



2014

**Management Board Report on Operations
of the ING Bank Śląski S.A. Capital Group
in H1 2014**

TABLE OF CONTENTS

RESULTS OF ING BANK ŚLĄSKI S.A. CAPITAL GROUP IN H1 2014 – SUMMARY	4
I. MACROECONOMIC SITUATION OF POLISH BANKING SECTOR GROWTH IN H1 2014	5
1. Major trends in the Polish economy	5
2. Monetary policy.....	7
3. Banking sector.....	8
4. Asset-backed funding market	10
5. Capital market.....	11
6. Macroeconomic factors to impact the operations of ING Bank Śląski S.A. in H2 2014	13
II. MAJOR ACCOMPLISHMENTS OF ING BANK ŚLĄSKI S.A. CAPITAL GROUP IN H1 2014..	15
1. Customer base growth	15
2. Better position on credit market.....	15
3. Strengthening position on deposits market	17
4. Awards and distinctions	18
III. OPERATIONS OF ING BANK ŚLĄSKI S.A. IN H1 2014	19
1. Retail Banking.....	19
<i>Changes to product offer and customer service rules</i>	19
<i>Deposits</i>	20
<i>Lending</i>	21
<i>Bank Cards</i>	21
2. Corporate Banking.....	22
<i>Number of clients</i>	22
<i>Product offer and modifications introduced</i>	22
<i>Deposits and Settlements</i>	23
<i>Lending</i>	24
3. Money markets and capital markets.....	24
IV. BUSINESS OPERATIONS OF ING BANK ŚLĄSKI S.A. CAPITAL GROUP KEY COMPANIES .	26
1. Structure of ING Bank Śląski S.A. Capital Group.....	26
2. ING Lease (Polska) Sp. z o.o.	27
3. ING Commercial Finance Polska S.A.....	27
4. ING Securities S.A.....	27
V. FINANCIAL STANDING OF ING BANK ŚLĄSKI S.A. CAPITAL GROUP IN H1 2014.....	28
1. Gross profit and net profit	28
2. Net interest income.....	29
3. Non-interest income	29
4. Operating expenses	30
5. Impairment losses and provisions	30
6. Income tax	30
7. Share of individual business segments in the financial result	31
8. Consolidated statement of financial position	31
<i>Assets</i>	32
<i>Liabilities</i>	32
VI. MANAGEMENT OF KEY RISKS	33
1. Credit Risk	33
<i>General information</i>	33
<i>Credit risk measurement and monitoring tools</i>	33
<i>Quality of lending portfolio and provisioning</i>	33
2. Market and liquidity risk management	34
<i>VaR exposures and limits in H1 2014</i>	34
3. Capital Adequacy.....	34
4. Operational and compliance risk management	34

VII. DEVELOPMENT OF THE ORGANISATION AND INFRASTRUCTURE OF ING BANK ŚLĄSKI S.A. CAPITAL GROUP IN H1 2014	35
1. IT and Operations	35
2. Development of electronic distribution channels	35
3. Network of bank outlets	36
4. Human resources management	37
<i>Headcount</i>	37
<i>Remuneration policy</i>	38
<i>Recruitment and employer branding</i>	38
<i>Employee development and training courses</i>	38
VIII. OUTLOOK ON ING BANK ŚLĄSKI S.A. OPERATIONS DEVELOPMENT	40
<i>Retail Banking</i>	40
<i>Corporate Banking</i>	41
IX. INVESTOR INFORMATION.....	42
1. Shareholding Structure	42
2. ING Bank Śląski S.A. Share Price	42
3. Ratings	43
4. Investor Relations	44
5. Dividend payout	44
6. Compensation of the Members of the Management Board and the Supervisory Board of ING Bank Śląski S.A.	44
7. Selection of chartered auditor	45
X. ING BANK ŚLĄSKI S.A. MANAGEMENT BOARD STATEMENTS	46
1. Truthfulness and Fairness of Statements	46
2. Corporate Governance	46
3. Selection of entity authorised to audit financial statements	46
4. Additional information	46

RESULTS OF ING BANK ŚLĄSKI S.A. CAPITAL GROUP IN H1 2014 – SUMMARY

CUSTOMER BASE GROWTH

In June 2014, the Bank serviced **over 3.5 million clients**, including:

- 3,194.7 thousand individual clients
(up by 57.4 thousand from the 2013 yearend),
- 269.0 thousand entrepreneurs,
(up by 10.4 thousand throughout 6 months of 2014)
- 34.5 thousand corporate clients
(up by 2.1 thousand from December 2013)

NEW ATTRACTIVE FINANCIAL SOLUTIONS UNDER SIMPLE AND FAIR PRODUCT OFFER

1. New offer dedicated to retail clients:
 - The cash loan campaign for the retail segment clients under the slogan “Either we realise or we drift”. “Take out a loan and come out on top!”
 - The campaign promoting savings under the slogan “Saving means repeating”.
 - Special offers within the Open Savings Account: **Welcome rate** and **OKO Bonus**
 - The promotional offer for mortgage loans for young people within the “Live without Compromise” campaign
2. New solutions for corporate clients:
 - **ING Accounting** – extending the offer as regards accounting and payroll services for mid-sized and mid-corporate companies
 - The **SMART** service facilitating payment and cash management by presentation of statements from client accounts held at other banks in ING BusinessOnLine
 - Nearly **100 electronic depositories**, implementation of the light depository.

MAINTAINING HIGH SERVICE QUALITY

- **409 branches** with self-banking zones
- **132 retail branches in the new standard**
- **1,071 devices for cash self-service**, including 740 CDMs and 170 contactless ATMs/CDMs.
- The **ING V.me by Visa** digital wallet
- **Mobile Banking:**
 - ING BankMobile – application for retail clients was downloaded over 550 thousand times from January 2012 to June 2014
 - ING BusinessMobile – new application for corporate clients was downloaded nearly 29 thousand times from January 2013 till the end of June 2014
- **83% of credit applications were placed via the internet by corporate clients** in June 2014

EFFICIENT EXECUTION OF ORGANIC GROWTH STRATEGY AND MARKET POSITION IMPROVEMENT

1. **Improved position of the Bank Group on the lending market**
 - **PLN 53.6 billion loans and other customer receivables** → PLN 5.0 billion growth in H1 2014 → **credit market share growth by 0.3 p.p.**
 - **PLN 20.1 billion retail loans** → six-month increase of PLN 1.5 billion (including mortgage loans by PLN 0.8 billion) → **third position as regards mortgage loans sale**
 - **PLN 33.5 billion corporate customer receivables** → up by PLN 3.5 billion from the 2013 yearend
2. **Strengthening position on deposits market**
 - **PLN 69.6 billion deposits** → PLN 2.3 billion growth in H1 2014 including PLN 46.0 billion retail deposits – up by PLN 2.4 billion (5.4%) → **market share up by 0.1 p.p.** versus December 2013

TRANSLATION OF BUSINESS PERFORMANCE INTO FINANCIAL FIGURES

- **PLN 536.9 million net profit – up by 13%** versus H1 2013
- **PLN 1,781.5 million income – up by 6%** from H1 2013
- Improved financial ratios: ROA = 1.2; ROE = 11.9
- Cost to income ratio – 53.4% (down by 3.8 p.p. y/y)
- **Total capital ratio – 15.04%**
- **Loan to Deposit ratio – 74.2%**

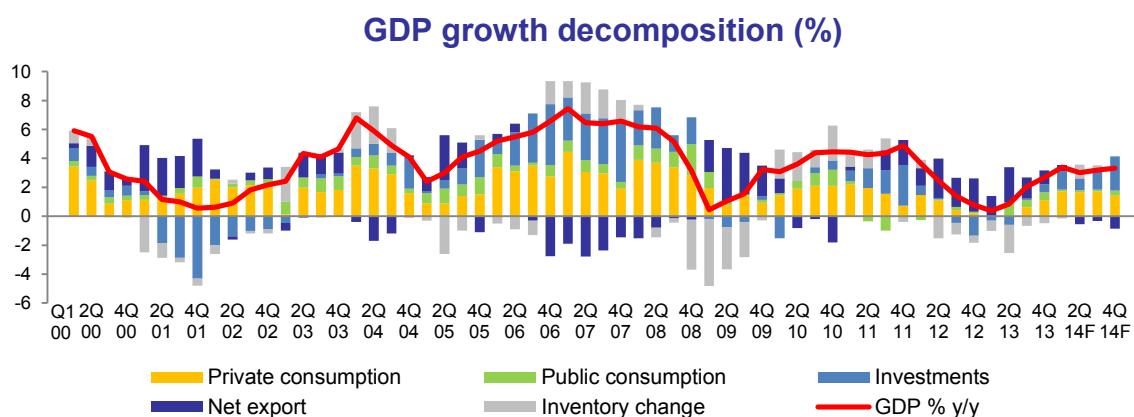
I. MACROECONOMIC SITUATION OF POLISH BANKING SECTOR GROWTH IN H1 2014

1. Major trends in the Polish economy

Gross Domestic Product

Throughout last year (from Q1 2013 to Q1 2014) Polish economy experienced a dynamic upturn. At first export was the primary growth driver but since mid-2013, also domestic demand started to grow visibly. Private consumption in Q1 2014 rose by 2.6% y/y. Such a situation seems to be triggered by low inflation and gradual labour market revival. Investment projects in Q1 2014 grew by as much as 10.7% y/y. Such high result is not only due to increased expenses of enterprises but also due to weather conditions that impacted construction sector as well as VAT-related changes which in turn encouraged consumers to change the car fleet. The contribution of net export to GDP growth went down in Q1 2014 to 0.5 p.p. (versus 2.4 p.p. in Q2 2013). Dynamics of export continued to grow by dint of German economy's revival but at the same time there has been a significant acceleration in imports and, as a result, contribution of foreign trade to economic growth was lower than in previous quarters, but remained positive.

Multiplier effects and the impact of economic growth on the domestic demand suggest that in the upcoming quarters Polish economy will grow at the rate not lower than 3%. Bank economists anticipate that during the years 2014-2016 the GDP growth rate will stabilise at 3.2 - 3.7% y/y. In the next quarters of 2014, there may be a slowdown in economic growth as against 3.4% y/y recorded in the first quarter. The reason behind it is a temporary downturn in the Eurozone in Q2 2014. Problems in the Eurozone may also lead to a minor export slowdown. It will also be difficult to repeat high investment growth from Q1 2014.



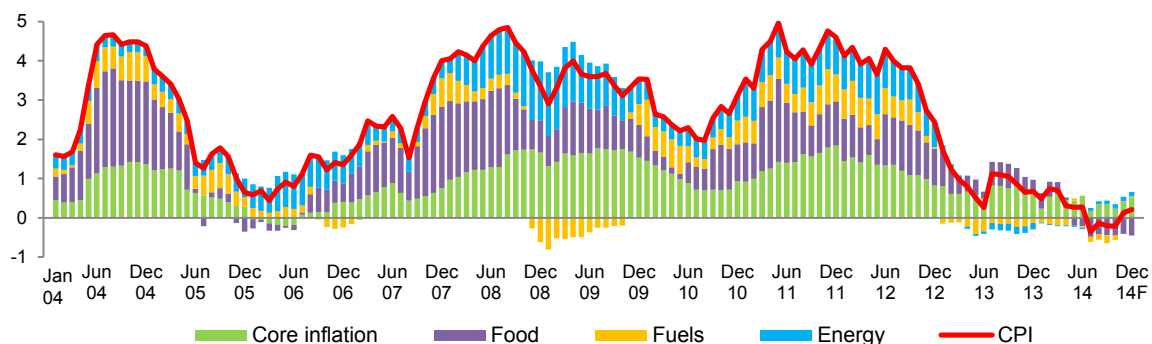
Labour market and payroll

The positive trend in the labour market started in H2 2013 continued in H1 2014. As at the end of June 2014, the unemployment rate arrived at 12.0% – down by 2.4 p.p. from the highest unemployment rate in the economic cycle recorded in March 2013. Data of the Central Statistical Office also showed relatively high, for this phase of the cycle, ratio of production capacity utilisation. Still, it should be noted that the increase of the annual employment dynamics sustains rather due to a lower number of dismissals than to a large labour demand growth. The growth rate of wages in the corporate sector reached in Q2 2014 almost 5% y/y versus 2.6% last year. Following a major inflation slowdown, real wage dynamics accelerated by 3.4 p.p., i.e. up to 4.2% y/y as at the end of June 2014.

Inflation

Despite continuing economic recovery, inflation remains low this year. In Q2 2014, CPI dropped to only 0.3% y/y and in H2 2014 it is possible that there will be 3 or 4 months with negative annual CPI. Such low inflation is due to large harvest of agricultural produce in 2013 and expectations that the trend will continue this year. Additionally, despite global economic revival, prices of energy resources are not growing. Low inflation is also imported from abroad, in particular from the Eurozone.

