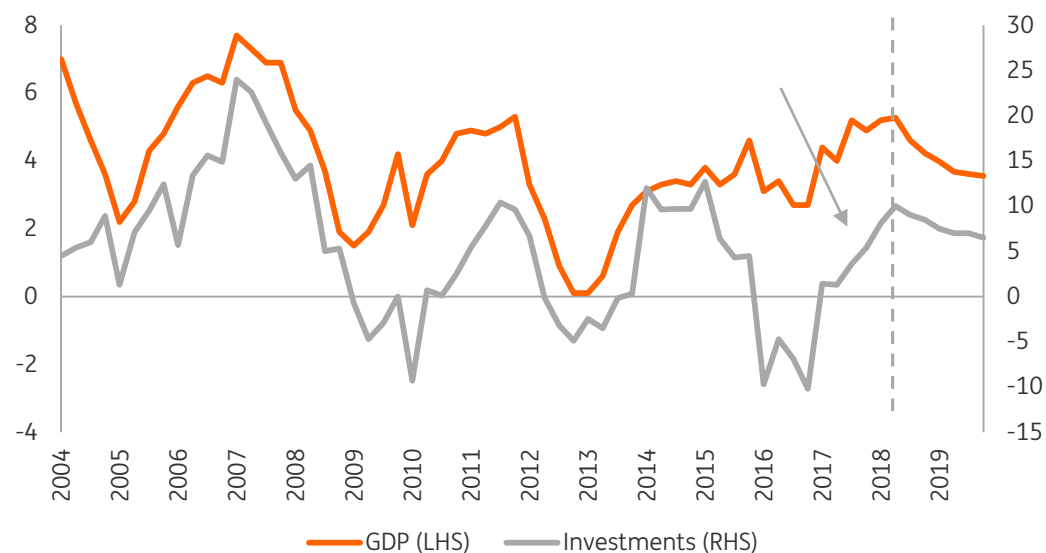
Poland's main export partners in 2017 (%)*



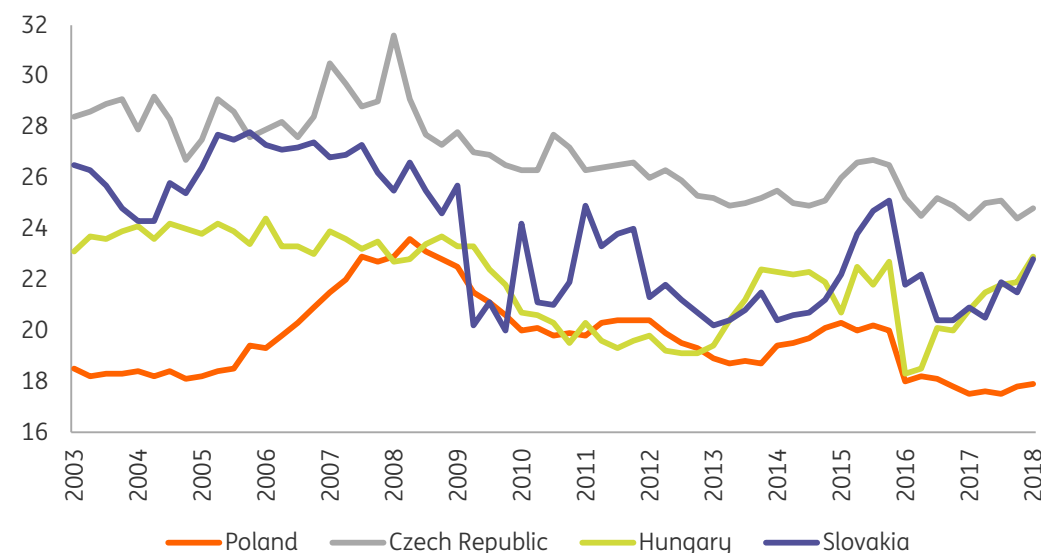
The weakness of investment is a threat to sustained GDP growth

- The current business cycle is characterized by unsatisfactory GDP structure, with a dominating contribution of consumption and a slow recovery of investments. This is a threat to the sustainability of the high GDP growth in the coming years and the competitiveness of the Polish economy.
- Poland has deepened the distance to the region in terms of the share of investments in GDP. After Q1 2018, this percentage was 17.9%. The rebound of investments this year will raise this index by almost 1p.p. Nevertheless, in the next years (2019-2020) we expect its stabilization and this means the weakening of the competitive position.

Economic growth with a low share of investments (y/y,%)



Investments (% of GDP) - Poland is losing to the region*

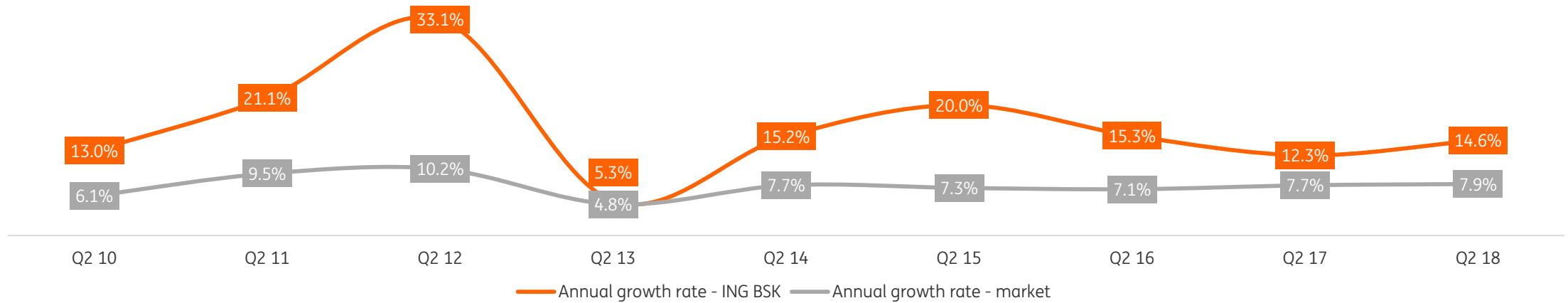


Business development

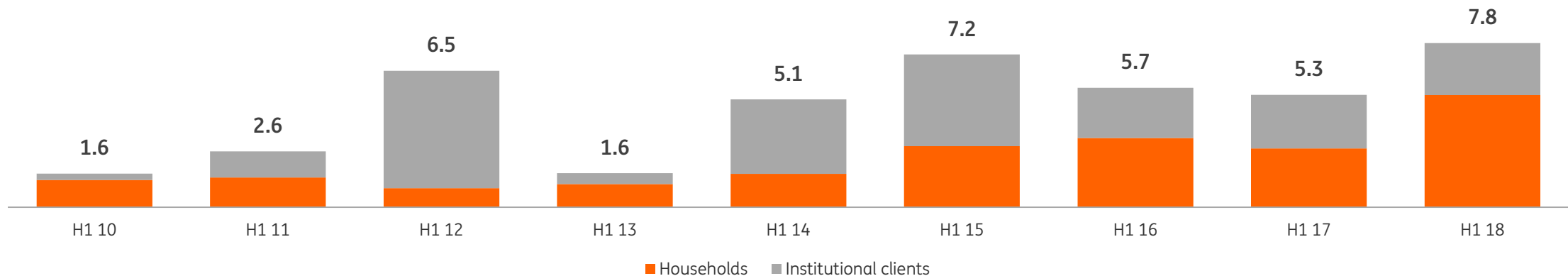


High growth of the loan portfolio

Receivables from clients excluding FX mortgage loans - annual growth rate*



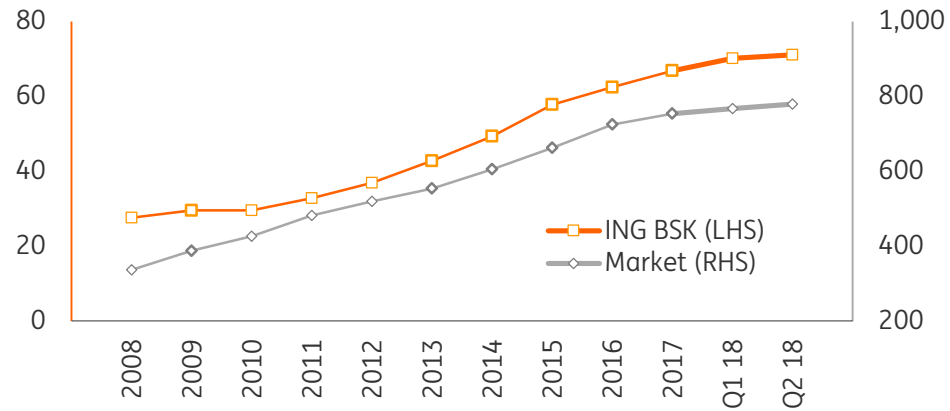
Receivables from clients - YTD nominal change (PLN billion)



15 * Note: Market data – monetary financial institutions data of the National Bank of Poland (Monrep, WEBIS)

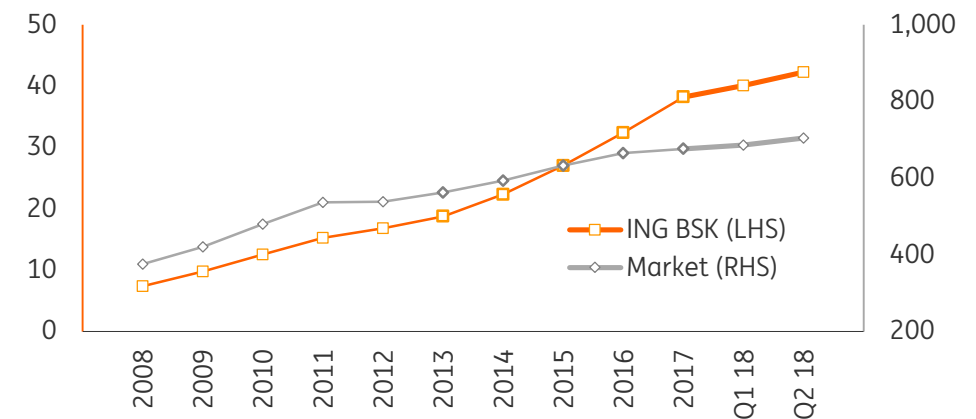
Market position of ING Bank Śląski S.A.

Household deposits (PLN billion)



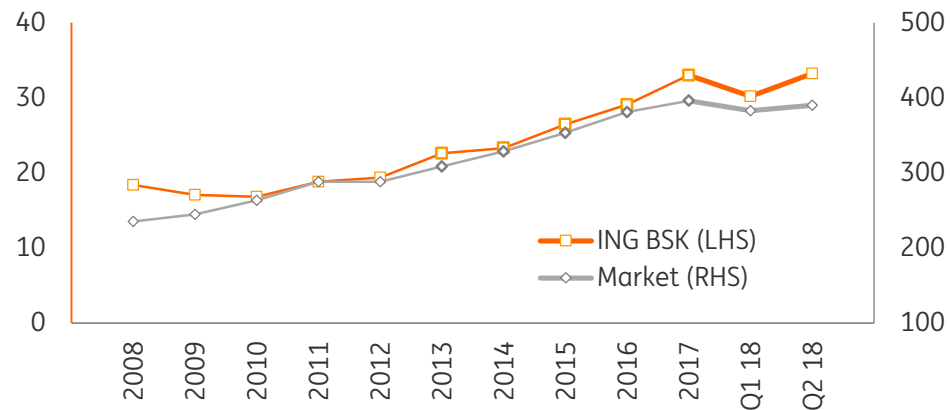
Market share (%)	8.18	7.62	6.94	6.80	7.10	7.72	8.15	8.72	8.61	8.87	9.15	9.12
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Household loans (PLN billion)



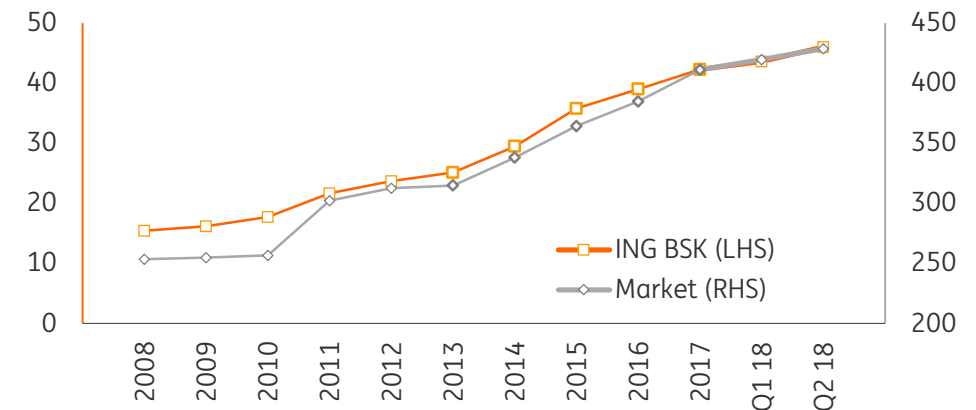
Market share (%)	1.96	2.32	2.62	2.84	3.13	3.34	3.77	4.28	4.87	5.65	5.84	6.00
Market share excl. FX* (%)	2.52	2.96	3.51	3.96	4.24	4.39	4.88	5.50	6.18	6.82	7.01	7.20

Corporate deposits (PLN billion)



Market share (%)	7.81	6.97	6.38	6.53	6.72	7.33	7.09	7.49	7.63	8.33	7.89	8.51
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Corporate loans (PLN billion)



Market share (%)	6.09	6.34	6.90	7.18	7.58	7.98	8.71	9.82	10.14	10.28	10.39	10.73
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Retail banking

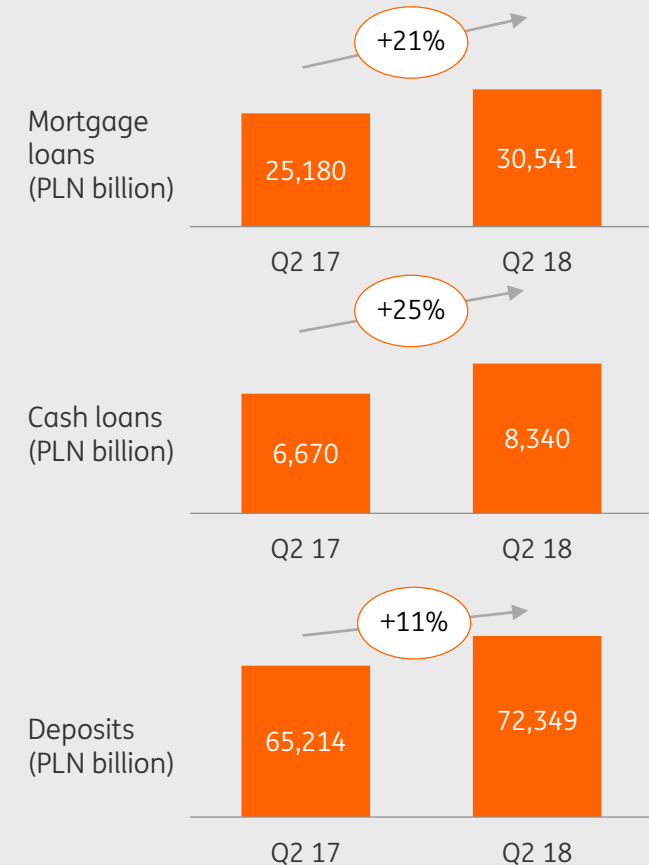
Development of client base

- We served 4.68 million retail clients → +106 thousand gross new clients acquired in Q2 2018 and +223 thousand in H1 2018
- We run over 3.4 million current accounts → +74.5 thousand net new accounts in Q2 2018 and + 144.6 thousand in H1 2018
- We run 76.2 thousand brokerage accounts → +3.0 thousand gross new accounts in Q2 2018 and +8.2 thousand in H1 2018

Funding

- 17.3% market share in the production of new mortgage loans in H1 2018; we have introduced fixed-rate loans
- 9.9% share in the market of PLN housing loans
- We granted PLN 1.4 billion-worth cash loans in Q2 2018 (+27% y/y), PLN 2.6 billion totally in H1 2018
- Online sales represented 74% of cash loans sold to individual clients and 69% of cash loans sold to entrepreneurs

Growing volumes



Corporate banking

Development of client base

- +5.7 thousand new clients acquired in H1 2018, out of which over 1.5 thousand acquired online (2.6 thousand and 689 in Q2 2018) → nearly 59 thousand corporate clients in total

