

# ING Bank Śląski S.A.

Business and Financial Results  
for Q4 2018

Warsaw, 1 March 2019



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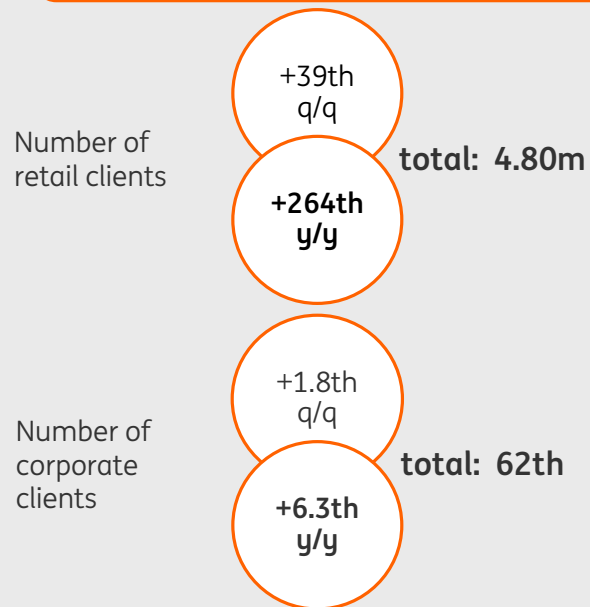
# Introduction to financial results and the Bank's market position





# Main achievements in 2018 – The record year: the loan portfolio grew by PLN 16 billion

Increased number of clients...

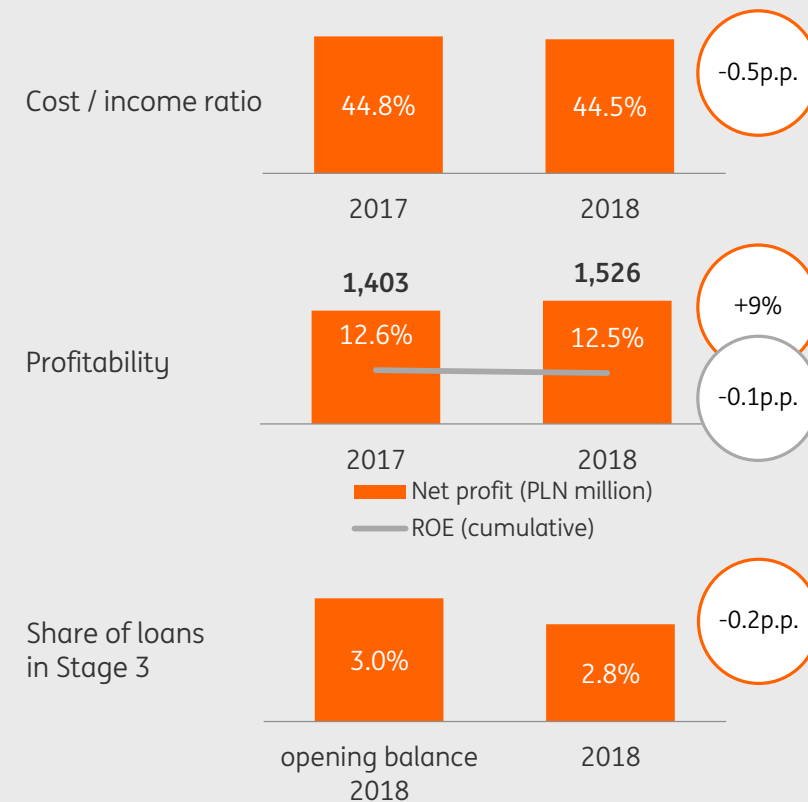


- Our retail clients made 63 million transactions in mobile banking in 2018, which is 19 million more than in 2017 (+44% y/y)
- The share of mobile transfers in total transfers increased from 14% in 2017 to 18% in 2018

...and higher business volumes...

- The gross customer receivables portfolio increased by PLN 16.0bn y/y (+18% y/y) to PLN 104bn, while the market increased by PLN 84.2bn (+8% y/y)
- Sales of mortgage loans in 2018 amounted to PLN 8.5bn (+27% y/y; 16.2% market share in new sales), which contributed to the increase in the portfolio of these loans to PLN 33.4bn (+21% y/y; 10.3% market share in PLN housing loans)
- Our market share in corporate loans increased by 0.86p.p. y/y to 11.1%
- The loan to deposit ratio increased by 3.9p.p. y/y to 87.6%
- Total deposits increased by PLN 13.2bn y/y (+13% y/y), of which current account increased by PLN 5.1bn y/y (+13% y/y)
- The commercial balance increased by PLN 28.2bn y/y (+15% y/y) to PLN 221.9bn

... lead to improved efficiency while maintaining a stable quality of the portfolio



# Elements shaping income statement

<b>Income</b>	<b>Total income</b> Q4 2018: +11% y/y 2018: +10% y/y	<b>NIM 2.93%</b> Q3 2018: 2.94% Q4 2017: 2.88%	<b>Net fees and commissions income</b> Q4 2018: +9% y/y 2018: +9% y/y
<b>Operating costs and risk costs</b>	<b>Total costs</b> Q4 2018: +7% y/y 2018: +9% y/y	<b>Cost/Income ratio 44.5%</b> 2017: 44.8%	<b>Risk costs at 52bps</b> 2017: 50bps
<b>Asset quality, profitability, and capital position</b>	<b>Asset quality</b> share of loans in Stage 3 at 2.8% in Q4 2018, 2.8% in Q3 2018 and 3.0% at OB 2018	<b>ROE 12.5%</b> 2017: 12.6%	<b>Capital position</b> Tier 1 – 14.8%; TCR – 15.6%

We were awarded the title of "Leader of Electromobility 2018"



We were awarded with the title "Bank appreciated by customers"



For the twelfth time we have been included in the RESPECT Index



# Selected financial data

<i>PLN million</i>	Q4 2017	Q3 2018	Q4 2018	change q/q	change y/y	2017	2018	change y/y
Total income	1,227.3	1,305.9	1,359.4	+ 4%	+ 11%	4,769.1	5,232.4	+ 10%
Total expenses	528.5	577.2	566.3	- 2%	+ 7%	2,135.8	2,326.8	+ 9%
Result before risk costs	698.8	728.7	793.1	+ 9%	+ 13%	2,633.3	2,905.6	+ 10%
Risk costs	112.6	133.9	98.5	- 26%	- 13%	421.2	500.9	+ 19%
Bank levy	86.2	94.2	98.9	+ 5%	+ 15%	330.1	371.7	+ 13%
Profit before tax	500.0	500.6	595.7	+ 19%	+ 19%	1,882.0	2,033.0	+ 8%
Income tax	133.2	121.8	143.5	+ 18%	+ 8%	478.9	507.1	+ 6%
Net profit	366.8	378.8	452.2	+ 19%	+ 23%	1,403.1	1,525.9	+ 9%
Total capital ratio	16.7%	15.2%	15.6%	+ 0.4 p.p.	- 1.1 p.p.	16.7%	15.6%	- 1.1 p.p.
Tier 1	15.8%	14.4%	14.8%	+ 0.3 p.p.	- 1.0 p.p.	15.8%	14.8%	- 1.0 p.p.
ROE (%)	12.6%	12.1%	12.5%	+ 0.3 p.p.	- 0.1 p.p.	12.6%	12.5%	- 0.1 p.p.
C/I ratio (%)	43.1%	44.2%	41.7%	- 2.5 p.p.	- 1.4 p.p.	44.8%	44.5%	- 0.3 p.p.

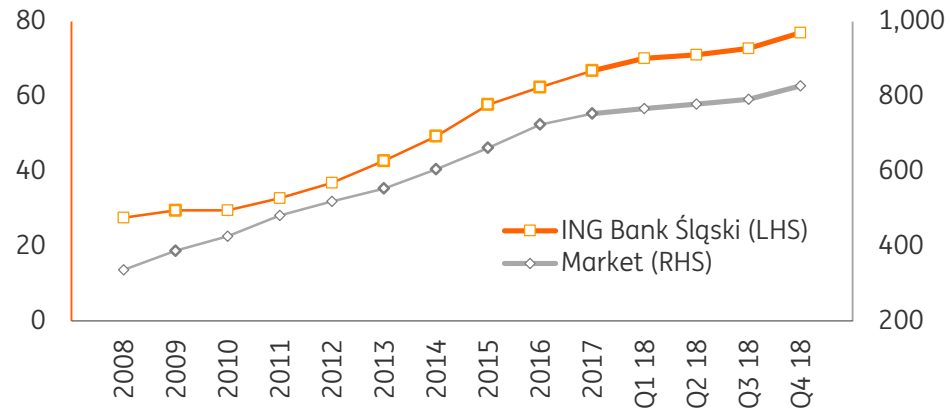
# Major business accomplishments

## Business volumes

<i>PLN million</i>	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18	Change q/q	Change y/y	Diff q/q	Diff y/y
Total deposits	95,064	95,954	96,941	102,849	102,782	107,468	108,531	115,908	+ 7%	+ 13%	7,378	13,059
Corporate clients' deposits	30,301	30,740	31,288	34,800	31,671	35,119	34,161	37,590	+ 10%	+ 8%	3,429	2,790
Retail clients' deposits	64,763	65,214	65,653	68,050	71,112	72,349	74,369	78,318	+ 5%	+ 15%	3,949	10,269
Total funds entrusted by retail clients	75,555	76,550	77,666	80,315	83,763	85,105	86,557	90,032	+ 4%	+ 12%	3,475	9,717
Mutual funds assets (TFI) + other off-BS products distributed by the Bank	10,792	11,335	12,013	12,266	12,651	12,756	12,188	11,714	- 4%	- 4%	-474	-552
Total loans	81,786	84,277	87,356	88,484	91,630	96,151	100,637	104,445	+ 4%	+ 18%	3,809	15,961
Loans to corporate clients incl. leasing and factoring	49,000	49,956	51,561	50,975	52,205	54,428	57,097	59,082	+ 3%	+ 16%	1,985	8,107
Loans to retail clients	32,786	34,321	35,795	37,509	39,425	41,723	43,540	45,363	+ 4%	+ 21%	1,824	7,854
Mortgage loans	24,172	25,180	26,235	27,540	28,892	30,541	31,989	33,372	+ 4%	+ 21%	1,383	5,832

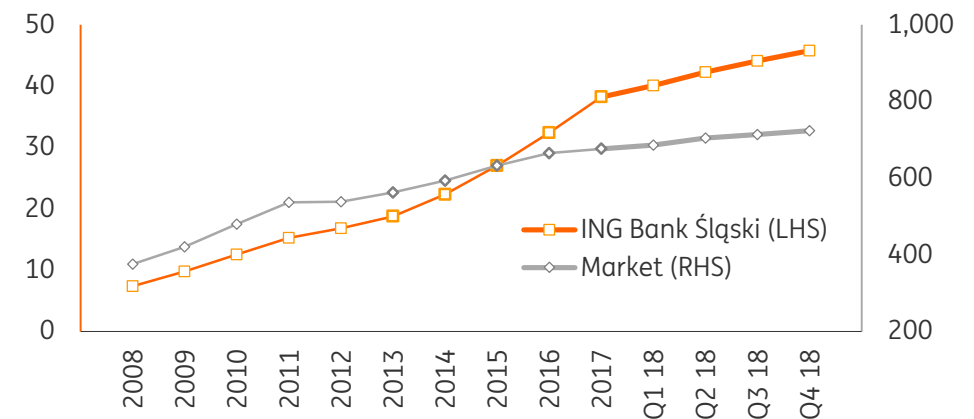
# Market position of ING Bank Śląski S.A.

## Household deposits (PLN billion)



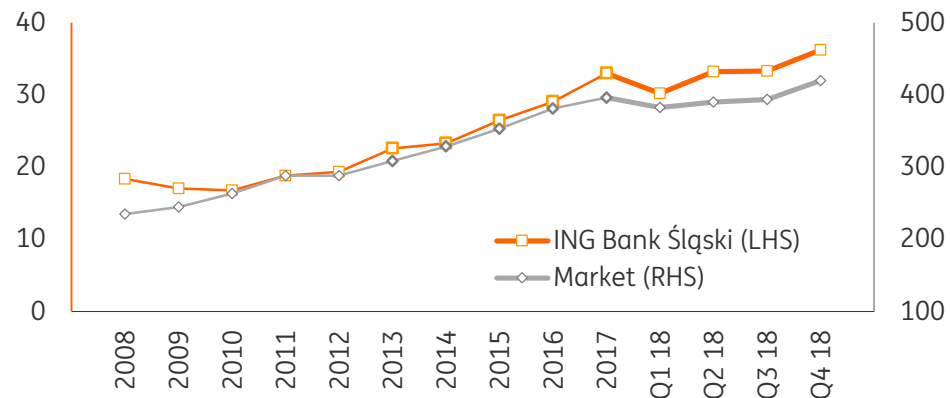
Market share (%)	8.18	7.62	6.94	6.80	7.10	7.72	8.15	8.72	8.61	8.87	9.15	9.12	9.19	<b>9.30</b>
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## Household loans (PLN billion)



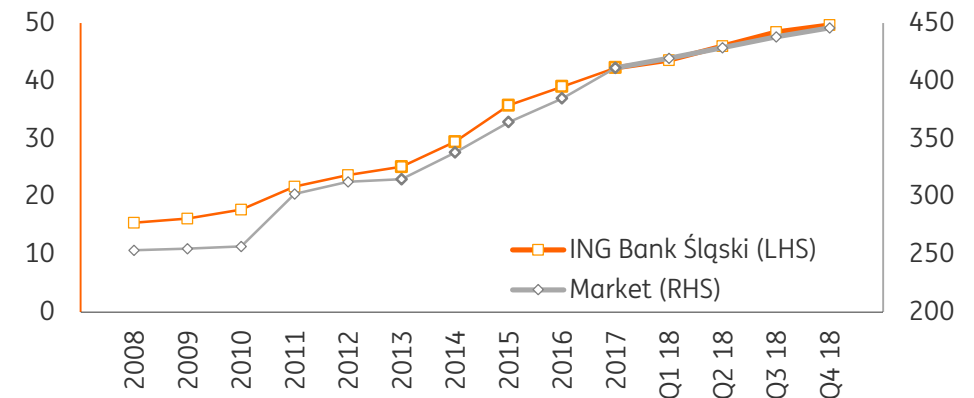
Market share (%)	1.96	2.32	2.62	2.84	3.13	3.34	3.77	4.28	4.87	5.65	5.84	6.00	6.18	<b>6.33</b>
Market share excl. FX* (%)	2.52	2.96	3.51	3.96	4.24	4.39	4.88	5.50	6.18	6.82	7.01	7.20	7.37	<b>7.52</b>

## 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	8.47	<b>8.63</b>
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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	11.06	<b>11.15</b>
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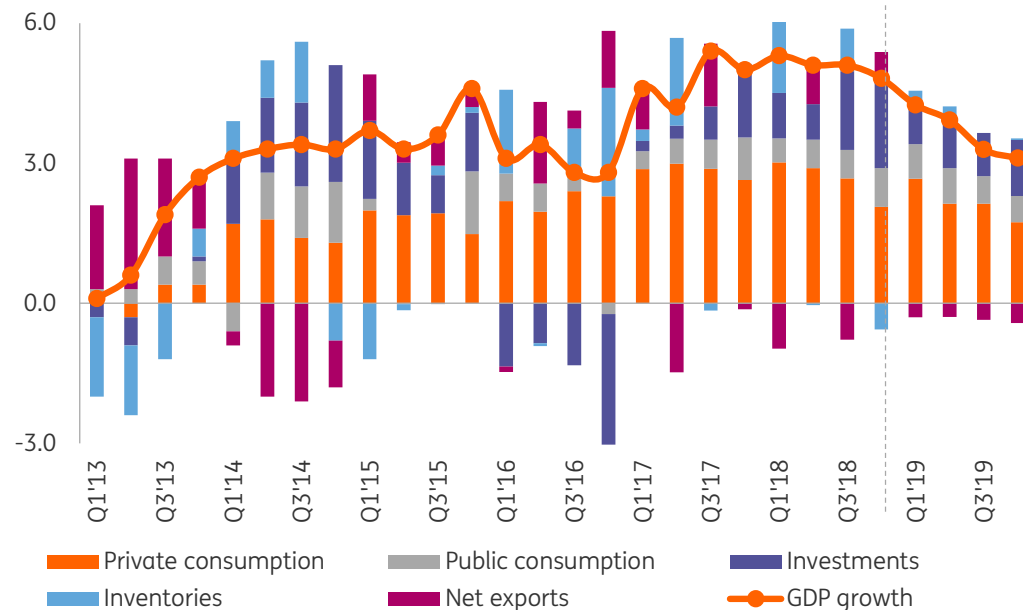
# Update of information on the macroeconomic situation



# Good economic situation in Poland despite slowdown in the Eurozone

- In 2018, the economy in Poland was booming - GDP dynamics increased from 4.8% in 2017 to 5.1% y/y in 2018. Booming economy was driven by a strong demand on the part of households, supported with the good labour market situation and payment of benefits under the “Family 500+” programme. Also investment increased, most notably public outlays on infrastructure.
- In 2019, we will observe a mild slowdown of the GDP dynamics - to 3.6% y/y. Good economic situation will continue with the consumer demand stemming from the budgetary boost and the ongoing EU investments cycle. The greatest threat is posed by external environment, including but not limited to, slowdown in the Eurozone.
- The Monetary Policy Council will apply the wait-and-see approach in the years 2019-2020 when CPI will rebound, and their next decision will be rather cut of than increase in interest rates. Both our forecasts as well as the MPC opinion show that inflation will be much below 3.5% y/y in the consecutive two years.

Structure of the annual dynamics of GDP (%)\*

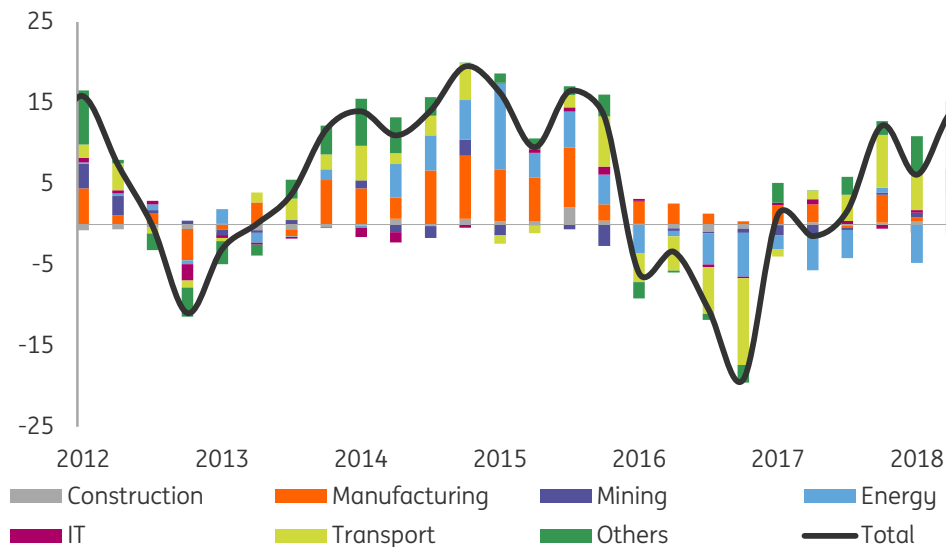


Macroeconomic forecasts for ING BSK*	2018	2019F	2020F
GDP (average)	5.1%	3.6%	2.5%
Investments (average)	7.3%	5.7%	3.0%
Private consumption (average)	4.3%	3.7%	2.6%
Remuneration (average)	7.2%	7.1%	6.4%
Unemployment (at the end of the period)	5.8%	5.8%	6.2%
Inflation (average)	1.7%	1.9%	2.6%
Reference rate (at the end of the period)	1.50%	1.50%	1.50%
Total credit facilities (as at the end of the period; y/y)	7.7%	5.2%	4.0%
Retail credit facilities (as at the end of the period; y/y)	7.0%	5.0%	2.9%
Corporate credit facilities (as at the end of the period; y/y)	8.8%	5.6%	5.6%
Total deposits (as at the end of the period; y/y)	8.5%	5.9%	5.6%
Retail deposits (as at the end of the period; y/y)	9.8%	5.5%	5.5%
Corporate deposits (as at the end of the period; y/y)	6.0%	6.8%	5.6%

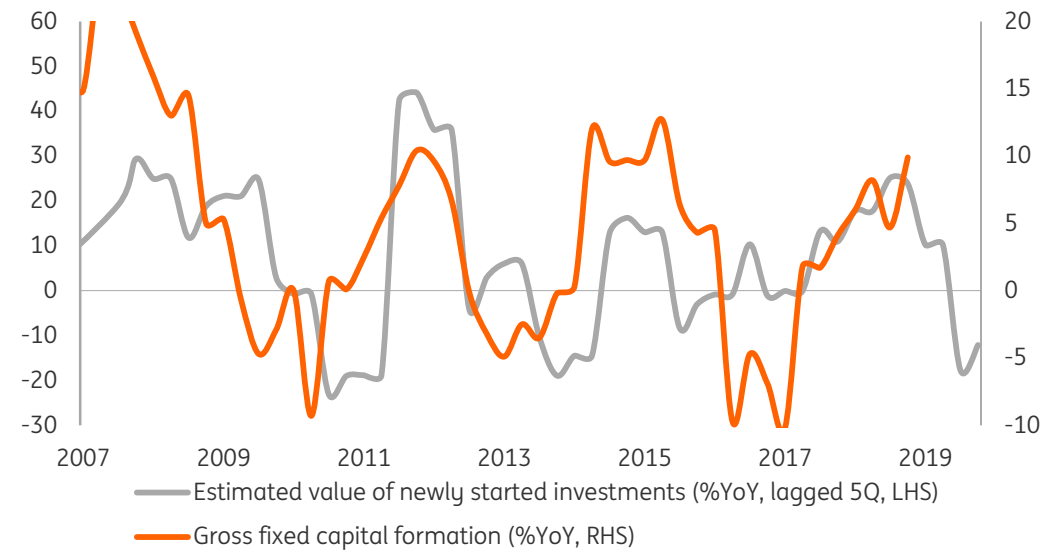
# High increase in outlays of the companies, worse prospects

- The dynamics of the 2018 increment in capital expenditure of big corporates was most probably near 10% y/y. We are of the opinion that this year the result will be worse - approximately 5%. In the first half of the year, the slowdown will be moderate. Consecutive quarters raise more uncertainty.
- Slowdown results from fewer new investment projects - in the 2H2018 that number was lower than last year. This will impact a clear decline in business activity in 2H2019 (with almost a 12-month delay). According to the National Bank of Poland, the current investment plans of the companies are more prudent.
- The State Treasury companies will invest mostly in transport (e.g. outlays under the National Railway Programme will increase from PLN 8 billion to PLN 11 billion) and in the refining sector. However, investment outlays in the power sector will continue to be low.