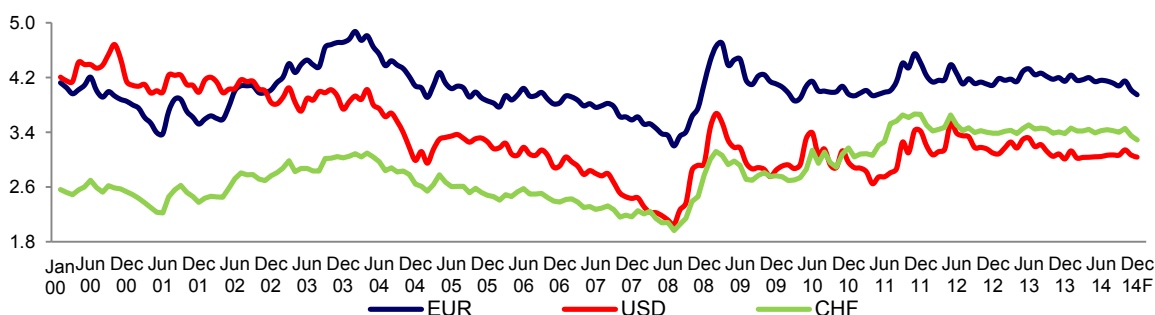
Inflation (CPI) - decomposition (%)



Impact of the global financial markets on the Polish economy

The announcement that the US would withdraw from particularly dovish monetary policy led to a major sell-out of bonds on global markets in H2 2013. H1 2014 saw a return of investors which was particularly visible in emerging economies in Q2. The Polish financial market proved hardly vulnerable to emerging markets adjustment in H2 2013 which consolidated the status of Polish T-bonds as instruments combining the characteristics of both emerging and developed markets. As a result, Polish zloty is also more stable which is due to a more active exchange rate policy in the scope of exchange on the EU funds market. Stabilisation in the US debt market and growing deflationary concerns in the Eurozone led to the inflow of portfolio capital to the Polish bonds market in H1 2014. Yields of long-term (10Y) securities dropped to 3.4% versus almost 5% in the most tense period of H2 2013, i.e. straight after the announced US monetary policy normalisation.

PLN exchange rates

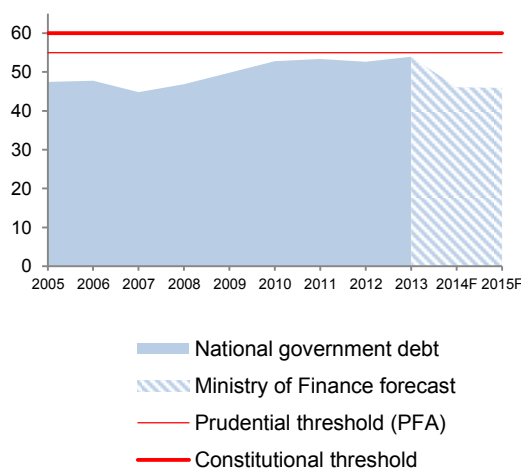


State budget

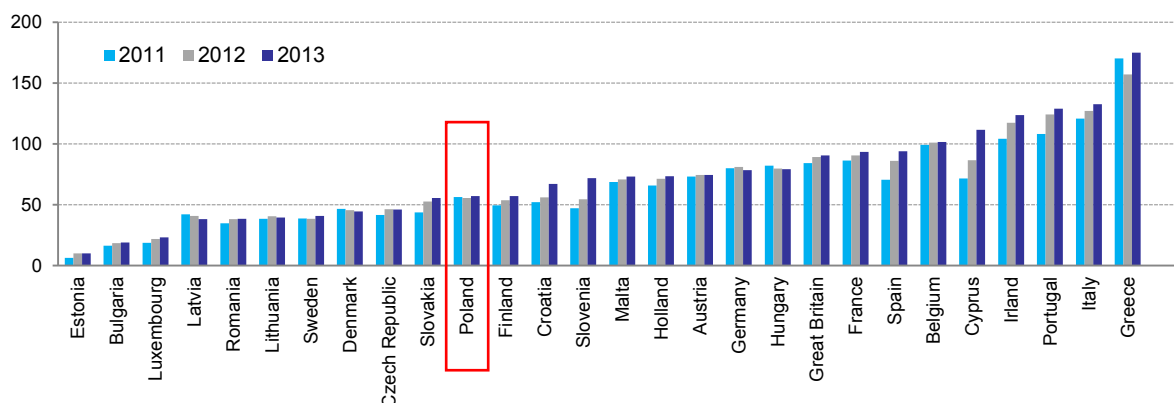
According to the methodology of the European System of Integrated Economic Accounts (ESA95), the public finance sector deficit in 2013 was 4.3% of GDP and public debt represented 57% of GDP. In turn, in accordance with the domestic methodology, important due to the prudential thresholds, the debt was 53.9%. It remained slightly below the prudential threshold breakpoint at the level of 55% of GDP.

There is no deficit revision risk in 2014. Changes in open-end pension funds and takeover of the bond holdings of funds will reduce the debt counted under domestic methodology. At the same time, strong revival of the domestic demand will bring about increased indirect tax income. Thus, public deficit calculated according to ESA95 may drop this year to the level slightly below 3% of GDP. The European Commission suspended the excessive deficit procedure for Poland and it will be completely abolished, once the deficit drops below 3% of GDP.

National government debt in 2005-2015 (% of GDP)



Public debt as per the EU methodology (% of GDP)



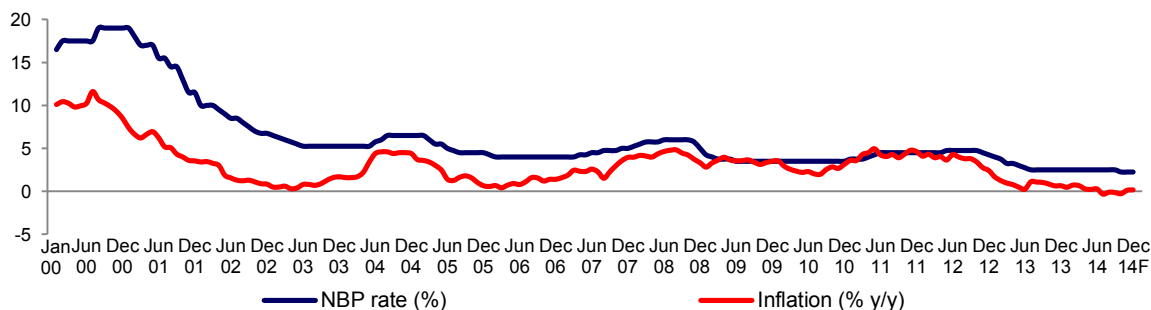
2. Monetary policy

From the beginning of 2013, the Monetary Policy Council (MPC) continued monetary policy easing by cutting interest rates by 175 bp. In July 2013, it was announced that the interest rates would remain unchanged by the end of 2013, the deadline subsequently extended to Q3 2014. Inflation drop to a record low level and the perspective of CPI remaining below the NBP target (2.5% y/y) by the end of 2016 made MPC withdraw from its declaration to keep the interest rates unchanged by the end of Q3 2014 and declare that all types of adjustments are now possible. So far, the MPC members have argued that the interest rate decrease would be a mistake since it would mean a pro-cyclical movement, i.e. monetary policy easing during the economic revival phase. Nevertheless, the continuing very low inflation and the perspective that the economic recovery would be brought to a standstill below the GDP dynamics at 4% changed the MPC approach. It is also forecasted that such a decision may force monetary policy easing in the Eurozone if the relatively high interest rates in Poland bring an unwanted Polish zloty appreciation.

Since July 2013, the interest rates have been as follows:

- reference rate – 2.50%,
- rediscount rate – 2.75%,
- lombard rate – 4.00%,
- deposit rate – 1.00%.

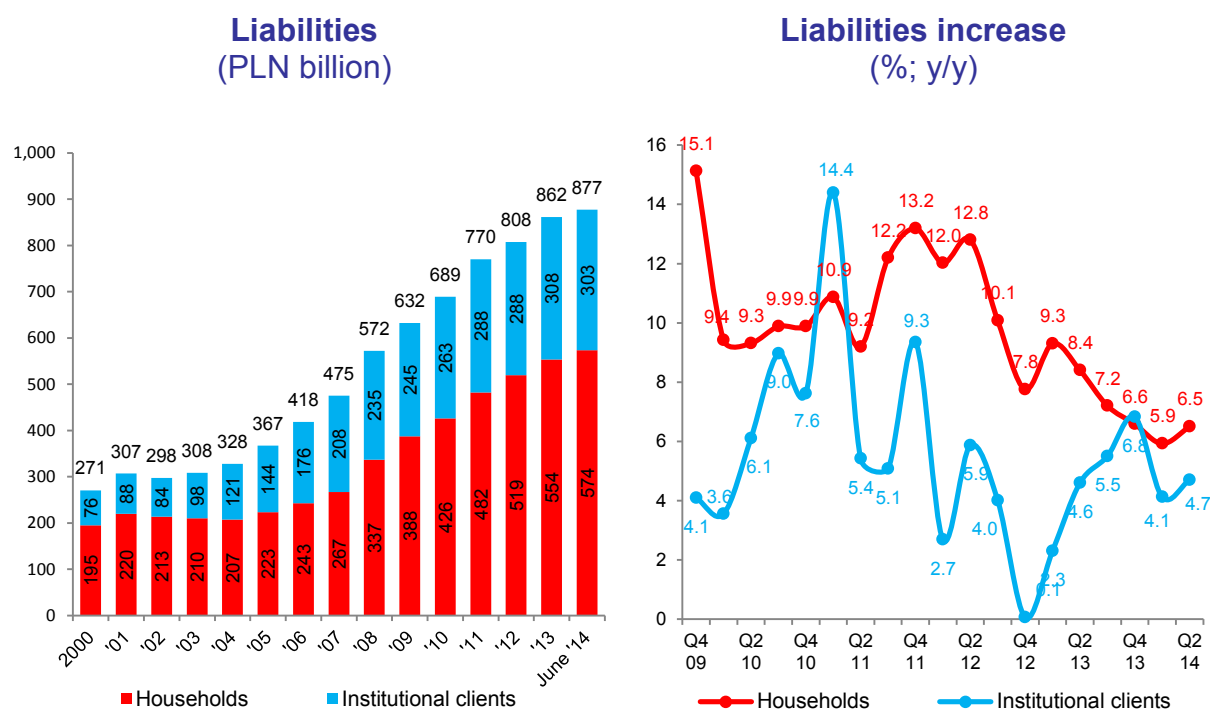
NBP rate vs. inflation (%)



3. Banking sector¹

As at the end of June 2014, the main monetary categories were as follows²:

- Household liabilities reported a moderate growth and as at the end of June 2014 they amounted to PLN 573.6 billion, up by 3.6% from the end of 2013. It is caused by low interest rates which reduce propensity for saving and favour seeking alternative forms of saving.
- In June 2014, liabilities towards institutional clients³ amounted to PLN 303.4 billion, up by 1.4% from the 2013 yearend. A drop in volume was due to a decrease in corporate deposits, characteristic for the first months of the year (by 3.7%, or PLN 7.7 billion). Liabilities to local government institutions and social insurance funds surged by 28.6% (or PLN 7.4 billion). Liabilities to non-monetary financial institutions dropped by 8.7% (or PLN -4.9 billion).



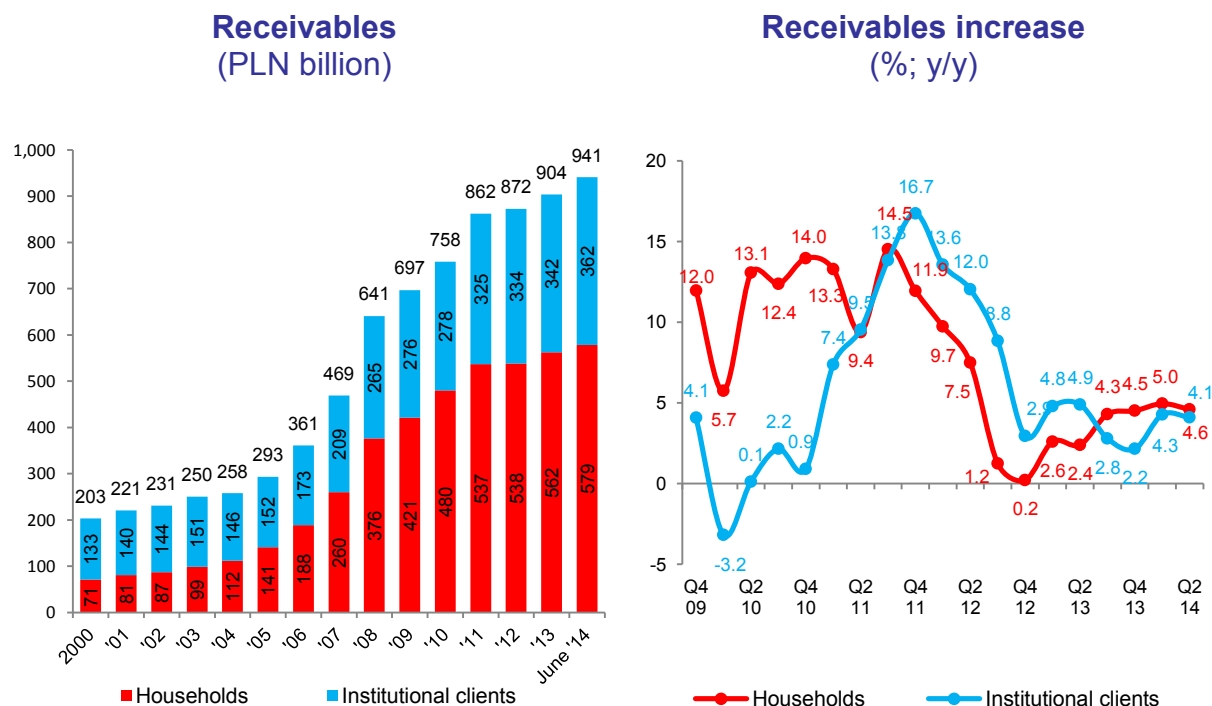
- In June 2014, receivables from households amounted to PLN 578.6 billion, up by 2.9% from the 2013 yearend. Housing loans, which constituted the main part of the banks' credit exposure towards households, grew in nominal terms by 2.4%, arriving at PLN 343.8 billion. Upon elimination of the FX-rate change impact, the growth of housing loans portfolio can be estimated at 1.9%. The increase would have been higher if one of the big banks had not sold the housing loans portfolio. As the Polish Bank Association's preliminary data show, in H1 2014, banks extended mortgage loans totalling PLN 19 billion (up by 7% than in the same period in 2013). PLN loans accounted for 99.6% of the sales total. Contrary to banks' expectations, the sales of the consumer credits did not revive. Despite low interest rates and easing of banks' lending policy, their volume went up by PLN 2.9 billion, or 2.1% from December 2013.
- Receivables from institutional clients went up by 6.0% in H1 2014, arriving at PLN 362.1 billion. Loans to enterprises rose by 6.8%. The growth was driven mainly by the increase in opex loans, which went up by PLN 9.9 billion (+9.5%) when compared with the 2013 yearend. The volume of capex loans went up by PLN 5.7 billion (+6.8%), whereas the volume of real estate loans rose in