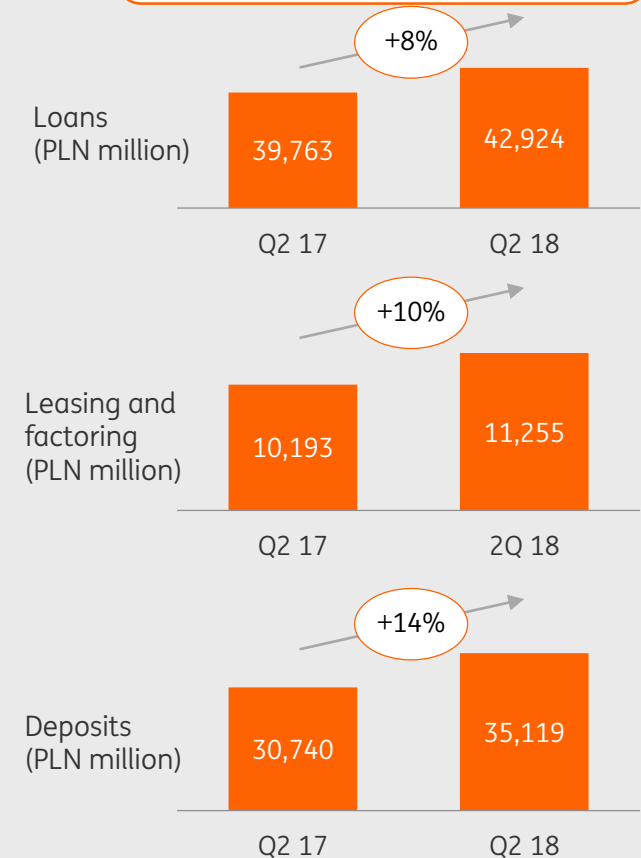
Digitization

- We installed 7.6 thousand POS; we processed 3.5 million transactions since implementation in February 2017
- Number of active mobile clients went up by +29% y/y in Q2 2018

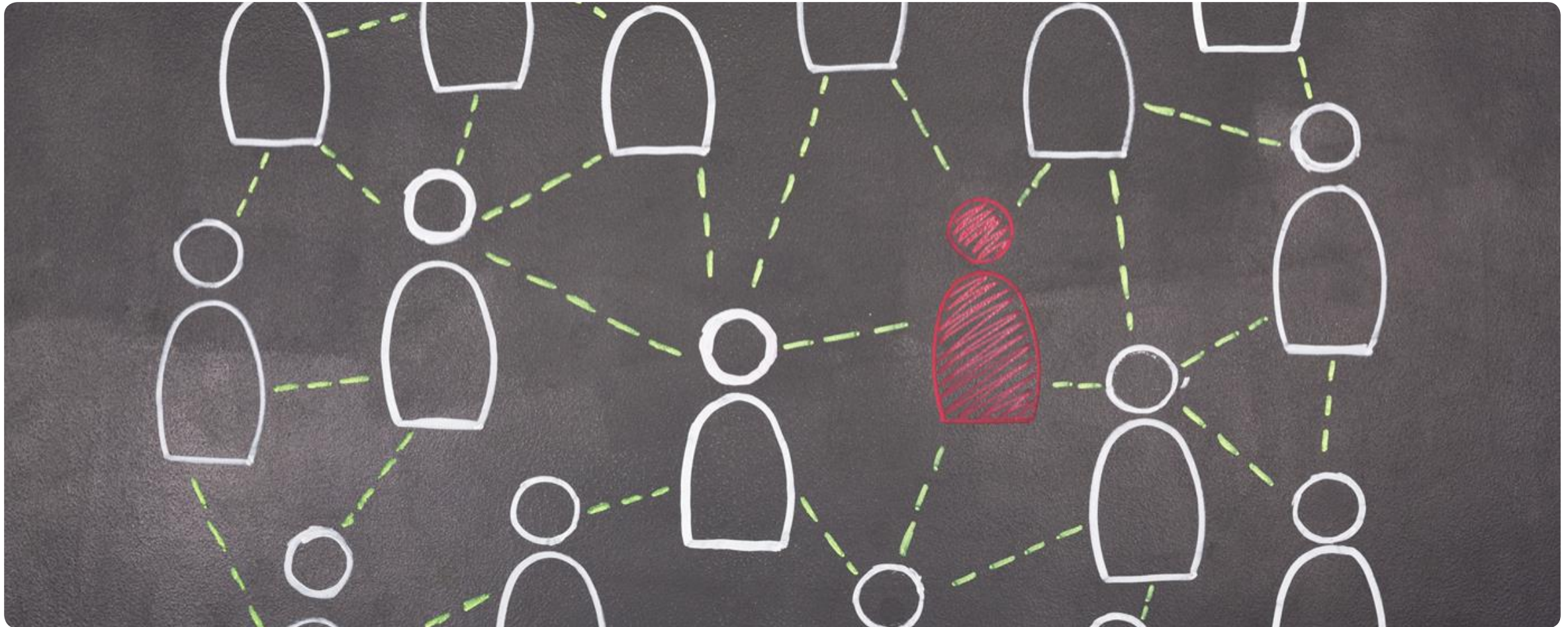
Funding

- Loan portfolio of mid & big corporates increased by PLN 1.6 billion (+6% y/y) to PLN 26.5 billion
- Loan portfolio of strategic clients increased by PLN 1.5 billion (+10% y/y) to PLN 16.4 billion
- In H1 2018 the factoring sales increased by +18% y/y; maintained #1 on the market
- In H1 2018 leasing sales increased by 16% y/y; #7 on the market
- We have started financing invoices for small businesses; we already have 280 clients

Growing volumes



Q2 2018 financial results

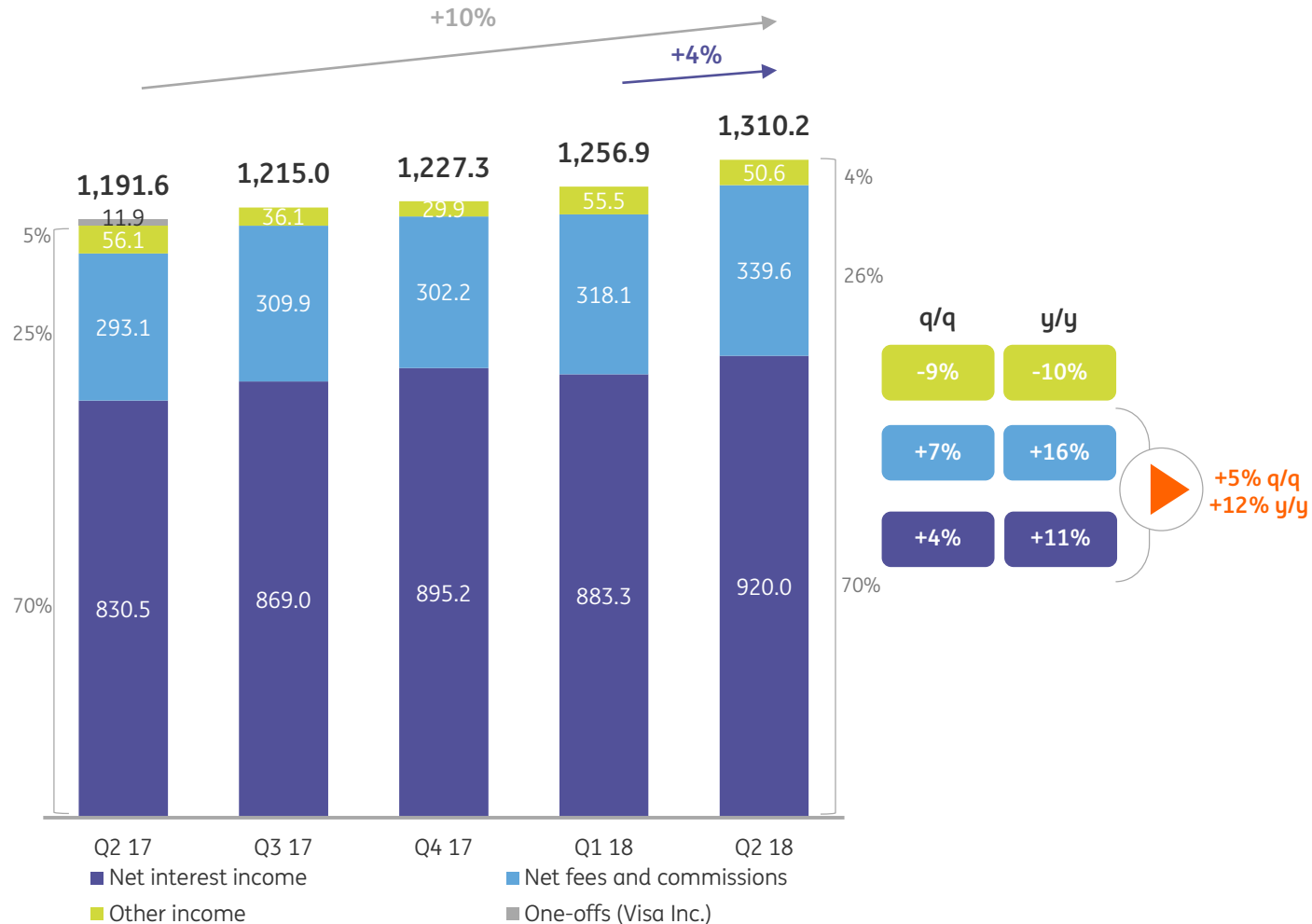


Financial results of ING Bank Śląski S.A.

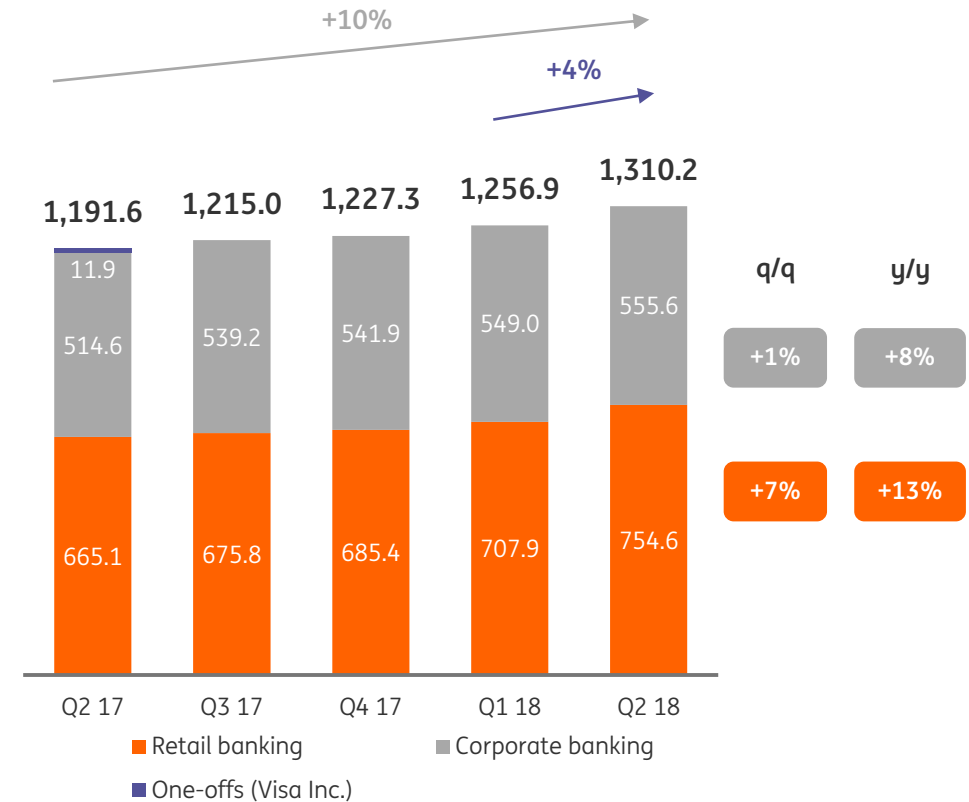
PLN million	Q2 17	Q1 18	Q2 18	change q/q	change y/y	H1 17	H1 18	change y/y
Net interest income	830.5	883.3	920.0	+ 4%	+ 11%	1,625.3	1,803.3	+ 11%
Net commission income	293.1	318.1	339.6	+ 7%	+ 16%	583.9	657.7	+ 13%
Other income	68.0	55.5	50.6	- 9%	- 26%	117.7	106.1	- 10%
Total income	1,191.6	1,256.9	1,310.2	+ 4%	+ 10%	2,326.9	2,567.1	+ 10%
Total expenses	512.1	628.3	555.0	- 12%	+ 8%	1,077.7	1,183.3	+ 10%
Result before risk costs	679.5	628.6	755.2	+ 20%	+ 11%	1,249.2	1,383.8	+ 11%
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Net profit	360.4	322.2	372.7	+ 16%	+ 3%	660.6	694.9	+ 5%
Total capital ratio	15.3%	16.1%	15.2%	- 0.8 p.p.	- 0.0 p.p.	15.3%	15.2%	- 0.0 p.p.
Tier 1	14.4%	15.1%	14.4%	- 0.8 p.p.	+ 0.0 p.p.	14.4%	14.4%	+ 0.0 p.p.
ROE (%)	11.5%	12.4%	12.3%	- 0.1 p.p.	+ 0.8 p.p.	11.5%	12.3%	+ 0.8 p.p.
C/I ratio (%)	43.0%	50.0%	42.4%	- 7.6 p.p.	- 0.6 p.p.	46.3%	46.1%	- 0.2 p.p.
Adjusted data ↓								
Total income*	1,179.7	1,256.9	1,310.2	+ 4%	+ 11%	2,315.0	2,567.1	+ 11%
Total expenses*	529.7	584.7	569.6	- 3%	+ 8%	1,042.5	1,154.2	+ 11%
Profit before tax*	446.6	490.0	475.9	- 3%	+ 7%	913.3	965.8	+ 6%
Net profit*	333.1	365.9	358.2	- 2%	+ 8%	686.2	724.0	+ 6%
ROE (%)*	11.8%	12.3%	12.3%	- 0.0 p.p.	+ 0.4 p.p.	11.8%	12.3%	+ 0.4 p.p.
C/I ratio (%)*	44.9%	46.5%	43.5%	- 3.0 p.p.	- 1.4 p.p.	45.0%	45.0%	- 0.1 p.p.

Income per category

Income per P&L line (PLN million)

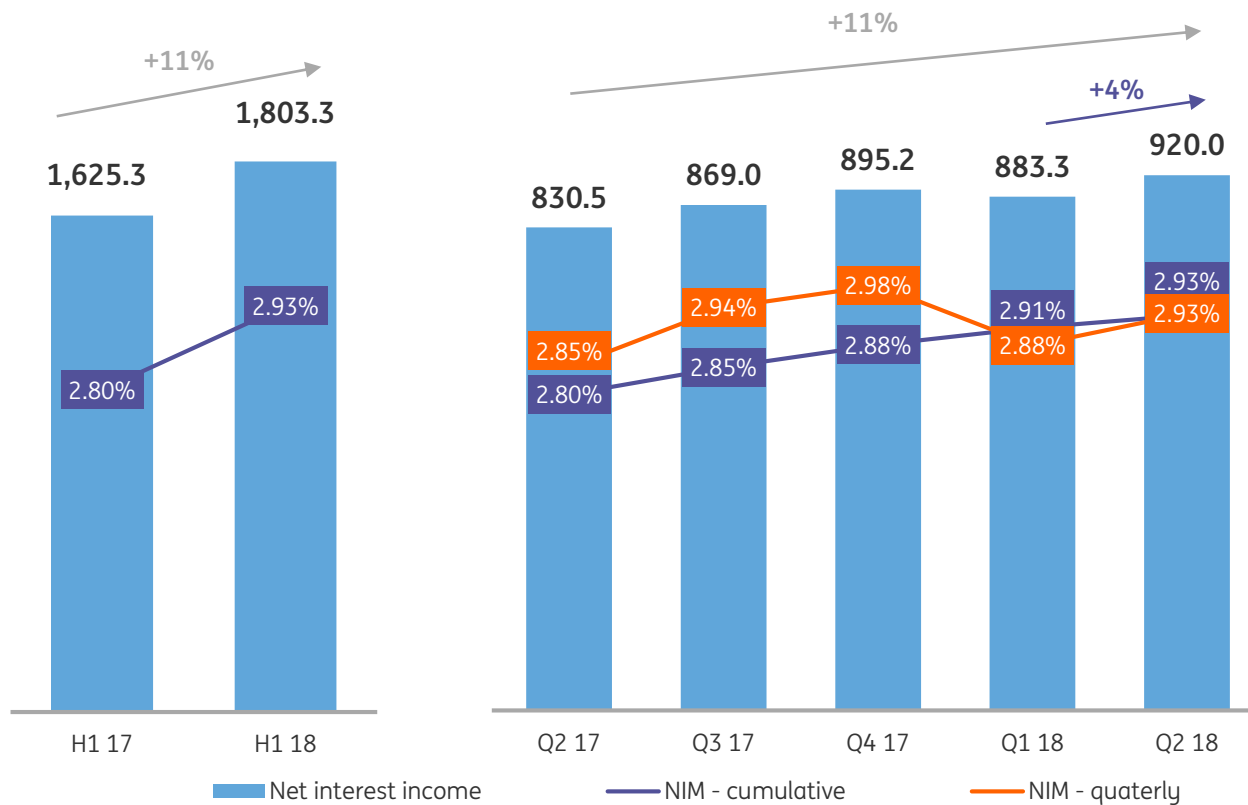


Income per business line (PLN million)