Capital expenditure of big corporates (% y/y)



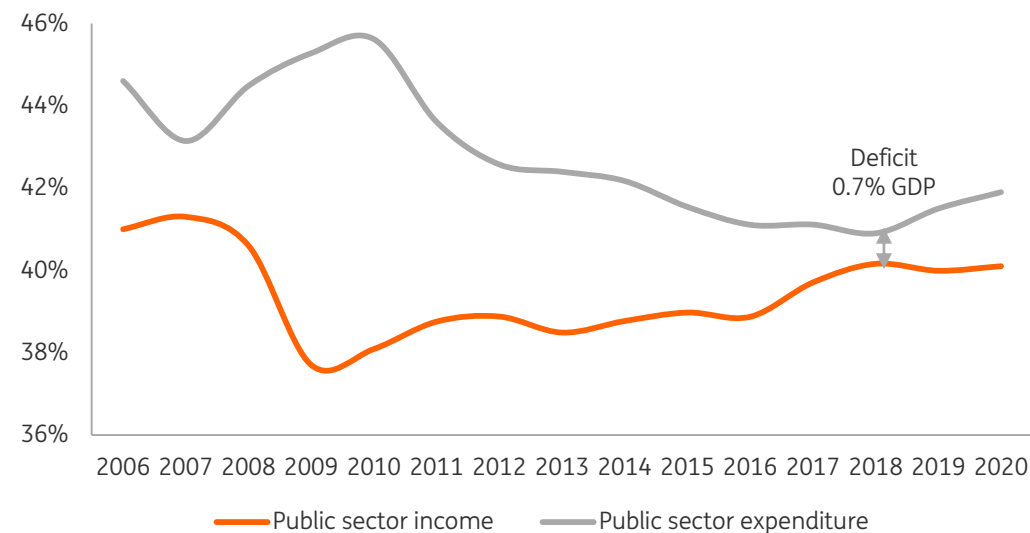
Value of new investment projects fell significantly in 2H2018



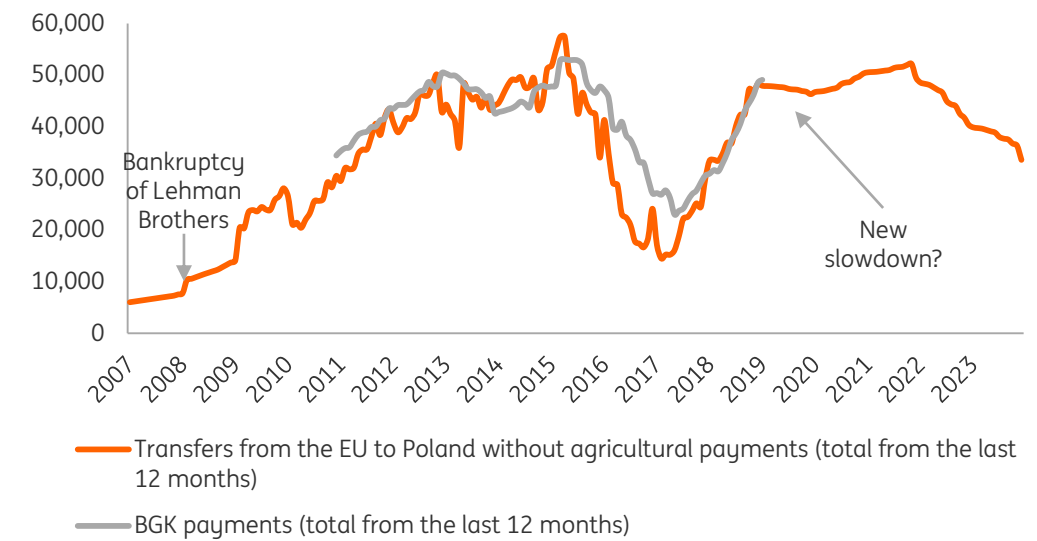
# Economic policy support for growth

- At the time of the last financial crisis (2008-2010), Poland was the only EU state that did not go through the recession period. It resulted from the following three factors:
  1. Weakening of Polish zloty and improvement of the FX trade balance. This had the biggest impact in the first phase of the global crisis.
  2. Fiscal impulse in the form of lower PIT and lower disability pension contribution. In the years 2008-2010, household income increased by approximately PLN 23 billion due to that reason.
  3. Increment in EU investments. In the years 2008-2009, they increased by approximately PLN 6 billion, or up to PLN 28 billion year on year.
- We believe that also this time Poland will go through the expected economic slowdown in Europe relatively well (2019-2021). We can neither expect as a big increase in the EU funds paid to us as last time (we are now close to the cap limit, whereas last time we were below it) nor such a weakening of the Polish zloty as in the years 2008-2009. However, Poland has much space for fiscal impulse (2018 deficit was approximately 0.7% of GDP, whereas in 2007 it was 1.7% of GDP), whereas the expected slowdown of GDP in Euroland will be less painful than last time.

**Income and expenditure of the public finance sector (% GDP)**

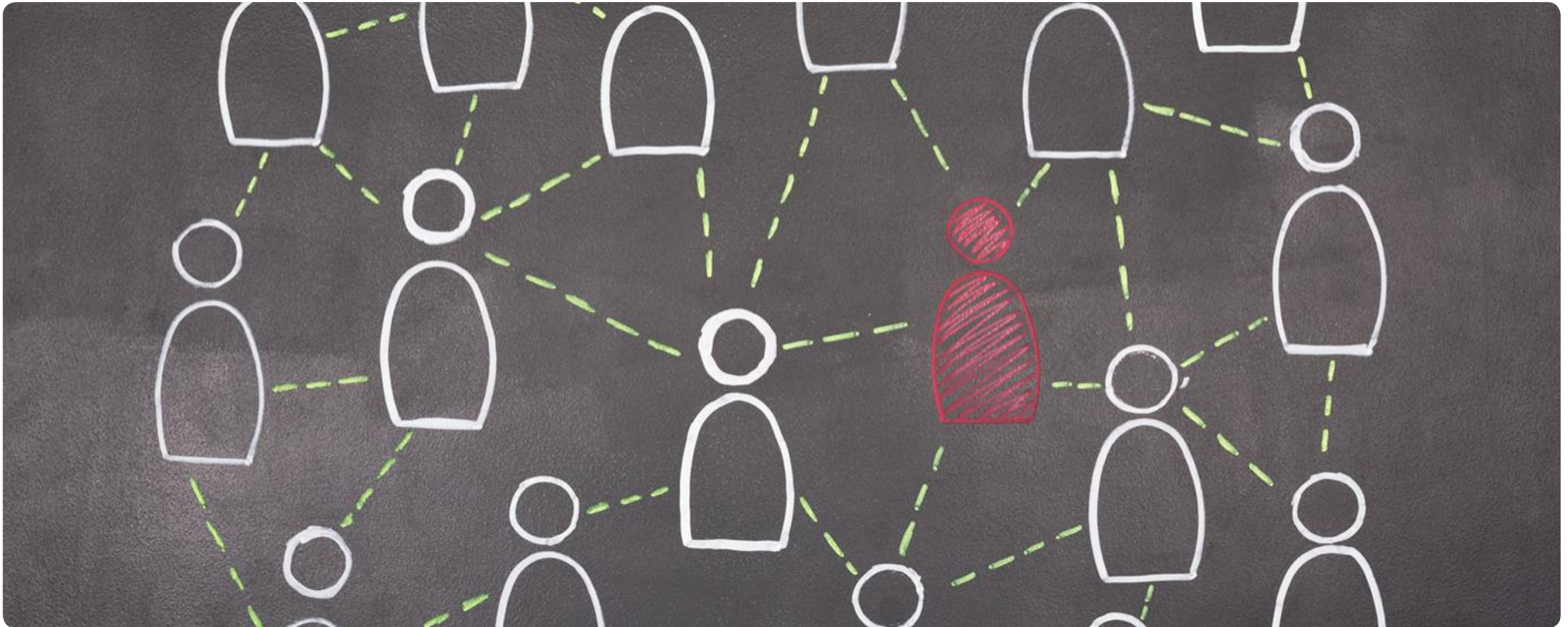


**EU funds, PLN billion; close to the top limit of the EU investments**





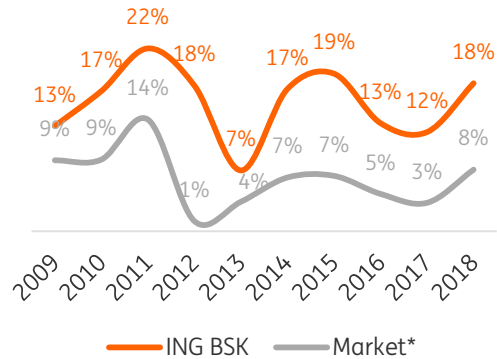
# Credit risk management at ING



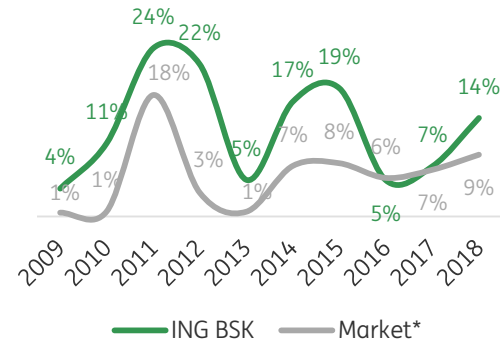


# We do not sacrifice the quality of assets for growth

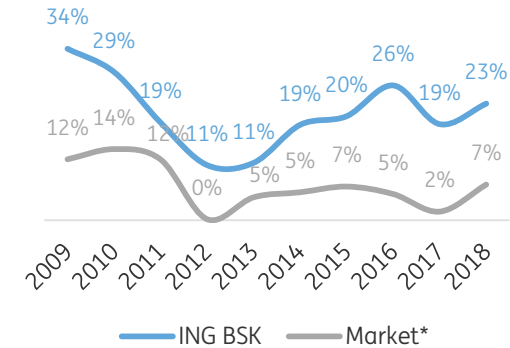
Lending dynamics - total



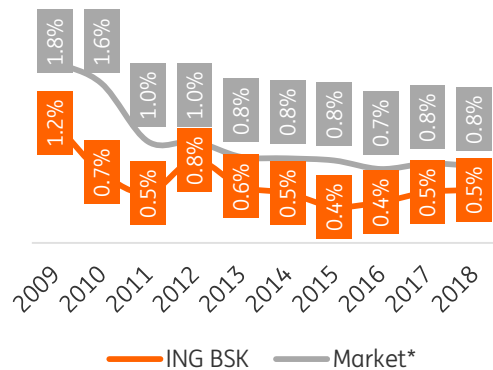
Lending dynamics - corporates



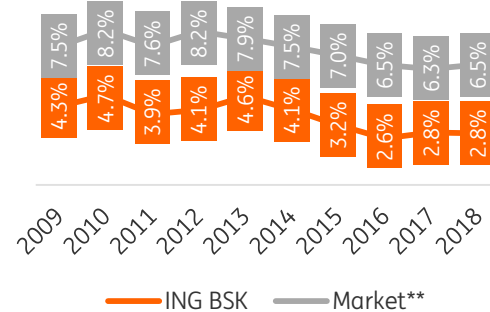
Lending dynamics - households



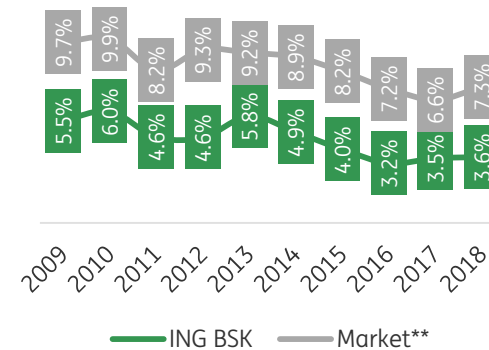
Cost of risk - total



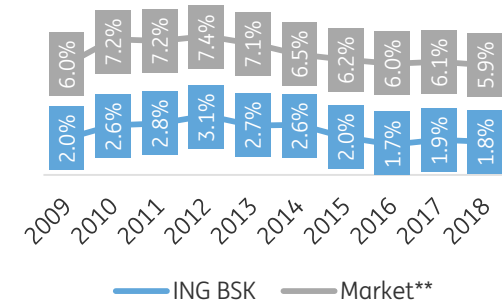
Asset quality - total



Asset quality - corporates



Asset quality - households



# How we achieve it

## Decision-taking speed

- 86% of credit decisions on cash loans for individual clients are made automatically
- In the pre-approved offer for entrepreneurs, the average time from filing the application to the funds disbursement is 18 minutes
- Credit decisions on mortgage loans (with a complete set of documents) are made in 6 days
- In corporate banking, the average time to take a credit decision is 4.3 days in the Normal Track and 0.9 days in the Fast Track (funds are disbursed to clients after 6.0 and 1.9 days on average, respectively)

## Utilisation of internal client base

- Only 4% of new credit cards and cash loans are sold to new clients (relationship history shorter than 6 months)
- In the entrepreneurs segment, 10% of loans are granted to clients new to the bank
- In the corporate segment, 28% of the credit limits are granted to clients new to the bank (relationship history shorter than 6 months)

## KPIs for employees and employment

- On a daily basis, a report monitoring the quality of the total lending portfolio of the Bank is generated automatically, additionally the Early Warning Signal system that monitors on a daily basis the SME and mid-corp exposures triggers warning signals in case of observed or predicted worsening
- The results of the employee's individual appraisal score as part of KPI are accounted for in 100% in the annual appraisal system
- The directors in the Corporate Sales Network are assessed as part of their annual appraisal taking into account the quality of the lending portfolio
- The average length of service among employees of ING is one of the highest among peers (12 years)

## 2019 prospects

We expect our loan portfolio to continue to grow faster than the market

We regularly review and adjust our credit policies

We have conservative mortgage loan buffers

We test new sources of client data

We perform sector-specific stress-tests for corporate clients

We monitor the sectors on an ongoing basis

# Business development



# Retail banking

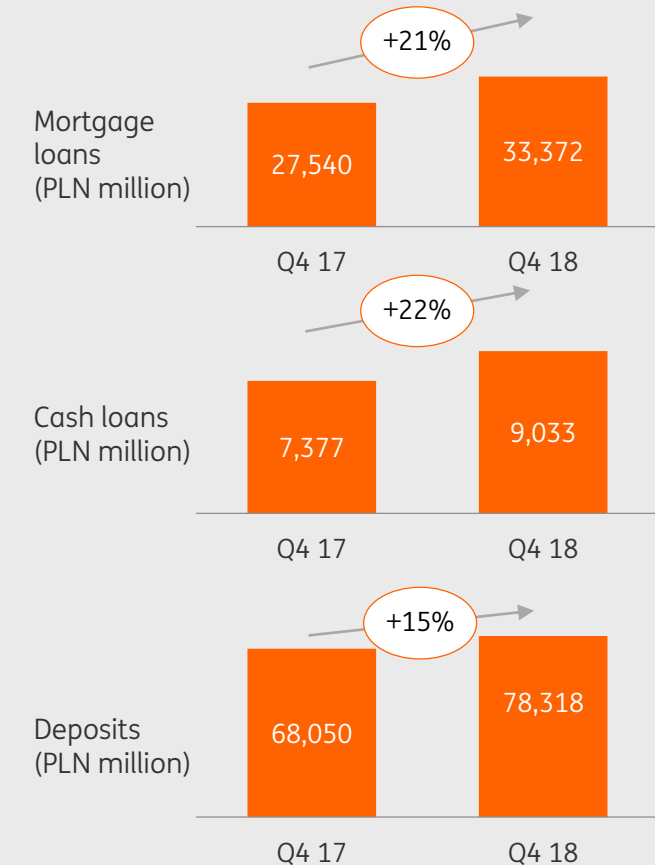
## Development of client base

- We serve 4.80 million retail clients → +100 thousand gross new clients in Q4 2018 and +429 thousand in full 2018
- We run over 3.6 million current accounts → +47.3 thousand net new accounts in Q4 2018 and +273.7 thousand in full 2018
- Retail clients made 63 million transactions in mobile banking in 2018, 19 million more than in 2017 (+44% y/y)
- The number of cash withdrawals in branches and machines decreased by 3.4 million y/y (-14% y/y) to 21.6 million

## Funding

- The portfolio of retail receivables increased by PLN 7.9bn y/y (+21% y/y) to PLN 45.4bn
- We granted PLN 1.9bn mortgage loans in Q4 2018 (-9% y/y), or PLN 8.5bn in total 2018 (+27% y/y), which translates into 16.2% market share
- 10.3% share in the market of PLN housing loans
- We granted PLN 1.3bn cash loans in Q4 2018 (+13% y/y), or PLN 5.2bn in total 2018 (+21% y/y)

## Growing volumes





# Corporate banking

## Development of client base

- +11.6 thousand new clients acquired in full 2018, out of which 3.1 thousand acquired on-line (3.2 thousand and 901 in Q4 2018, respectively) → 62 thousand corporate clients in total

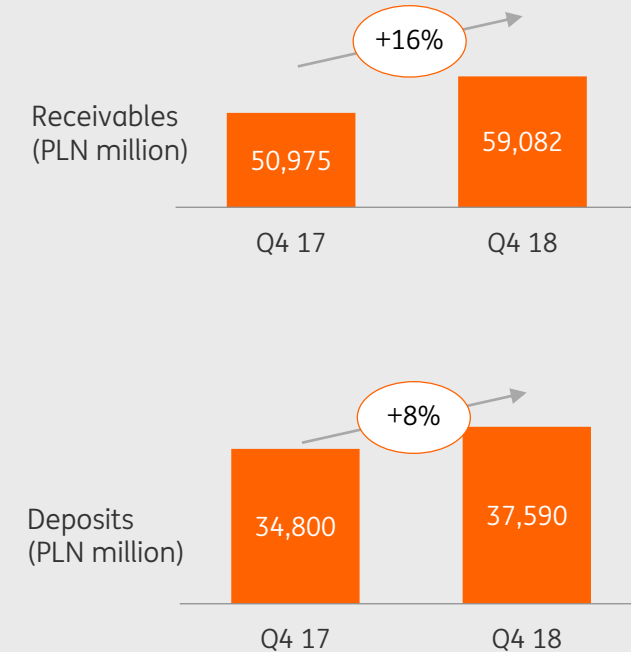
## Digitalisation

- We installed 12.6 thousand POS (out of which 10.1 thousand in 2018); we processed over 8 million transactions in 2018
- 301 stores with the active imoje payment gate, of which 80 shops with Twisto payments

## Funding

- The corporate receivables portfolio (including leasing and factoring) is PLN 59.1bn, or PLN 8.1bn more y/y (+16% y/y)
- The portfolio of receivables from SME and mid-corporate increased by PLN 4.4bn y/y (+13% y/y) to PLN 37.0bn
- The portfolio of receivables from strategic clients increased by PLN 3.7bn y/y (+20% y/y) to PLN 22.1bn
- In 2018, the factoring sales increased by +13% y/y, maintained #1 on the market
- In 2018, leasing sales increased by 25% y/y, #7 position on the market
- 95% of credit applications were submitted online
- We have 1.3 thousand clients of microfactoring