¹ The amounts discussed are for receivables and liabilities of monetary financial institutions from/ towards other domestic industries. Source: National Bank of Poland, file NALEZ_ZOBOW_MIF.xls – June 2014.

² Source: NBP, receivables and liabilities of monetary financial institutions from/ to other domestic industries – NALEZ_ZOBOW_MIF.xlsx – June 2014.

³ Total for the following classes of entities: non-monetary financial institutions, enterprises, non-commercial institutions for households, local government institutions and social insurance funds.

the said period only by 0.4%. The receivables from non-monetary financial institutions went up by 8.1%, while the receivables from local government institutions and social insurance funds went down by 1.7%.



Financial results of the banking sector⁴ in first five months of 2014 were shaped mainly by the low interest rate landscape. The result on core activity went up by 3.6% compared with the same period last year. The following factors impacted the sector's result:

- Solid increase in the net interest income by 14.6% y/y as the banks completed their adaptation to working in the low interest rate landscape. Banks have managed to significantly reduce the cost of deposits and obtain a lower drop in assets profitability at the same time. Interest income in the said period went down by 8.2% and interest costs dropped by 31.5%.
- Drop in the net income on fees and commissions (by 1.1%) was due to, among other things, changes to the accounting policy as regards recognition of commission for selling insurance products.
- The decrease in the net income on other banking operations (by 28.3%) which followed a drop in net trading income resulting from lower profit on sales of the debt instruments portfolios.
- Banks managed to keep the cost discipline and as a result the operating expenses along with amortisation/depreciation went up only by 0.6% compared with the same period last year. Note that the costs were affected by higher contributions to BGF (prudential fee). Costs rose slower than income which made C/I ratio go down from 53.1% to 52.2%.
- Stable level of the lending portfolio quality resulted in moderate increase in impairment loss (+4.2% y/y).
- Going-concern net profit went up by 1.3% when compared with the same period last year.
- Core effectiveness measures of the banking sector were as follows: ROA was 1.2% and it did not change when compared with the same period last year, whereas ROE dropped slightly from 11.0% to 10.8% as the capital base strengthened.
- The share of impaired receivables⁵ in total receivables from the non-financial sector went down from 8.6% in December 2013 to 8.3% in June 2014 as the financial standing of

⁴ Based on PFSA data – www.knf.gov.pl/Images/2014_05_SEKTOR_BANKOWY_DANE_tcm75-33691.xlsx

⁵ Based on NBP data – www.nbp.pl/statystyka/pieniezna_i_bankowa/dwn/naleznosci.xlsx

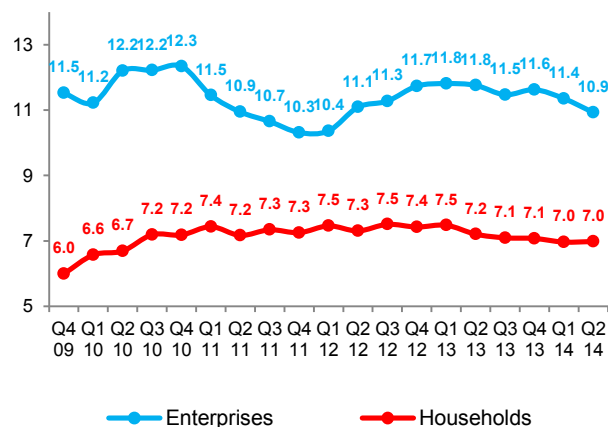
enterprises improved following the revival in the economy and decrease of debt service cost (resulting from easing monetary policy by MPC). In the corporate sector the improvement was seen in large corporates (decrease in impaired loans from 9.6% as at the 2013 yearend to 8.7% in June 2014) and in SME (drop from 13.0% to 12.6%).

- The share of impaired receivables from households went down from 7.1% to 7.0%. The share of impaired housing loans rose slightly from 3.1% to 3.2%, while the share of non-performing consumer credit fell from 14.7% to 14.2%.

**Gross result⁶ of the banking sector
5M of 2014
(PLN billion)**



**Share of impaired receivables
in banking sector (%)**



The capital base of the Polish banking sector continued to strengthen. Own funds went up from PLN 138.6 billion as at the 2013 yearend to PLN 139.9 billion as at the end of May 2014. In the period discussed, the solvency ratio dropped slightly from 15.7% to 15.3%⁷ and the Tier 1 ratio went down from 14.1% to 13.8%.

4. Asset-backed funding market

Leasing⁸

In H1 2014, the leasing industry financed transactions for the total amount of over PLN 21 billion, i.e. up by 31.8% versus H1 2013. It should be emphasized that it is at the same time the best result for the six months in the history of the Polish leasing industry – higher than in the so far record-breaking H1 2008 when the lease market totalled PLN 17.9 billion.

Such good results were due to the economic upturn: high utilisation of corporate output capacity, increased demand for means of transport following export growth, acquisition of EU funds for farming as well as one-off factors of legislative nature (“cargo partition window”).

The biggest market segment – light goods vehicles⁹ (38.5% of the market) was also the one to record the highest growth rate (+55.6% y/y). It was a result of the “cargo partition window” effective in Q1 2014, making it possible to fully deduct VAT from purchase price of passenger cars with approval for registration as goods vehicles. Favourable provisions governing lease of vehicles from premium segment supported maintenance of high growth rate of light goods vehicles lease in Q2 2014.

In H1 2014, machinery and devices together with IT equipment accounted for 32.1% of all assets funded by leasing companies. This segment also grew – by 22.6% when compared with the same period last year – following macroeconomic situation upturn.

⁶ Going concern gross profit

⁷ Under Basel II as the CRR/CRD IV was not fully implemented.

⁸ Based on the data of the Polish Leasing Association

⁹ Vehicles with approved gross vehicle mass up to 3.5 tons.

Commercial vehicles segment growth¹⁰ (24.9% of the market) was accelerated by the terminating sale of vehicles meeting Euro 5 emission standard and increased demand for transport services stemming from economic upswing. As a result, this segment grew by 35.0% from H1 2013.

The lease worth of other assets' categories (e.g. means of rail, water and air transport) went up by 5.7% as compared with H1 2013.

In H1 2014, there was a further drop in the real estate lease worth. This segment, whose market share (2.1%) is significantly lower than in Western Europe, shrank by 50.2% and industrial plants were the only group of real estate which recorded growth.

At the end of H1 2014, market dynamics slowed due to elimination of the "cargo partition window", high base of heavy goods vehicles (mass purchase of Euro 5 vehicles last year) and economic slowdown in the Eurozone.

Factoring

In H1 2014, the turnover of the factoring companies belonging to the Polish Factors Association amounted to PLN 51.7 billion, or up by 17.3 from the same period last year. Dynamics of the turnover was higher than the one generated in H1 2013 (14.9). Traditionally, domestic factoring (both full and limited) was the most popular form of factoring services in H1 2014 – its share in turnover of the companies grouped in the Polish Factors Association was 78.5%.

5. Capital market

Warsaw Stock Exchange

In H1 2014, the Warsaw Stock Exchange saw bear market which was driven by both external factors (poorer macroeconomic data, conflicts in Ukraine and Iraq) and internal ones (change of the open-end pension funds functioning among other things). The broad market index – WIG rose just by 1.3% as at the end of H1 2014.¹¹ The blue chip index – WIG20 went up only by 0.3%. WIG30 and mWIG40, on the other hand, went up by 1.9 and 3.0% respectively in the said period. As far as sector indices are concerned, WIG-Energy recorded the highest increase in H1 2014 (+26.0%). It was followed by: WIG-Media (+6.2%), WIG-Chemicals (+3.8%) and WIG-Fuels (+2.0%). In turn, the biggest drops were recorded by WIG-Construction (-8.2%), WIG-IT (-8.5%) and WIG-Food (-15.6). The political situation in Ukraine made indices of companies coming from that country and listed on the WSE plummet. WIG-Ukraine lost 26.1% when compared with the 2013 yearend. The indices of the NewConnect market also performed poorly – NCIndex went down by 11.0%, and the index grouping the most liquid companies of this market, NCIndex30 dropped by 16.3%.

As at the end of June 2014, there were 458 companies listed on the WSE, including 49 foreign ones. The domestic companies were worth PLN 607.2 billion, up by 2.3% from December 2013. In H1 2014, there were 13 IPOs, whereas 5 companies were delisted.

WSE Main Market saw low trading in H1 2014. Trading volumes went down by 4.3% when compared with the same period 2013. It amounted to PLN 107.0 billion. The value of the total trading (block trades included) decreased by 10.9%, arriving at PLN 117.7 billion. In turn, trading in shares of high-potential companies on the alternative market – NewConnect went up when compared with H1 2013 by 23.6%. In H1 2014, the trading on the NewConnect amounted to PLN 613.8 billion.

The volume of future contracts trading calculated incrementally from January to June decreased by 4.3% compared with the same period last year. While trading in structured products saw high dynamics. In H1 2014, it went up by 117.4% y/y, arriving at PLN 281.6 million.

As at the end of June 2014, the issues on the Catalyst debt instruments market totalled PLN 66.2 billion versus PLN 59.0 billion in December 2013. However, trading in this market plummeted and as of the beginning of 2014, it amounted to PLN 1,530.4 million, or 48.6% less than in H1 2013.

¹⁰ Heavy goods vehicles > 3.5 tons, tractor units, trailers/ semitrailers, buses and other

¹¹ Source: Key WSE statistics (http://www.gpw.pl/analizy_i_statystyki_pelna_wersja)

Development of main Warsaw Stock Exchange indices in H1 2014 (30 December 2013 = 100)



Mutual funds

H1 2014 proved positive for mutual funds market. The interest rates remaining at low levels did not favour accumulation of savings in bank accounts and made investors look for alternative ways of saving. As at the end of June 2014, the mutual funds' assets amounted to a record-breaking level of PLN¹² 202.7 billion, up by PLN 13.8 billion or 7.3% from the end of 2013. It should be emphasised that this increase resulted from both inflow of new funds (approx. PLN 8 billion) and management of accumulated funds.

Private asset funds recorded the most dynamic growth 13 (by 11.7%), mainly owing to private equity and securitisation funds which increased their assets by 12.5% and 19.4%, respectively. The share of private asset funds in the entire market as at the end of June 2014 was 34.0% and went up by 1.4 p.p. throughout H1 2014.

As regards capital market funds, funds with low risk profile – bond funds (both T-bonds and corporate bonds) as well as cash and money funds enjoyed high growth. The first group increased its assets in comparison to December 2013 by 13.3% and achieved a market share of 17.6%. While cash and money funds assets increased by 10.8% and achieved 12.8% of market share. Popularity of these funds was caused by the turmoil on the Warsaw Stock Exchange and an upturn on the debt market. For investors, these funds are an alternative to low-yield bank deposits or a “safe haven” in anticipation of the boom in the stock market.

However, the biggest assets growth was generated by commodity funds (+24.7%). It was the effect of rising prices of gold and oil, as well as payments from investors tempted by the yields generated by this group of funds. Commodity funds are still a small market segment with share in the assets of 0.2%.

In the adverse circumstances, equity funds recorded an asset growth by 0.8%, but their market share dropped by 1 p.p. to 15.4% from the 2013 yearend. The drop in the assets value was suffered mainly by funds whose managers invest on the Warsaw Stock Exchange. The funds accumulated in the absolute-return funds increased from the beginning of 2014 by 0.9%, while assets of mixed funds decreased by 1.5%. The latter segment is still one of the biggest on the market with the share of 17.2%.