Net interest income

Net interest income (PLN million) and net interest margin



1.73%

1.71%

1.73%

1.73%

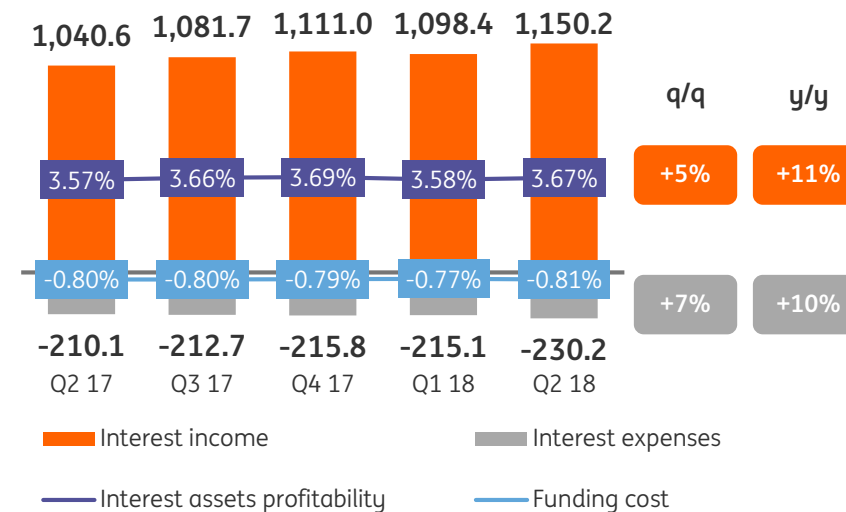
1.73%

1.72%

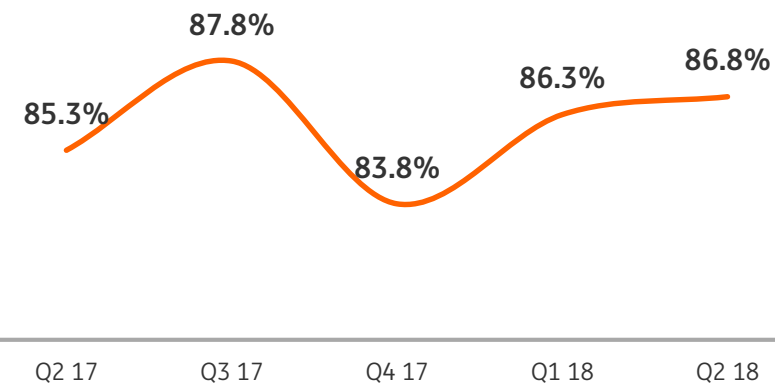
1.70%

3M WIBOR

Interest income and expenses (PLN million)

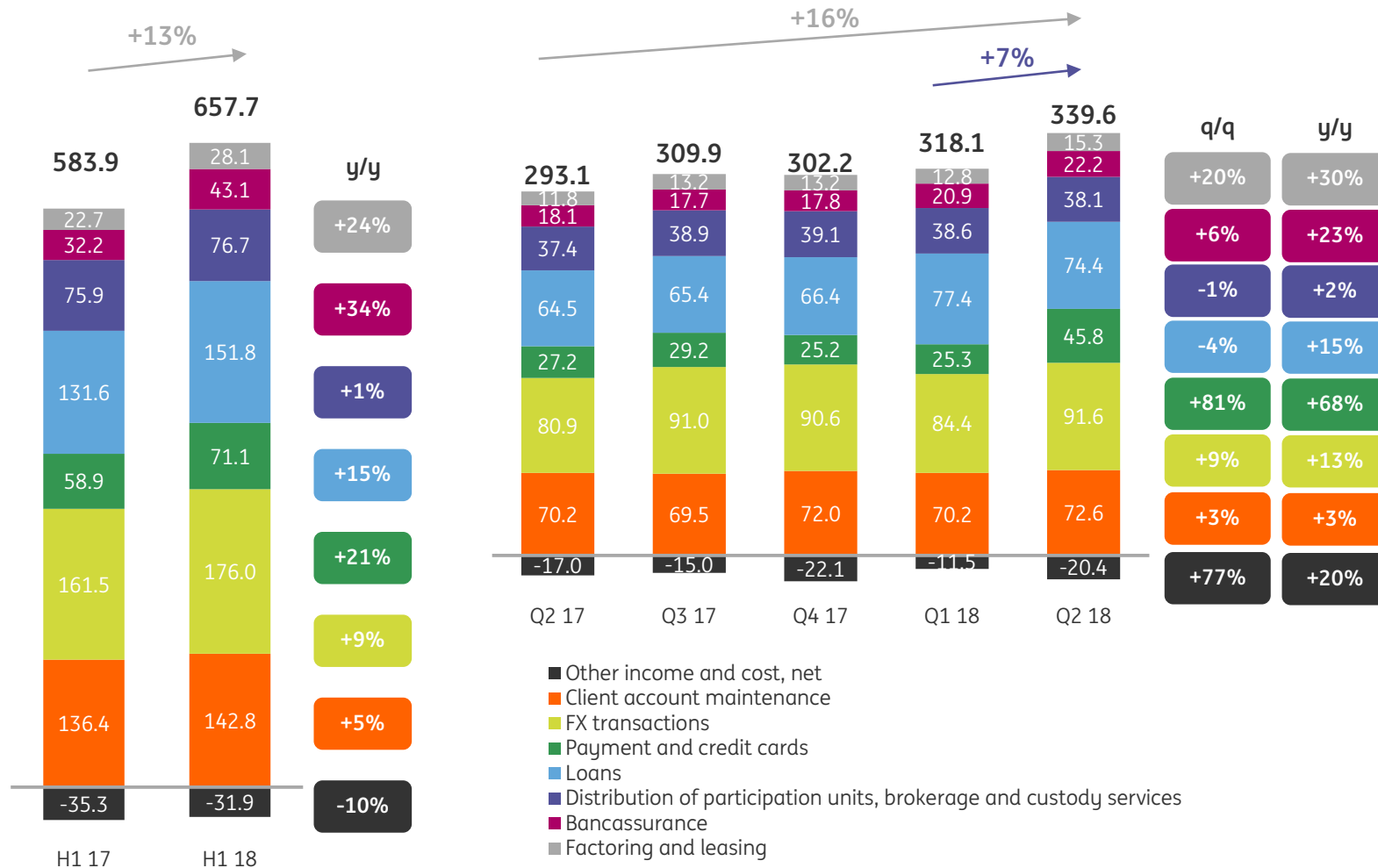


Loan* to deposit ratio



Fee and commission income

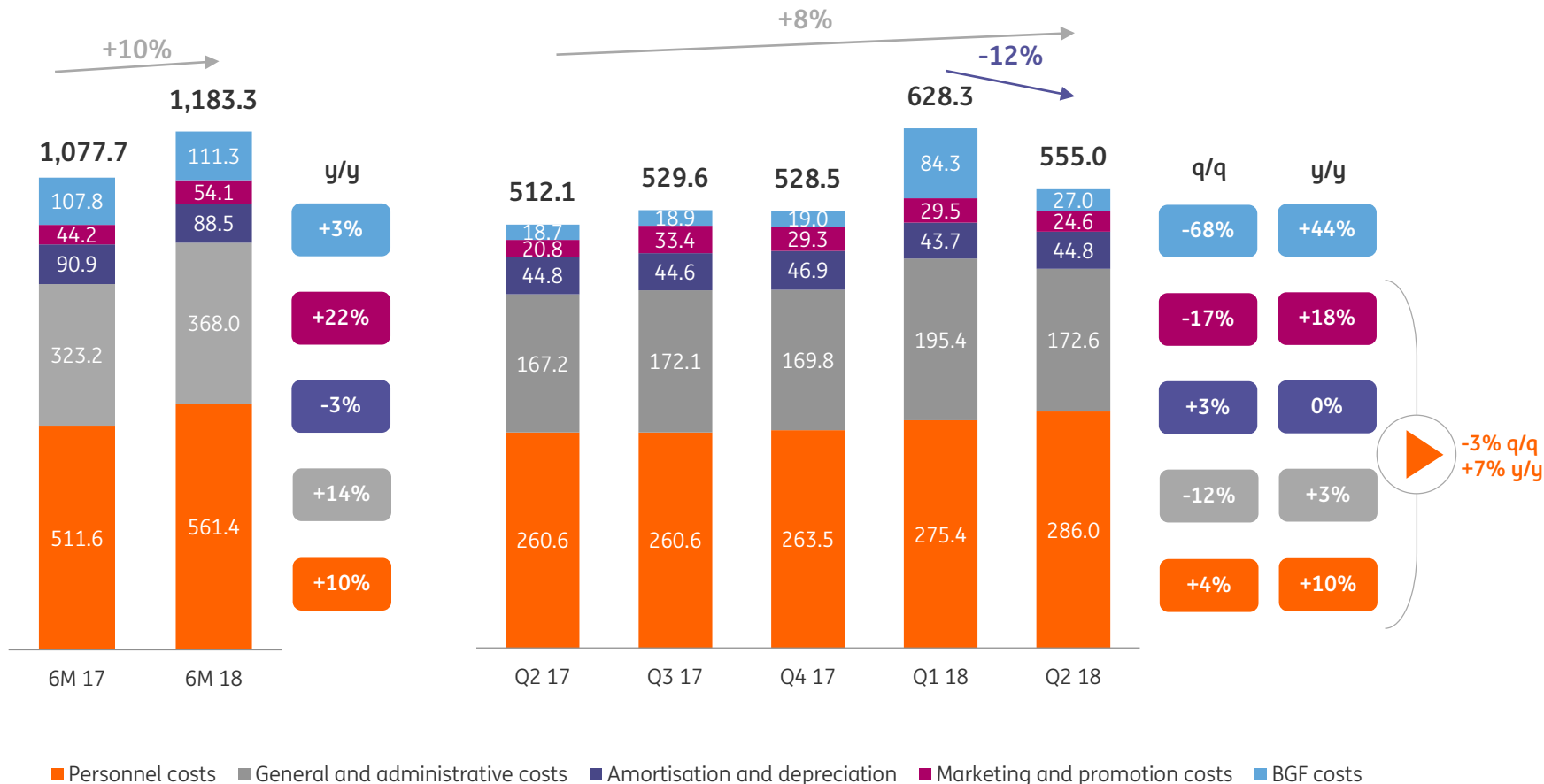
Fee and commission income per category (PLN million)



- Strong FX result due to high customers' transaction volumes
- The result on the cards supported by a one-off settlement with card partners

Total expenses

Total expenses (PLN million)

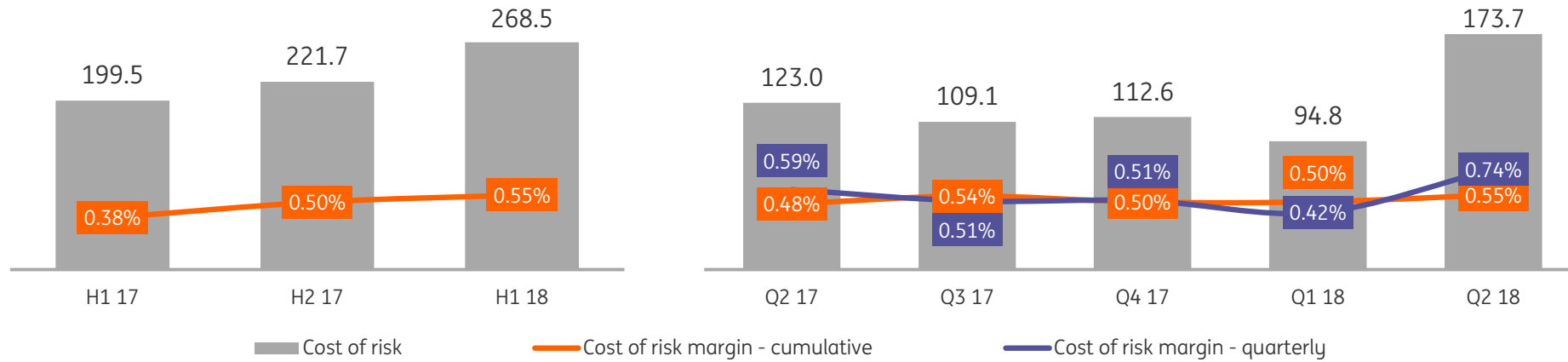


- Personnel costs increase due to the pay increase
- General and administrative costs increased in Q1 2018 as a result of development projects, which are conducted mainly in the IT area
- The annual contribution for the restructuring fund amounted to PLN 58.2 million (PLN 70.5 million in Q1 2017) - fully booked in the first quarter costs

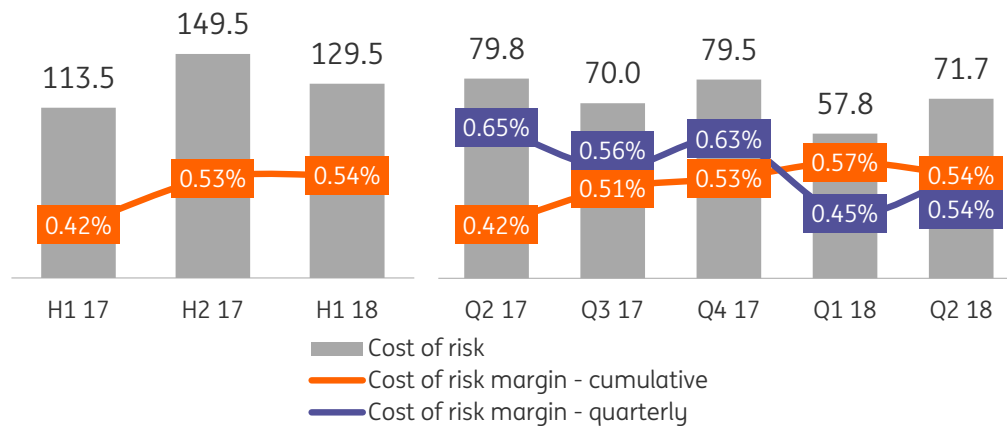


Cost of risk

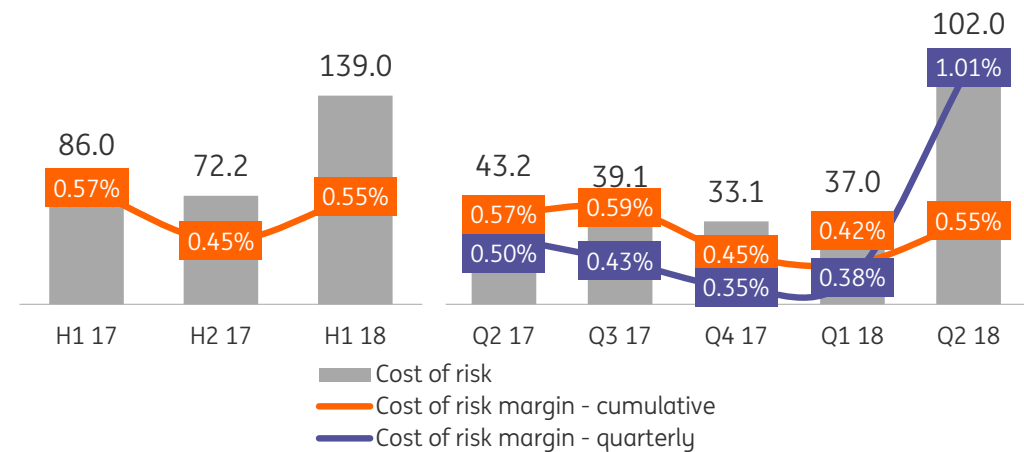
Group (PLN million)



Corporate banking (PLN million)



Retail banking (PLN million)

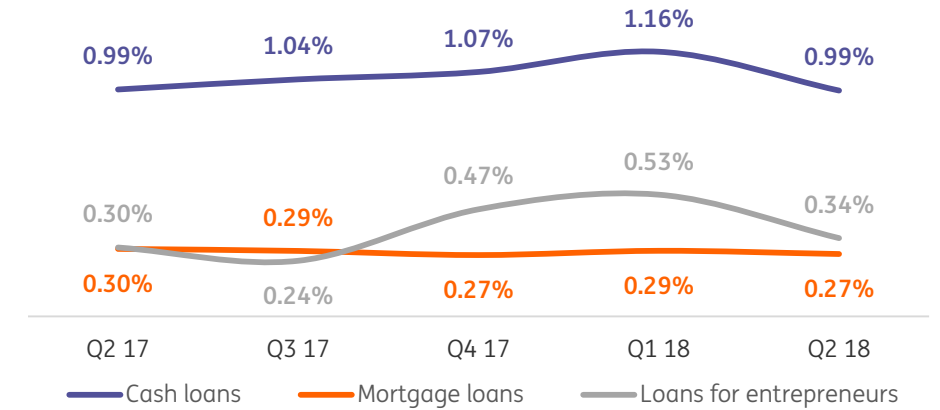


Cost of risk in retail banking in H1 2018

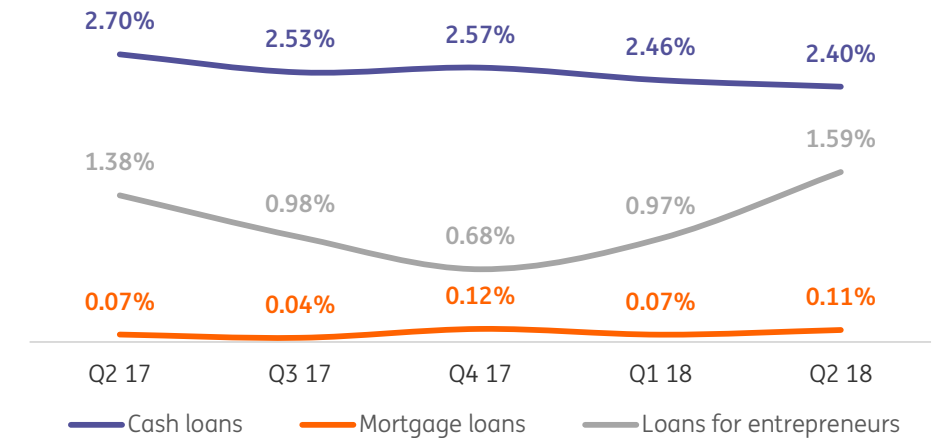
Cost of risk in retail segment: H1 2018 vs. H2 2017 (PLN million)