## Growing volumes



# Q4 2018 financial results

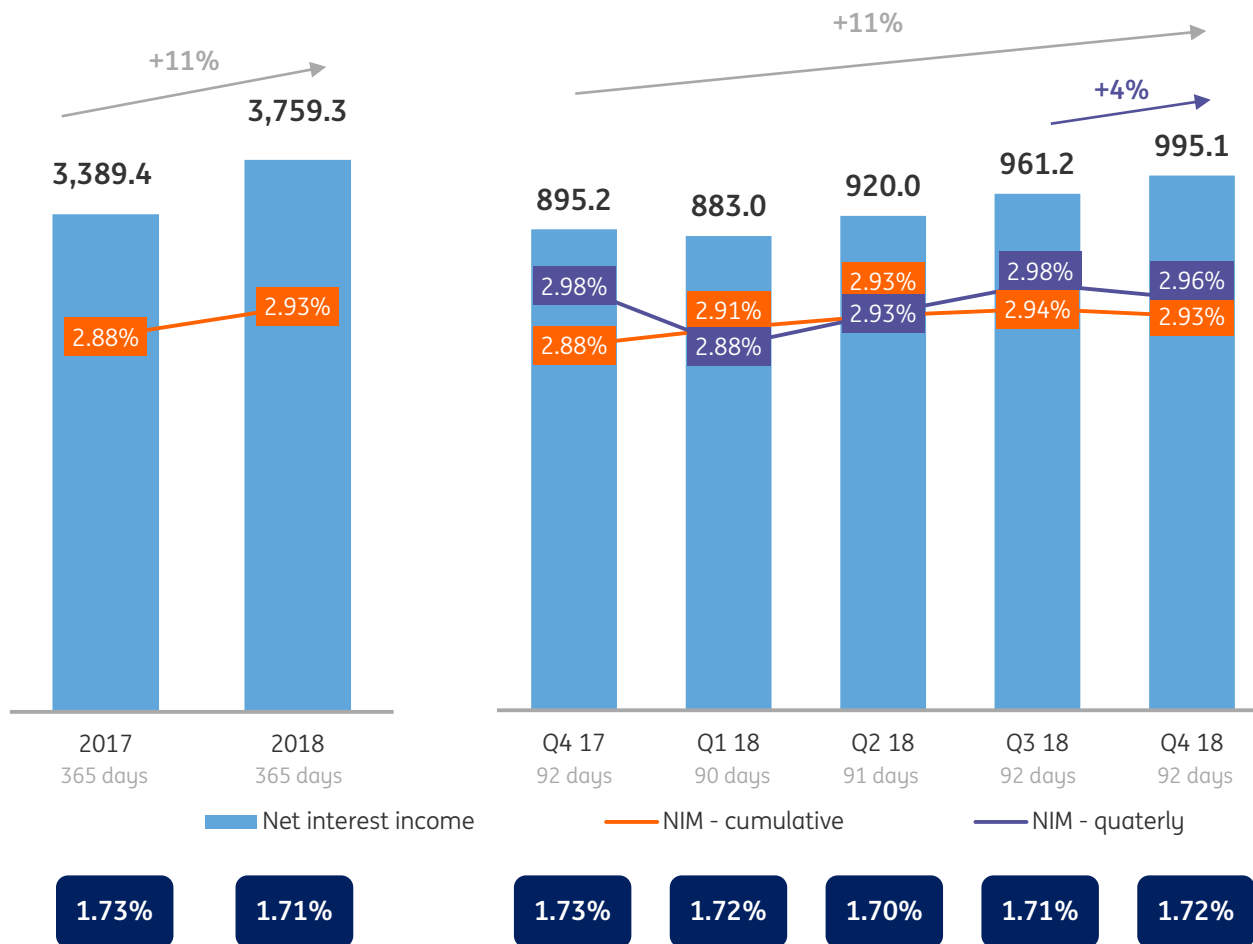


# Financial results of ING Bank Śląski S.A.

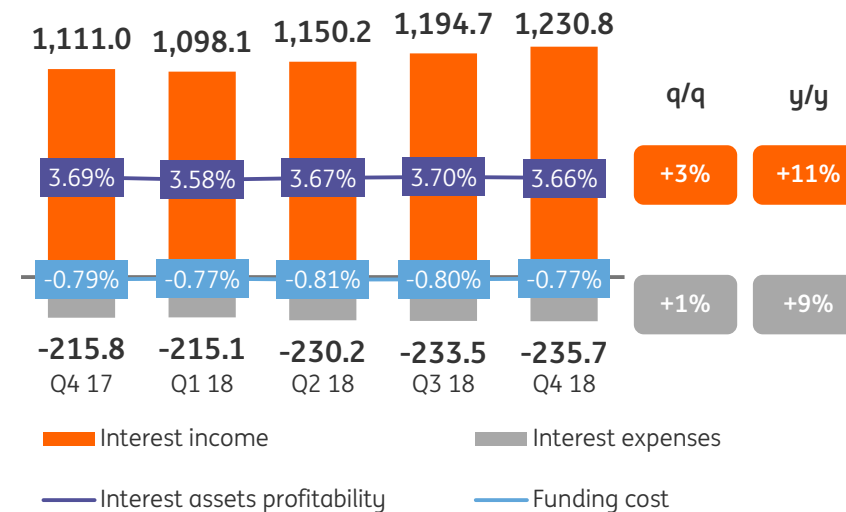
PLN million	Q4 2017	Q3 2018	Q4 2018	change q/q	change y/y	2017	2018	change y/y
Net interest income	895.2	961.2	995.1	+ 4%	+ 11%	3,389.4	3,759.3	+ 11%
Net commission income	302.2	316.5	330.7	+ 4%	+ 9%	1,196.0	1,304.9	+ 9%
Other income	29.9	28.2	33.6	+ 19%	+ 12%	183.7	168.2	- 8%
<b>Total income</b>	<b>1,227.3</b>	<b>1,305.9</b>	<b>1,359.4</b>	<b>+ 4%</b>	<b>+ 11%</b>	<b>4,769.1</b>	<b>5,232.4</b>	<b>+ 10%</b>
<b>Total expenses</b>	<b>528.5</b>	<b>577.2</b>	<b>566.3</b>	<b>- 2%</b>	<b>+ 7%</b>	<b>2,135.8</b>	<b>2,326.8</b>	<b>+ 9%</b>
<b>Result before risk costs</b>	<b>698.8</b>	<b>728.7</b>	<b>793.1</b>	<b>+ 9%</b>	<b>+ 13%</b>	<b>2,633.3</b>	<b>2,905.6</b>	<b>+ 10%</b>
Risk costs	112.6	133.9	98.5	- 26%	- 13%	421.2	500.9	+ 19%
Bank levy	86.2	94.2	98.9	+ 5%	+ 15%	330.1	371.7	+ 13%
<b>Profit before tax</b>	<b>500.0</b>	<b>500.6</b>	<b>595.7</b>	<b>+ 19%</b>	<b>+ 19%</b>	<b>1,882.0</b>	<b>2,033.0</b>	<b>+ 8%</b>
Income tax	133.2	121.8	143.5	+ 18%	+ 8%	478.9	507.1	+ 6%
<b>Net profit</b>	<b>366.8</b>	<b>378.8</b>	<b>452.2</b>	<b>+ 19%</b>	<b>+ 23%</b>	<b>1,403.1</b>	<b>1,525.9</b>	<b>+ 9%</b>
<b>Total capital ratio</b>	<b>16.7%</b>	<b>15.2%</b>	<b>15.6%</b>	<b>+ 0.4 p.p.</b>	<b>- 1.1 p.p.</b>	<b>16.7%</b>	<b>15.6%</b>	<b>- 1.1 p.p.</b>
Tier 1	15.8%	14.4%	14.8%	+ 0.3 p.p.	- 1.0 p.p.	15.8%	14.8%	- 1.0 p.p.
ROE (%)	12.6%	12.1%	12.5%	+ 0.3 p.p.	- 0.1 p.p.	12.6%	12.5%	- 0.1 p.p.
C/I ratio (%)	43.1%	44.2%	41.7%	- 2.5 p.p.	- 1.4 p.p.	44.8%	44.5%	- 0.3 p.p.
<b>Adjusted data</b>								
<b>Total income*</b>	<b>1,214.9</b>	<b>1,227.3</b>	<b>1,306.1</b>	<b>1,359.5</b>	<b>+ 4%</b>	<b>4,757.2</b>	<b>5,232.7</b>	<b>+ 10%</b>
<b>Total expenses*</b>	<b>547.2</b>	<b>546.1</b>	<b>591.8</b>	<b>580.9</b>	<b>- 2%</b>	<b>2,135.8</b>	<b>2,326.8</b>	<b>+ 9%</b>
<b>Profit before tax*</b>	<b>474.5</b>	<b>482.4</b>	<b>486.1</b>	<b>581.2</b>	<b>+ 20%</b>	<b>1,870.1</b>	<b>2,033.0</b>	<b>+ 9%</b>
<b>Net profit*</b>	<b>358.1</b>	<b>349.2</b>	<b>364.3</b>	<b>437.7</b>	<b>+ 20%</b>	<b>1,393.5</b>	<b>1,525.9</b>	<b>+ 10%</b>
<b>ROE (%)*</b>	<b>11.9%</b>	<b>12.5%</b>	<b>12.1%</b>	<b>12.5%</b>	<b>+ 0.4 p.p.</b>	<b>12.5%</b>	<b>12.5%</b>	<b>- 0.1 p.p.</b>
<b>C/I ratio (%)*</b>	<b>45.0%</b>	<b>44.5%</b>	<b>45.3%</b>	<b>42.7%</b>	<b>- 2.6 p.p.</b>	<b>44.9%</b>	<b>44.5%</b>	<b>- 0.4 p.p.</b>

# Net interest income

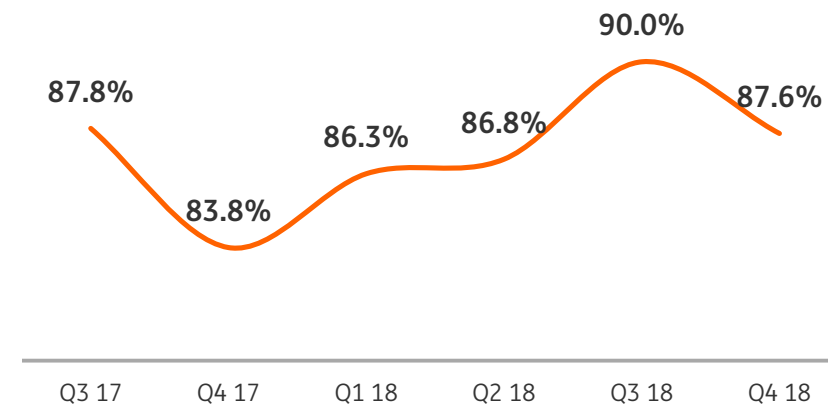
Net interest income (PLN million) and net interest margin



Interest income and expenses (PLN million)

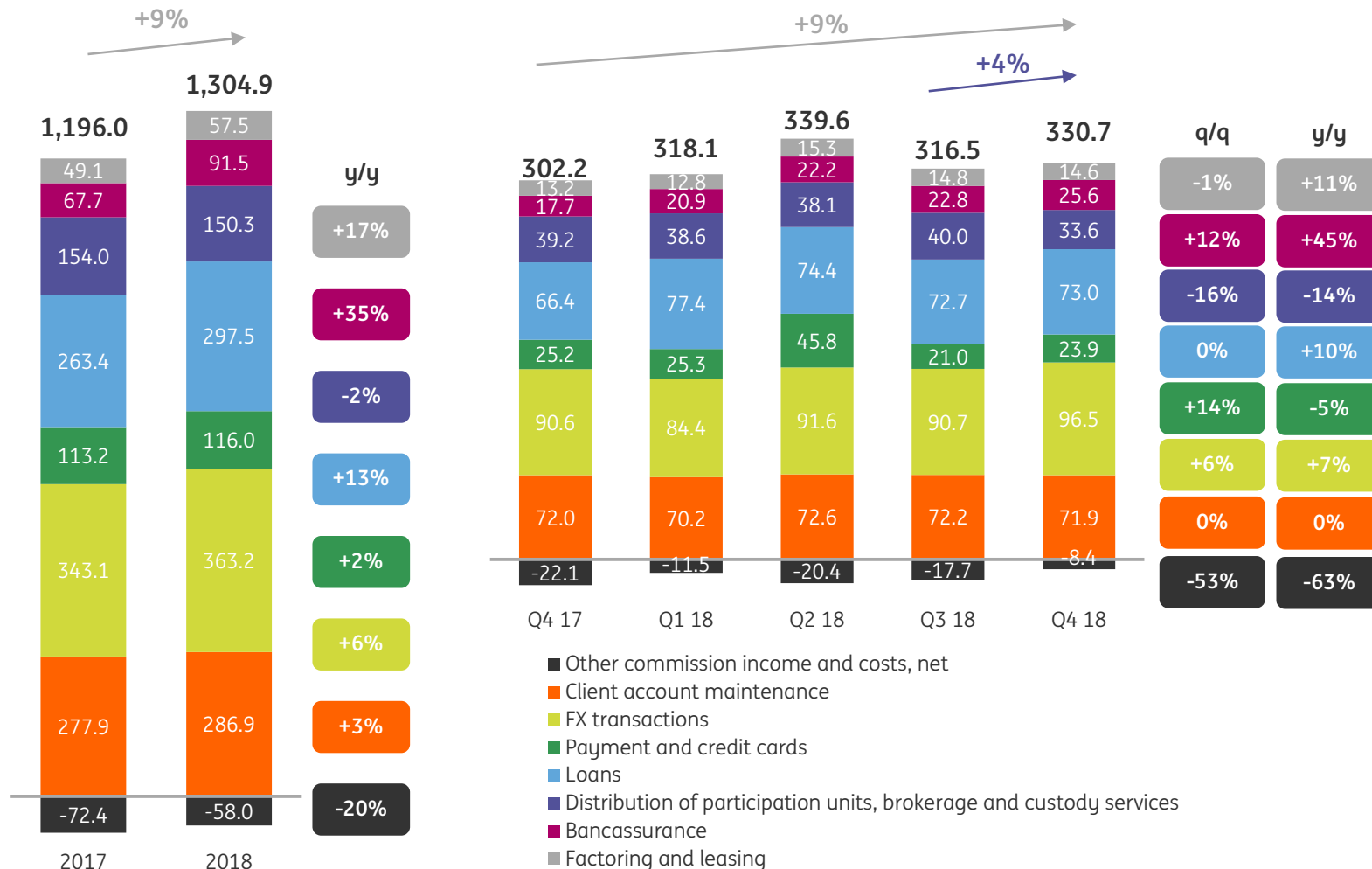


Loan\* to deposit ratio



# Fee and commission income

Fee and commission income per category (PLN million)

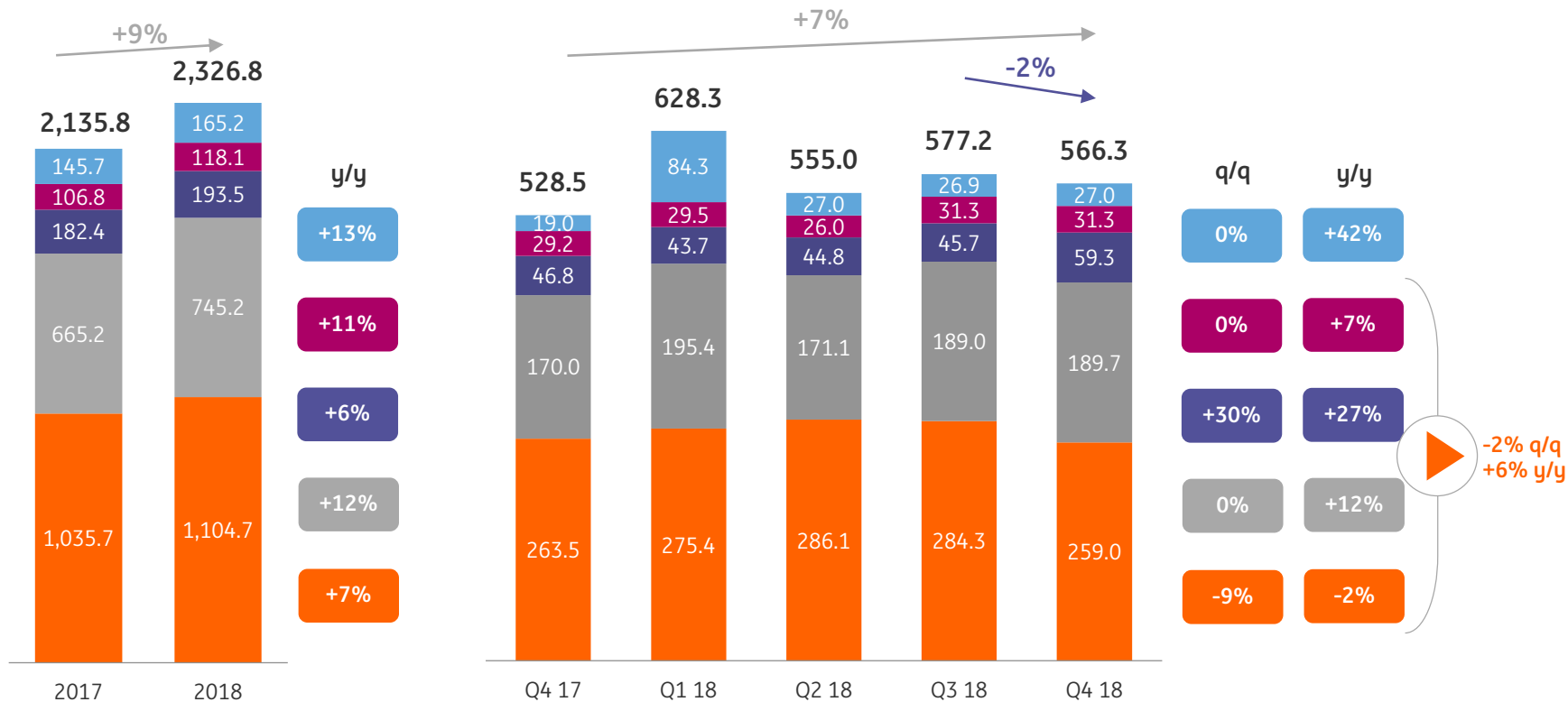


- In Q3 2018, the Bank created a provision for durable medium in card result line, which was finally settled in Q4 2018
- In Q2 2018, the card result is supported by a one-off settlement with card partners
- Income on distribution of participation units in Q4 2018 under market pressure



# Total expenses

Total expenses (PLN million)



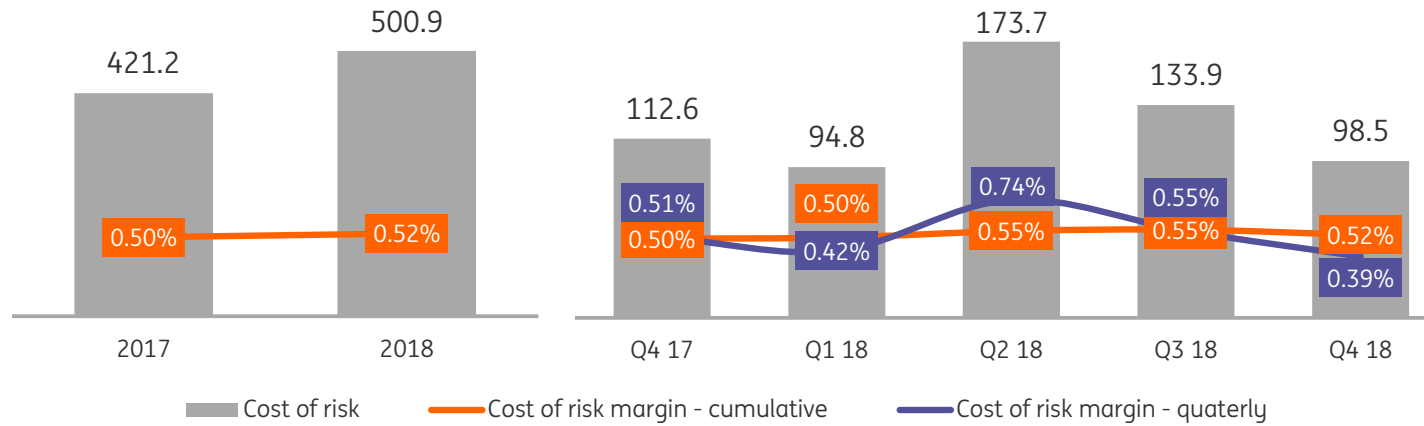
- General and administrative costs in Q1 2018 and Q3 2018 higher due to ongoing development projects, mainly in the IT area
- The annual contribution for the resolution fund amounted to PLN 58.2 million (PLN 70.5 million in Q1 2017) – fully booked in the first quarter costs

■ Personnel costs 
 ■ General and administrative costs 
 ■ Amortisation and depreciation 
 ■ Marketing and promotion costs 
 ■ BGF costs