¹² Source: Chamber of Fund and Asset Management, http://www.izfa.pl/files_user/xls/Raport_Aktywa_30.06.2014.xls

¹³ Private equity, real property and securitisation funds

Open-end pension funds

As at the end of June 2014, the funds accumulated in pension accounts totalled PLN 152.2 billion, as compared with PLN 299.3 billion as at the 2013 yearend. Such a big drop of assets is a result of forwarding bond holdings of open-end pension funds to the Social Insurance Institution on 03 February 2014. As a consequence of transferring PLN 153 billion, being 51.5% of assets, the funds accumulated in the open-end pension funds shrank from PLN 298.6 billion to PLN 145.6 billion over one day. Following this operation, open-end pension funds became aggressive funds solely with equity holdings. From the beginning of 2014, the Social Insurance Institution transferred to open-end pension funds the amount of approx. PLN 6 billion, including approx. PLN 4.9 billion as of taking over the bond holdings of open-end pension funds. The value of funds accumulated in open-end pension funds decreased as of the end of February by almost PLN 2 billion. Taking into account the transfers from the Social Insurance Institution, the result on management during a slowdown on the Warsaw Stock Exchange was negative.

6. Macroeconomic factors to impact the operations of ING Bank Śląski S.A. in H2 2014

The continuing economic recovery and gradual inflation increase in the USA fuel expectations for increasing rates in this economy. In 2013, Ben Bernanke, the Fed Chairman, announced planned tapering of quantitative easing which caused an immense outflow of portfolio capital from the emerging markets. To some extent, this has also affected Polish zloty and Polish T-securities market. Preparations to the first raise in the US may take a milder course, nevertheless there is a risk of increased volatility of bonds and emerging currencies in H2 2014, as well as drops in shares prices in developed countries. According to ING economists, potential depreciation of Polish zloty will be moderate and temporary due to the stabilising influence of relaxed monetary policy in the Eurozone, favourable status of Polish debt market among the emerging countries, low dependency on external funding (understood as current turnover deficit), and high real rates.

Revival of the European economy is significantly less dynamic than that of the American one. Along with the current deleveraging, lending stagnation and low commodity prices, it has arisen concerns that deflation might occur in the European economy. It is more realistic that low inflation will last for a prolonged period. However, in June 2014 the European Central Bank (ECB) decided to ease the monetary policy which engendered, among other things, decrease in the deposit rate below zero (to -0.1%), base rate to 0.15% and credit rate to 0.4%. Other forms of relaxing monetary policy include: announcement of purchase of asset-backed bonds, cessation of sterilising liquidity originating from previous purchase of government bonds and implementation of programme for cheap loans in order to boost lending. ECB keeps signalling readiness for implementing further, unconventional solutions. Still, further drop of deposit rate below zero is rather unlikely. Other possible means of relaxing monetary policy consist in extending these elements of the package which stimulate lending, and, as a final resort - purchase of govies is also feasible, however unlikely. Poland is not threatened with deflation (save for a few months of CPI drop below 0% y/y), but there are many indications that consecutive years will bring further low level of inflation. It is a major change as compared with previous 5-6 years when inflation remained above the central bank's target. Low-inflation landscape and more favourable perception of the Polish financial market by foreign investors (thus lower risk premium) mean that in the next years the interest rates in the Eurozone and in Poland will be low (the highest interest rate in this cycle may be in Poland of approx. 3.25%, as compared with 4.75% and 6% in the two previous cycles). Internationally, Poland still has one of the highest real interest rates which will attract portfolio capital to the debt and FX markets. On the other hand, nominal interest rates are currently at the lowest level since the beginning of transformation. This discourages retail clients from keeping deposits and makes them look for other forms of saving.

Macroeconomic conditions for banks' functioning will be defined by further economic recovery in Poland. ING economists forecast that the economy in the next quarters will enter the stage of stable growth, lower than 4% y/y. The signals of the labour market stabilising and the already observed employment rise in the corporate sector will allow for further improvement of consumer moods. The unwillingness to use the external funding, as revealed by the "ING Financial Barometer" international ING Group survey may be a hindrance in this respect. 74% of Polish respondents admitted feeling greater aversion to borrowing money since the global financial crisis. In the context of low interest rates coupled with low inflation leading to real income growth, even against low wage growth, it should

be only a question of time when the private consumption visibly rises. Nevertheless, the propensity for saving may remain elevated due to geopolitical uncertainty, concerns about the situation in the Eurozone and lessons-learned by households after the economic slowdown.

Further, a crucial uncertainty factor is geopolitical situation and its impact on the economic growth rate in Poland and Eurozone. According to estimates of ING economists, in 2013 trade with Russia constituted slightly above 5% of total Polish export, while with Ukraine – almost 3%. Therefore, a decline in export to Russia by 10% may decrease the economic growth by 0.22 p.p. and a similar decline as regards Ukraine – by 0.12 p.p. In Q1 2014, the trade collapse with the said countries was compensated by higher export to other trading partners, so that the adverse effect of this factor was not tangible. Nonetheless, further escalation of the Ukraine crisis raises concerns about the negative impact of this factor on the situation in the Eurozone, Germany and Poland.

The crisis in Ukraine has had a little impact on the Polish financial market so far. Polish bonds market benefited from the Ukraine crisis as it became a “safe haven” for bond funds withdrawing from other, more risky countries of the region. In turn, it effected significant strengthening of the Polish debt market. Only a dramatic exacerbation of the crisis in the Eastern Europe could degrade that status of the Polish bonds market.

Polish economy in the years 2006-2015¹⁴

	2006	2007	2008	2009	2010	2011	2012	2013	2014F	2014F
GDP growth (%)	6.2	6.8	5.1	1.7	3.9	4.5	2.0	1.6	3.2	3.6
General government debt according to the EU methodology (% of GDP)	47.7	45.0	47.1	50.9	54.9	56.2	55.6	57.1	49.5	49.5
M3 money supply (PLN billion)	495.3	561.6	666.2	720.2	783.6	881.5	921.4	978.9	1,039.3	1,123.0
Producer Price Index growth (%)	12.1	9.4	3.0	-3.6	11.1	6.8	1.4	2.4	4.0	4.8
Average annual inflation (CPI) (%)	1.0	2.5	4.2	3.5	2.6	4.3	3.7	0.9	0.2	1.6
Unemployment rate (%)	14.8	11.2	9.5	12.1	12.4	12.5	13.4	13.4	12.5	11.5
PLN/USD (yearend)	2.91	2.76	2.94	2.85	2.96	3.42	3.10	3.01	3.04	3.25
PLN/EUR (yearend)	3.83	3.58	4.11	4.11	3.96	4.42	4.09	4.15	3.95	3.90
WIBOR 3M (yearend)	4.20	5.70	5.80	4.00	3.95	4.99	4.11	2.65	2.48	2.86

¹⁴ Forecasts updated in July 2014.

II. MAJOR ACCOMPLISHMENTS OF ING BANK ŚLĄSKI S.A. CAPITAL GROUP IN H1 2014

1. Customer base growth

In H1 2014, the number of ING Bank Śląski S.A. clients went up by 70.0 thousand compared with an increase of 82.6 thousand observed in the analogical period last year. As at the end of June 2014, the number of Bank clients amounted to 3,498.2 thousand and was broken down into the following segments:

- 3,463.7 thousand retail clients, including:
 - 3,194.7 thousand individual clients (up by 57.4 thousand clients throughout H1 2014),
 - 269.0 thousand entrepreneurs
- 34.5 thousand corporate clients, including:
 - 33.8 thousand mid-sized companies and mid-corporates, and
 - 0.7 thousand capital groups.

The constantly growing number of ING Bank Śląski S.A. clients (both individuals and businesses) is the result of the activities pursued by the Bank to reinforce long-term relationships with the clients. These relationships are based on the trusted brand of the Bank, transparent product offer tailored to the ever-changing preferences of clients and a continuously developed modern distribution and customer service system.

2. Better position on credit market

As at the end of June 2014, total net loans and other receivables to customers of the ING Bank Śląski S.A. Capital Group amounted to PLN 53,595.5 million, ¹⁵ up by PLN 5,043.4 million (or by 10.4%) from the end of 2013.

The Capital Group was estimated to have a 5.5%-share in the total amount of loans extended to customers as part of the commercial banks sector¹⁶ (up by 0.3 p.p. from the end of 2013).

The improvement in the position of the Bank Capital Group on the credit market was due to:

- Dynamic growth of credit receivables from households. In June 2014, they totalled PLN 20,052.6 million, up by PLN 1,532.2 million (i.e. by 8.3%) from the end of 2013. In H1 2014, it was still the PLN mortgage loan that was the dominant product in the retail segment decisive for the growth of credit receivables. As at the end of June 2014, the PLN mortgage loans amounted to PLN 13,115.9 million (up by 7.1% when compared to the end of the previous year); however, the relevance of cash loans is growing, as they went up by 13.4% over six months, and their volume amounted to PLN 3,428.0 million.
- A dynamic increase in corporate (institutional¹⁷) clients exposure – the Group's respective credit receivables amounted to PLN 33,542.9 million, up by 11.7% from the end of 2013.

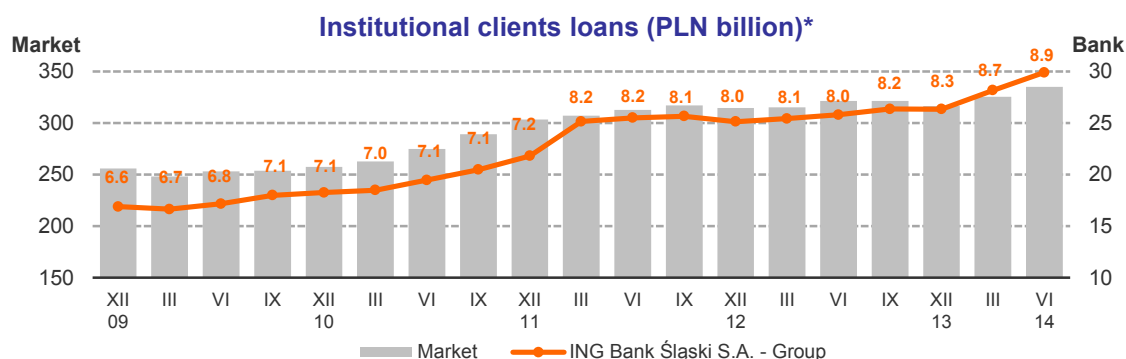
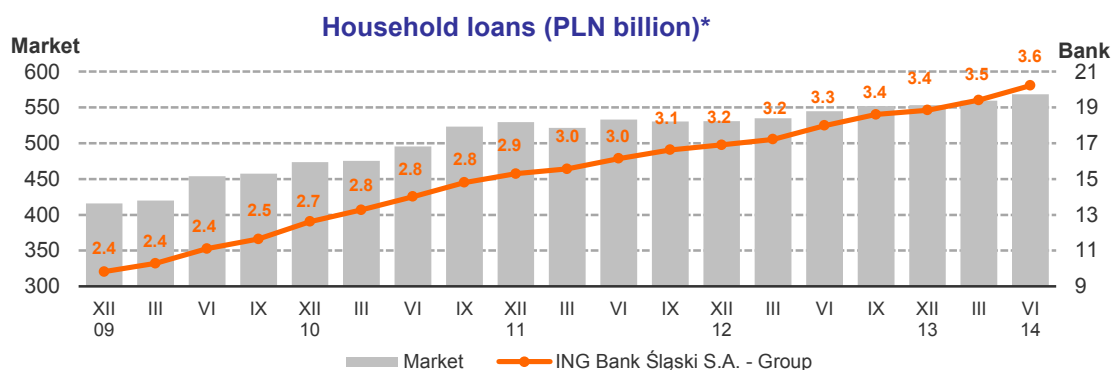
¹⁵ This amount covers net loans and other receivables, except for Eurobonds and receivables from customers under repo transactions.

¹⁶ Banking sector meaning commercial banks sector in line with data published by NBP in the *Assets and liabilities of banks* file

¹⁷ In total for the business entities, non-monetary financial institutions, central and local government institutions.