Share of 30+ DPD loans in stage 1 and stage 2 loan portfolio



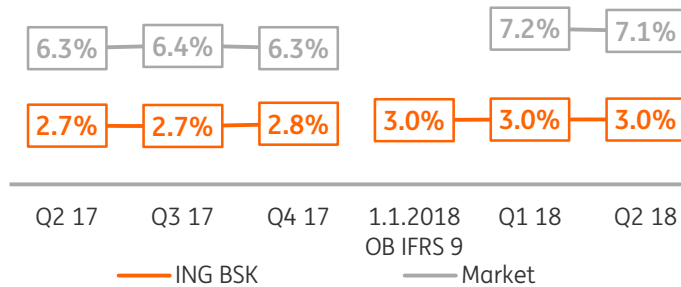
Annualised net credit losses as % of stage 1 and stage 2 loan portfolio



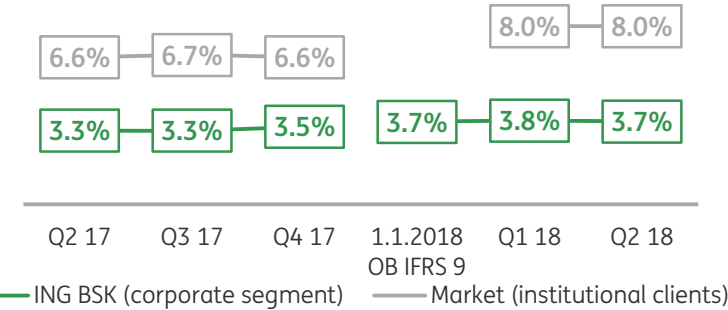
Portfolio quality and provisioning

Share of non-performing portfolio in the total portfolio

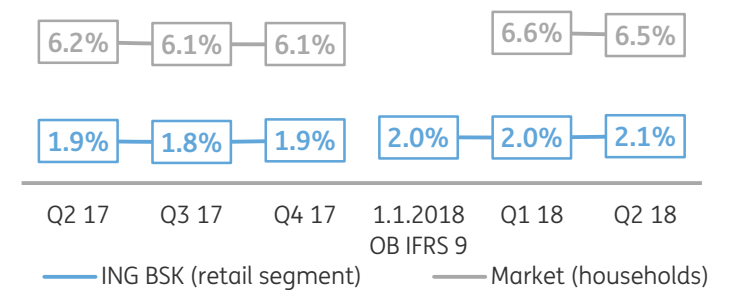
Group



Corporate banking

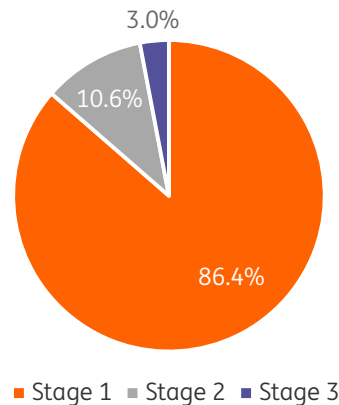


Retail banking

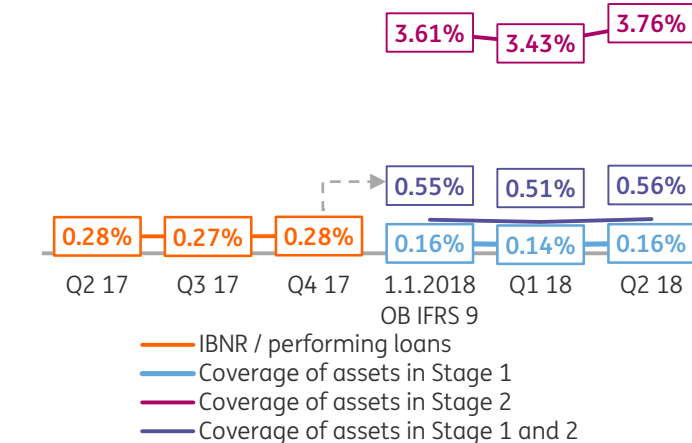


Data up to Q4 17 represent reporting under IAS 39, since Q1 18 represent reporting under IFRS 9
 Note - IFRS 9 data for the market is not fully comparable with the Bank's data due to different banks' approach to taking into account penalty interest

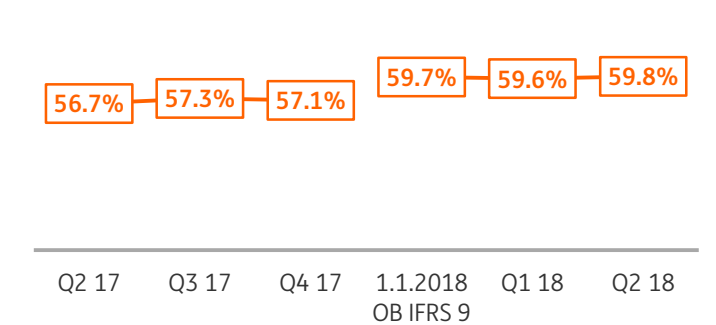
Gross loans portfolio structure



Coverage ratio – Stages 1 and 2

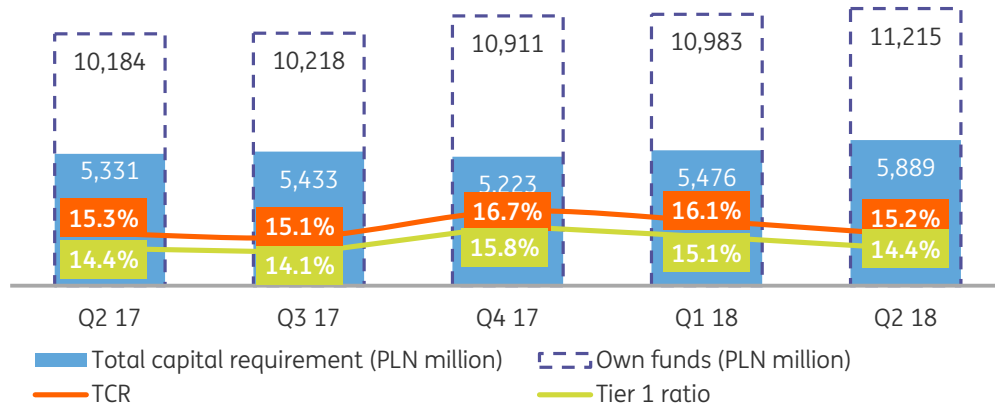


Coverage ratio – Stage 3



Capital adequacy

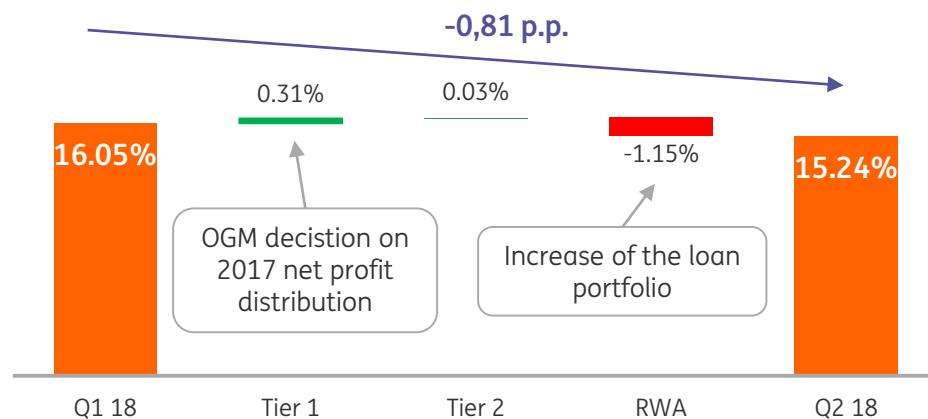
Consolidated total capital ratio and capital requirements



- TCR and Tier 1 ratios are 1.9 p.p. and 3.0 p.p. above the minimum capital requirements for ING BSK which are 13.38% and 11.38%, respectively.

- TCR and Tier 1 ratio would be 14.9% and 14.0% respectively if ING BSK did not phase in IFRS 9 implementation.

Consolidated total capital ratio – decomposition of q/q change



- Other liquidity and capital ratios – Q2 2018:

- LR – 7.5% (0p.p. q/q and -0.1p.p. y/y)
- LCR – 123% (-12p.p. q/q and -11p.p. y/y)
- NSFR – 123% (+4p.p. q/q and +4p.p. y/y)

Appendixes

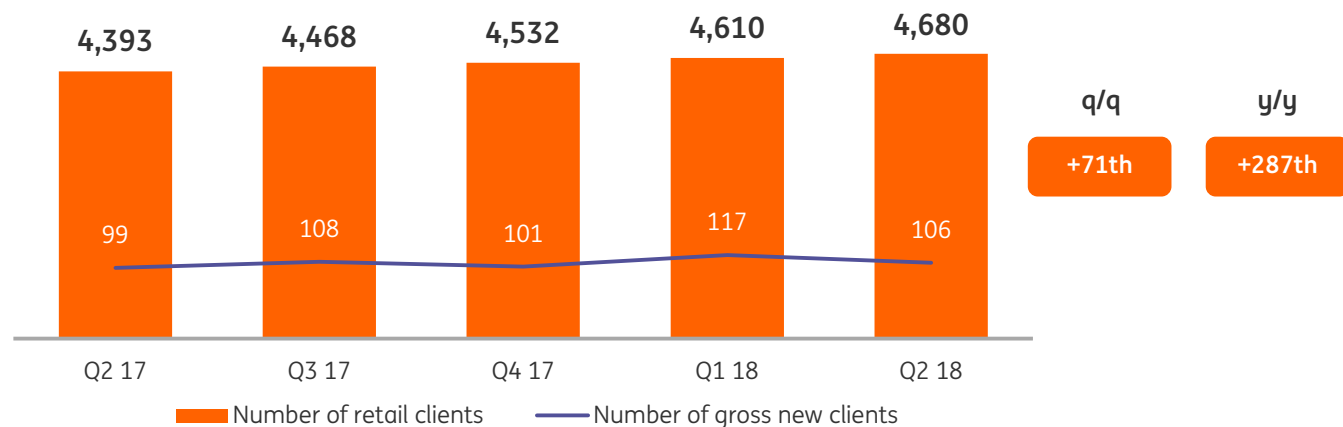


Retail banking

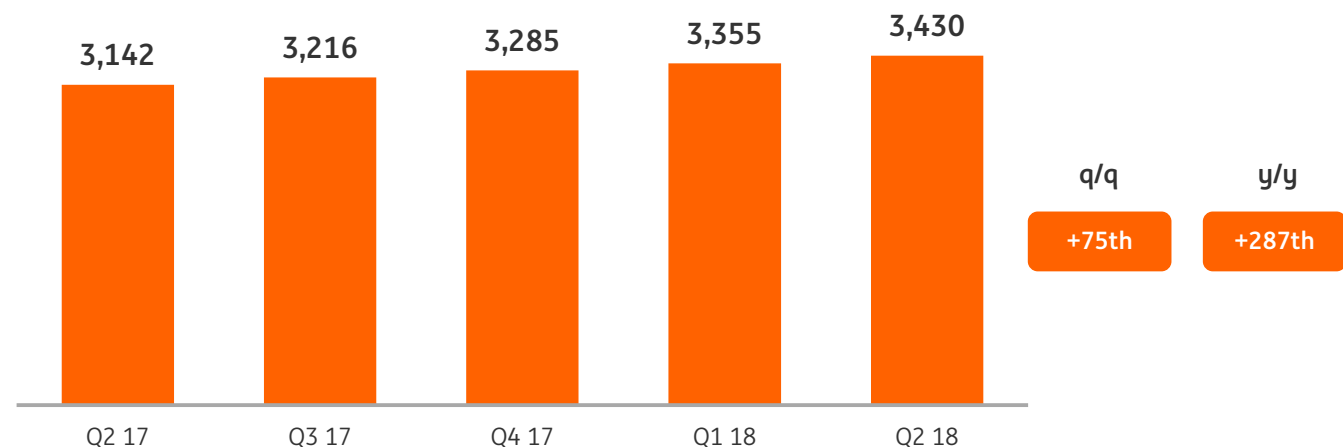
Client base

Nearly 4.7 million retail clients

Number of retail clients (thousand)



Number of retail clients' current accounts (thousand)



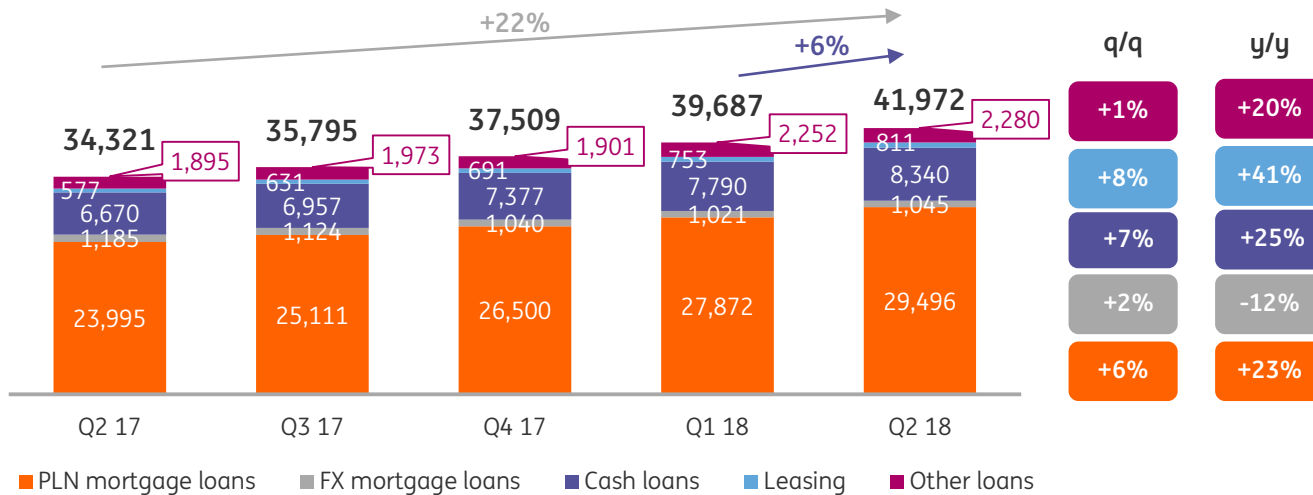
Note: PLN denominated current accounts



- 83% of accounts are Direct Accounts
- We have introduced **a new account** to the offer - Mobi for the young
- Clients pinned **over 85 thousand multi-currency cards** to currency accounts and **made over 1.3 million transactions**; we maintain high sales of FX accounts
- We have **200 thousand users of Trusted Profile** who used it over 510 thousand times

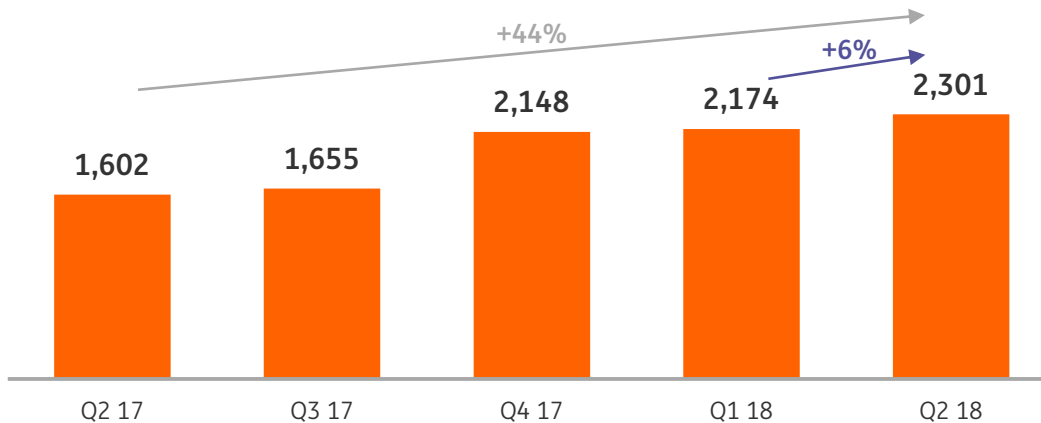
Retail lending

Loan portfolio of retail clients (PLN million)