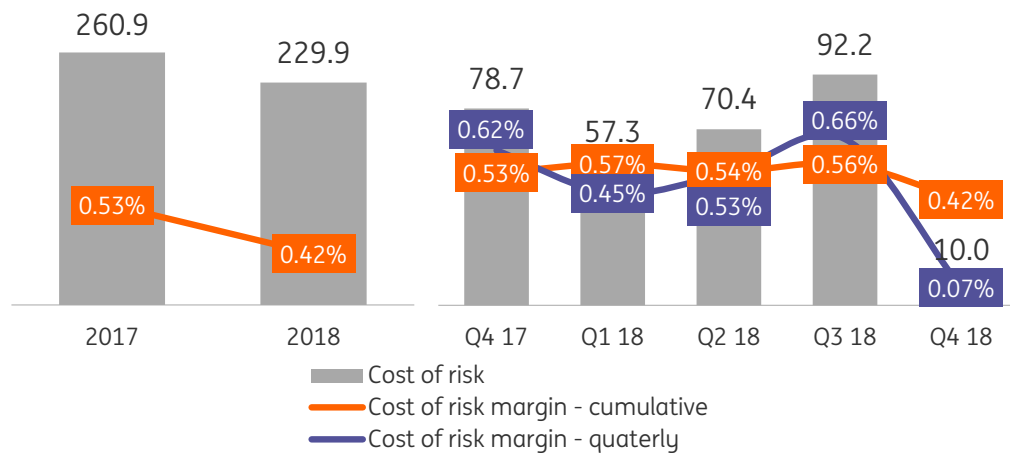


# Cost of risk

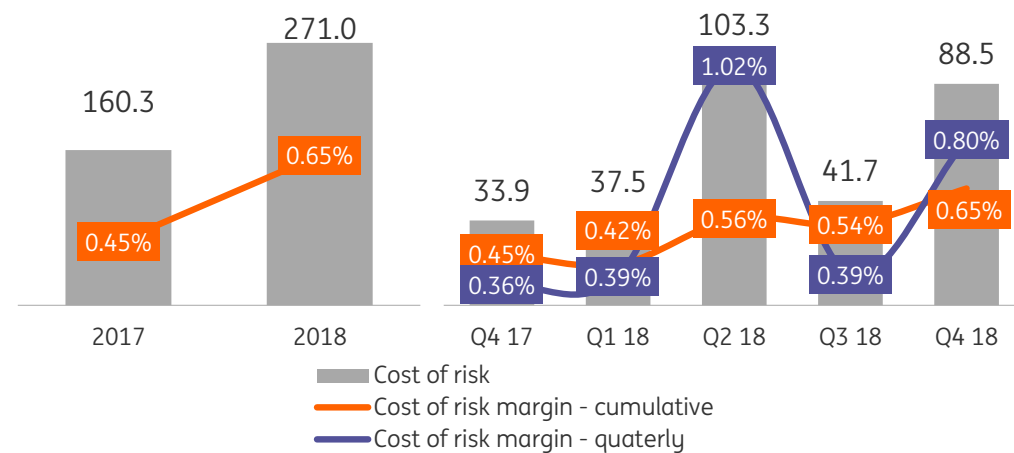
Group (PLN million)



Corporate banking (PLN million)

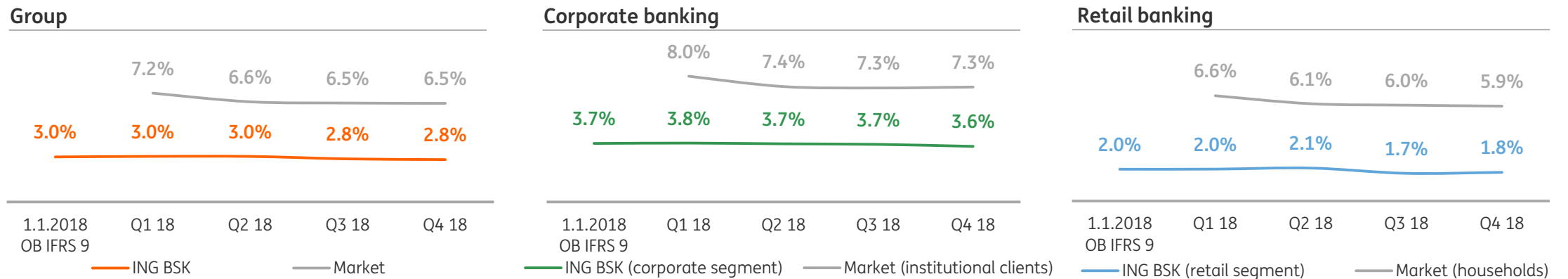


Retail banking (PLN million)



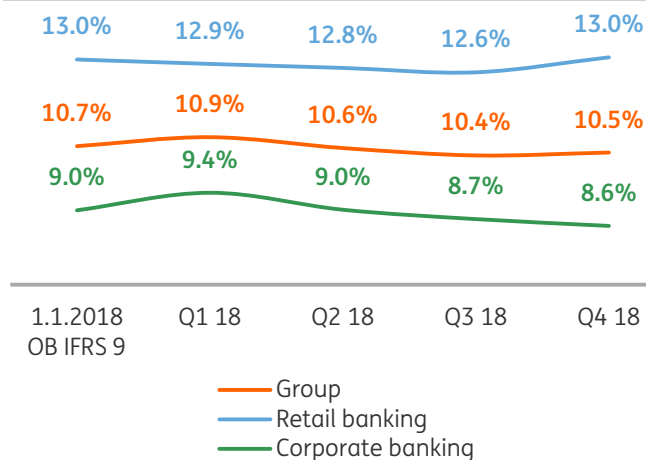
# Portfolio quality and provisioning

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

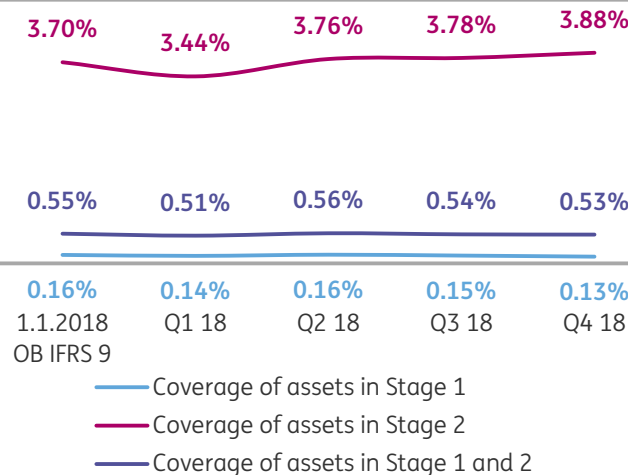


Data up to Q4 2017 reported under IAS 39 and since Q1 2018 under IFRS 9  
 Note - IFRS 9 data for the market is not fully comparable with the Bank's data since various banks recognise penalty interest differently

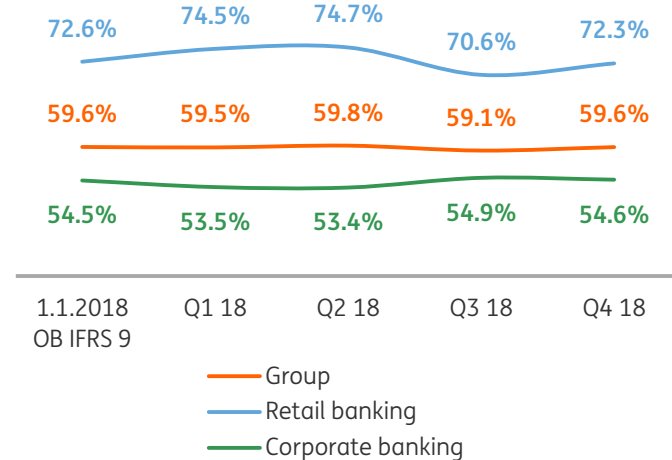
## Share of Stage 2 in gross portfolio



## Coverage ratio – Stages 1 and 2

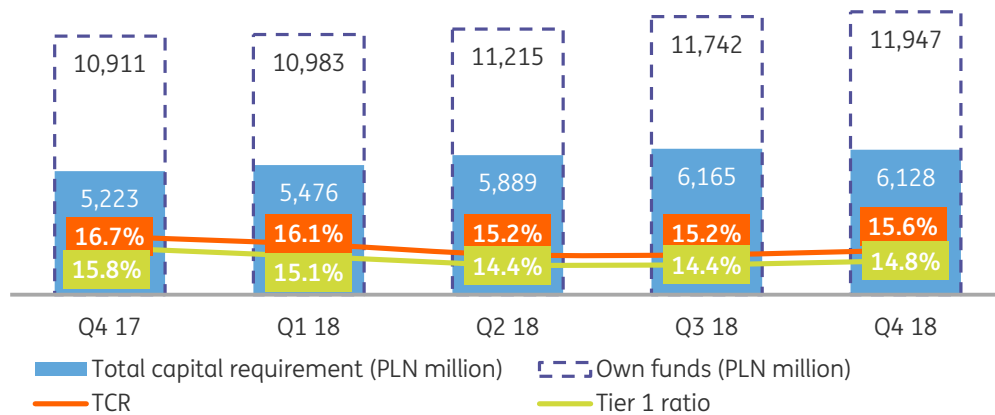


## Coverage ratio – Stage 3

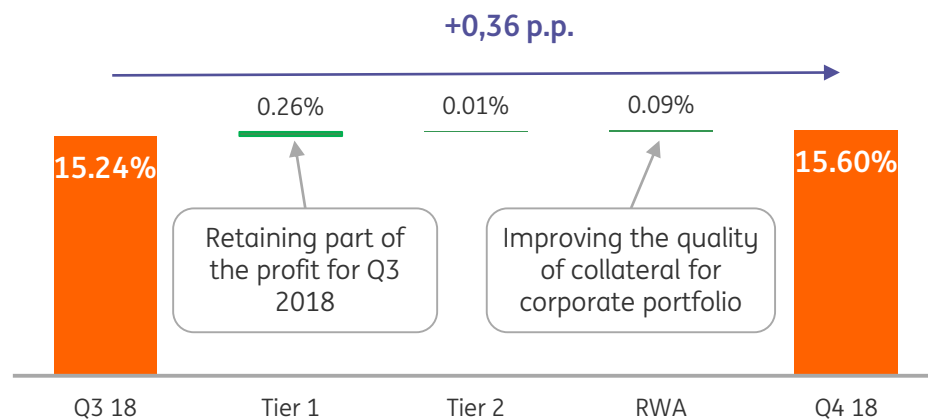


# Capital adequacy

## Consolidated total capital ratio and capital requirements



## Consolidated total capital ratio – decomposition of q/q change

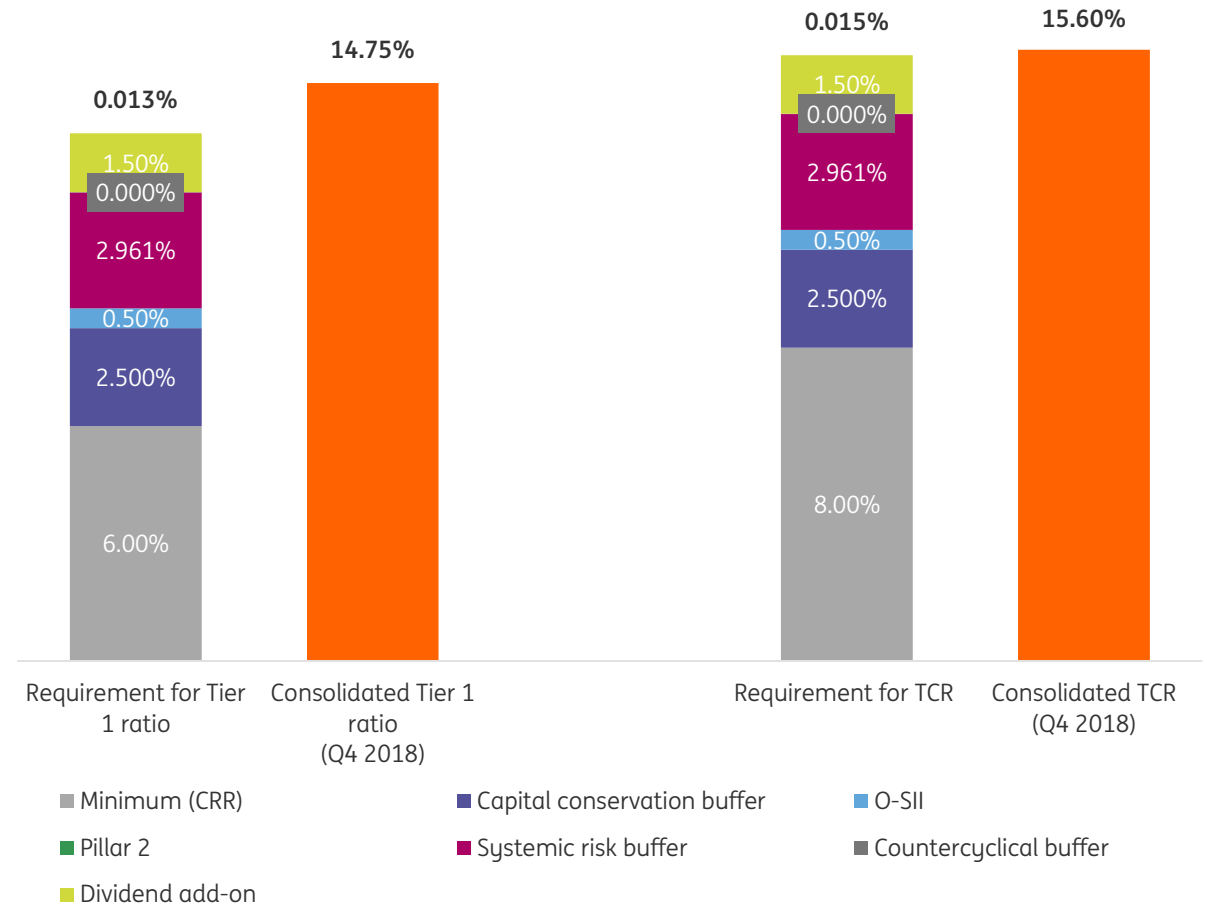


- TCR and Tier 1 ratio are 2.3 p.p. and 3.4 p.p. above the minimum capital requirements for ING BSK which are 13.342% and 11.342%.
- TCR and Tier 1 ratio would be 15.3% and 14.5%, if ING BSK had not phased in IFRS 9 implementation.
- In October 2018, we took out a subordinated loan of EUR 100 million. We received the PFSA's approval regarding the recognition of this subordinated loan in capital on 30 January 2019.
- Other liquidity and capital ratios – Q4 2018:
  - LR – 7.42% (-0.31p.p. q/q and -0.26p.p. y/y)
  - LCR – 133% (+14p.p. q/q and -12p.p. y/y)
  - NSFR – 131% (+14p.p. q/q and +9p.p. y/y)

# ING BSK plans to pay 30% of the profit as a dividend

- The intention of the Management Board is to pay approximately 30% of the profit for 2018 in the form of a dividend
- PFSA requirements for ING BSK for the payment of up to 75% of 2018 net profit as a dividend:
  - Tier 1 ratio > 13.467%
  - TCR > 15.446%
- Capital adequacy of ING BSK at the end of 2018 (Tier 1 and TCR):
  - separate, respectively 16.26% and 17.19%
  - consolidated, respectively 14.75% and 15.60%

Capital requirement to pay 75% of net profit as a dividend





# IFRS 16 Lease

- Effective as of 1 January 2019
- Lessees will recognise new assets under use of assets and liabilities due to lease - so far they were recognised off-balance sheet
- Applicable to the following agreements signed by the Bank: real property lease agreements, mostly concerning the lease of bank branches, and lease of the car fleet, other intangible assets
- As at 1 January 2019:

Assets = liability =

**present value of the remaining lease payments, discounted with the lessee's incremental borrowing rate\***

- We estimate that implementation of IFRS 16 will lower our consolidated Tier 1 ratio and TCR by approx. 10 b.p.

*\*Possible simplifications: exclusion of low-value assets, contracts shorter than one year, intangible assets*

Area	Impact of the new standard		Impact on ING Bank Śląski
	IAS 17	IFRS 16	
Balance sheet – operating lease at the lessee	Not recognised in the balance sheet	Recognition of the asset related to the right to use the assets and lease related liabilities	Increase in the balance sheet total by PLN 500 million
Income statement - operating lease	Recognition of costs under operating lease/rental	Recognition of amortisation/depreciation of the right to use the assets and lease related interest expenses	Change in presentation from the current recognition in the maintenance costs and lease of buildings into: <ul style="list-style-type: none"> <li>• amortisation/depreciation</li> <li>• interest expenses (5-10% of the rental cost)</li> </ul> No material impact on the net result

New estimates:

- costs related to termination of the agreement
- useful life for lease agreements signed for indefinite period
- assessment of the execution of the extension option

# Appendixes

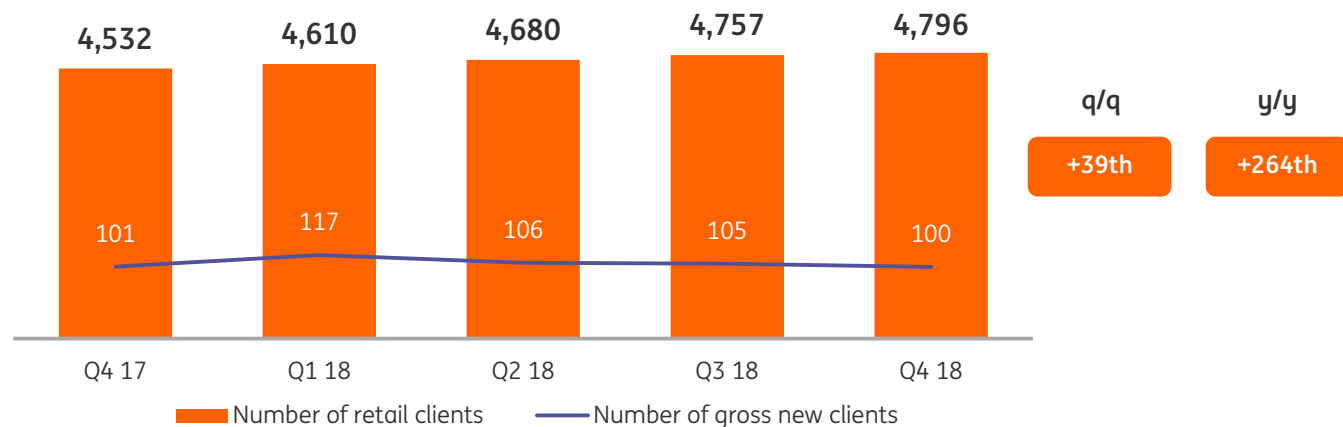


# Retail banking

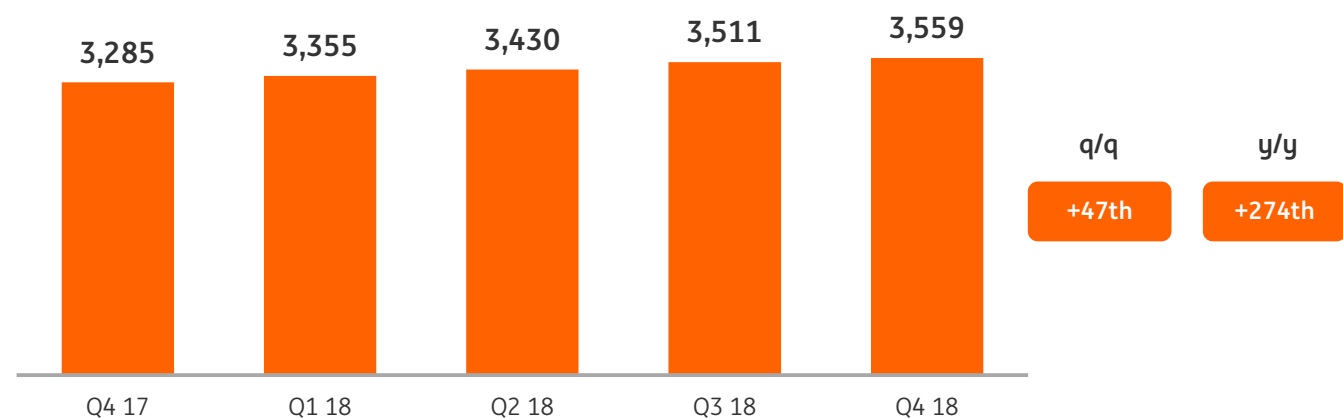
# Client base

## Nearly 4.8 million retail clients

Number of retail clients (thousand)



Number of retail clients' current accounts (thousand)