Loans and other receivables to customers of ING Bank Śląski S.A. Capital Group (PLN million)

	30.06.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Credit receivables from households, including:	20,052.6	18,520.4	16,552.7	14,938.3	12,311.4	9,566.5	7,260.8	4,712.4
Loans and advances	19,672.8	18,348.0	16,444.3	14,921.4	12,304.8	9,562.2	7,256.5	4,706.6
Leasing receivables	339.0	140.0	87.6	0.0	0.0	0.0	0.0	0.0
Factoring receivables	40.8	32.4	20.0	16.9	6.6	4.3	4.3	5.8
Other receivables	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.0
Credit receivables from institutional clients ¹⁸ , including:	33,542.9	30,031.7	28,652.9	23,518.8	18,929.1	17,137.7	16,669.9	11,666.7
Loans and advances	24,779.8	21,859.5	21,166.6	21,076.6	17,492.8	16,110.0	15,742.8	11,398.9
- Business entities	20,616.2	17,775.1	16,543.8	14,986.0	12,095.1	11,266.3	11,866.7	8,505.8
- Financial entities (other than banks)	1,640.3	1,457.1	1,533.2	2,821.5	2,583.1	2,543.8	2,923.1	2,226.8
- Entities of the sector of central and local government agencies	2,523.3	2,627.3	3,089.6	3,269.1	2,814.6	2,299.9	953.0	666.3
Debt securities ¹⁹	2,251.1	2,175.7	2,107.6	2,086.8	1,177.7	643.4	640.5	0.0
Leasing receivables	3,823.1	3,450.8	3,076.9	0.0	0.0	0.0	0.0	0.0
Factoring receivables	2,580.2	2,421.4	2,182.7	255.5	116.1	168.8	160.3	122.8
Other receivables	108.7	124.3	119.1	99.9	142.5	215.5	126.3	145.0
Total net credit receivables	53,595.5	48,552.1	45,205.6	38,457.1	31,240.5	26,704.2	23,930.7	16,379.1
- Eurobonds	3,723.5	3,685.8	3,779.7	3,872.6	3,268.5	3,261.9	1,654.0	0.0
Total net loans and other receivables to customers	57,319.0	52,237.9	48,985.3	42,329.7	34,509.0	29,966.1	25,584.7	16,379.1



*The figures denote the ING Bank Śląski S.A. Group share in commercial banks market.

¹⁸ Excluding receivables from customers under repo transactions.

¹⁹ Eurobonds excluded.

3. Strengthening position on deposits market

The deposit base held by ING Bank Śląski S.A. is one of the largest in the Polish banking sector, which ensures high liquidity of the balance sheet and comfort as regards shaping the lending policy. Measures taken in H1 2014 led to further strengthening of the deposit base mainly as regards stable funds. It meant that the Bank actively acquired funds mainly from retail clients, but also from small and medium enterprises.

As at the end of June 2014, total funds accumulated in the accounts of the ING Bank Śląski S.A. Capital Group amounted to PLN 69,585.4 million²⁰ versus PLN 67,330.4 million as at the end of 2013 (up by 3.3%).

As at the end of H1 2014, the Bank held 7.9% of the total value of funds deposited in the commercial banks sector²¹, which indicates that the Bank was the fourth largest deposit bank in Poland.

Throughout H1 2014, total funds deposited in household accounts went up by PLN 2,360.8 million, or by 5.4% and as at the end of June it amounted to PLN 45,989.7 million.

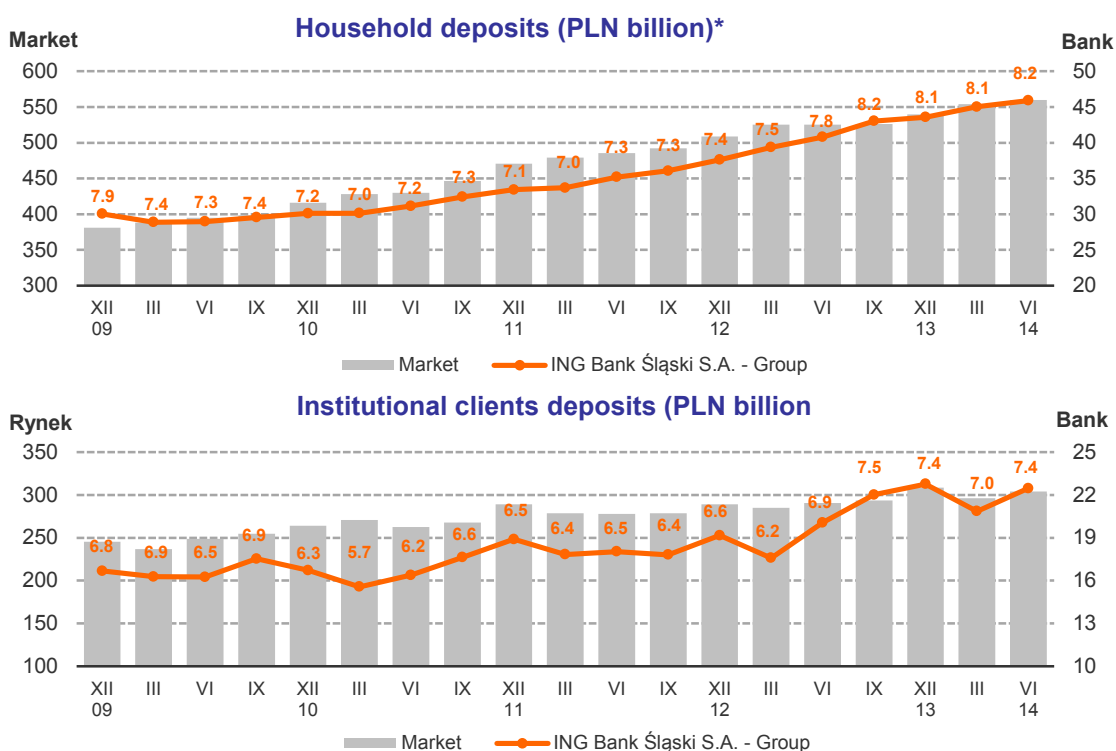
The liabilities due to institutional clients remained flat; in June 2014, they totalled PLN 23,595.7 million versus PLN 23,701.5 million as at the end of 2013 (down by 0.4%). Throughout H1 2014 there was an increase in the the value of funds deposited by mid-sized companies and mid-corporates (of 1.6%), while the value of funds deposited by the biggest corporates went down (by 2.1%).

Liabilities due to customers of ING Bank Śląski S.A. Capital Group (PLN million)								
	30.06.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Liabilities to households, including:	45,989.7	43,628.9	37,683.7	33,481.8	30,167.2	30,103.9	28,011.3	25,639.5
Terms deposits	45,910.3	43,563.8	37,627.7	33,434.7	30,117.7	30,039.7	27,945.7	25,392.6
Other liabilities	79.4	65.1	56.0	47.1	49.5	64.2	65.6	246.9
Liabilities to institutional clients ²² , including:	23,595.7	23,701.5	20,173.8	19,334.2	17,232.9	17,169.2	18,853.6	18,007.0
Terms deposits	22,456.9	22,762.8	19,166.1	18,899.9	16,719.2	16,676.5	18,327.2	17,559.9
- Business entities	18,207.3	17,746.3	13,739.9	13,887.3	12,483.6	11,861.7	11,173.5	12,760.8
- Financial entities (other than banks)	2,339.1	2,925.7	3,327.2	2,910.0	2,540.6	3,306.6	4,267.5	2,226.7
- Entities of the sector of central and local government agencies	1,910.5	2,090.8	2,099.0	2,102.6	1,695.0	1,508.2	2,886.2	2,572.4
Other liabilities	1,138.8	938.7	1,007.7	434.3	513.7	492.7	526.4	447.1
Total liabilities to customers	69,585.4	67,330.4	57,857.5	52,816.0	47,400.1	47,273.1	46,864.9	43,646.5

²⁰ The amount includes the deposits and other liabilities except for liabilities to customers under repo transactions.

²¹ Banking sector meaning commercial banks sector in line with data published by NBP in file *Assets and liabilities of banks*

²² Excluding liabilities to customers under repo transactions



*The figures denote the ING Bank Śląski S.A. Group share in commercial banks market.

4. Awards and distinctions

Operations of ING Bank Śląski S.A. in H1 2014 were appreciated not only by clients, but also by organisations and sector media. The Bank received many awards and honourable mentions as well as top positions in rankings. The most important are:

- ING Bank Śląski came first in the ranking of personal accounts in the “The Best Customer Service” category and second in the “The Best Personal Account 2014” category, compiled by the Money.pl portal editorial team;
- 1st place in the “Cash Loans”, “Online Loans” and “Account for Entrepreneur” categories in the ranking compiled by the TotalMoney.pl portal;
- 1st place in the “The Best Business Account” and “The Best Business Client Service” categories of the ranking compiled by the Money.pl portal;
- Honourable mention for the Aleo trading and auction platform in the Innovation Award Media Trendy contest, in the “Open & Start up – The Most Innovative Digital Platform” category;
- TOP RATED title awarded to ING Bank Śląski by the prestigious, international Global Custodian magazine for top quality of custody services in year 2013;
- a nomination for the Economic Award of the President of the Republic of Poland in the “Corporate Governance and Corporate Social Responsibility” category;
- Crystal Emblem of Trusted Brand for ING Bank Śląski in the Bank category in the European Trusted Brands 2014 survey organized by Reader’s Digest;
- Top Employers Poland (for the fifth time) and Top Employers Europe international certifications, granted by the Top Employers Institute.
- 2nd place in the “Big Commercial Bank” category of the 22nd edition of “The Best Bank” contest organized by Gazeta Bankowa.
- Małgorzata Kołakowska, CEO of ING Bank Śląski, was awarded the “Banker of the Year” title by the Forbes magazine.

For more information about awards and honourable mentions please visit the Bank website, in the “About us” tab.



III. OPERATIONS OF ING BANK ŚLĄSKI S.A. IN H1 2014

1. Retail Banking

Changes to product offer and customer service rules

Savings, investments, accounts

The aim of ING Bank Śląski S.A. is to maintain strong position in the retail banking market. The key thing to execute this aim is an extensive and clear product offer. Moreover, constant simplification and automation of processes as well as increasing importance of internet and mobile banking also plays a vital role here.

In March 2014, a PLN Individual Pension Security Account was added to the Bank's product offer. It is a long-term savings product. Additionally, within specified limits, amounts earned on the interest on the funds accumulated in an Individual Pension Security Account are exempt from tax on capital gains.

With a view to upholding the attractiveness of its core deposit product, that is Open Savings Account, in H1 2014 the Bank continued offering periodical, special terms and conditions for new funds under the special offer, i.e. Welcome rate and OKO Bonus in next editions. They consisted in offering periodically higher interest to new clients or for new funds.

In June 2014, the Open Savings Account campaign was launched, under the slogan: Saving means repeating. It is addressed both to new clients as well as to clients already saving with the Bank. The campaign is supported by spots broadcast on the radio and tv, advertisements in the press and internet.

As regards investment products, at the beginning of June there was a special offer introduced at the Bank that consisted in charging a zero distribution fee when Bank clients purchased participation units of all funds present in the Bank offer. The promotion will last until the end of August 2014.

Moreover, three new subfunds available under Altus Fundusz Inwestycyjny Otwarty Parasolowy (open-end umbrella fund) managed by Altus TFI S.A. were added to the offer dedicated to Personal Banking, Private Banking and Wealth Management clients. Individual clients in turn were offered new open-end mutual funds managed by Towarzystwo Funduszy Inwestycyjnych PZU S.A. – PZU Parasol FIO and PZU Globalnych Możliwości SFIO.

In H1 2014, the Bank also held 20 subscriptions for the Investment Term Deposit structured product for the total amount of approx. PLN 650 million.

Lending products

Over the first months of 2014 also the lending offer of the Bank was strongly developed as part of pursuing the strategy of constant growth of lending products exposure. The campaign was supported by the media campaign in May and June 2014 addressed to individual clients and entrepreneurs. The campaign slogan: "Either we realise or we drift. Take out a loan and come out on top!" encouraged people to realise plans.

Introduction in June 2014 of Loans Optimiser in the internet was an interesting solution reflecting not only involvement in development of the lending offer but also emphasising Bank's activity in the internet. This tool enables clients to individually tailor the product to their needs. Clients may calculate the cash loan instalment, check their credit capacity and file a motion for a selected lending product.

The lending offer development also covered the overdraft promotion in the form of the two products: "Start with the overdraft for 9.9%" and "Increase your overdraft for free". Furthermore, in May 2014 the scope of testing application for lending products for individual clients under the short-track procedure was extended.

In H1 2014, the Bank also introduced new lending products for the entrepreneurs segment, namely: Credit Line for Start and PREMIUM Offer. The Credit Line for Start supports the process of opening company accounts at ING Bank Śląski S.A. while in the PREMIUM Offer there are higher cash loan amounts without the collateral requirement. The product supports the relationships with prestigious clients.

Also the Live without Compromise special offer of mortgage loans introduced in June 2014 for young people is a new attractive product for clients. As part of this offer clients take advantage of attractive pricing conditions – 0% commission for loan provision and a fixed margin of 1.65 p.p. In order to use the promotion a client has to hold or open a personal account with regular monthly inflows and buy a whole life insurance. The offer targets individual clients applying for at least PLN 100 thousand who will submit a mortgage loan application either on their own or with another person. Moreover, at least one of the borrowers must have no more than 35 years (per year of birth) as at the application date.