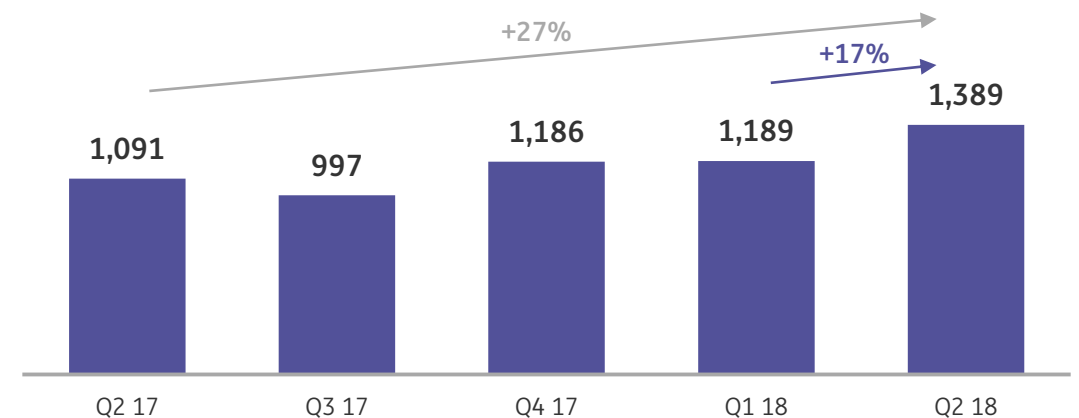


- **PLN 2.6 billion** cash loans granted to retail clients in H1 2018 (+24% y/y)
- **17.3%** market share in mortgage loan production in H1 2018. Amount of agreements signed: PLN 4.5 billion (+55% y/y)
- **9.9%** market share in PLN housing loans; **6.9%** in total housing loans (as at the end of Q2 2018)

Mortgage loans production (PLN million)



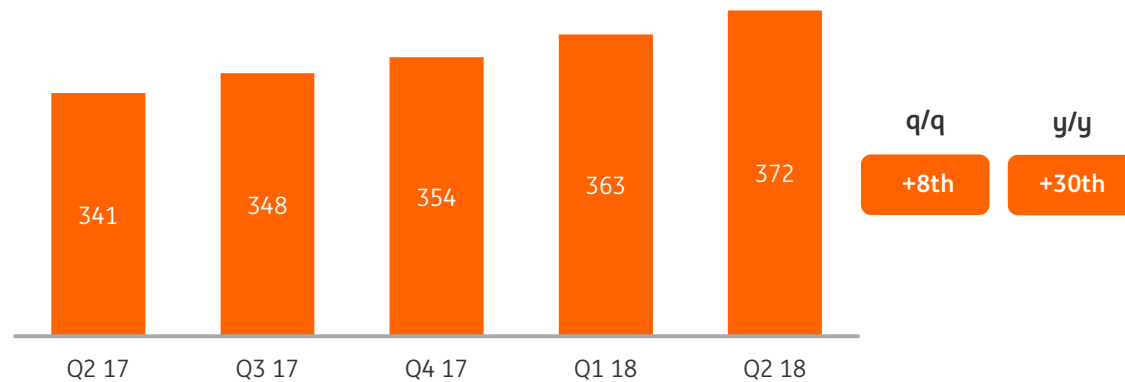
Cash loan production (PLN million)



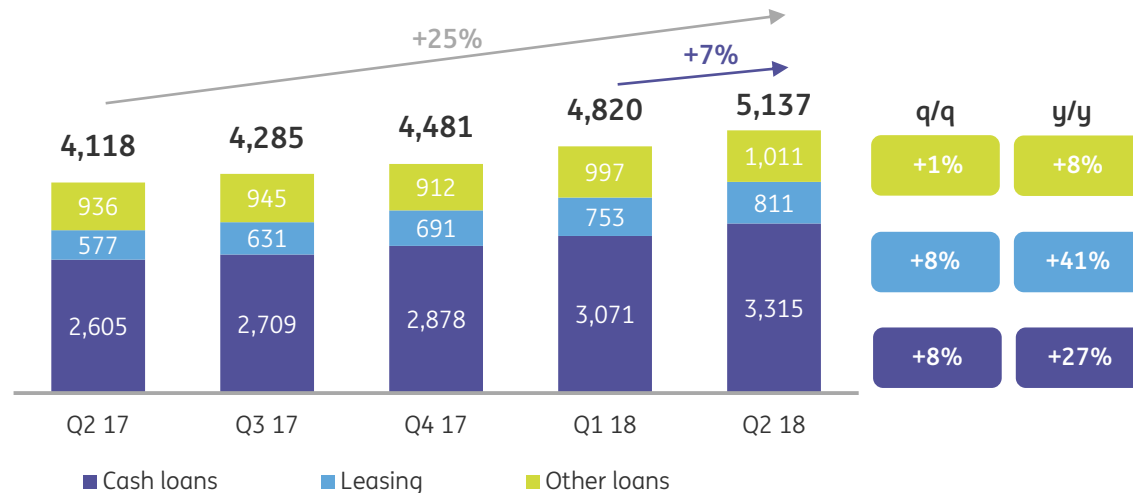
ING supports entrepreneurs

372 thousand entrepreneurs

Number of entrepreneurs (thousand)



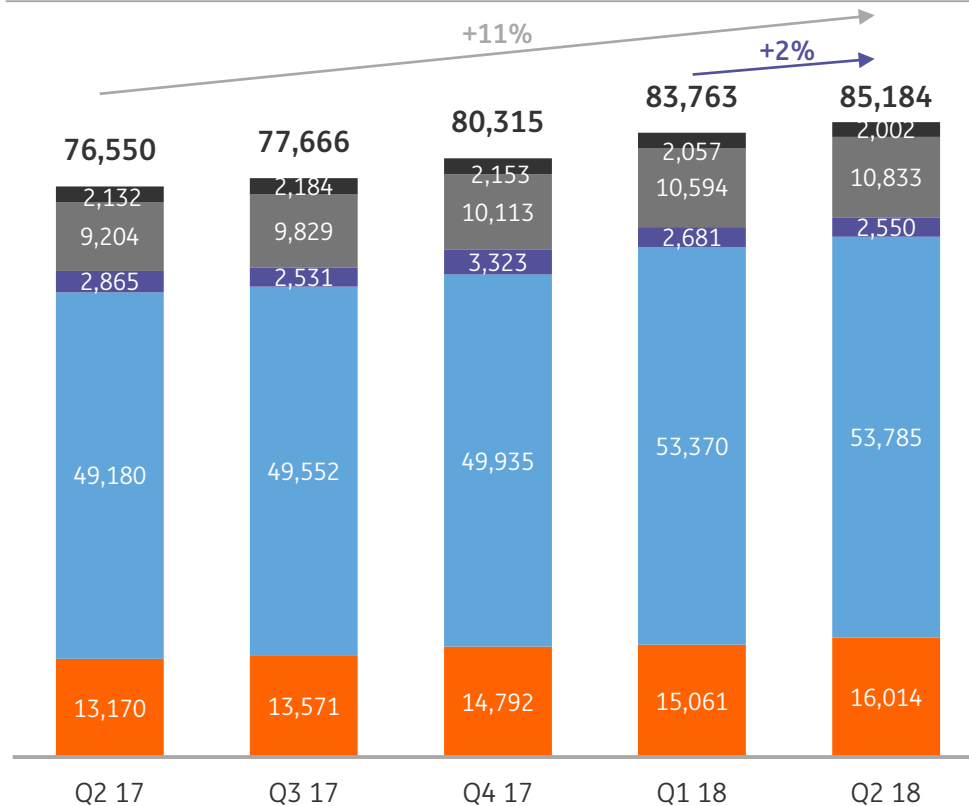
Loans and other receivables from entrepreneurs (PLN million gross)



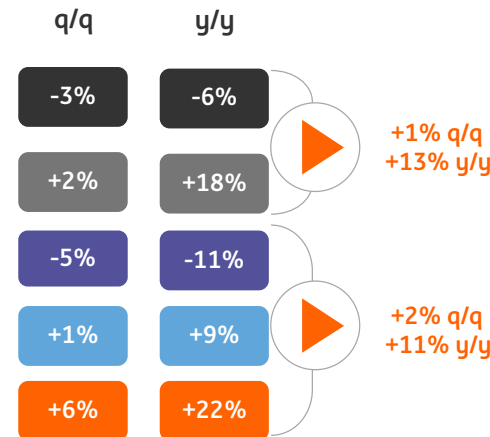
- We run nearly **377 thousand current accounts** for **371 thousand entrepreneurs** out of which **95% are Direct Accounts**
- We have introduced invoice financing for small businesses to our offer
- We have expanded the offer of simplified accounting for small businesses, which is used daily by 2 thousand clients

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
- Savings accounts
- Current accounts



- We run 76.2 thousand brokerage accounts; number of active clients increased by +29% y/y
- In Q2 18 we opened over 3.0 thousand brokerage accounts (#1 in the market), out of which 90% via Moje ING
- 9% share in the retail tranche of Ten Square Games IPO



- Already 87.8 thousand clients invest regularly

Progressive evolution of banking

ING more and more digital

New in mobile banking

Contactless Visa on your phone

Moje ING keyboard

Electronic banking

We have 70.6 thousand HCE and Google Pay users

In Q2 2018 online sales of cash loans represented 74% of cash loans to individual clients and 69% of cash loans sold to entrepreneurs

~ 1,141 thousand clients with active BLIK (+10% q/q, +49% y/y)

~ 2.9 million BLIK transactions (~5x y/y), out of which 2.1 million e-commerce transactions (+33% q/q, ~6x y/y)

99.88% of retail transfers are electronic transfers

~ 15.5 million transfers in mobile banking (+13% q/q, +44% y/y)

1.6m

active mobile banking clients

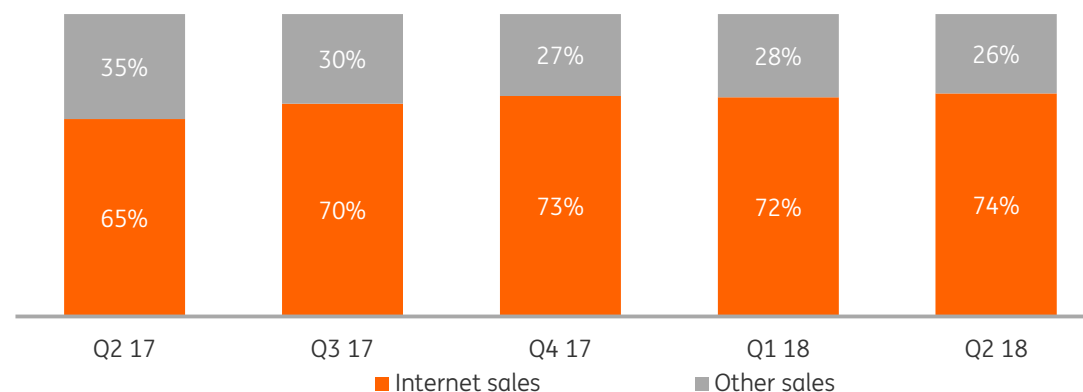
Physical distribution network

352 branches with self-service zones

1 073 machines for cash self-service, including 887 recyclers, out of which 862 are contactless ATMs/Recyclers

64 ING Express sales points at shopping malls

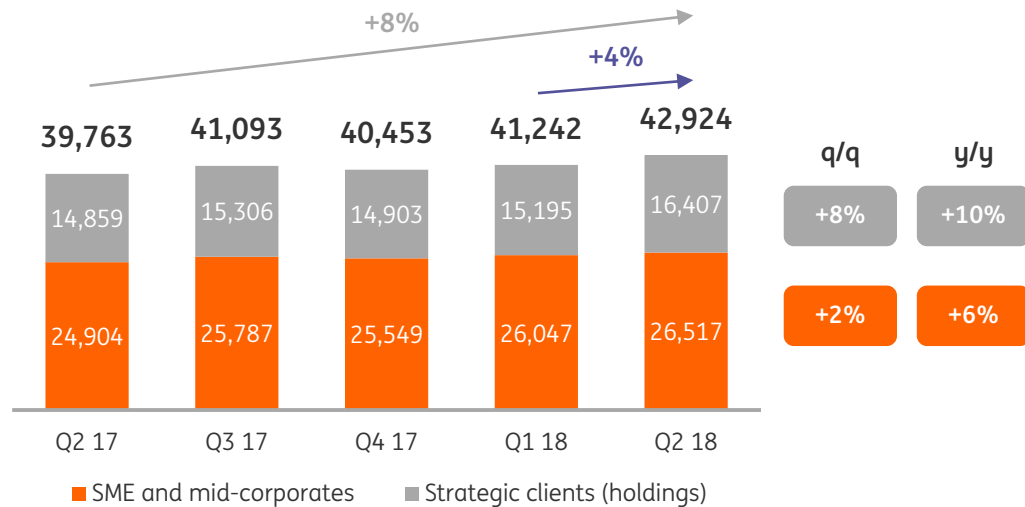
Structure of cash loans sales (as per the number of loans)



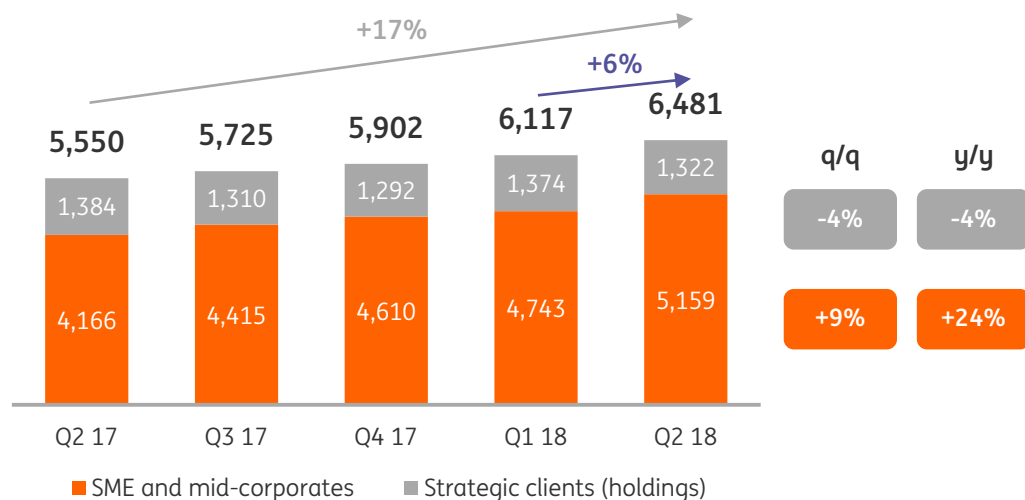
Corporate banking

Receivables

Volume of loans (gross; PLN million)



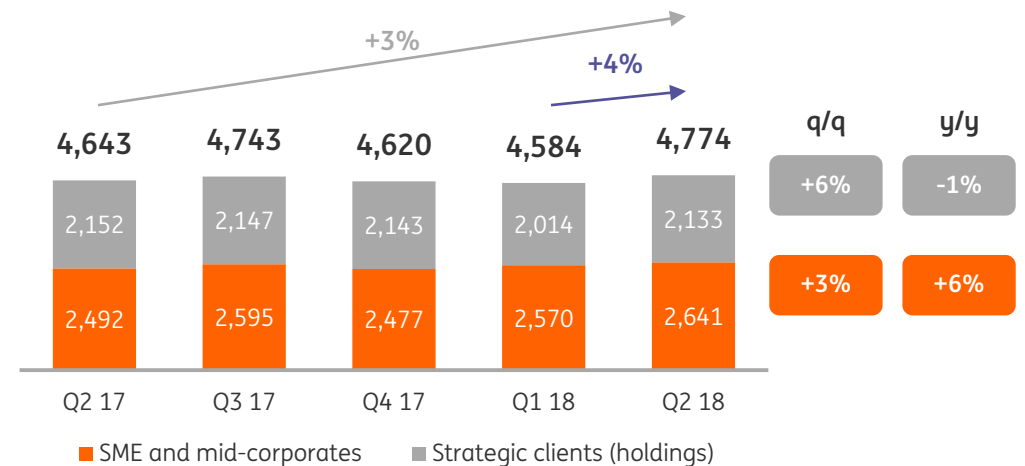
Volume of leasing receivables* (gross; PLN million)



- ING Lease financed hybrid city buses for Warsaw
- We are a member of a consortium of banks that financed Grupa Azoty's PLN 3 billion-worth investments
- We granted Niam a loan of EUR 121.5 million to finance the purchase of the office real estate portfolio

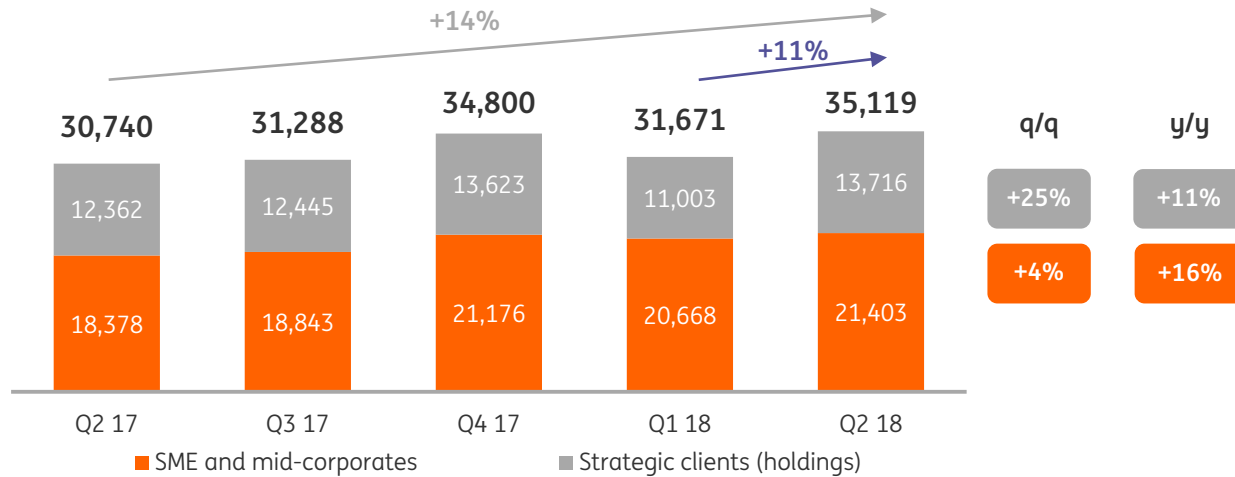


Volume of factoring receivables (gross; PLN million)