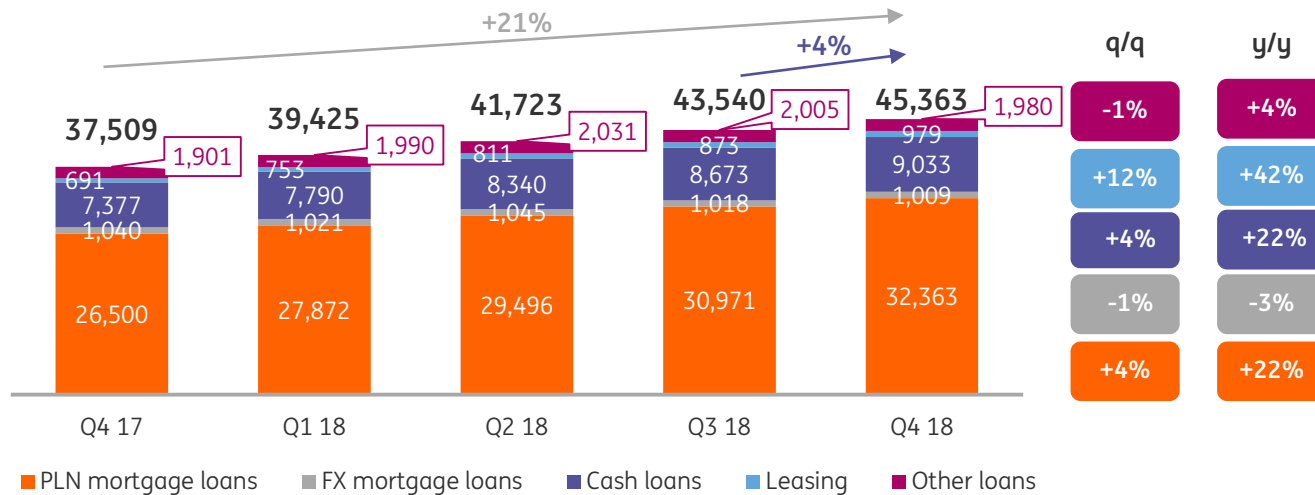
Note: PLN denominated current accounts



- 84% of accounts are Direct Accounts
- In 2018, we were the **second bank** in terms of the number of applications filed for **500+** (117 thousand) and **Dobry Start** (221 thousand) via the Internet
- We have **321 thousand users of Trusted Profile** who have used it 918th times

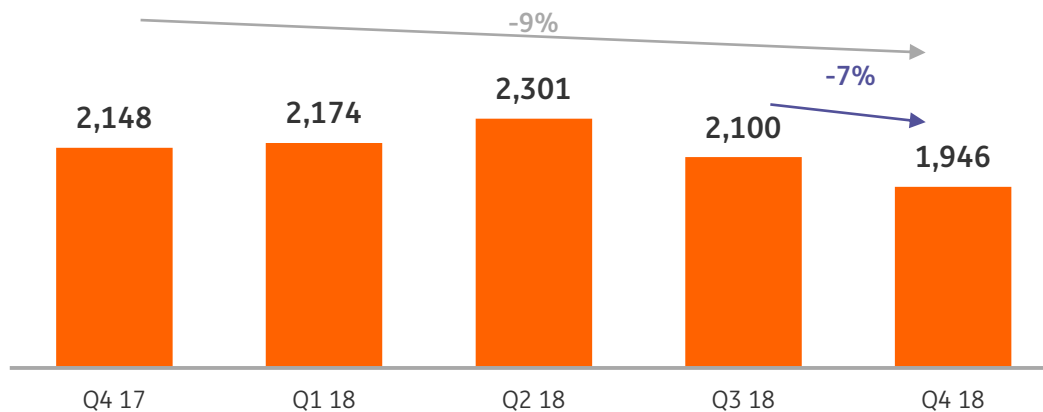
# Retail lending

Loan portfolio of retail clients (gross; PLN million)

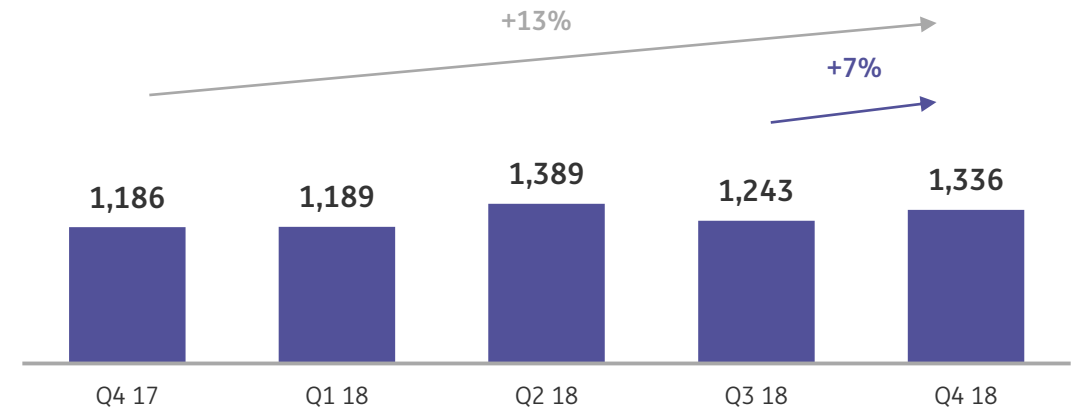


- **PLN 5.2 billion** cash loans granted to retail clients in 2018 (+21% y/y)
- **16.2%** market share in the mortgage loan production in 2018. Amount of the agreements signed: PLN 8.5 billion (+27% y/y)
- **10.3%** market share in PLN housing loans; **7.4%** in total housing loans (as at the end of 2018)
- In 2018 we sold **866 mortgage loans with fixed interest rate** and the total value was PLN 191 million

Mortgage loans production (PLN million)



Cash loan production (PLN million)

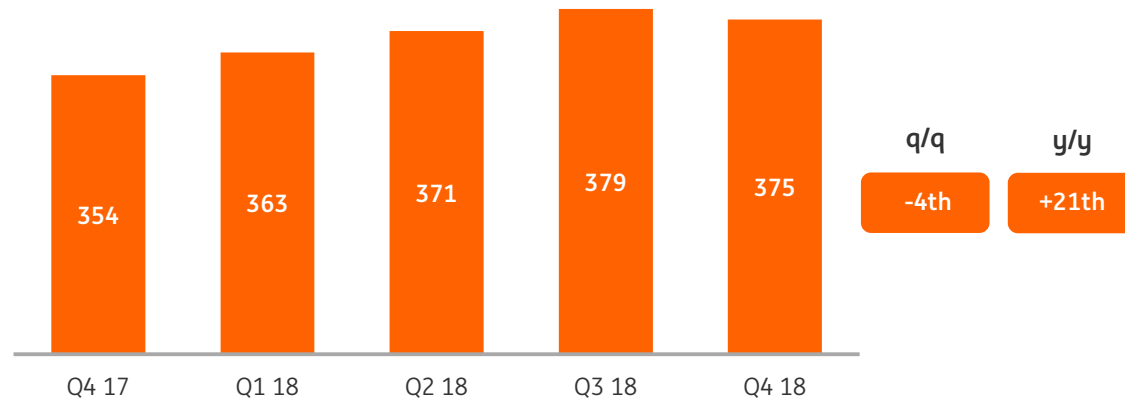




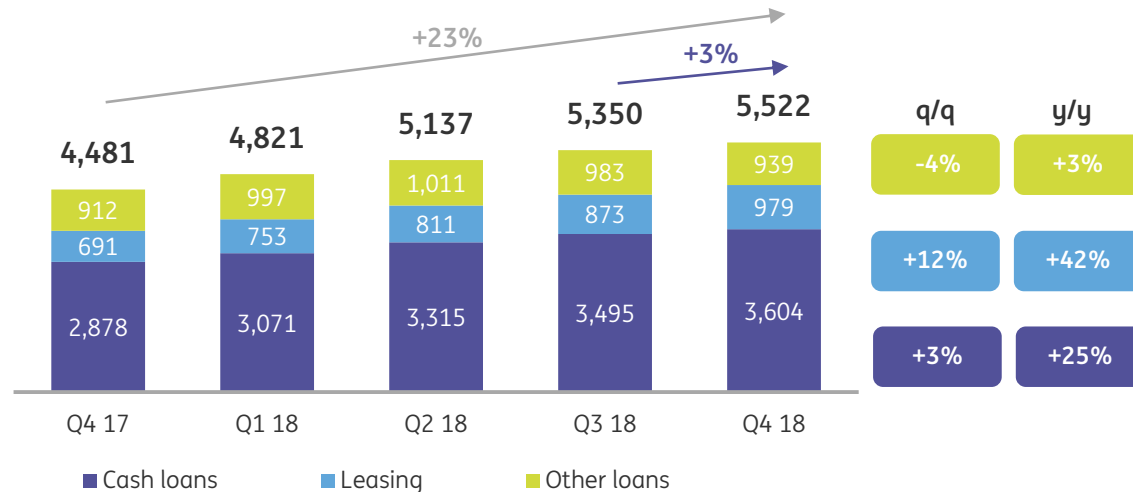
# ING supports entrepreneurs

## 375 thousand entrepreneurs

Number of entrepreneurs (thousand)



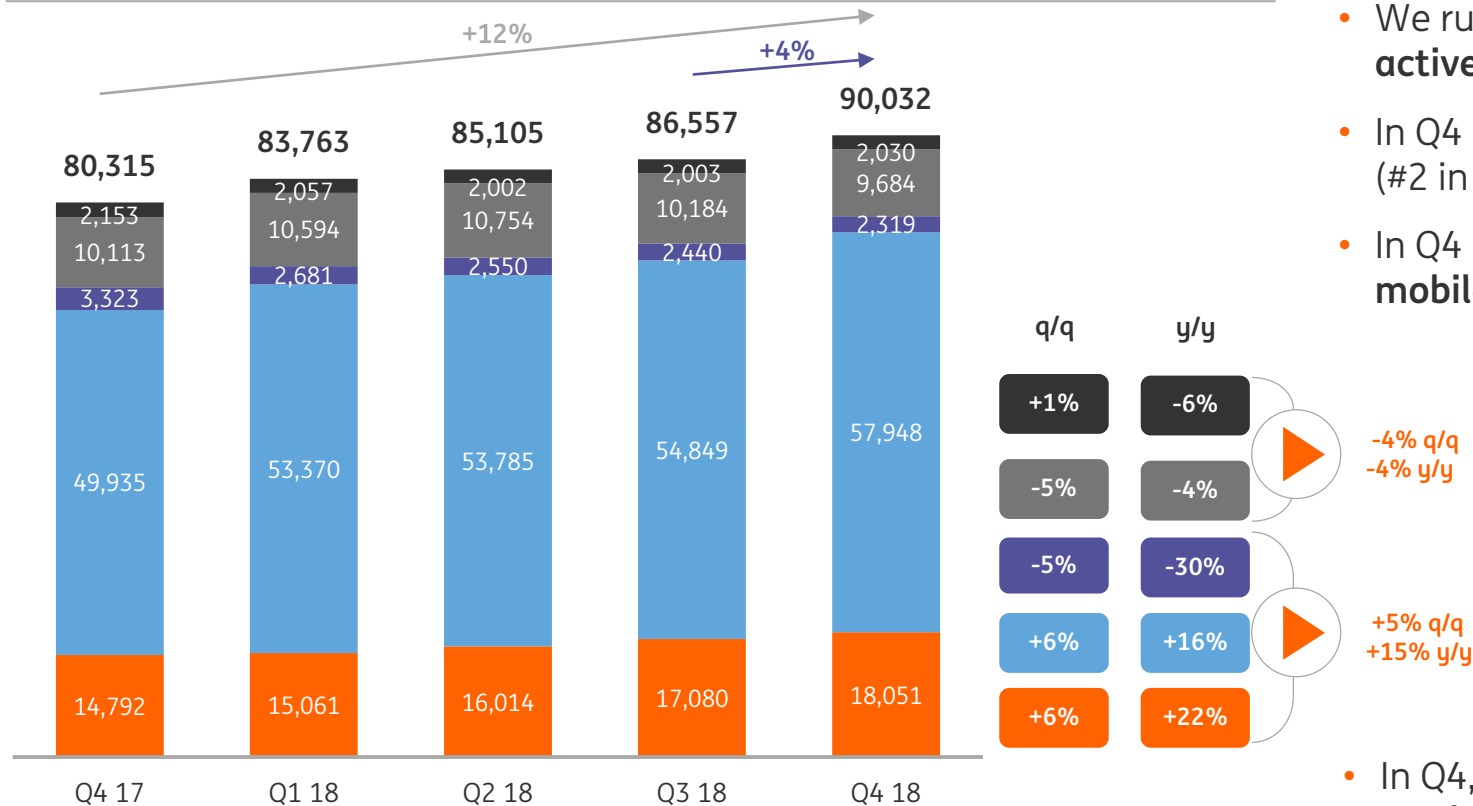
Loans and other receivables from entrepreneurs (gross; PLN million)



- We run **382 thousand current accounts** for **375 thousand entrepreneurs** out of which **95% are Direct Accounts**

# 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 80.4 thousand brokerage accounts; **number of active clients increased by +10% y/y**
- In Q4 2018 we opened **2.1 thousand brokerage accounts** (#2 in the market), out of which **95% via Moje ING**
- In Q4 2018 **36% of brokerage fees** were generated using **mobile applications / devices**



- In Q4, we were **#3 in terms of turnover on the bond market**, reaching a **7% market share**
- **89.4 thousand clients invest regularly**
- In Q4, **19% of the purchases of open-end funds' participation units** were carried out in mobile banking

# Progressive evolution of banking

## ING more and more digital



### Electronic banking

We have **144.3 thousand HCE cards and Google Pay users**

In 2018 **online sales of cash loans represented 76% of cash loans to individual clients and 71% of cash loans sold to entrepreneurs**

~ **1,369 thousand clients with active BLIK** (+9% q/q, +44% y/y)

~ **13.5 million BLIK transactions in 2018** (~4x y/y), out of which **10.1 million e-commerce transactions** (~5x y/y)

~ **63.2 million transfers** in mobile banking in 2018 (+19.3 million y/y, +44% y/y), which accounted for 18% of all transfers

**The number of cash withdrawals** in branches and machines **decreased by 3.4 million y/y** (-14% y/y) to 21.6 million

**1.8m**  
active mobile banking clients

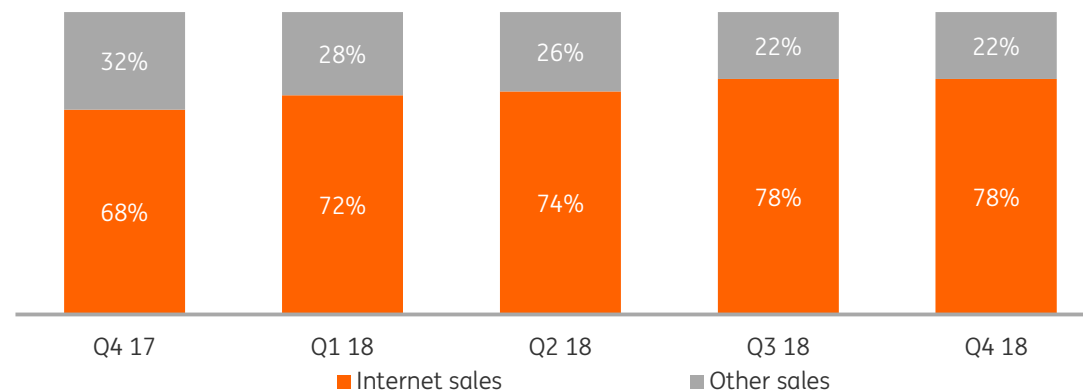
### Physical distribution network

337 branches with self-service zones

1 051 machines for cash self-service, including 866 recyclers, out of which 860 are contactless ATMs/Recyclers

63 ING Express sales points at shopping malls

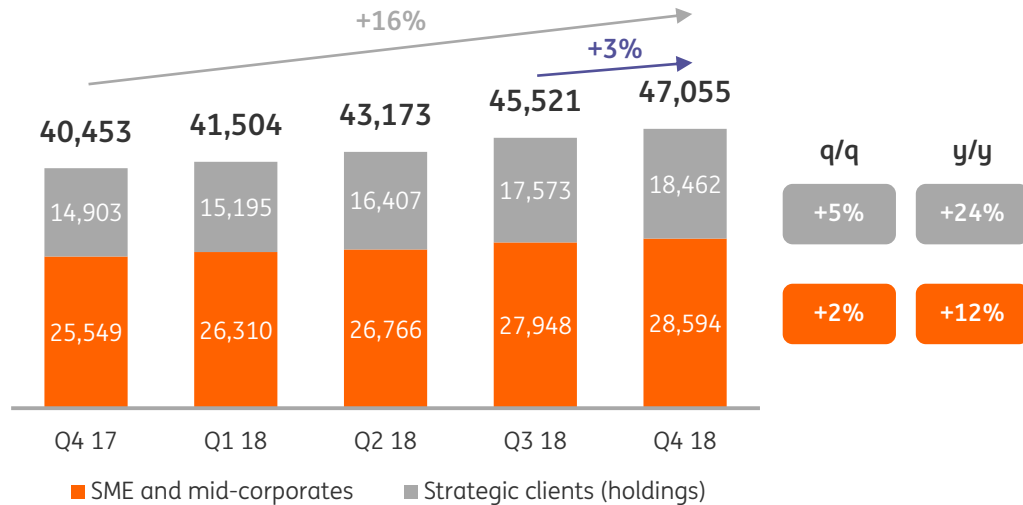
Structure of cash loans sales (as per the number of loans)



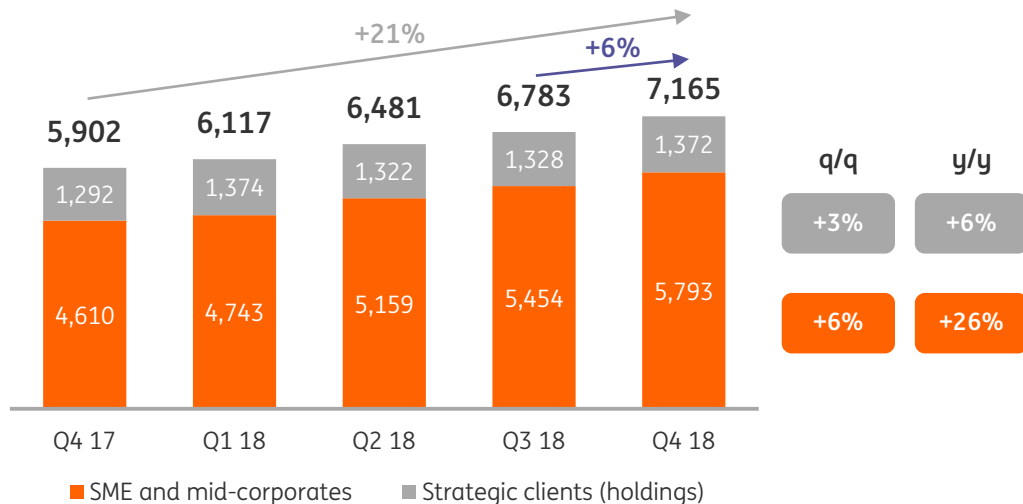
# Corporate banking

# Receivables

Volume of loans (gross; PLN million)

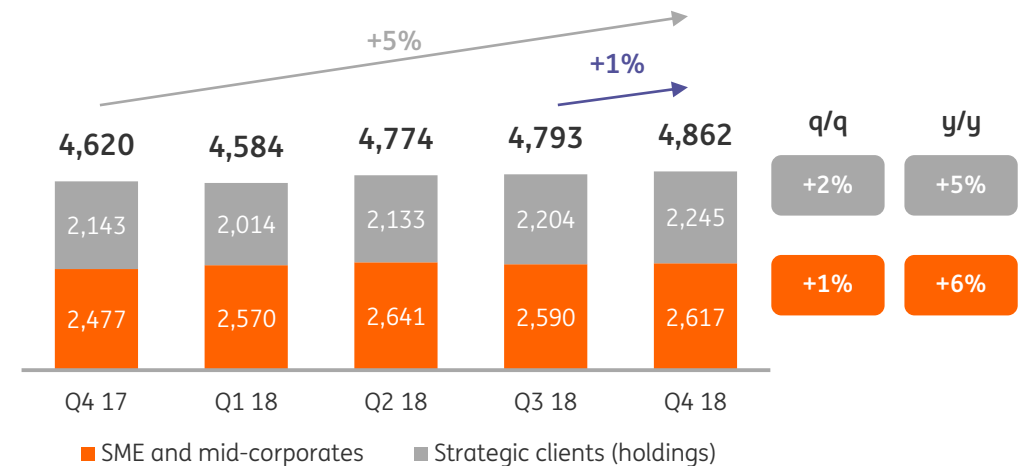


Volume of leasing receivables\* (gross; PLN million)



- We have been appreciated for involvement in the development of the electric car market in Poland. We have received the award of Leader of Electromobility 2018.
- We initiated cooperation with **ENGIE Technika Instalacyjna**. The purpose of the joint initiative is to promote sustainable development and support activities for environmental protection and active action for the development of electromobility.