Deposits²³

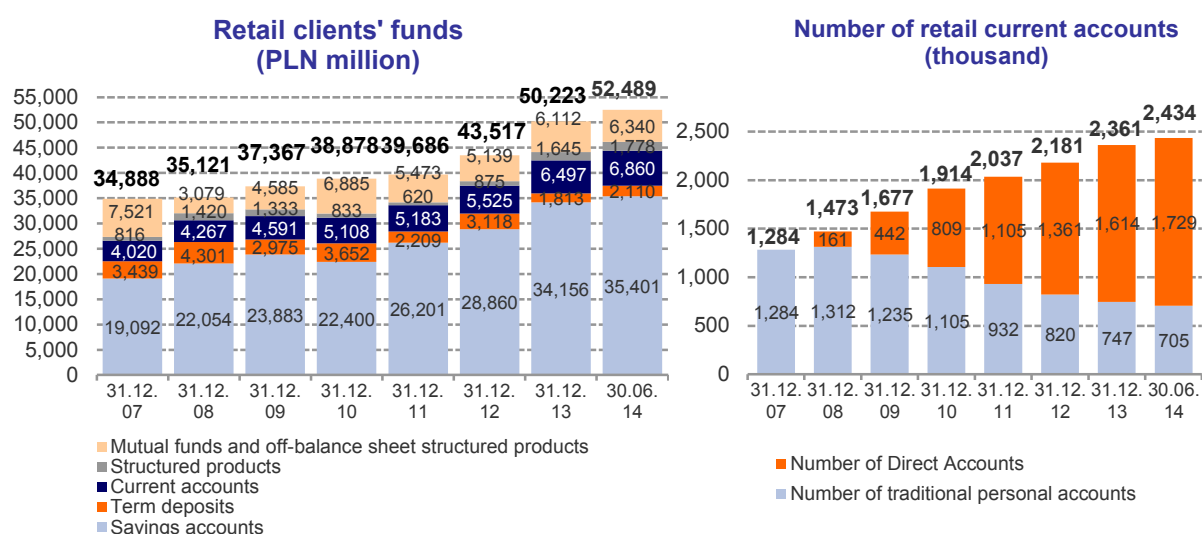
As at 30 June 2014, retail deposits²⁴ at ING Bank Śląski S.A. totalled PLN 52,489.4 million, compared with PLN 50,222.7 million in December 2013 (up by 4.5%). Banking deposits constituted their main part.

In H1 2014, the Bank continued to focus on building solid foundations for further growth, i.e. acquiring stable deposits, especially of retail clients. As at the end of June 2014, retail deposits were PLN 46,148.8 million, or up by PLN 4.6% when compared with the end of 2013. The result translated into a 8.2% share of the Bank in the household deposit market (versus 8.1% share as at the end of 2013).

The *Open Savings Account* is the main product where the retail clients deposit their funds. Over H1 2014, the value of funds accumulated in the Open Savings Account went up by 3.6% and totalled PLN 35,401.1 million. The value of savings invested in mutual funds and off-balance sheet structured products also went up (by 3.7% when compared with the 2013 yearend).

Throughout H1 2014, the array of settlement services rendered by the Bank to its retail clients grew significantly. As at the end of June 2014, ING Bank Śląski S.A. maintained 2,433.6 thousand personal accounts of retail clients (2,167.3 thousand individual clients and 266.3 thousand entrepreneurs) versus 2,360.9 thousand as at the end of 2013 (2,105.6 thousand individual clients and 255.3 thousand entrepreneurs). That means that in H1 2014, the Bank acquired in net terms 72.7 thousand personal accounts of retail clients. As a result of a higher number of personal accounts opened, the volume of funds deposited in these accounts grew. In June 2014, it totalled PLN 6,859.7 million, up by 5.6% from the end of 2013.

This was accompanied by the trend to change the structure of current accounts. Sales of the accounts, mostly Direct Accounts, together with the conversion by some clients from traditional personal accounts to internet accounts, made the number of Direct Accounts go up to 1,728.7 thousand in June 2014 (including 1,512.1 thousand accounts of individual clients and 216.6 thousand entrepreneurs' accounts) from 1,614 thousand in December 2013 (1,411.7 thousand and 201.9 thousand, respectively). Thus, the share of Direct Accounts in the total number of retail personal accounts went up from 68.3% in December 2013 to 71.0% in June 2014.

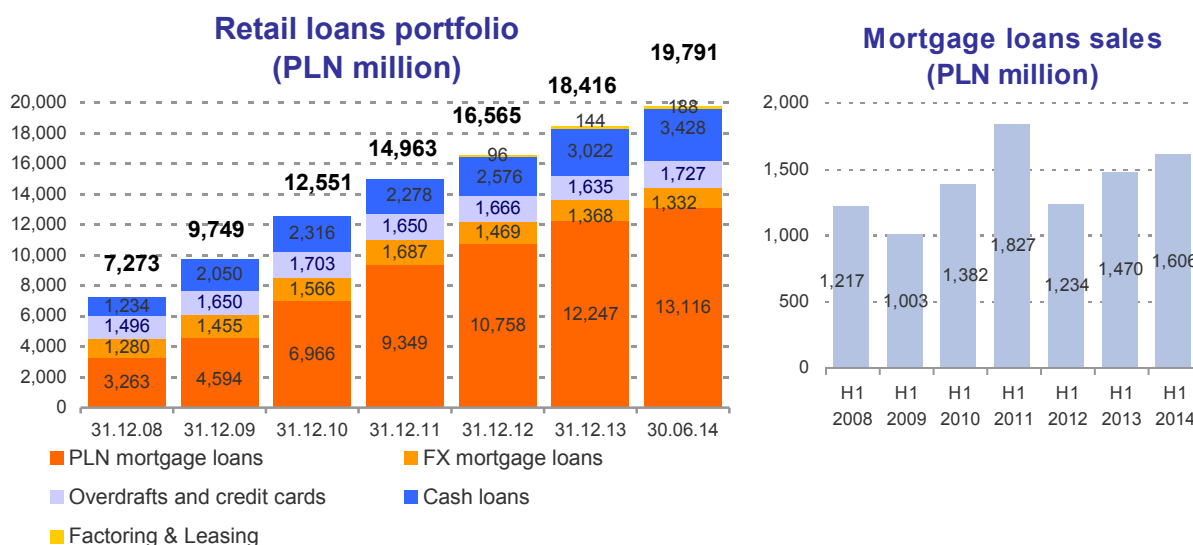


²³ Due to availability of more detailed product-related information, the description is made based on the data from the management information system.

²⁴ Total value of deposits, structured products and mutual funds distributed by the Bank.

Lending²⁵

As at the end of June 2014, retail credit receivables totalled PLN 19,791.1 million. In H1 2014, the Bank's credit exposure towards retail clients went up by PLN 1,375.5 million, or 7.5%. The Bank increased its share in the household credit receivables market to 3.6% (versus 3.4% in December 2013).



Mortgage loans constituted the main part in the Bank's retail credit portfolio. As at the end of June 2014, total Bank's receivables due to mortgage loans amounted to PLN 14,447.7 million compared with PLN 13,614.9 million as at the end of 2013 (up by 6.1%).

According to the data published by the Polish Bank Association, in H1 2014 ING Bank Śląski S.A. was third on the market with a 8.5% share in the sales of housing loans for private individuals.

Moreover, H1 2014, just like the years 2012 and 2013, was marked by increasing significance of unsecured cash loans in the Bank portfolio. Throughout this period, the effects of the conducted marketing campaigns and intensified sales have been visible. In H1 2014, the cash loans extended totalled over PLN 1.3 billion, up by 35.8% when compared with the same period in the previous year. In June 2014, the value of loans and cash loans in the Bank portfolio was PLN 3,428.0 million and it was up by 13.4% over the end of 2013.

The value of retail leasing and factoring receivables has been also rising gradually – as at the end of H1 2014 it was PLN 188.2 million and it was up by 30.3% over the end of last year.

Bank Cards

For many years now, ING Bank Śląski S.A. has been one of the main payment card issuers in Poland, the same goes for contactless cards. We were the first bank in Poland and one of the first banks in the world to introduce withdrawals from ATM with the use of contactless cards. By the end of 2014, there will be as many as 300 machines with this functionality and approx. 320 will have the cash recycling service.

In H1 2014, one of the most important changes in the payment area consisted in commercial implementation of ING V.me by Visa digital wallet. This new method provides for making fast, easy and convenient card payments in the internet. The solution is innovative – ING Bank Śląski S.A. is the first bank in Poland to provide such option to its clients.

By the end of June 2014, ING Bank Śląski S.A. issued over 2.5 million payment cards to its retail clients, where 2.0 million accounted for contactless cards (Zbliżak paypass sticker included) whereas in December 2013 retail Bank clients held 1.9 million cards of this type. The number of virtual cards went up as well – in June 2014, clients held 37.4 thousand of such cards in their wallets.

²⁵ Due to availability of more detailed product-related information, the description is made based on the data from the management information system.

2. Corporate Banking

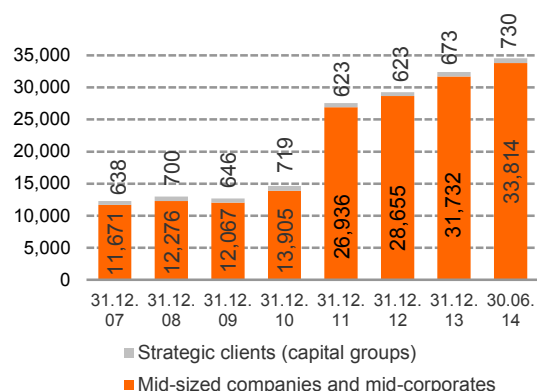
Number of clients

In June 2014, 34.5 thousand corporate clients used the services of ING Bank Śląski S.A., including:

- 30.5 thousand mid-sized companies,
- 3.3 thousand mid-corporates, and
- 730 strategic clients (capital groups).

In H1 2014, the Bank's corporate clients portfolio boosted by 2.1 thousand businesses.

Number of institutional clients



Product offer and modifications introduced

When corporate clients choose their bank, they take into account not only reputation of a stable and trustworthy institution but also high quality of the offer. ING Bank Śląski S.A., which already has had these attributes, in H1 2014 aimed at an even more attractive product offer and streamlining of processes.

In the first months of 2014, the Bank continued to increase the number of available fee collection machines. These include special automatic tills thanks to which clients can pay some of administration fees conveniently, efficiently and quickly. ING Bank Śląski S.A. has the biggest network of such devices in Poland – as at the end of June this year it was already 14 fee collection machines. Moreover, the Bank offer its clients nearly 100 electronic depositories. More and more clients also use the new cash solution – light depository. The device is installed in the client's premises which makes transactions more convenient and safe. The deposits can be made 24/7 and are booked into the selected accounts as soon as they are deposited (on-line mode).

The service of remote account management called SMART was also made available. It lets clients manage their accounts open at other banks thanks to presentation of these accounts statements in the ING BusinessOnLine system. This solution significantly facilitates corporate clients in managing their funds deposited in many accounts, with many banks.

Recognising clients' needs, in H1 2014 the Bank made available the option of settling trade finance transactions (i.e. letters of credit, guarantees, collection) in Chinese Yuans (CNY). Considering the specificity of the Chinese law, prior to execution of each transaction the client has to file a declaration concerning special terms and conditions of settlements in this currency.

Moreover, in H1 2014 ING Bank Śląski S.A. continued to automate its lending processes. These actions bring notable benefits visible in the systematic increase in the share of electronic applications filed through the ING Direct Business Credit and ING BusinessOnLine in the total number of credit applications filed by companies. As at the end of H1 2014, the share totalled 83%.

The ING Credit Management System (or ING CMS) was also enhanced. In H1 2014, the new process for electronic conclusion of credit agreements was implemented in the Fast Track and Normal Track processes. In the ING CMS system, Bank representatives may put their electronic signatures. For this purpose, representatives of the client use the new functionality of the ING BusinessOnLine system.

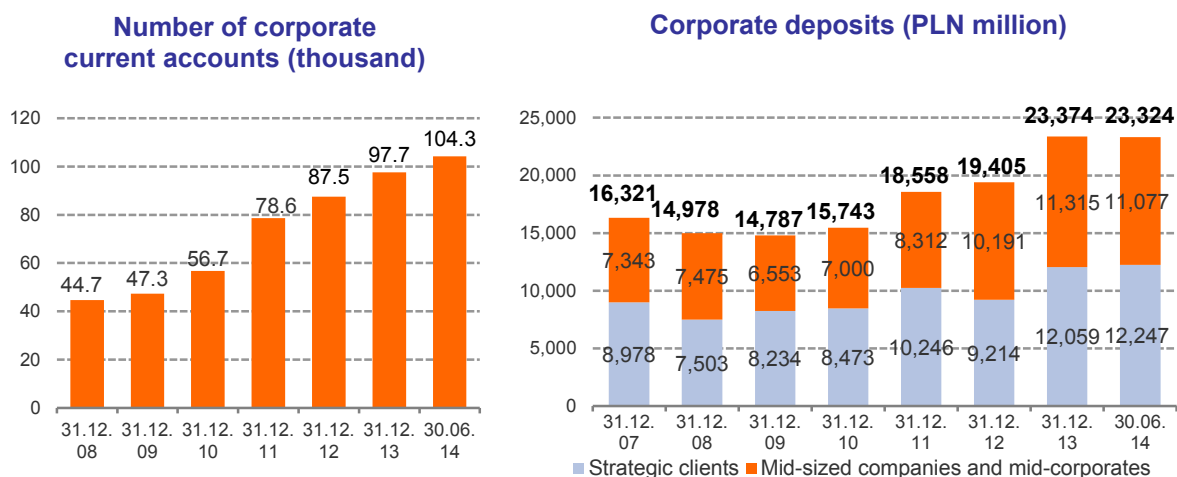
It should be emphasised that the Bank continues to support small and medium enterprises by granting de minimis guarantee loans. These loans are still very popular among clients, despite the commission introduced for Bank Gospodarstwa Krajowego. ING Bank Śląski S.A. maintains its fourth position on the guarantee market with a 9% share of the issued guarantees' amounts.