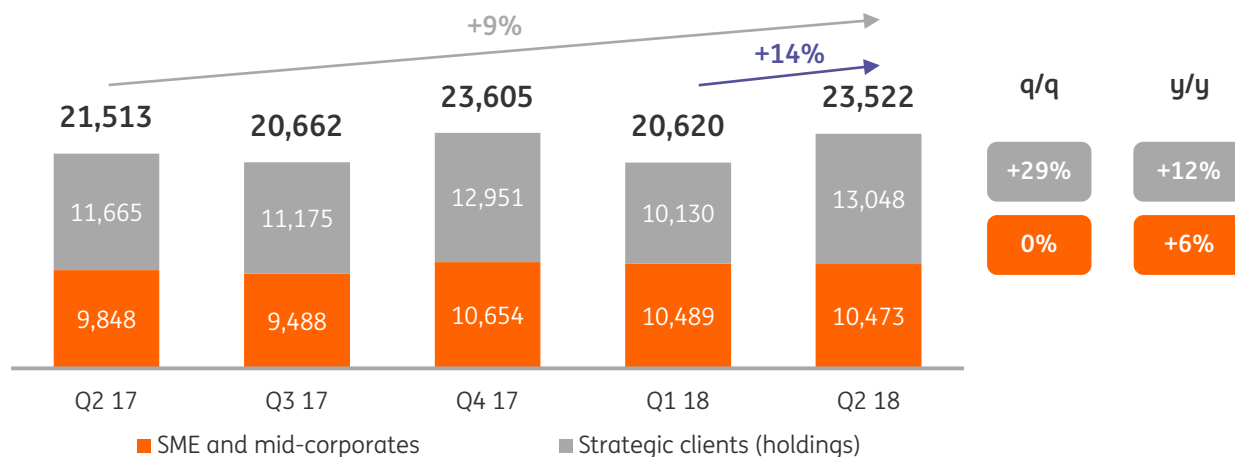


Cash management

Volume of corporate deposits (PLN million)



Volume of corporate current accounts (PLN million)



2.6th

new SME and mid-corporate clients acquired in Q2 2018

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

- 140 electronic depositories,
- 75 light depositories,
- 23 mini CDMs,
- 6 micro CDMs,
- 16 fee collection machines.

Number of mobile transfers increased by +38% y/y

Financial results

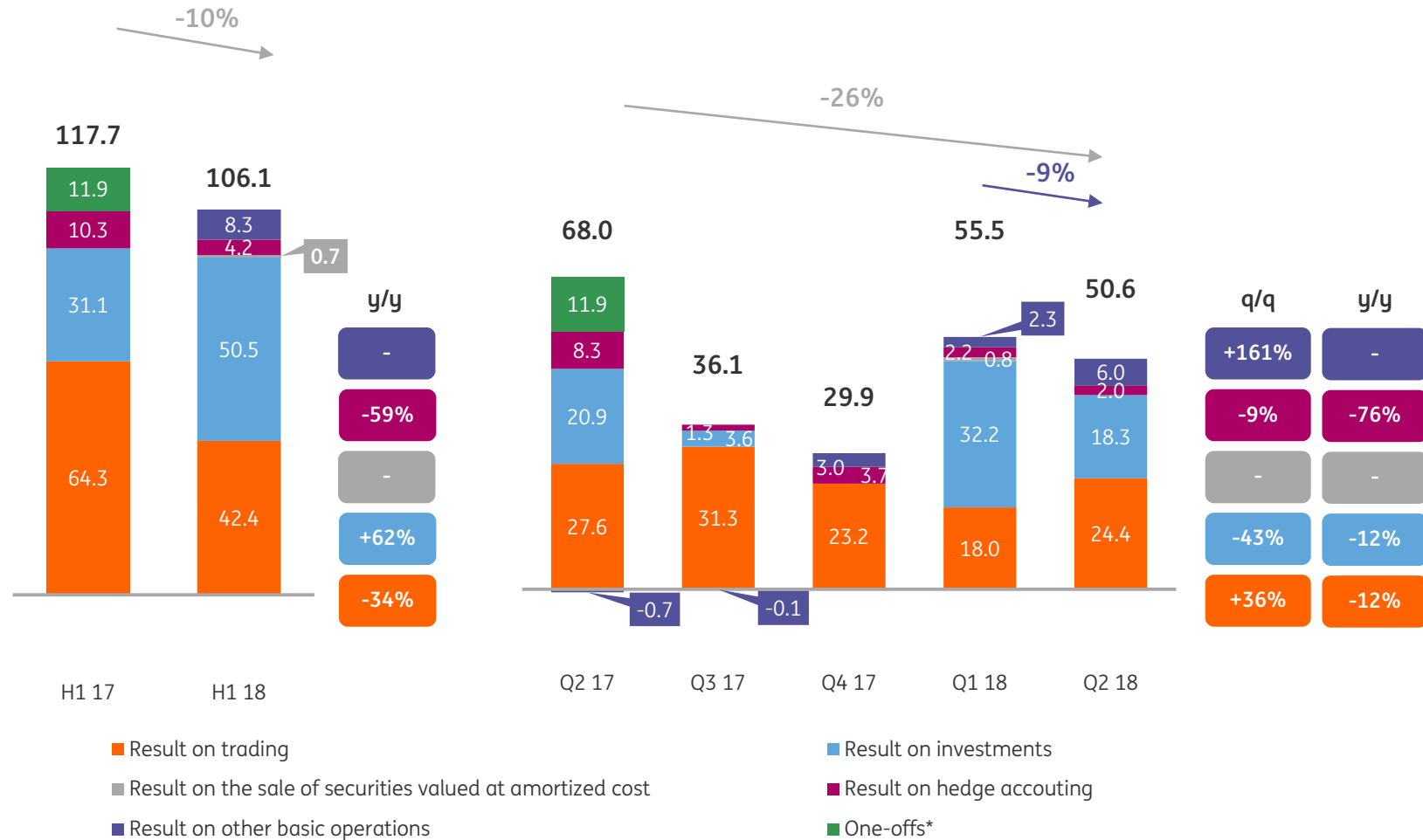
Income statement

Interim condensed consolidated financial statements (PLN m)

	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	q/q Δ	%	y/y Δ	%	H1 17	H1 18	y/y Δ	%
Net interest income, of which:	794.8	830.5	869.0	895.2	883.3	920.0	36.7	4.2%	89.5	10.8%	1,625.3	1,803.3	178.0	11.0%
Interest income, of which:	1,004.3	1,040.6	1,081.7	1,111.0	1,098.4	1,150.2	51.8	4.7%	109.6	10.5%	2,044.9	2,248.6	203.7	10.0%
- Interest on loans and receivables to other banks measured at amortised cost	12.5	13.7	13.9	16.1	9.5	7.9	-1.6	-16.8%	-5.8	-42.3%	26.2	17.4	-8.8	-33.6%
- Interest on loans and receivables to customers measured at amortised cost	826.3	866.5	908.6	935.7	919.8	968.1	48.3	5.3%	101.6	11.7%	1,692.8	1,887.9	195.1	11.5%
- Interest on securities measured at amortised cost					69.9	74.7	4.8	6.9%	74.7	-	0.0	144.6	144.6	-
- Interest on securities measured through other comprehensive income					99.2	99.5	0.3	0.3%	99.5	-	0.0	198.7	198.7	-
- Interest on available-for-sale debt securities	121.2	108.3	103.4	103.8			0.0	-	-108.3	-100.0%	229.5	0.0	-229.5	-
- Interest on held-to-maturity debt securities	44.3	52.1	55.7	55.4			0.0	-	-52.1	-100.0%	96.4	0.0	-96.4	-
Interest expenses, of which:	209.5	210.1	212.7	215.8	215.1	230.2	15.1	7.0%	20.1	9.6%	419.6	445.3	25.7	6.1%
- Interest on deposits from banks	16.9	16.3	15.5	12.2	10.2	14.5	4.3	42.2%	-1.8	-11.0%	33.2	24.7	-8.5	-25.6%
- Interest on deposits from customers	183.8	185.0	188.3	195.7	200.1	210.6	10.5	5.2%	25.6	13.8%	368.8	410.7	41.9	11.4%
- Interest on issue of debt securities	5.7	5.7	5.8	4.7	1.9	1.9	0.0	0.0%	-3.8	-66.7%	11.4	3.8	-7.6	-66.7%
- Interest on subordinated liabilities	3.1	3.1	3.1	3.2	2.9	3.2	0.3	10.3%	0.1	3.2%	6.2	6.1	-0.1	-1.6%
Net commission income	290.8	293.1	309.9	302.2	318.1	339.6	21.5	6.8%	46.5	15.9%	583.9	657.7	73.8	12.6%
Result on trade operations and revaluation (incl investments and HA)	48.9	68.7	36.2	26.9	53.2	44.6	-8.6	-16.2%	-24.1	-35.1%	117.6	97.8	-19.8	-16.8%
- Net income on instruments measured at fair value through profit or loss and FX	36.7	27.6	31.3	23.2	18.0	24.4	6.4	35.6%	-3.2	-11.6%	64.3	42.4	-21.9	-34.1%
- The result on the sale of securities valued at amortized cost	0.0	0.0	0.0	0.0	0.8	-0.1	-0.9	-	-0.1	-	0.0	0.7	0.7	-
- Net income on investments	10.2	32.8	3.6	0.0	32.2	18.3	-13.9	-43.2%	-14.5	-44.2%	43.0	50.5	7.5	17.4%
- Net income on hedge accounting	2.0	8.3	1.3	3.7	2.2	2.0	-0.2	-9.1%	-6.3	-75.9%	10.3	4.2	-6.1	-59.2%
Net income on other basic activities	0.8	-0.7	-0.1	3.0	2.3	6.0	3.7	160.9%	6.7	-	0.1	8.3	8.2	8200.0%
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	1,135.3	1,191.6	1,215.0	1,227.3	1,256.9	1,310.2	53.3	4.2%	118.6	10.0%	2,326.9	2,567.1	240.2	10.3%
Expenses	565.6	512.1	529.6	528.5	628.3	555.0	-73.3	-11.7%	42.9	8.4%	1,077.7	1,183.3	105.6	9.8%
- personnel expenses	251.0	260.6	260.6	263.5	275.4	286.0	10.6	3.8%	25.4	9.7%	511.6	561.4	49.8	9.7%
- other expenses	268.5	206.7	224.4	218.1	309.2	224.2	-85.0	-27.5%	17.5	8.5%	475.2	533.4	58.2	12.2%
- D&A	46.1	44.8	44.6	46.9	43.7	44.8	1.1	2.5%	0.0	0.0%	90.9	88.5	-2.4	-2.6%
Profit before risk costs	569.7	679.5	685.4	698.8	628.6	755.2	126.6	20.1%	75.7	11.1%	1,249.2	1,383.8	134.6	10.8%
Risk costs	76.5	123.0	109.1	112.6	94.8	173.7	78.9	83.2%	50.7	41.2%	199.5	268.5	69.0	34.6%
- retail	42.8	43.2	39.1	33.1	37.0	102.0	65.0	175.7%	58.8	136.1%	86.0	139.0	53.0	61.6%
- corporate	33.7	79.8	70.0	79.5	57.8	71.7	13.9	24.0%	-8.1	-10.2%	113.5	129.5	16.0	14.1%
Tax on certain financial institutions	79.4	80.4	84.1	86.2	87.5	91.1	3.6	4.1%	10.7	13.3%	159.8	178.6	18.8	11.8%
Profit (loss) before tax	413.8	476.1	492.2	500.0	446.3	490.4	44.1	9.9%	14.3	3.0%	889.9	936.7	46.8	5.3%
Income tax	113.6	115.7	116.4	133.2	124.1	117.7	-6.4	-5.2%	2.0	1.7%	229.3	241.8	12.5	5.5%
Net profit (loss), of which:	300.2	360.4	375.8	366.8	322.2	372.7	50.5	15.7%	12.3	3.4%	660.6	694.9	34.3	5.2%
Net profit (loss) attributable to the shareholders of ING BSK	300.2	360.4	375.8	366.8	322.2	372.7	50.5	15.7%	12.3	3.4%	660.6	694.9	34.3	5.2%
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%	260.2	260.2	0.0	0.0%
Earnings per share (PLN)	9.23	11.08	11.55	11.28	9.91	11.46	1.55	15.7%	0.38	3.4%	20.31	21.37	1.05	5.2%

Other income

Other income (PLN million)



One-offs*:

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

Statement of financial position

Consolidated statement of financial position (PLN m)

ASSETS

	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	q/q Δ	q/q %	y/y Δ	y/y %
- Cash in hand and balances with the Central Bank	1,825.0	1,250.0	1,351.9	1,638.2	2,815.2	2,042.4	1,781.5	-260.9	-12.8%	429.6	31.8%
- Loans and receivables to other banks	1,113.4	1,125.7	1,050.2	1,174.7	2,234.5	2,017.4	951.8	-1,065.6	-52.8%	-98.4	-9.4%
- Financial assets held for trading	3,943.9	2,715.8	3,706.3	2,243.7	1,314.8	1,263.6	2,034.0	770.4	61.0%	-1,672.3	-45.1%
- Investments	29,631.3	30,255.5	28,016.7	28,119.8	29,471.5	29,135.7	28,677.0	-458.7	-1.6%	660.3	2.4%
- Derivative hedge instruments	1,338.6	1,259.1	1,148.6	1,050.1	967.2	960.6	880.2	-80.4	-8.4%	-268.4	-23.4%
- Loans and receivables to customers	78,069.5	80,713.7	83,333.2	86,433.3	87,544.0	90,290.5	94,724.3	4,433.8	4.9%	11,391.1	13.7%
- Non-financial assets	1,004.2	995.3	985.0	979.0	980.0	965.6	956.8	-8.8	-0.9%	-28.2	-2.9%
- Property, plant and equipment held for sale	31.8	19.7	14.3	15.3	11.1	10.9	16.2	5.3	48.6%	1.9	13.3%
- Tax assets	237.5	181.9	228.5	250.4	257.1	276.4	335.2	58.8	21.3%	106.7	46.7%
- Other assets	282.5	333.8	362.9	385.5	418.5	347.2	401.6	54.4	15.7%	38.7	10.7%
Total assets	117,477.7	118,850.5	120,197.6	122,290.0	126,013.9	127,310.3	130,758.6	3,448.3	2.7%	10,561.0	8.8%