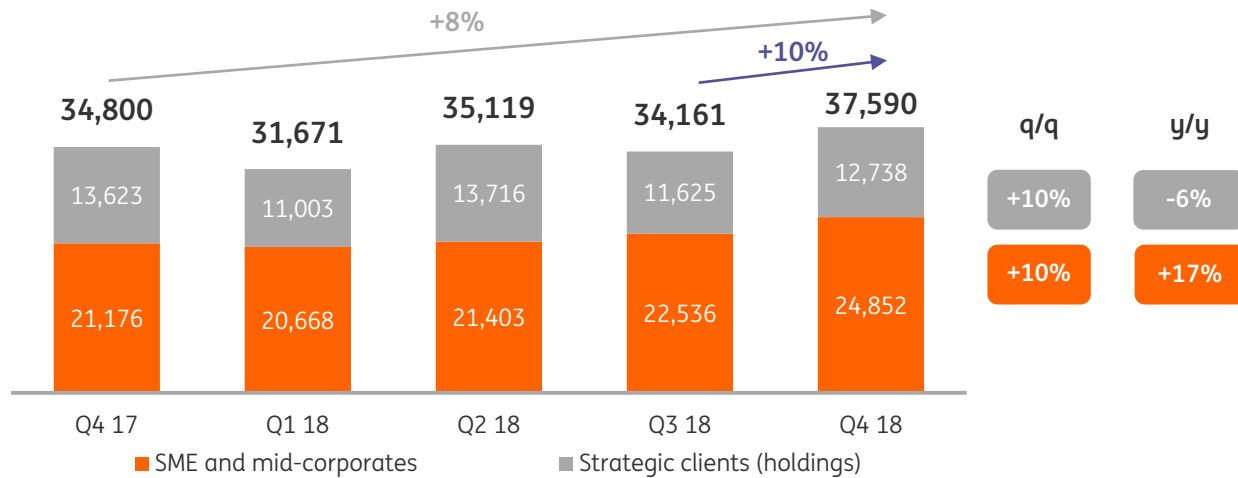
Volume of factoring receivables (gross; PLN million)



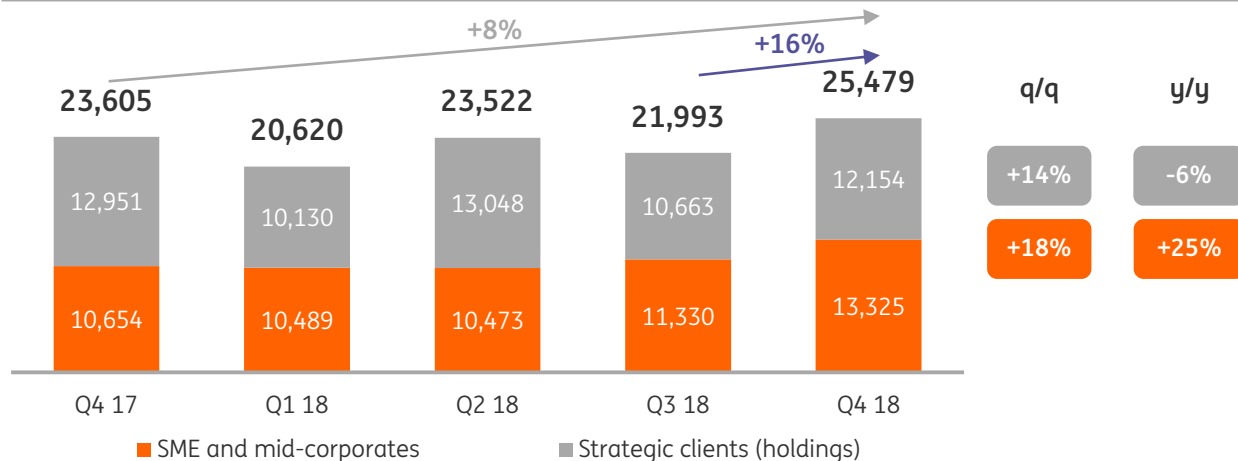


# Cash management

## Volume of corporate deposits (PLN million)



## Volume of corporate current accounts (PLN million)



**+3,200**

new SME and mid-corporate clients  
acquired in Q4 2018

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

- 140 depositories,
- 115 depositories in customer locations,
- 143 mini CDMs in customer locations,
- 6 micro CDMs in customer locations,
- 18 fee collection machines in customer locations.

**Number of mobile transfers  
increased by +36% y/y**

# Financial results

# Income statement

## Consolidated financial income statements (PLN m)

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	q/q		y/y		2017	2018	y/y	
									Δ	%	Δ	%			Δ	%
<b>Net interest income, of which:</b>	<b>794.8</b>	<b>830.5</b>	<b>868.9</b>	<b>895.2</b>	<b>883.0</b>	<b>920.0</b>	<b>961.2</b>	<b>995.1</b>	<b>33.9</b>	<b>3.5%</b>	<b>99.9</b>	<b>11.2%</b>	<b>3,389.4</b>	<b>3,759.3</b>	<b>369.9</b>	<b>10.9%</b>
<b>Interest income, of which:</b>	<b>1,004.3</b>	<b>1,040.6</b>	<b>1,081.6</b>	<b>1,111.0</b>	<b>1,098.1</b>	<b>1,150.2</b>	<b>1,194.7</b>	<b>1,230.8</b>	<b>36.1</b>	<b>3.0%</b>	<b>119.8</b>	<b>10.8%</b>	<b>4,237.5</b>	<b>4,673.8</b>	<b>436.3</b>	<b>10.3%</b>
- Interest on loans and receivables to other banks	12.5	13.7	13.9	16.1	9.5	7.9	10.1	8.9	-1.2	-11.9%	-7.2	-44.7%	56.2	36.4	-19.8	-35.2%
- Interest on loans and receivables to customers	826.3	866.5	908.6	935.7	919.8	968.1	1,011.9	1,061.2	49.3	4.9%	125.5	13.4%	3,537.1	3,961.0	423.9	12.0%
- Interest on securities measured at amortised cost	-	-	-	-	69.6	74.7	75.7	60.6	-15.1	-19.9%	-	-	-	280.6	-	-
- Interest on securities measured through other comprehensive income	-	-	-	-	99.2	99.5	97.0	100.1	3.1	3.2%	-	-	-	395.8	-	-
- Interest on available-for-sale debt securities	121.2	108.3	103.4	103.8	-	-	-	-	-	-	-	-	436.7	-	-	-
- Interest on held-to-maturity debt securities	44.3	52.1	55.7	55.4	-	-	-	-	-	-	-	-	207.5	-	-	-
<b>Interest expenses, of which:</b>	<b>209.5</b>	<b>210.1</b>	<b>212.7</b>	<b>215.8</b>	<b>215.1</b>	<b>230.2</b>	<b>233.5</b>	<b>235.7</b>	<b>2.2</b>	<b>0.9%</b>	<b>19.9</b>	<b>9.2%</b>	<b>848.1</b>	<b>914.5</b>	<b>66.4</b>	<b>7.8%</b>
- Interest on deposits from banks	16.9	16.3	15.5	12.2	10.2	14.5	19.5	14.1	-5.4	-27.7%	1.9	15.6%	60.9	58.3	-2.6	-4.3%
- Interest on deposits from customers	183.8	185.0	188.3	195.7	200.1	210.6	209.0	215.8	6.8	3.3%	20.1	10.3%	752.8	835.5	82.7	11.0%
- Interest on issue of debt securities	5.7	5.7	5.8	4.7	1.9	1.9	1.9	1.9	0.0	0.0%	-2.8	-59.6%	21.9	7.6	-14.3	-65.3%
- Interest on subordinated liabilities	3.1	3.1	3.1	3.2	2.9	3.2	3.1	3.9	0.8	25.8%	0.7	21.9%	12.5	13.1	0.6	4.8%
<b>Net commission income</b>	<b>290.8</b>	<b>293.1</b>	<b>309.9</b>	<b>302.2</b>	<b>318.1</b>	<b>339.6</b>	<b>316.5</b>	<b>330.7</b>	<b>14.2</b>	<b>4.5%</b>	<b>28.5</b>	<b>9.4%</b>	<b>1,196.0</b>	<b>1,304.9</b>	<b>108.9</b>	<b>9.1%</b>
<b>Result on trade operations and revaluation (incl investments and HA)</b>	<b>48.9</b>	<b>68.7</b>	<b>36.2</b>	<b>26.9</b>	<b>53.5</b>	<b>44.6</b>	<b>26.4</b>	<b>29.6</b>	<b>3.2</b>	<b>12.1%</b>	<b>2.7</b>	<b>10.0%</b>	<b>180.7</b>	<b>154.1</b>	<b>-26.6</b>	<b>-14.7%</b>
- Net income on instruments measured at fair value through profit or loss and FX result	36.7	27.6	31.3	23.2	18.0	24.4	27.1	21.4	-5.7	-21.0%	-1.8	-7.8%	118.8	90.9	-27.9	-23.5%
- The result on the sale of securities valued at amortized cost	0.0	0.0	0.0	0.0	1.1	-0.1	0.0	0.0	0.0	-	0.0	-	0.0	1.0	1.0	-
- Net income on investments	10.2	32.8	3.6	0.0	32.2	18.3	0.0	3.8	3.8	-	3.8	-	46.6	54.3	7.7	16.5%
- Net income on hedge accounting	2.0	8.3	1.3	3.7	2.2	2.0	-0.7	4.4	5.1	-	0.7	18.9%	15.3	7.9	-7.4	-48.4%
<b>Net income on other basic activities</b>	<b>0.8</b>	<b>-0.7</b>	<b>-0.1</b>	<b>3.0</b>	<b>2.3</b>	<b>6.0</b>	<b>2.0</b>	<b>4.1</b>	<b>2.1</b>	<b>105.0%</b>	<b>1.1</b>	<b>36.7%</b>	<b>3.0</b>	<b>14.4</b>	<b>11.4</b>	<b>380.0%</b>
Share in net profit (loss) of associated entities recognised under the equity method	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	-0.1	0.1	-50.0%	-0.1	-	0.0	-0.3	-0.3	-
<b>Income</b>	<b>1,135.3</b>	<b>1,191.6</b>	<b>1,214.9</b>	<b>1,227.3</b>	<b>1,256.9</b>	<b>1,310.2</b>	<b>1,305.9</b>	<b>1,359.4</b>	<b>53.5</b>	<b>4.1%</b>	<b>132.1</b>	<b>10.8%</b>	<b>4,769.1</b>	<b>5,232.4</b>	<b>463.3</b>	<b>9.7%</b>
<b>Expenses</b>	<b>565.6</b>	<b>512.1</b>	<b>529.6</b>	<b>528.5</b>	<b>628.3</b>	<b>555.0</b>	<b>577.2</b>	<b>566.3</b>	<b>-10.9</b>	<b>-1.9%</b>	<b>37.8</b>	<b>7.2%</b>	<b>2,135.8</b>	<b>2,326.8</b>	<b>191.0</b>	<b>8.9%</b>
- personnel expenses	251.0	260.5	260.6	263.5	275.4	286.1	284.3	259.0	-25.3	-8.9%	-4.5	-1.7%	1,035.7	1,104.7	69.0	6.7%
- other expenses	268.5	206.7	224.4	218.2	309.2	224.1	247.2	248.0	0.8	0.3%	29.8	13.7%	917.7	1,028.5	110.8	12.1%
- D&A	46.0	44.9	44.6	46.8	43.7	44.8	45.7	59.3	13.6	29.8%	12.5	26.6%	182.4	193.5	11.2	6.1%
<b>Profit before risk costs</b>	<b>569.7</b>	<b>679.5</b>	<b>685.3</b>	<b>698.8</b>	<b>628.6</b>	<b>755.2</b>	<b>728.7</b>	<b>793.1</b>	<b>64.4</b>	<b>8.8%</b>	<b>94.3</b>	<b>13.5%</b>	<b>2,633.3</b>	<b>2,905.6</b>	<b>272.3</b>	<b>10.3%</b>
<b>Risk costs</b>	<b>76.5</b>	<b>123.0</b>	<b>109.1</b>	<b>112.6</b>	<b>94.8</b>	<b>173.7</b>	<b>133.9</b>	<b>98.5</b>	<b>-35.4</b>	<b>-26.4%</b>	<b>-14.1</b>	<b>-12.5%</b>	<b>421.2</b>	<b>500.9</b>	<b>79.7</b>	<b>18.9%</b>
- retail	42.8	43.8	39.8	33.9	37.5	103.3	41.7	88.5	46.8	112.2%	54.6	161.1%	160.3	271.0	110.7	69.1%
- corporate	33.6	79.3	69.3	78.7	57.3	70.4	92.2	10.0	-82.2	-89.2%	-68.7	-87.3%	260.9	229.9	-31.0	-11.9%
<b>Tax on certain financial institutions</b>	<b>79.4</b>	<b>80.4</b>	<b>84.1</b>	<b>86.2</b>	<b>87.5</b>	<b>91.1</b>	<b>94.2</b>	<b>98.9</b>	<b>4.7</b>	<b>5.0%</b>	<b>12.7</b>	<b>14.7%</b>	<b>330.1</b>	<b>371.7</b>	<b>41.6</b>	<b>12.6%</b>
<b>Profit (loss) before tax</b>	<b>413.8</b>	<b>476.1</b>	<b>492.1</b>	<b>500.0</b>	<b>446.3</b>	<b>490.4</b>	<b>500.6</b>	<b>595.7</b>	<b>95.1</b>	<b>19.0%</b>	<b>95.7</b>	<b>19.1%</b>	<b>1,882.0</b>	<b>2,033.0</b>	<b>151.0</b>	<b>8.0%</b>
Income tax	113.6	115.7	116.4	133.2	124.1	117.7	121.8	143.5	21.7	17.8%	10.3	7.7%	478.9	507.1	28.2	5.9%
<b>Net profit (loss), of which:</b>	<b>300.2</b>	<b>360.4</b>	<b>375.7</b>	<b>366.8</b>	<b>322.2</b>	<b>372.7</b>	<b>378.8</b>	<b>452.2</b>	<b>73.4</b>	<b>19.4%</b>	<b>85.4</b>	<b>23.3%</b>	<b>1,403.1</b>	<b>1,525.9</b>	<b>122.8</b>	<b>8.8%</b>
<b>Net profit (loss) attributable to the shareholders of ING BSK</b>	<b>300.2</b>	<b>360.4</b>	<b>375.7</b>	<b>366.8</b>	<b>322.2</b>	<b>372.7</b>	<b>378.8</b>	<b>452.2</b>	<b>73.4</b>	<b>19.4%</b>	<b>85.4</b>	<b>23.3%</b>	<b>1,403.1</b>	<b>1,525.9</b>	<b>122.8</b>	<b>8.8%</b>
Number of shares issued (m)	130.1	130.1	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) - annualised	9.23	11.08	11.55	11.28	9.91	11.46	11.65	13.90	2.26	19.4%	2.63	23.3%	10.78	11.73	0.94	8.8%

# Statement of financial position

## Consolidated statement of financial position (PLN m)

### ASSETS

	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	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	1,529.8	1,237.4	-292.4	-19.1%	-1,577.8	-56.0%
- 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	621.8	776.5	154.7	24.9%	-1,458.0	-65.2%
- 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	1,270.7	1,711.6	440.9	34.7%	396.8	30.2%
- Investments	29,631.3	30,255.5	28,016.7	28,119.8	29,471.5	29,135.7	28,677.0	28,823.4	31,937.3	3,113.9	10.8%	2,465.8	8.4%
- Derivative hedge instruments	1,338.6	1,259.1	1,148.6	1,050.1	967.2	960.6	880.2	836.5	909.6	73.1	8.7%	-57.6	-6.0%
- 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	99,223.8	103,125.8	3,902.0	3.9%	15,581.8	17.8%
- Non-financial assets	1,004.2	995.3	985.0	979.0	980.0	965.6	956.8	974.0	995.3	21.3	2.2%	15.3	1.6%
- Property, plant and equipment held for sale	31.8	19.7	14.3	15.3	11.1	10.9	16.2	16.2	10.9	-5.3	-32.7%	-0.2	-1.8%
- Tax assets	237.5	181.9	228.5	250.4	257.1	276.4	335.2	356.3	398.2	41.9	11.8%	141.1	54.9%
- Other assets	282.5	333.8	362.9	385.5	418.5	347.2	401.6	445.7	487.0	41.3	9.3%	68.5	16.4%
<b>Total assets</b>	<b>117,477.7</b>	<b>118,850.5</b>	<b>120,197.6</b>	<b>122,290.0</b>	<b>126,013.9</b>	<b>127,310.3</b>	<b>130,758.6</b>	<b>134,098.2</b>	<b>141,589.6</b>	<b>7,491.4</b>	<b>5.6%</b>	<b>15,575.7</b>	<b>12.4%</b>

### EQUITY AND LIABILITIES

#### LIABILITIES

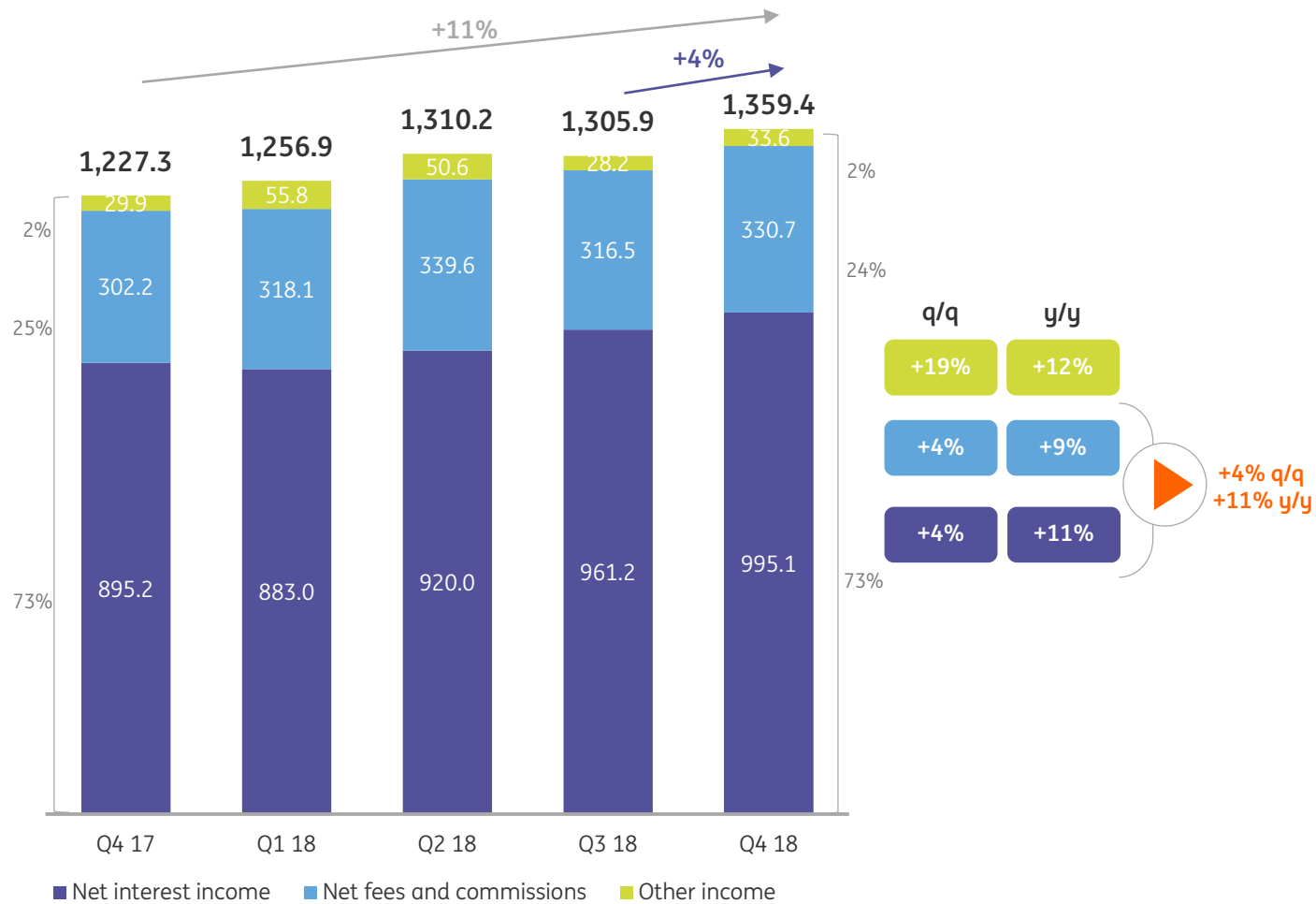
- Liabilities due to other banks	5,043.0	5,606.6	6,140.5	5,637.8	4,109.0	6,288.8	4,882.0	6,882.2	5,195.8	-1,686.4	-24.5%	1,086.8	26.4%
- Financial liabilities measured at fair value through profit and loss	474.8	639.0	108.6	1,663.6	735.1	225.9	464.4	569.7	886.2	316.5	55.6%	151.1	20.6%
- Valuation of derivatives	1,116.0	1,097.6	1,045.7	957.8	979.2	819.0	817.3	646.5	578.1	-68.4	-10.6%	-401.1	-41.0%
- Derivative hedge instruments	1,468.1	1,206.4	1,015.0	799.9	699.2	622.6	677.7	574.0	611.8	37.8	6.6%	-87.4	-12.5%
- 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	110,205.0	117,682.5	7,477.5	6.8%	13,179.2	12.6%
- Liabilities under issue of debt securities	866.4	872.0	866.3	872.1	300.3	302.2	300.2	302.2	300.3	-1.9	-0.6%	0.0	0.0%
- Subordinated liabilities	664.9	634.2	635.3	647.7	626.9	632.4	655.6	641.9	1,076.9	435.0	67.8%	450.0	71.8%
- Provisions	60.3	59.4	69.5	77.3	91.9	115.6	125.1	164.9	152.4	-12.5	-7.6%	60.5	65.8%
- Tax liabilities	121.3	24.1	121.4	181.1	232.9	244.8	68.3	53.8	280.3	226.5	421.0%	47.4	20.4%
- Other liabilities	1,360.3	1,301.1	1,332.4	1,506.7	1,941.3	1,338.0	1,704.4	1,896.1	1,489.0	-407.1	-21.5%	-452.3	-23.3%
<b>Total liabilities</b>	<b>107,000.5</b>	<b>108,061.1</b>	<b>109,043.5</b>	<b>110,803.8</b>	<b>114,219.1</b>	<b>115,251.4</b>	<b>118,869.1</b>	<b>121,936.3</b>	<b>128,253.3</b>	<b>6,317.0</b>	<b>5.2%</b>	<b>14,034.2</b>	<b>12.3%</b>