Deposits and Settlements²⁶

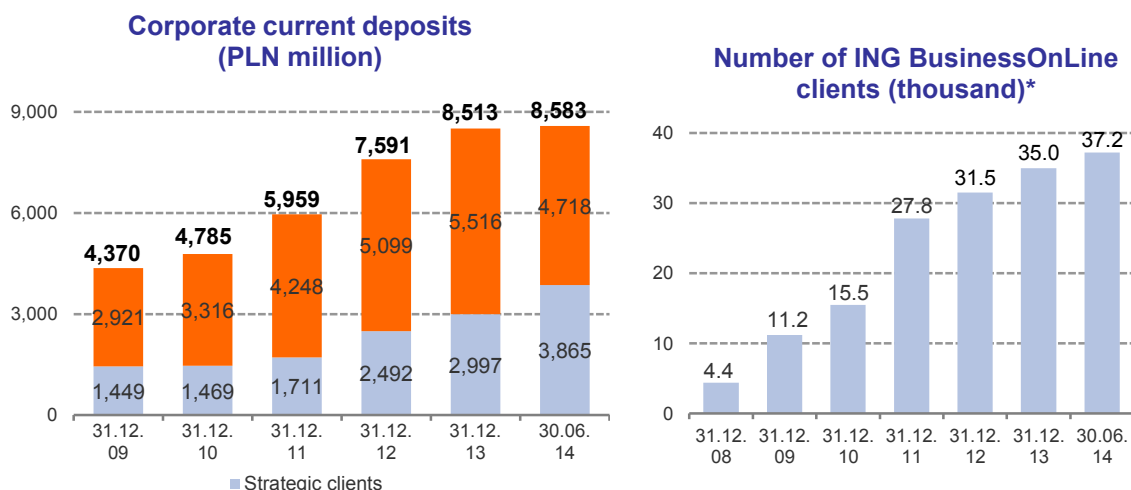
As at 30 June 2014, corporate deposits remained at a similar level as in December 2013 (down by 0.2%). In June 2014, ING Bank Śląski S.A. had a 7.4%-share in the institutional clients' deposits market (which was the same as at the end of 2013).

In H1 2014, the value of funds deposited by clients from the sub-segment of mid-corporate and mid-sized companies increased slightly by 1.6%, whereas the value of funds deposited by the biggest corporate clients went down slightly by 2.1%.

The volume of funds in current accounts settled at a similar level. On the one hand, it was due to a decrease in funds accumulated in current accounts of mid-sized and mid-corporate companies by 14.5%, and on the other it was due to an increase in funds accumulated in the current accounts of the biggest corporate clients by 29.0%.



In June 2014, ING Bank Śląski S.A. maintained 104.3 thousand (PLN and FX) current accounts of corporate clients, up by 6.8% from December 2013. The vast majority of clients with current accounts at ING Bank Śląski S.A. use the ING BusinessOnLine internet banking system to interact with the Bank. In June 2014, the system was used by 37.2 thousand companies (versus 35.0 thousand in December 2013).



* In the case of capital groups, individual companies belonging to the group are recognised separately. Additionally, it covers some part of retail clients (housing communities), as the corporate segment provides them with operational service.

²⁶ Due to availability of more detailed product- and client-related information, the description is made based on the data from the management information system.

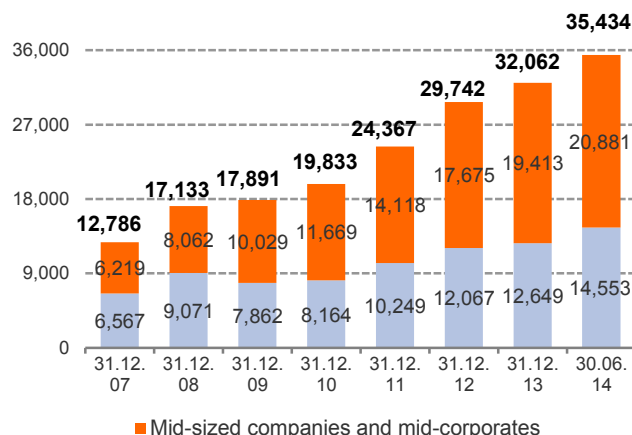
Lending²⁷

As at the end of June 2014, corporate client funding by the ING Bank Śląski S.A. Group grew by PLN 3,372.1 million (up by 10.5%). The Bank is estimated to have held 8.9% of the institutional credit market share in June 2014.

In the corporate segment in H1 2014, the volume of loans granted to the biggest companies, i.e. from the strategic client subsegment, was growing fast – increase of 15.1% to PLN 14,553.2 million in June 2014 whereas funding for clients from the mid-sized and mid-corporate subsegment grew by 7.6%.

In H1 2014, the Bank won 31 tenders for funding local government units, worth approximately PLN 450 million. This result enabled the Bank to maintain its 7.5%-share in financing local government units as at the end of June 2014.

Corporate loans (PLN million)



3. Money markets and capital markets

The operations of ING Bank Śląski S.A. in the area of financial markets in H1 2014 covered adaptation to the changes in the market and in the regulatory environment. Processes were also streamlined and organisational changes were implemented.

Moreover, at the end of H1 2014 there were advanced works in progress intended to launch the option to clear transactions through Central Clearing Counterparty. These works are a step towards meeting the requirements provided for in the Regulation of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories (EMIR) by the Bank. ING Bank Śląski S.A. undertook other works aimed at preparing its activity to satisfy the subsequent requirements set out in the EMIR regulations, taking effect as of 11 August 2014, (covering reporting on transaction evaluation and collateral to trade repositories). Moreover, the works related to preparing the Bank to fulfil the requirements related to the clearing obligation for specified transactions by the Clearing House were continued (the effective date of the clearing obligation in the EU is scheduled for Q1 2015).

In July 2014, the Bank signed a cooperation agreement with the London Clearing House (LCH) being the leader on the world markets. ING Bank Śląski S.A. is the only Polish bank being the LCH member. Owing to the LCH membership, it is possible to settle derivative transactions directly.

Clients appreciated the fact that the Bank in H1 2014 introduced an additional service being free-of-charge reporting of transactions made therewith to trade repositories on behalf of clients.

ING Bank Śląski S.A. retained its strong market position in the issue arrangement and service for non-government debt securities. In H1 2014, the Bank among other things:

- being a consortium leader, in cooperation with two banks, arranged the biggest issue programme of corporate bonds (underwriting) in H1 2014 on the domestic market, i.e. issue of Zarządca Rozliczeń S.A. bonds for PLN 1.65 billion. The Bank acted as: Issue Arranger, Issue Agent, Payment Agent and Depositary,
- co-arranged the bond issue programme for Enea S.A., for the amount of PLN 5 billion (the Bank acted as: Issue Arranger, Payment Agent, Depositary, Dealer, Calculation Agent),
- arranged the issue programme for short-term Eurocash S.A. bonds for the amount of PLN 500 million. In this programme, the Bank acted as: Issue Arranger, Issue Agent, Payment Agent, Depositary and Dealer,
- arranged independently 7 municipal bonds issue programmes for the total amount of PLN 184 million.

²⁷ Due to availability of more detailed product- and client-related information, the description is made based on the data from the management information system.

As at the end of June 2014, ING Bank Śląski S.A. serviced securities trading of 93 issuers being corporates, banks and municipalities. The face value of debt securities of corporate issuers (banks and local government units excluded) issued through the agency of the Bank totalled approximately PLN 9.8 billion, including PLN 6.8 billion due to short-term securities issue. This enabled the Bank to have the second position on corporate debt securities market in June 2014 (with the share of 15.9%) and the first position on the short-term securities market (with the share of 36.1%).

Additionally, at the beginning of H1 2014 the Bank's Economists Team consisting of Rafał Benecki and Grzegorz Ogonek won 3rd place in the ranking of monthly forecasts - macro indicators held by Rzeczpospolita daily.

As regards sales of structured products in the Polish market, the Bank kept its strong position. The Bank received honourable mention in the Structured Retail Products sectorial ranking, winning the fourth and sixth place in the category: Best Selling Products. The share of structured products in H1 2014 settled at 13%, which means that the Bank took 3rd position. The Bank also won 3rd place as regards the number of products introduced to the market (21 products).

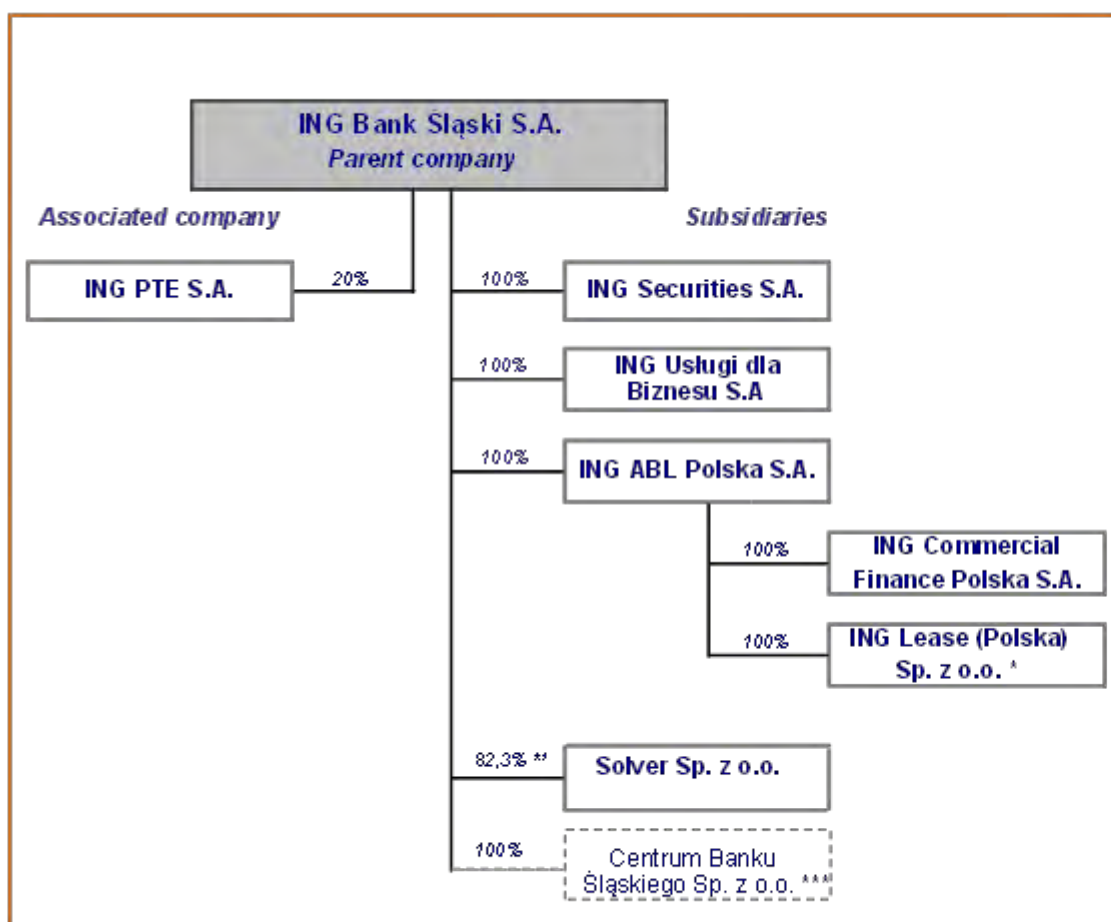
IV. BUSINESS OPERATIONS OF ING BANK ŚLĄSKI S.A. CAPITAL GROUP KEY COMPANIES

1. Structure of ING Bank Śląski S.A. Capital Group

ING Bank Śląski S.A. Capital Group comprises companies operating predominantly on the financial market. ING Bank Śląski S.A. – as the parent company – takes key decisions concerning both the scope of operations and the finances of the Group members. It has strong commercial ties with other companies. The Capital Group members have their current accounts and deposit their free funds in term deposits at ING Bank Śląski S.A. The Bank also credits business operations of some of its subsidiaries. Transactions of ING Bank Śląski S.A. with its subsidiaries are performed on an arm's length basis.

In H1 2014, there was a change in the Group structure. On 30 June 2014, Centrum Banku Śląskiego Sp. z o.o. was deleted from the Entrepreneurs Register of the National Court Register. The company was taken over by ING Bank Śląski S.A. and Solver Sp. z o.o.

As at 30 June 2014, the composition of ING Bank Śląski S.A. Capital Group was the following:



* The ING Lease (Polska) Sp. z o.o. Capital Group has 10 special-purpose vehicles where ING Lease holds 100% of shares.

** Since 1 July 2014 the share is 88.9%. The remaining 11.1% belongs to ING for Children Foundation.

*** On 30 June 2014, Centrum Banku Śląskiego Sp. z o.o. was deleted from the Entrepreneurs Register of the National Court Register.