EQUITY AND LIABILITIES

LIABILITIES

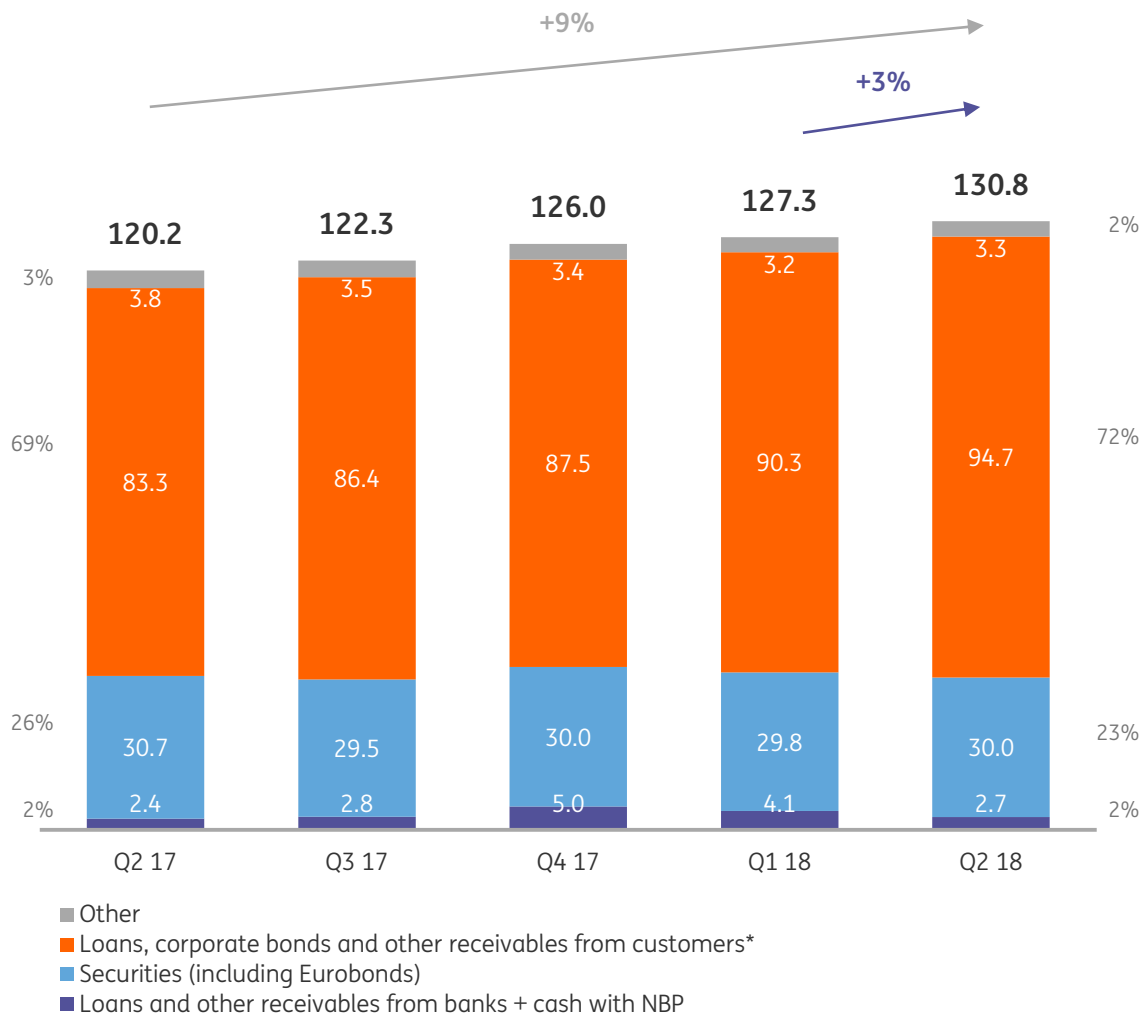
- Liabilities due to other banks	5,043.0	5,606.6	6,140.5	5,637.8	4,109.0	6,288.8	4,882.0	-1,406.8	-22.4%	-1,258.5	-20.5%
- Financial liabilities measured at fair value through profit and loss	453.2	604.4	108.6	1,641.2	735.1	225.9	464.4	238.5	105.6%	355.8	327.6%
- Valuation of derivatives	1,137.6	1,132.2	1,045.7	980.2	979.2	819.0	817.3	-1.7	-0.2%	-228.4	-21.8%
- Derivative hedge instruments	1,468.1	1,206.4	1,015.0	799.9	699.2	622.6	677.7	55.1	8.8%	-337.3	-33.2%
- Liabilities due to customers	95,825.4	96,620.7	97,708.8	98,459.8	104,503.3	104,662.1	109,174.1	4,512.0	4.3%	11,465.3	11.7%
- Liabilities under issue of debt securities	866.4	872.0	866.3	872.1	300.3	302.2	300.2	-2.0	-0.7%	-566.1	-65.3%
- Subordinated liabilities	664.9	634.2	635.3	647.7	626.9	632.4	655.6	23.2	3.7%	20.3	3.2%
- Provisions	60.3	59.4	69.5	77.3	91.9	115.6	125.1	9.5	8.2%	55.6	80.0%
- Tax liabilities	121.3	24.1	121.4	181.1	232.9	244.8	68.3	-176.5	-72.1%	-53.1	-43.7%
- Other liabilities	1,360.3	1,301.1	1,332.4	1,506.7	1,941.3	1,338.0	1,704.4	366.4	27.4%	372.0	27.9%
Total liabilities	107,000.5	108,061.1	109,043.5	110,803.8	114,219.1	115,251.4	118,869.1	3,617.7	3.1%	9,825.6	9.0%

EQUITY

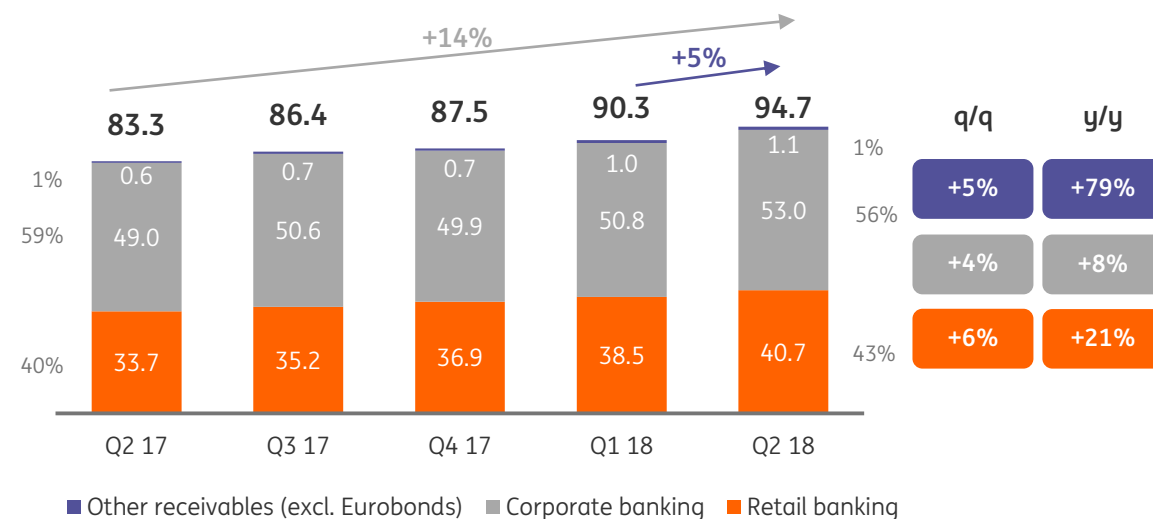
- Share capital	130.1	130.1	130.1	130.1	130.1	130.1	130.1	0.0	0.0%	0.0	0.0%
- Supplementary capital - issuance of shares over nominal value	956.3	956.3	956.3	956.3	956.3	956.3	956.3	0.0	0.0%	0.0	0.0%
- Revaluation reserve	577.5	589.6	596.2	551.8	493.2	684.0	557.0	-127.0	-18.6%	-39.2	-6.6%
- Retained earnings	8,811.0	9,111.3	9,471.5	9,848.0	10,215.2	10,288.5	10,246.1	-42.4	-0.4%	774.6	8.2%
Equity attributable to shareholders of ING BSK	10,474.9	10,787.3	11,154.1	11,486.2	11,794.8	12,058.9	11,889.5	-169.4	-1.4%	735.4	6.6%
- Non-controlling interests	2.3	2.1	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0	-
Total equity	10,477.2	10,789.4	11,154.1	11,486.2	11,794.8	12,058.9	11,889.5	-169.4	-1.4%	735.4	6.6%
Total equity and liabilities	117,477.7	118,850.5	120,197.6	122,290.0	126,013.9	127,310.3	130,758.6	3,448.3	2.7%	10,561.0	8.8%
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)	80.51	82.92	85.73	88.29	90.66	92.69	91.39	-1.30	-1.4%	5.65	6.6%

Bank assets

Assets structure (PLN billion)

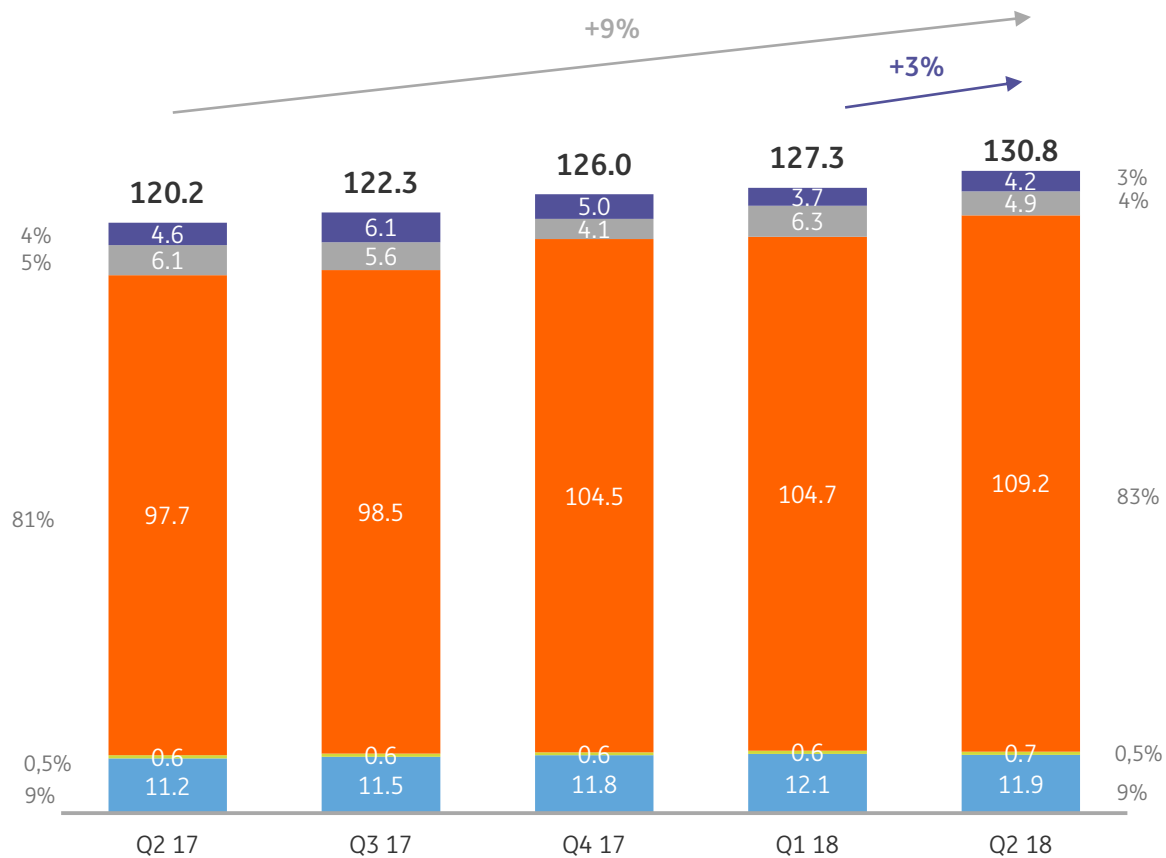


Loans and other receivables from customers* (PLN billion)



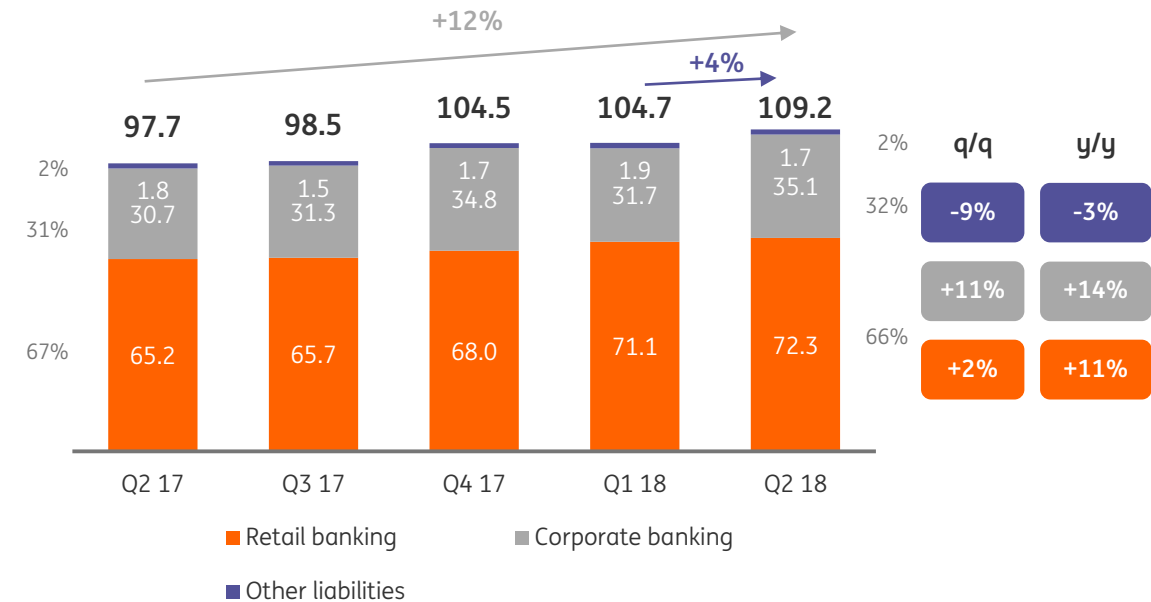
Bank equity and liabilities

Structure of equity and liabilities (PLN billion)



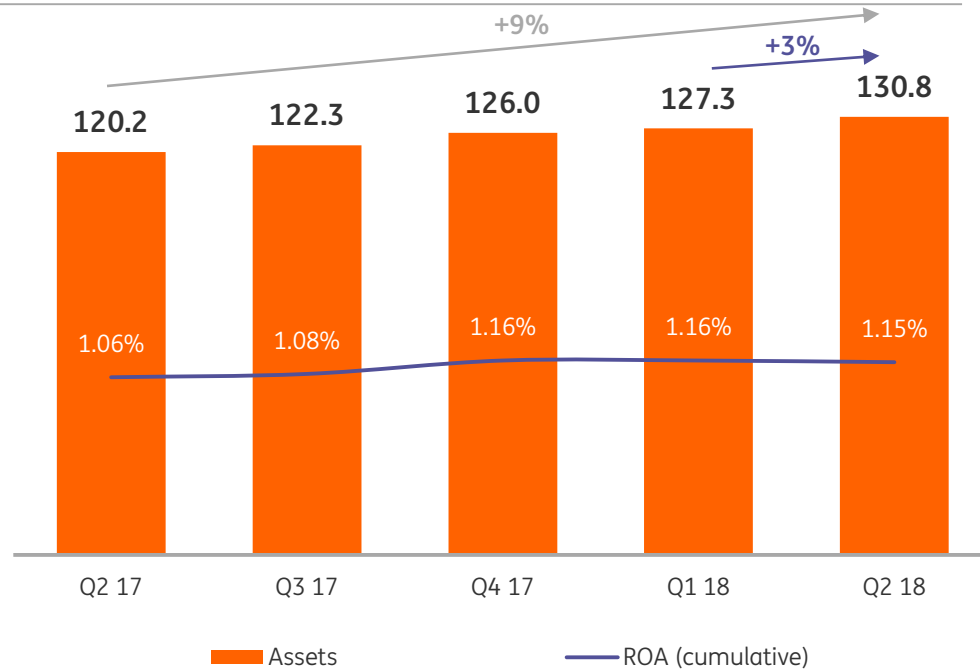
■ Equity ■ Subordinated debt ■ Deposits and other liabilities to clients ■ Liabilities to banks ■ Other

Deposits and other liabilities to customers (PLN billion)

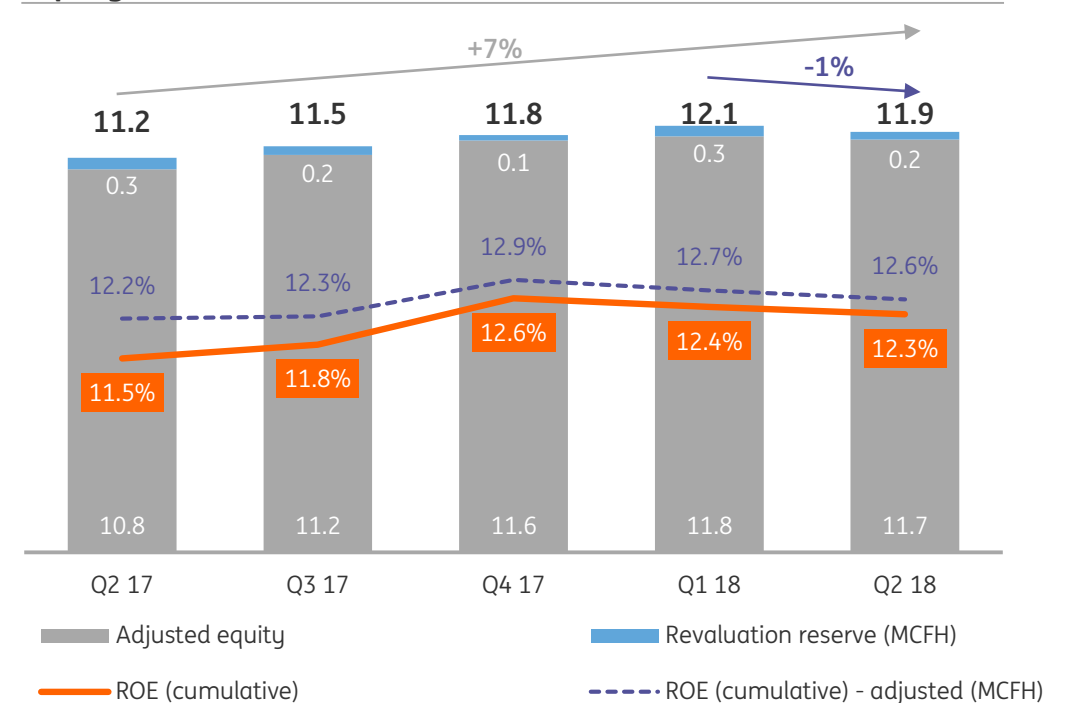


Assets, equity and profitability ratios

Assets (PLN billion) / ROA



Equity (PLN billion) / ROE



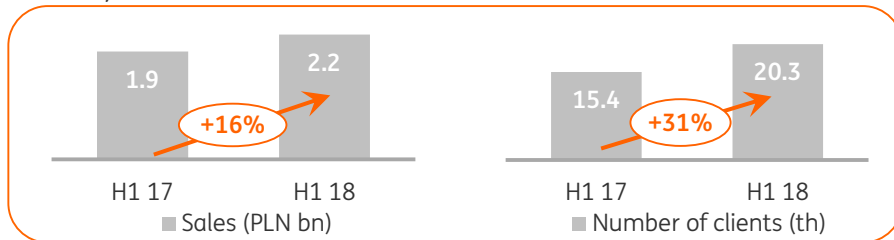
45 **Definitions:** ROA – return on assets = total of net profit for 4 subsequent quarters/ average assets for 5 subsequent quarters; ROE – return on equity = total of net profit for 4 subsequent quarters/ average equity for 5 subsequent quarters; ROE – adjusted = return on equity excluding the revaluation 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)