#### EQUITY

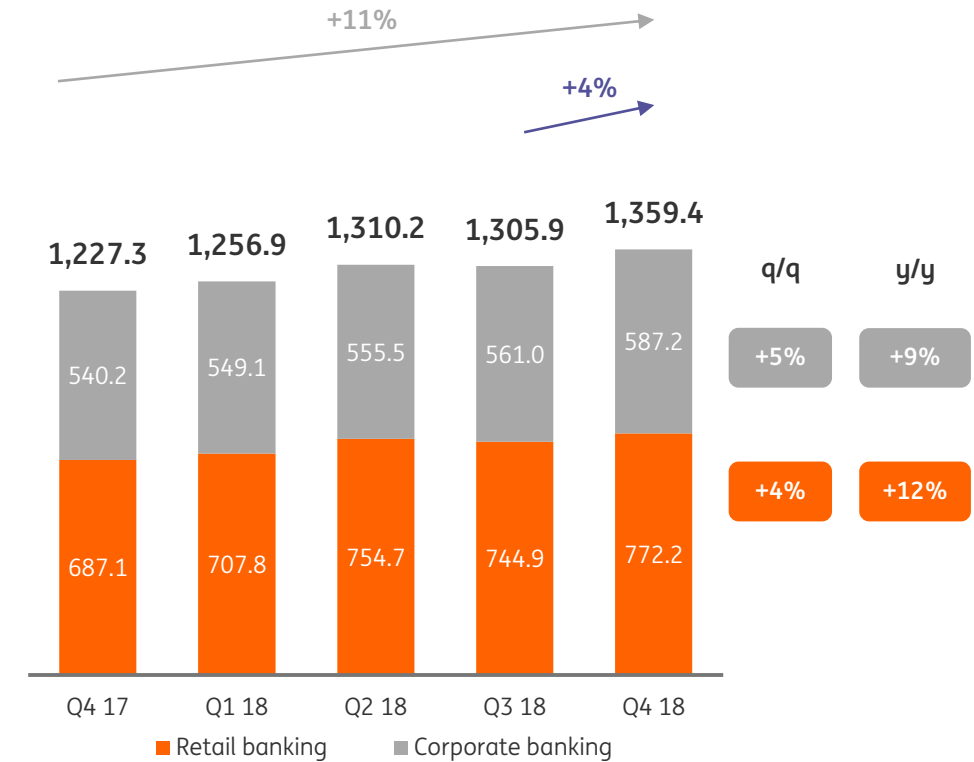
- Share capital	130.1	130.1	130.1	130.1	130.1	130.1	130.1	130.1	130.1	0.0	0.0%	0.0	0.0%
- Supplementary capital - issuance of shares over nominal value	956.3	956.3	956.3	956.3	956.3	956.3	956.3	956.3	956.3	0.0	0.0%	0.0	0.0%
- Revaluation reserve	577.5	589.6	596.2	551.8	493.2	684.0	557.0	450.6	1,169.7	719.1	159.6%	676.5	137.2%
- Retained earnings	8,811.0	9,111.3	9,471.5	9,848.0	10,215.2	10,288.5	10,246.1	10,624.9	11,080.2	455.3	4.3%	865.0	8.5%
<b>Equity attributable to shareholders of ING BSK</b>	<b>10,474.9</b>	<b>10,787.3</b>	<b>11,154.1</b>	<b>11,486.2</b>	<b>11,794.8</b>	<b>12,058.9</b>	<b>11,889.5</b>	<b>12,161.9</b>	<b>13,336.3</b>	<b>1,174.4</b>	<b>9.7%</b>	<b>1,541.5</b>	<b>13.1%</b>
- Non-controlling interests	2.3	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0	-
<b>Total equity</b>	<b>10,477.2</b>	<b>10,789.4</b>	<b>11,154.1</b>	<b>11,486.2</b>	<b>11,794.8</b>	<b>12,058.9</b>	<b>11,889.5</b>	<b>12,161.9</b>	<b>13,336.3</b>	<b>1,174.4</b>	<b>9.7%</b>	<b>1,541.5</b>	<b>13.1%</b>
<b>Total equity and liabilities</b>	<b>117,477.7</b>	<b>118,850.5</b>	<b>120,197.6</b>	<b>122,290.0</b>	<b>126,013.9</b>	<b>127,310.3</b>	<b>130,758.6</b>	<b>134,098.2</b>	<b>141,589.6</b>	<b>7,491.4</b>	<b>5.6%</b>	<b>15,575.7</b>	<b>12.4%</b>
Number of shares issued (m)	130.1	130.1	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	93.48	102.51	9.03	9.7%	11.85	13.1%

# Income per category

Income per P&L line (PLN million)



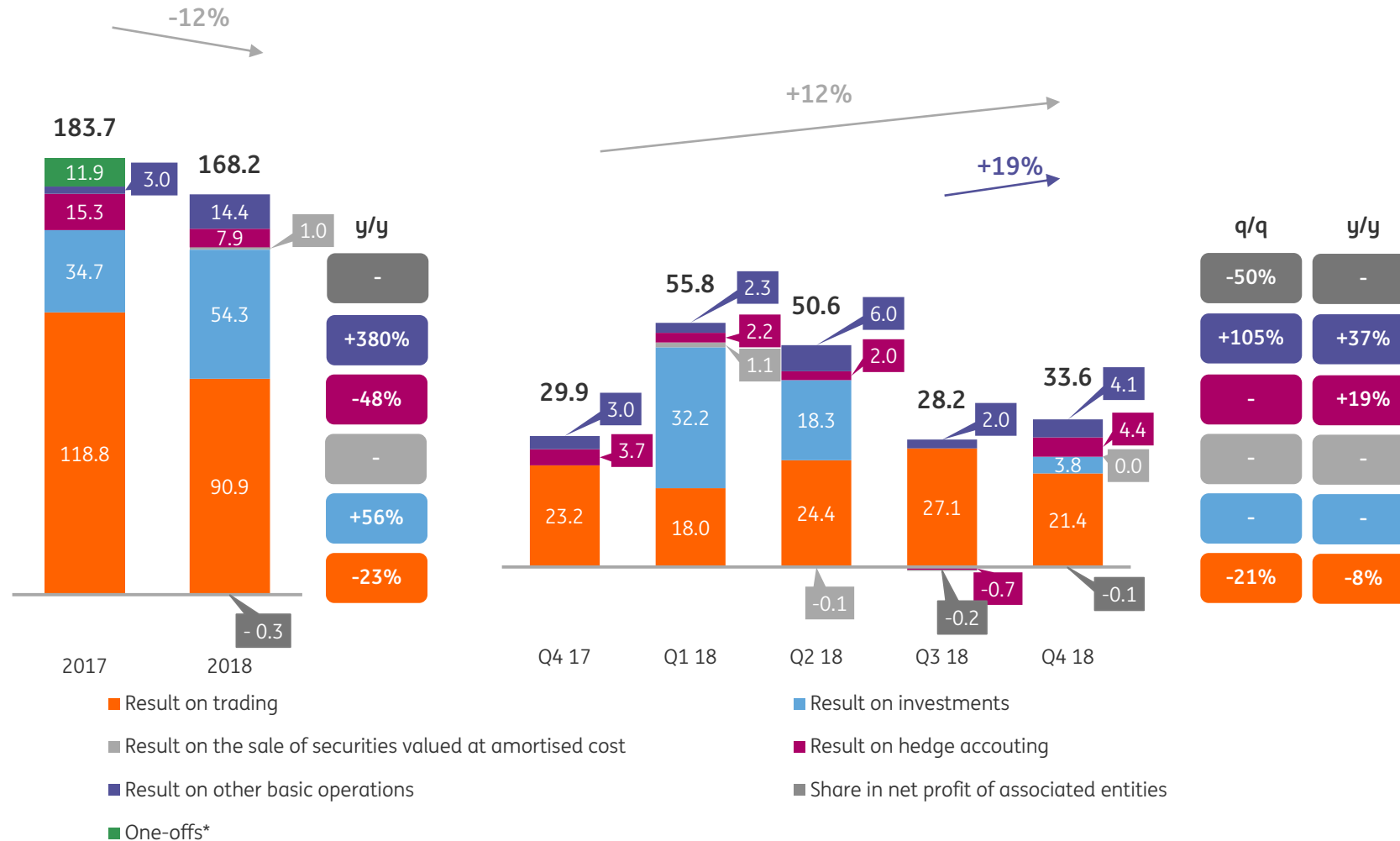
Income per business line (PLN million)





# Other income

## Other income (PLN million)

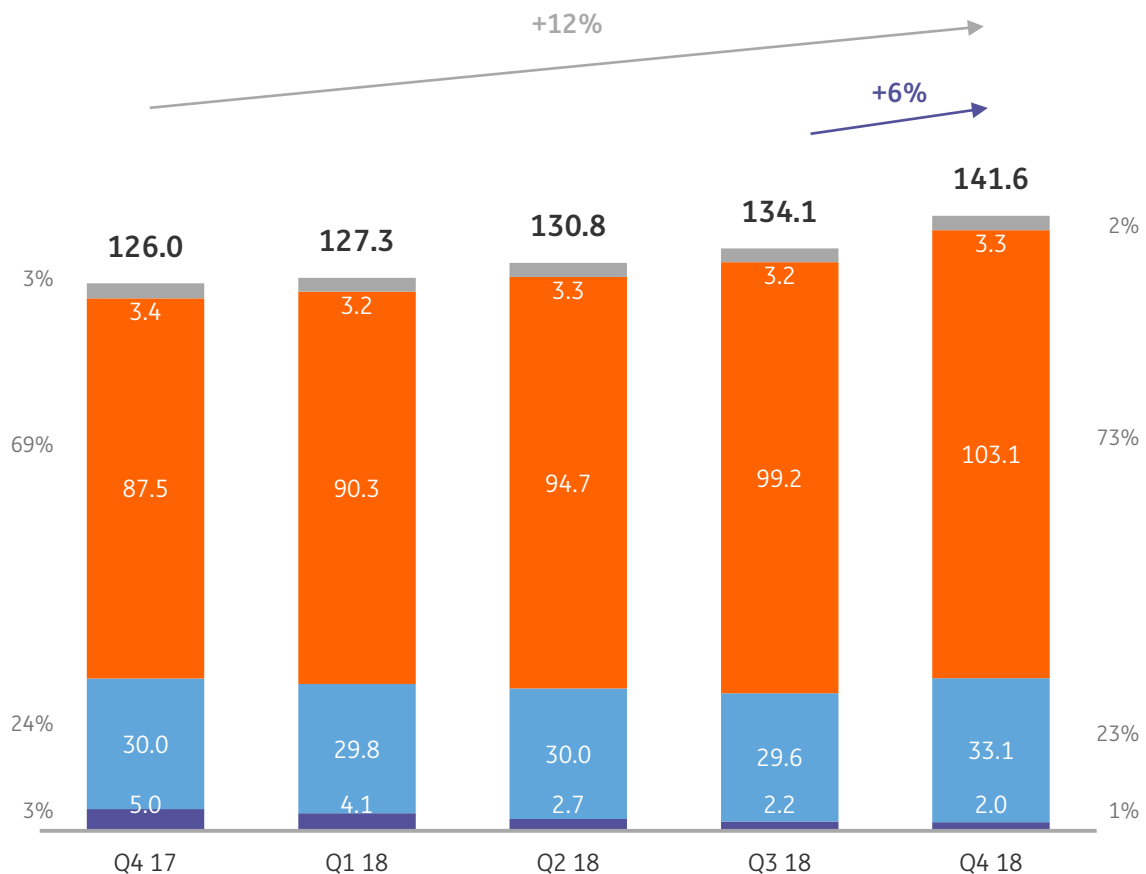


### One-offs\*:

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

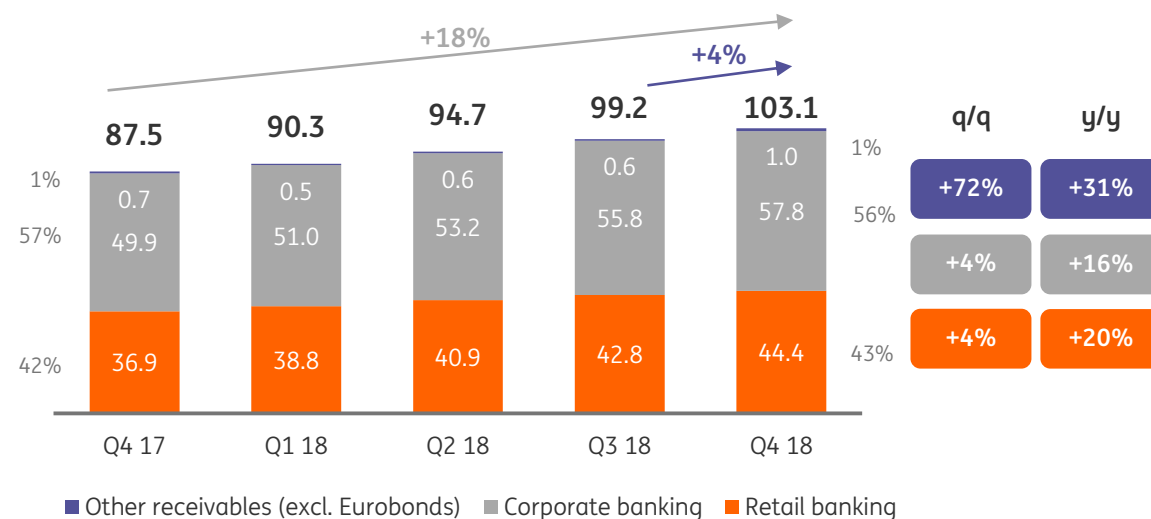
# Bank assets

Assets structure (PLN bilion; %)



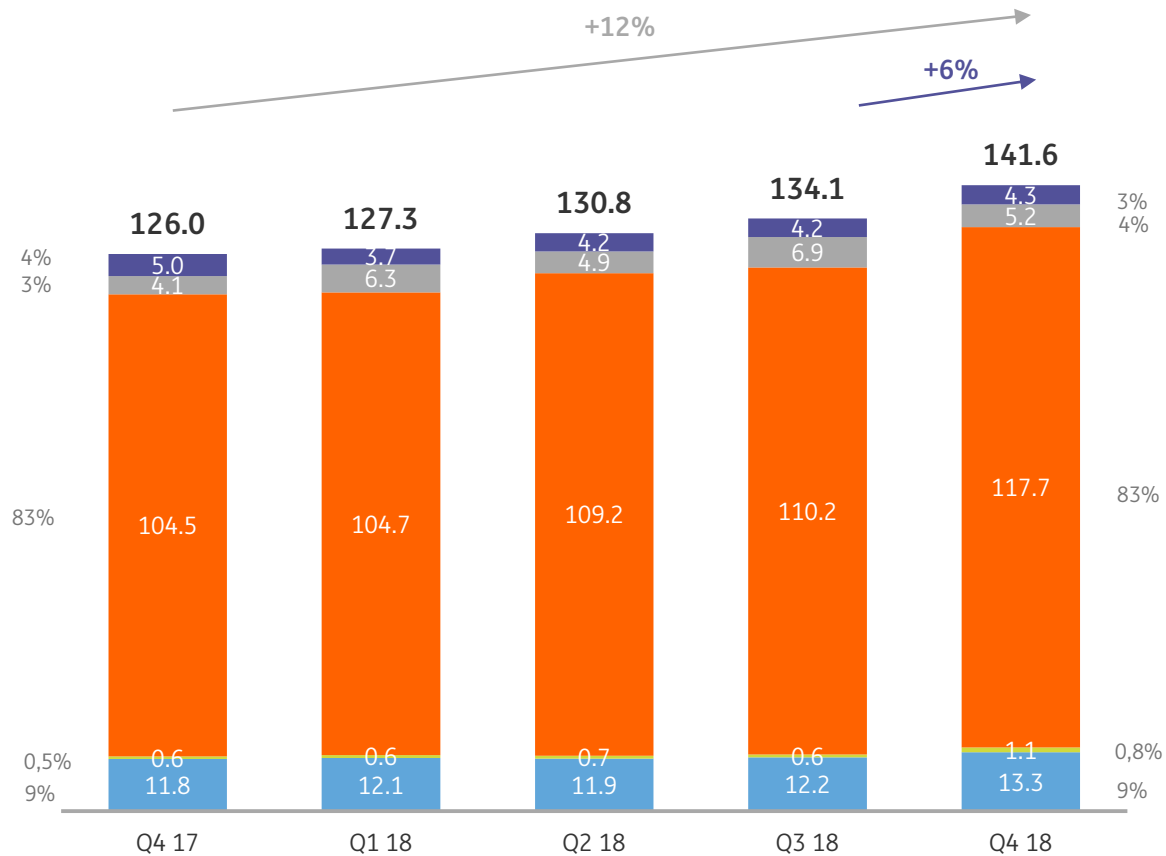
- Other
- Loans, corporate bonds and other receivables from customers\*
- Securities (including Eurobonds)
- Loans and other receivables from banks + cash with NBP

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



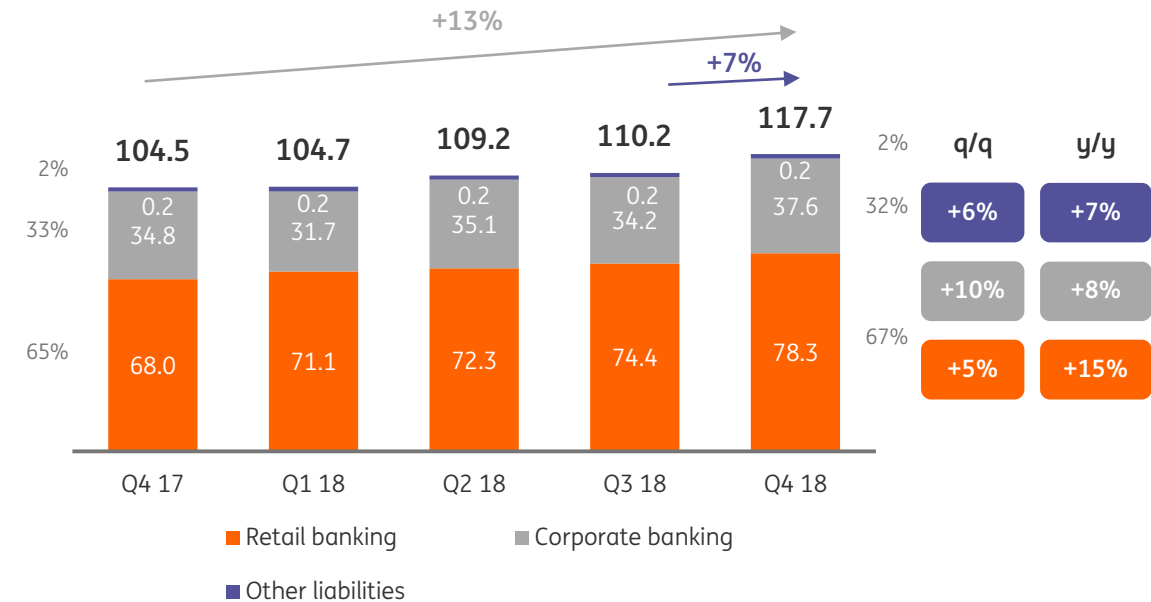
# Bank equity and liabilities

Structure of equity and liabilities (PLN billion; %)