Other

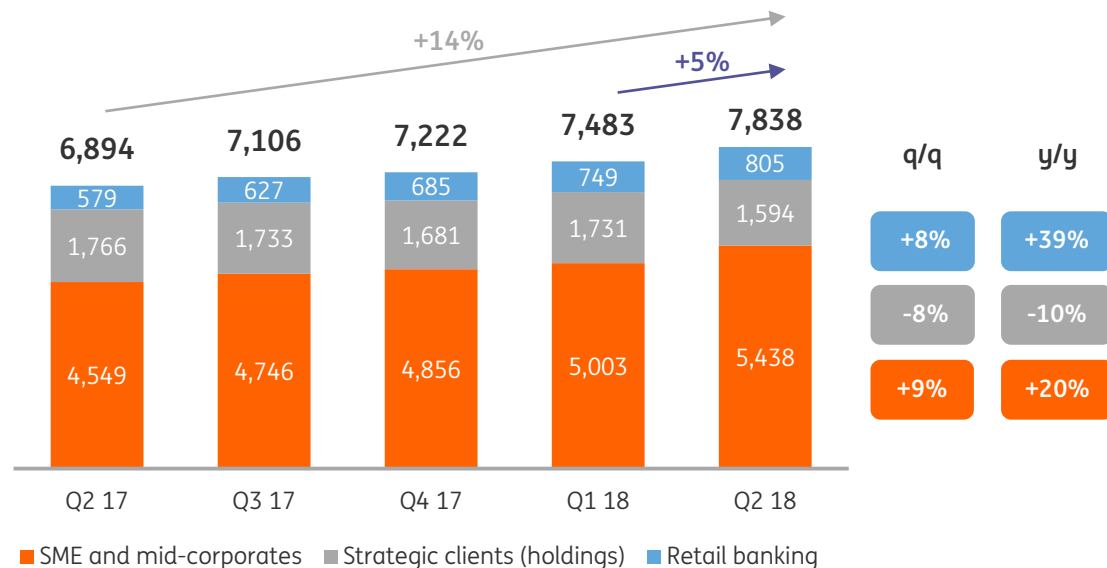
Asset Based Lending

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

- 5.6% market share in new production (#7 in the market)
- Market share in lease of machines and equipment (new production): 7.0% (#6 in the market)

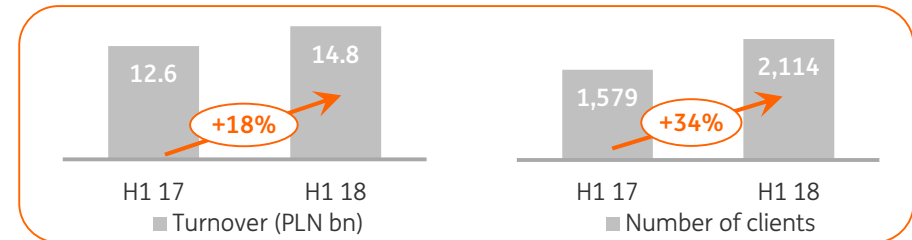


ING Lease receivables (PLN bn, management accounting)

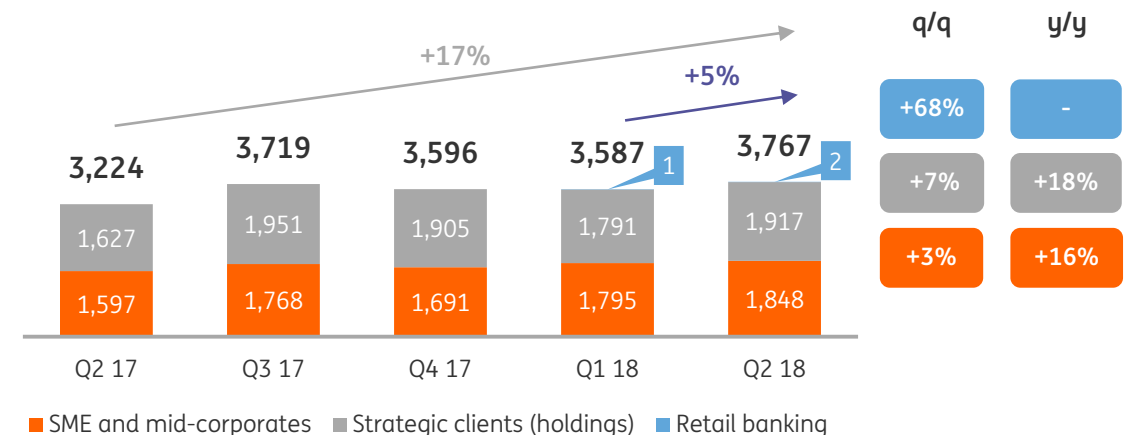


ING Commercial Finance Polska S.A. (factoring)

- #1 in the market with market share of 13.5% in H1 2018
- We bought 23% more invoices y/y

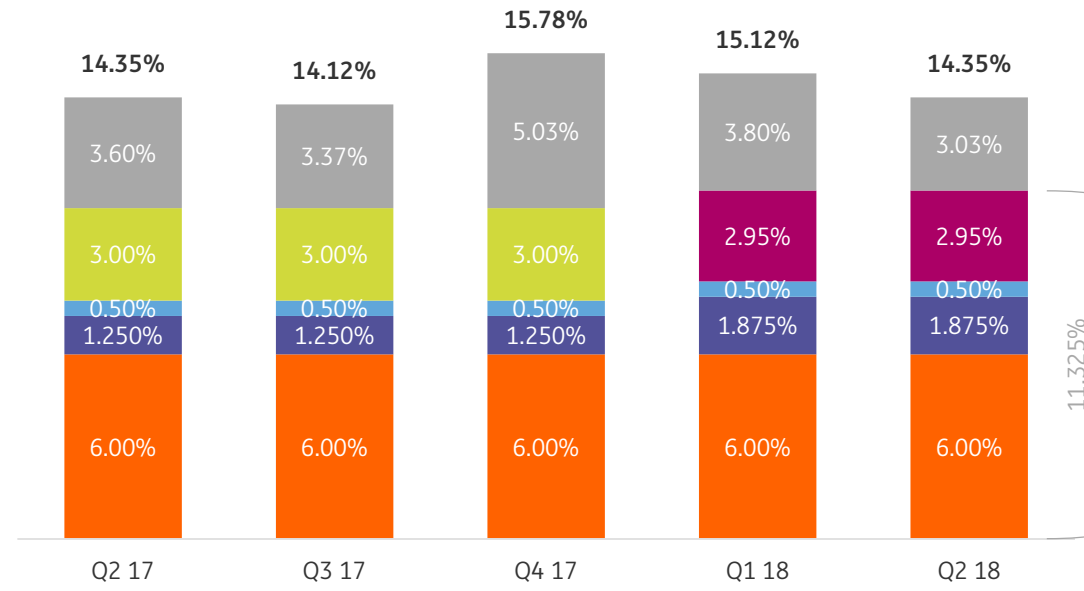


ING ComFin receivables (PLN bn; management accounting)

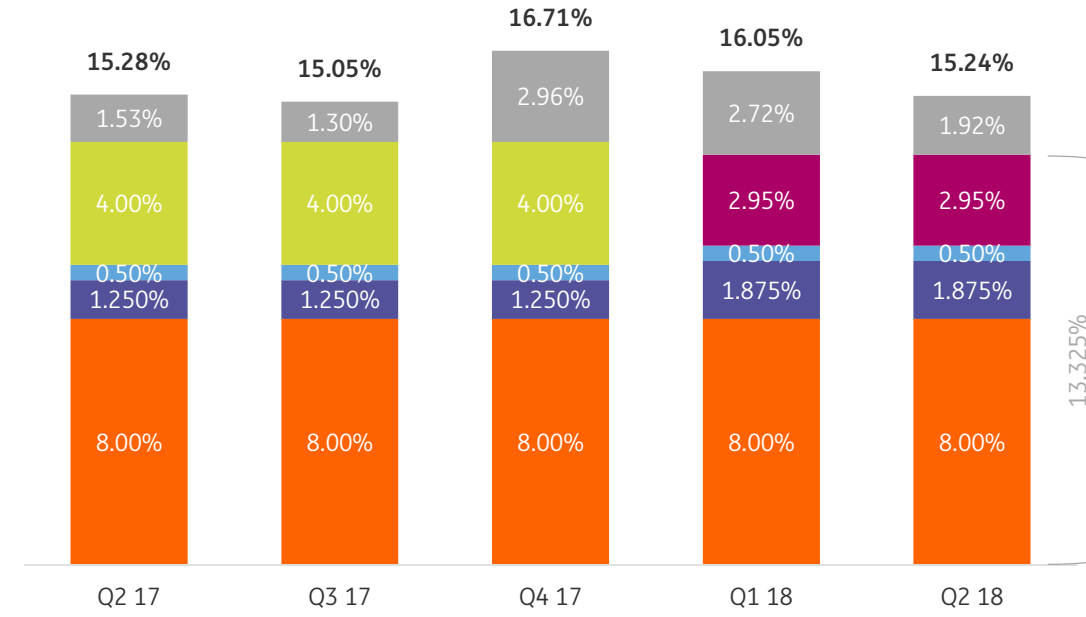


Capital requirement structure

Consolidated capital requirement – Tier 1



Consolidated capital requirement – TCR



- Minimum (CRR)
- Capital conservation buffer (CCB)
- O-SII (0-2%; OSII)
- Pillar 2 (FXB)
- Systemic risk buffer (0-3%*; SRB)
- Anti-cyclical buffer (0-2.5%**; ACB)
- PFSA supervision requirement
- Surplus

- From 1 January 2018 capital conservation buffer went up from 1.250% to 1.875%; as of the beginning of 2019 it will settle at regulatory target of 2.5%.
- Estimated MREL requirement according to actual BGF methodology, bail-in strategy (as % of RWA):

$$(CRR_{TCR} + FXB + OSII) + [1 - (CRR_{TCR} + FXB + OSII)] * (CRR_{TCR} + FXB + OSII + CCB + SRB + ACB)$$

48 *It can reach the level of 3%-5% after the decisions of i) the European Commission, ii) the European Commission and the European Systemic Risk Board, iii) the European Banking Authority; exceeding the 5% level is possible after the consent of the European Commission; **In justified cases, it may exceed 2.5%



Lending exposure by industry

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

Consolidated approach

No	Industry	Exposure as of 30.06.2018	%
1	Wholesale trade	7,919	14.6%
2	Real estate service	7,265	13.4%
3	Financial intermediation	2,967	5.5%
4	Foodstuff and beverage production	2,801	5.2%
5	Public administration and national defense	2,530	4.7%
6	Retail trade	2,447	4.5%
7	Land and pipeline transportation	2,148	4.0%
8	Remaining services connected with running business	2,122	3.9%
9	Ready-made metal goods productions	2,033	3.8%
10	Rubber industry	1,868	3.4%
11	Constructions industry	1,707	3.2%
12	Agriculture, forestry, fishery	1,561	2.9%
13	Wood and paper industry	1,430	2.6%
14	Power industry	1,388	2.6%
15	Post office and telecommunications	1,348	2.5%
16	Equipment rent	1,253	2.3%
17	Remaining non-metal raw materials industries	1,086	2.0%
18	Mechanical vehicles sale, repair and service	1,027	1.9%
19	Chemicals and chemical goods production	913	1.7%
20	Other	8,367	15.4%
Total exposure		54,179	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 30.06.2018	%
1	Wholesale trade	12,206	14.8%
2	Real estate service	7,708	9.4%
3	Financial intermediation	4,297	5.2%
4	Constructions industry	4,119	5.0%
5	Retail trade	4,101	5.0%
6	Power industry	3,957	4.8%
7	Foodstuff and beverage production	3,771	4.6%
8	Remaining services connected with running business	3,600	4.4%
9	Ready-made metal goods productions	3,385	4.1%
10	Public administration and national defense	2,961	3.6%
11	Rubber industry	2,740	3.3%
12	Land and pipeline transportation	2,529	3.1%
13	Wood and paper industry	2,021	2.5%
14	Equipment rent	1,996	2.4%
15	Remaining non-metal raw materials industries	1,864	2.3%
16	Agriculture, forestry, fishery	1,694	2.1%
17	Post office and telecommunications	1,645	2.0%
18	Auxiliary service for transportation	1,582	1.9%
19	Chemicals and chemical goods production	1,413	1.7%
20	Other	14,792	18.0%
	Total exposure	82,381	100.0%

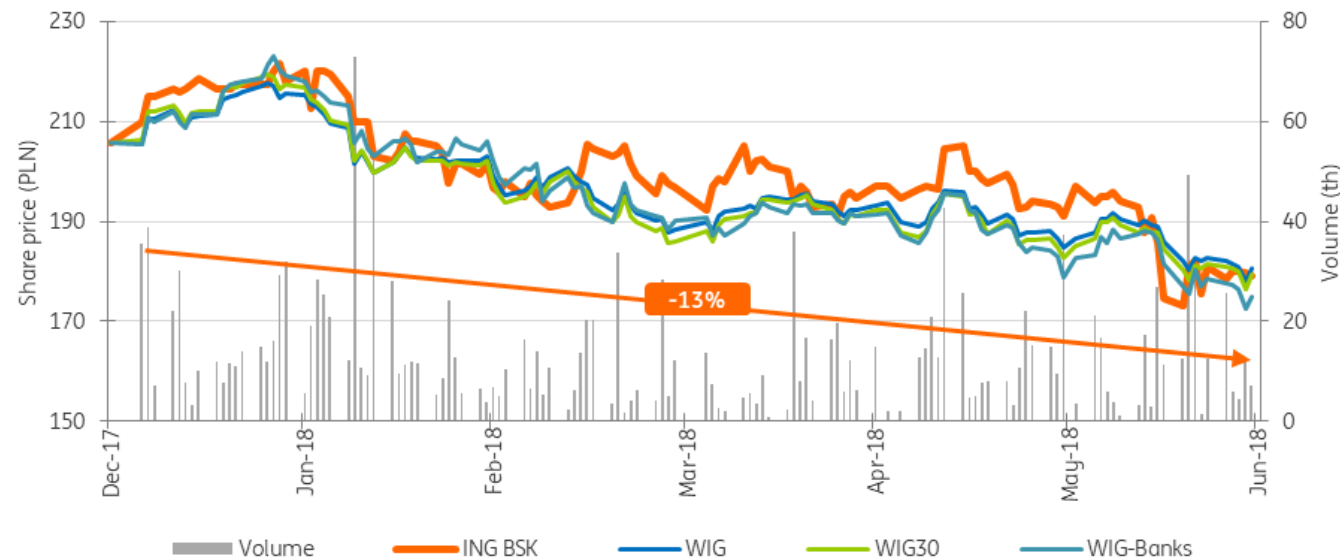
ING Bank Śląski S.A. shares

ING BSK share price:
PLN 179.00 (29 June 2018)

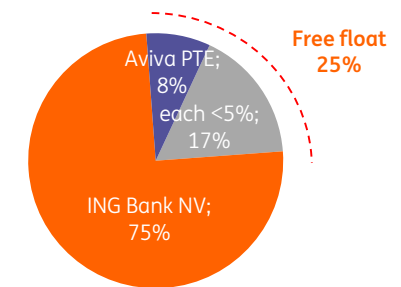
Capitalisation: **PLN 23.3bn** (EUR 5.3bn)
Free float: **PLN 5.8bn** (EUR 1.3bn)

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

ING BSK shares vs. WSE indices recalculated for comparability



Shareholder structure



Market ratios (Q2 18)

P/E 16.2x

P/BV 2.0x

Dictionary

Simplified definitions of presentation terms :

- **LCR** - Liquidity Coverage Ratio. Computed as a ratio of very liquid assets to short-term liabilities. It is introduced in stages. The minimum value is: 60% in 2014 and 2015, 70% in 2016, 80% in 2017 and ultimately 100% starting from 2018.
- **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) as the end of given quarters in a given period (five quarters for cumulative margin and two quarters for quarterly margin).
- **NSFR** - Net Stable Funding Ratio. It is computed as the ratio of available stable funding to required stable funding. In keeping with Regulation of the European Parliament and of the Council (EU) No. 575/2013, the target net stable funding ratio (NSFR) was not defined.
- **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 loans in Stage 3.
- **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 I ratio** - the ratio of Tier I 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.

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.

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