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

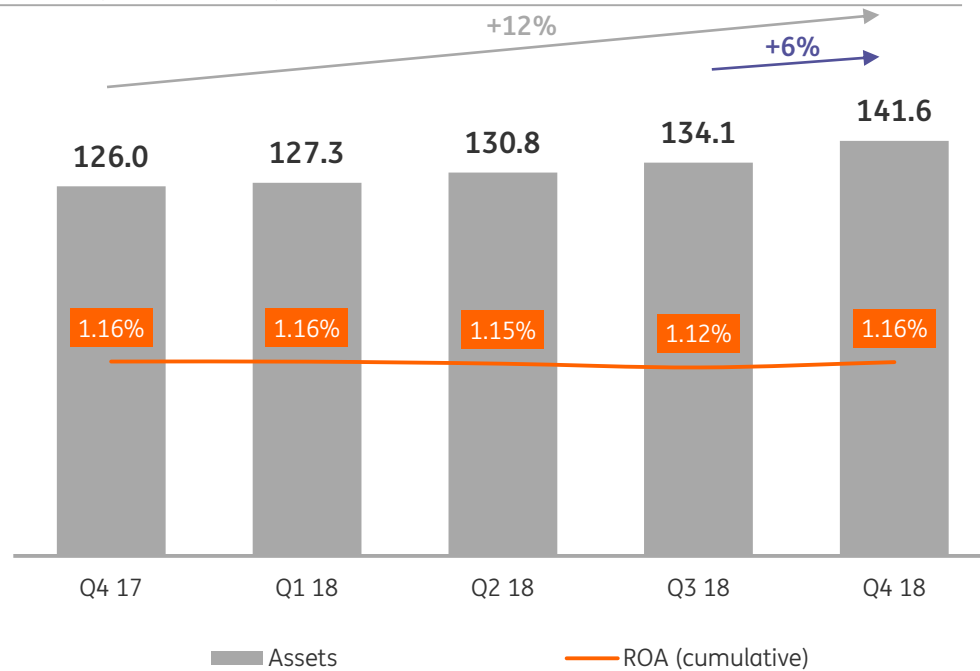
Deposits and other liabilities to customers (PLN billion)



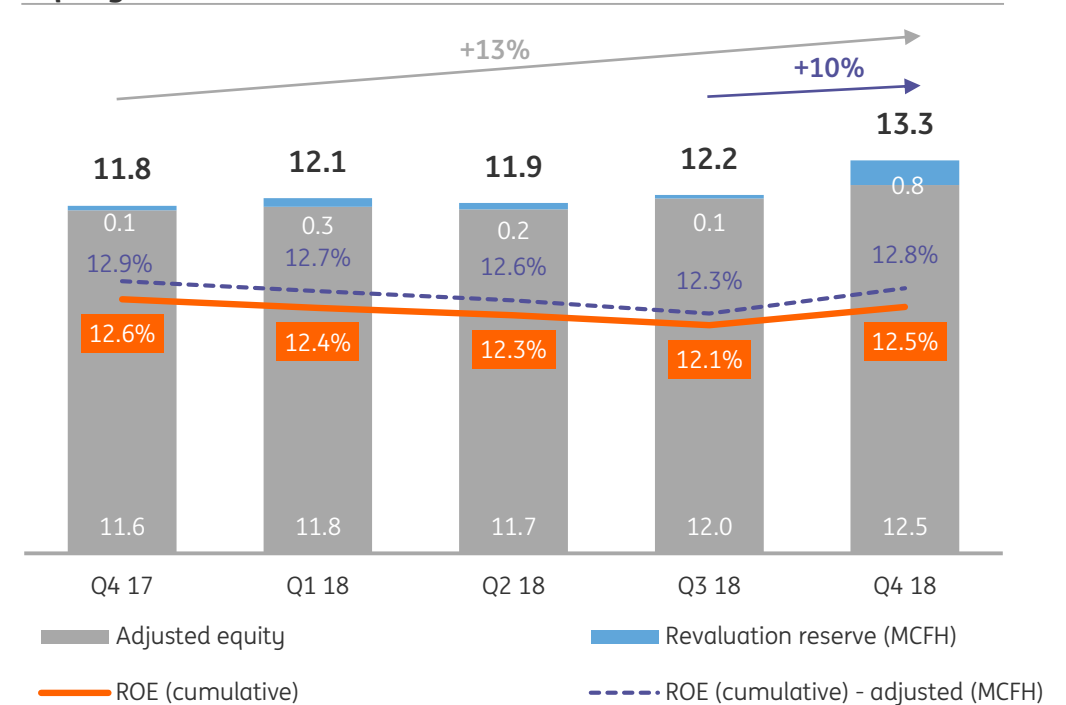
	q/q	y/y
Other liabilities	+6%	+7%
Corporate banking	+10%	+8%
Retail banking	+5%	+15%

# Assets, equity and profitability ratios

Assets (PLN billion) / ROA



Equity (PLN billion) / ROE



47 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)

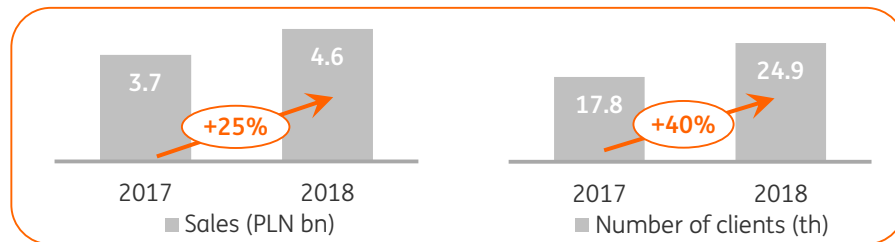
Other



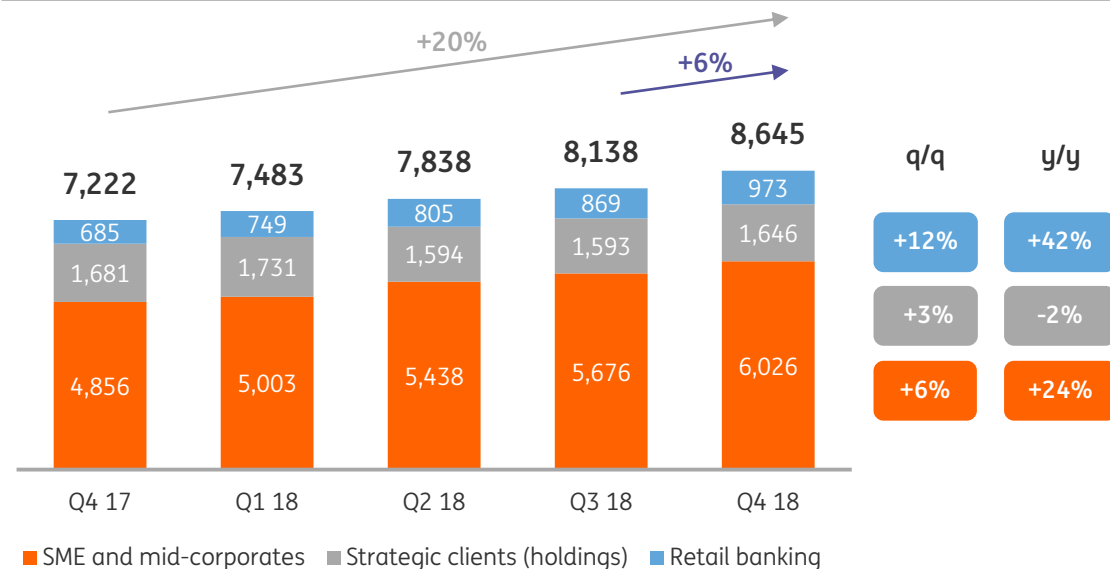
# Asset Based Lending

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

- 5.6% market share in new production (#7 in the market)
- Market share in lease of machinery and equipment (new production): 7.0% (#5 in the market)

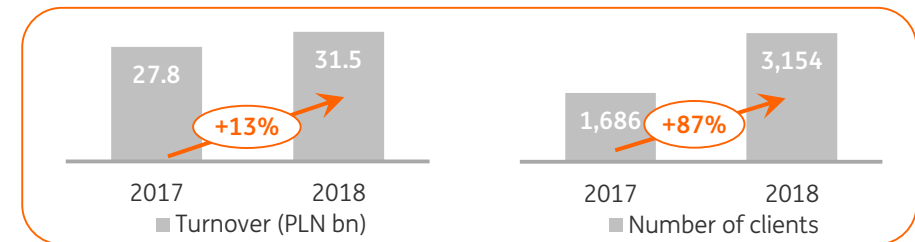


## ING Lease receivables (PLN m; management accounting)

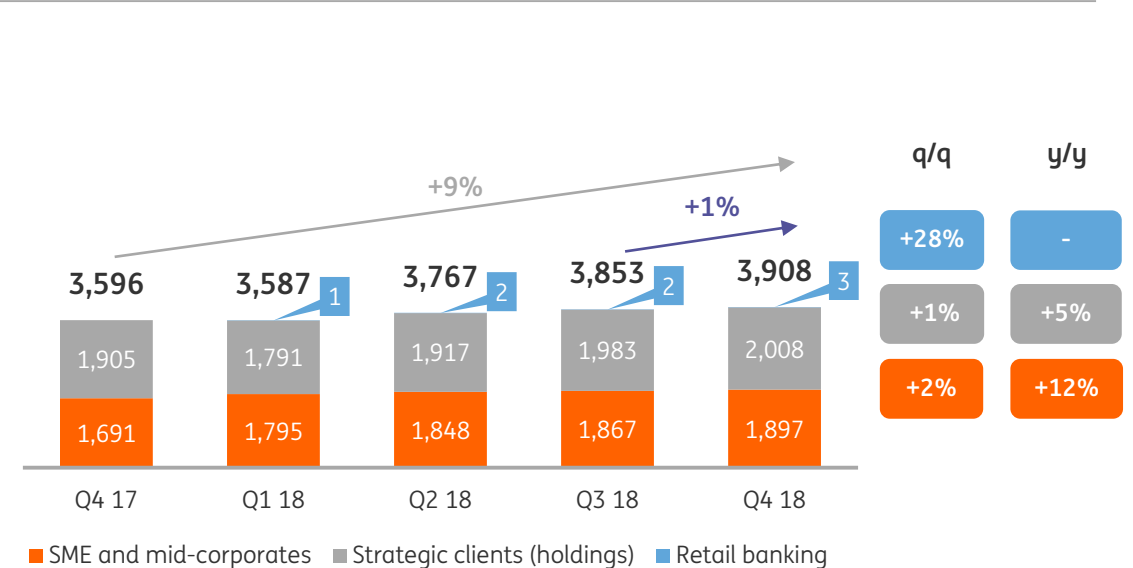


## ING Commercial Finance Polska S.A. (factoring)

- 🏆 #1 • #1 in the market with market share 13.0% in 2018
- We bought 24% more invoices y/y

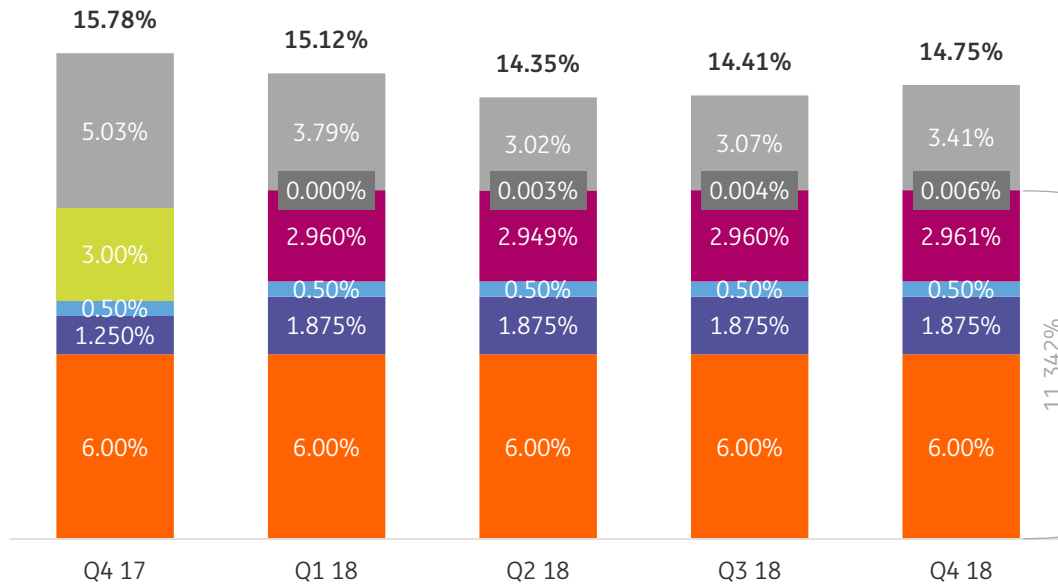


## ING ComFin receivables (PLN m; management accounting)

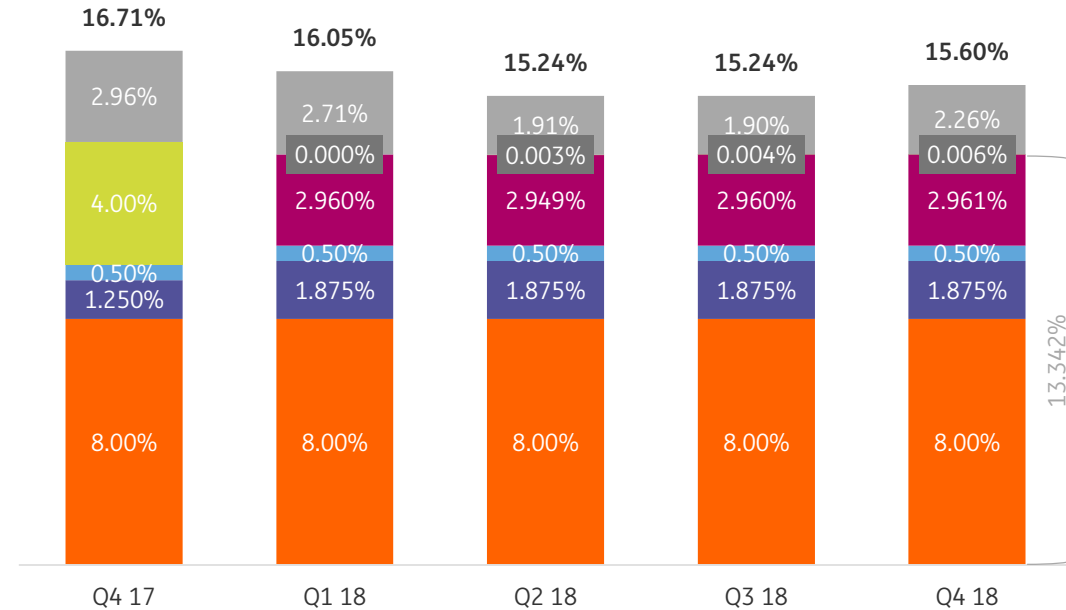


# Capital requirement structure

## 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) ■ Countercyclical buffer (0-2.5%\*\*; CB) ■ 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 settled at regulatory target of 2.5%.

- Estimated MREL requirement according to actual BGF methodology, bail-in strategy (as % of RWA):

$$(CRR_{TCR} + FXB + OSII) + [1 - (CRR_{TCR} + FXB + OSII)] * (CRR_{TCR} + FXB + OSII + CCB + SRB + CB) = 20.7\% \text{ (Q4 2018 estimates)}$$

50 \*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; 5% level can be exceeded 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 at 31.12.2018	%
1	Wholesale trade	8,066	13.7%
2	Real estate service	7,733	13.1%
3	Financial intermediation	3,560	6.0%
4	Foodstuff and beverage production	3,395	5.8%
5	Public administration and national defense	3,278	5.6%
6	Retail trade	2,468	4.2%
7	Remaining services connected with running business	2,424	4.1%
8	Land and pipeline transportation	2,311	3.9%
9	Ready-made metal goods productions	2,270	3.9%
10	Rubber industry	1,979	3.4%
11	Power industry	1,771	3.0%
12	Wood and paper industry	1,632	2.8%
13	Constructions industry	1,614	2.7%
14	Equipment rent	1,608	2.7%
15	Agriculture, forestry, fishery	1,600	2.7%
16	Post office and telecommunications	1,515	2.6%
17	Mechanical vehicles sale, repair and service	1,256	2.1%
18	Remaining non-metal raw materials industries	1,017	1.7%
19	Chemicals and chemical goods production	979	1.7%
20	Other	8,389	14.3%
<b>Total exposure</b>		<b>58,863</b>	<b>100.0%</b>

# Lending exposure by industry

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

Consolidated approach

No	Industry	Exposure as at 31.12.2018	%
1	Wholesale trade	12,008	13.8%
2	Real estate service	8,175	9.4%
3	Financial intermediation	5,364	6.1%
4	Foodstuff and beverage production	4,474	5.1%
5	Constructions industry	4,320	4.9%
6	Retail trade	4,218	4.8%
7	Ready-made metal goods productions	3,786	4.3%
8	Power industry	3,724	4.3%
9	Public administration and national defense	3,605	4.1%
10	Remaining services connected with running business	3,538	4.1%
11	Rubber industry	2,912	3.3%
12	Land and pipeline transportation	2,667	3.1%
13	Equipment rent	2,291	2.6%
14	Wood and paper industry	2,195	2.5%
15	Post office and telecommunications	1,835	2.1%
16	Remaining non-metal raw materials industries	1,757	2.0%
17	Mechanical vehicles sale, repair and service	1,750	2.0%
18	Agriculture, forestry, fishery	1,718	2.0%
19	Engineering industry	1,530	1.8%
20	Other	15,430	17.7%
<b>Total exposure</b>		<b>87,294</b>	<b>100.0%</b>

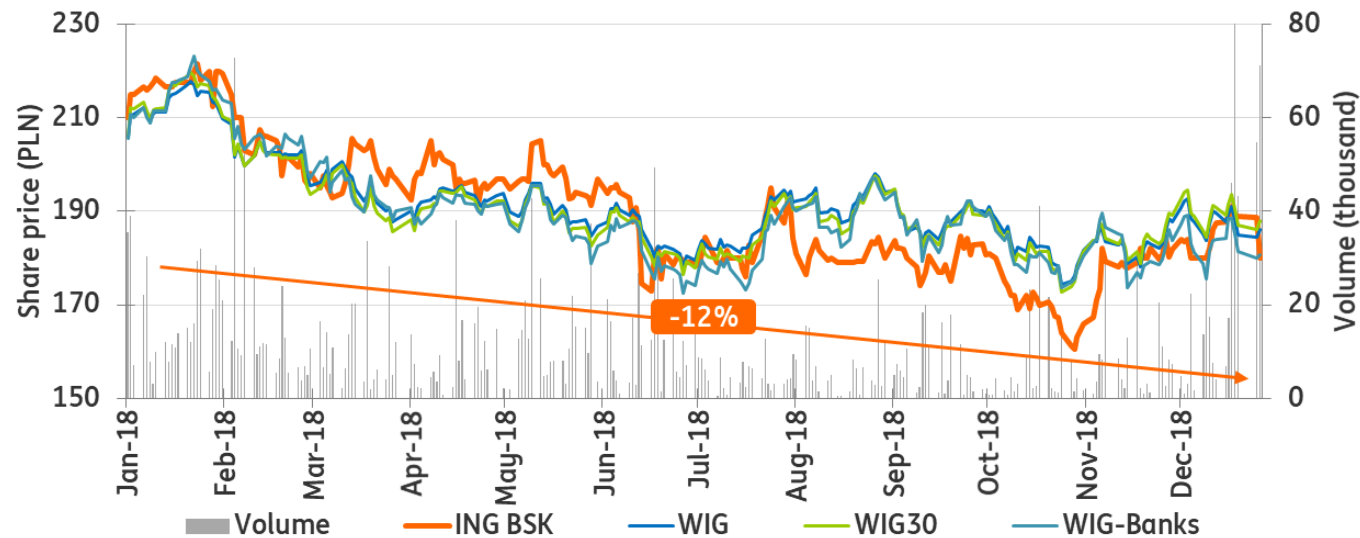
# ING Bank Śląski S.A. shares

**ING BSK share price:**  
**PLN 180.00** (29 December 2018)

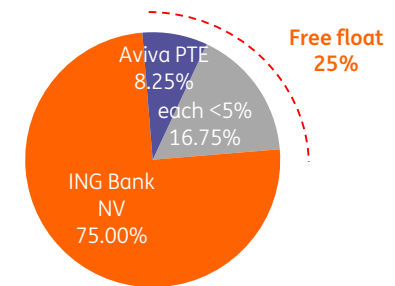
Capitalisation: **PLN 23.4 bn** (EUR 5.4 bn)  
 Free float: **PLN 5.9 bn** (EUR 1.4 bn)

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

ING BSK shares vs. WSE indices recalculated for comparability



ING Bank Śląski S.A. shares



Market ratios (Q4 2018)

P/E 15.3x

P/BV 1.8x

# 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).
  - SME - corporates of annual turnover of up to EUR 10m.
  - Mid-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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