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

ING Lease (Polska) Sp. z o.o. has been operating in the market for 18 years. It offers all basic types of leasing (operating, financial, and sale-and-leaseback leasing) as well as a cash loan. They can be used to finance both movables (being passenger cars, delivery trucks up to 3.5 tonnes, machinery and equipment, technological lines, commercial vehicles medical and IT equipment) as well as real properties (office buildings, commercial buildings and logistical centres). Company services are targeted at all market segments: large, medium and small enterprises as well as retail clients (entrepreneurs).

As at the end of June 2014, the Company receivables from clients amounted to PLN 5,438.8 million²⁸ (an increase of 12.6% from the end of H1 2013). The data of the Polish Leasing Association show that ING Lease, with its 7.0% market share in terms of worth of lease agreements concluded and assets provided, was the 7-th largest leasing company in Poland after H1 2014. According to the latest available data (i.e. as at 30 June 2014), the Company had the largest portfolio of receivables out of all the lease companies in Poland.

3. ING Commercial Finance Polska S.A.

In H1 2014, ING Commercial Finance Polska S.A. grew over two times faster than the market and recorded the turnover of PLN 7.5 billion. It is an increase of 35% versus the same period in 2013. As a result, the Company increased its market share to 14.7% coming second in terms of the turnover.

Over H1 2014, the number of clients serviced by the Company grew by 20% and as at the end of June was 1,001 clients. Its clients were mainly companies operating within the following industries: food and beverages (23%), house and horticulture (10%), power and fuels (9%), metallurgy (8%), construction (8%), packaging (6%) and chemicals (6%).

The number of invoices purchased by the Company in H1 2014 amounted to over 525 thousand, that is 32% more than in the same period of 2013.

4. ING Securities S.A.

ING Securities S.A. provides brokerage services both for retail and corporate clients. At the end of June 2014, ING Securities S.A. maintained almost 52.2 thousand investment accounts, including almost 37 thousand internet ones.

In February 2014 ING Securities expanded its offer with the Forex service providing for the option of investing on the OTC currency market. Through a modern ING ProTrader transactional and analytical platform, retail investors have access to the most liquid market in the world whose global daily trading is a hundred times bigger than trading in equities from all stock exchanges.

Furthermore, in cooperation with ING Bank N.V. a virtual investment game was launched in April 2014. It is aimed at educating and promoting quoted ING Turbo Certificates.

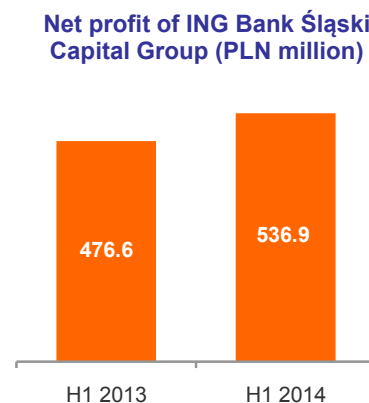
²⁸ The description is made based on the data from the management information system. It covers corporate clients (in the amount of PLN 5,250.6 million) and retail clients receivables (in the amount of PLN 188.2 million).

V. FINANCIAL STANDING OF ING BANK ŚLĄSKI S.A. CAPITAL GROUP IN H1 2014

1. Gross profit and net profit

In H1 2014, the ING Bank Śląski S.A. Capital Group generated a significantly higher gross and net financial result, as compared with the same period last year. It was mainly impacted by:

- Higher income on operations by PLN 103.2 million, or 6.1% was mainly impacted by higher net commission income (by PLN 179.0 million, or 18.4%) following lower financing expenses resulting from adaptation of the deposit offer to the market interest rates and net commission income (by PLN 43.6 million, or 8.5%). However, other income went down, mainly net income on investment, mainly due to no result on sales in H1 2014 of the bonds portfolio which occurred in 2013.
- Lower operating expenses. Operating expenses settled at PLN 951.7 million, i.e. down by 0.8% versus 2013.
- Lower risk costs. The balance of impairment provisions totalled PLN 117.4 million, whereas in H1 2013 the Group recorded the balance of provisions of PLN 127.1 million (down by 7.6%).

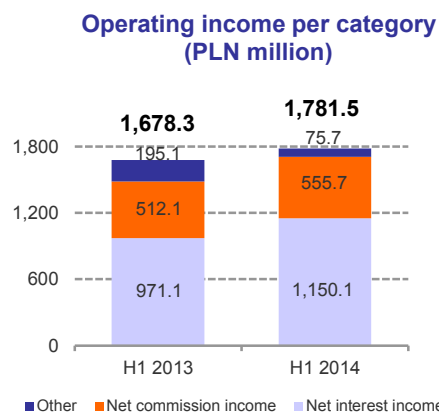
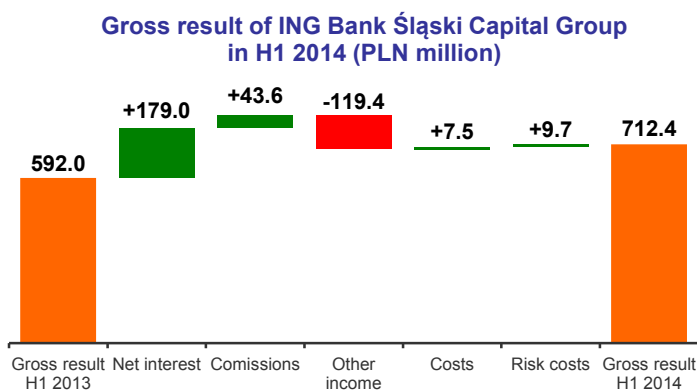


In H1 2014, the result before risk costs for the Bank Capital Group grew by PLN 110,7 million, up by 15.4% y/y, thanks to keeping operating expenses at a similar level to last year.

Basic consolidated income statement figures in analytical terms

	H1 2014	H1 2013	Change H1 2014/ H1 2013	
	PLN million	PLN million	PLN million	%
Net interest income	1,150.1	971.1	179.0	18.4
Net commission income	555.7	512.1	43.6	8.5
Other income*	75.7	195.1	-119.4	-61.2
Operating income*	1,781.5	1,678.3	103.2	6.1
Operating expenses	951.7	959.2	-7.5	-0.8
Result before risk costs	829.8	719.1	110.7	15.4
Impairment losses and provisions	117.4	127.1	-9.7	-7.6
Gross financial result	712.4	592.0	120.4	20.3
Income tax	175.4	115.4	60.0	52.0
<i>Net result attributable to non-controlling shareholders</i>	<i>0.1</i>	<i>0.0</i>	<i>0.1</i>	-
Net financial result	536.9	476.6	60.3	12.7

* Income together with the share in profits of companies recognised on an equity basis.



The net financial result grew less dynamically than the gross financial result due to slightly higher tax following several significant events impacting the increase in the tax base in H1 2014.

Total income of the ING Bank Śląski S.A. Capital Group attributable to shareholders of the parent entity (including, apart from net profit, other items of income and expenses recognized in equity) was PLN 1,103.2 million in H1 2014 versus PLN -5.7 million in the same period last year.

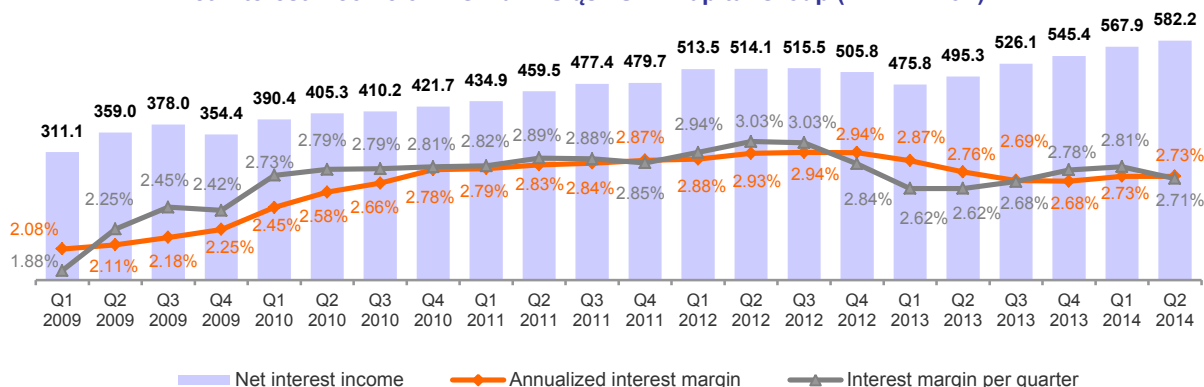
2. Net interest income

In H1 2014, the ING Bank Śląski S.A. Capital Group generated the net interest income of PLN 1,150.1 million versus PLN 971.1 million in the same period last year (up by 18.4%).

Despite a significantly lower level of interest rates than the year before, interest income in H1 2014 remained at the level similar to last year, or even slightly went up – by 0.5% to PLN 1,836.4 million. It was possible to maintain the scale of interest income mainly due to higher lending volumes. Lower financing expenses were the major factor that contributed to higher net interest income year to year. Thanks to a prudent pricing policy, the level of interest offered to clients matched the dynamic changes of market interest rates and translated into lower interest costs under liabilities to customers – by 19.9%. The National Bank of Poland reference rate fell from 4.25% as at the end of December 2012 to 2.75% as at the end of June 2013, i.e. down by 150 basis points. The last change was made at the beginning of July 2013 – the referential rate went down to 2.50% and has remained at this level until today.

Total net loans and other receivables to customers (Eurobonds excluded) grew during H1 by PLN 5,043.4 million, or 10.4%. Moreover, the interest margin slightly dropped from 2.76% in H1 2013 to 2.73% in H1 2014.

Net interest income of ING Bank Śląski S.A. Capital Group (PLN million)



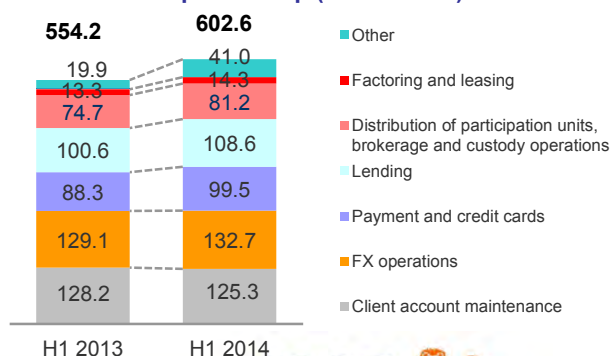
3. Non-interest income

Income on fees and commissions represented the major part of non-interest income of the ING Bank Śląski S.A. Capital Group. It totalled PLN 555.7 million in H1 2014 as compared with PLN 512.0 million posted in H1 2013 (increase of 8.5%).

In the presented period, the Group posted increase in commission income:

- related to bank cards (up by 12.7%),
- lending (up by 8.0%),
- distribution of participation units in mutual funds, brokerage and custody operations (up by 8.7%),
- factoring and leasing services (up by 8.3%) .
- other (up by 104.0%) – it applies mainly to commission on insurance.

Commission income of ING Bank Śląski S.A. Capital Group (PLN million)



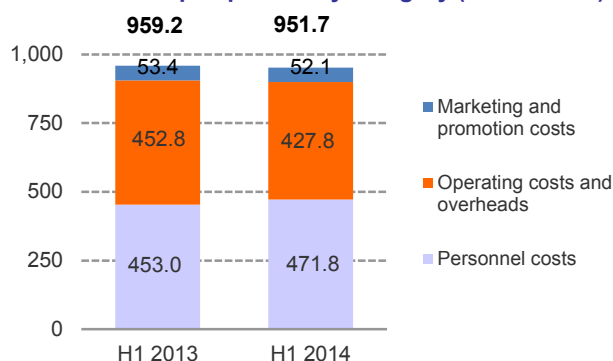
In H1 2014, other income of the Bank Capital Group amounted to PLN 75.7 million versus PLN 195.1 million in H1 2013, i.e. it went down by 61.2%. The increase mainly stemmed from the sale of the portfolio of available-for-sale debt instruments portfolio in H1 2013. This transaction, considering the effect of termination of a hedging item as regards part of sold securities, had a positive impact on the Bank gross result of PLN 100 million and on the net result of PLN 80.5 million.

4. Operating expenses

In H1 2014, operating expenses slightly dropped as compared with 2013 (by 0.8%). It was due to drop in other operating expenses (by PLN 25 million, or 5.5%), whereas personnel costs grew by PLN 18,8 million, or 4.2%).

Marketing and promotion costs remained stable – in H1 2014, they totalled PLN 52.1 million compared with PLN 53.4 million the year before.

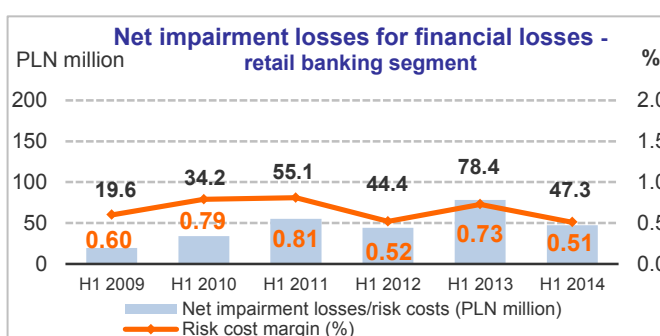
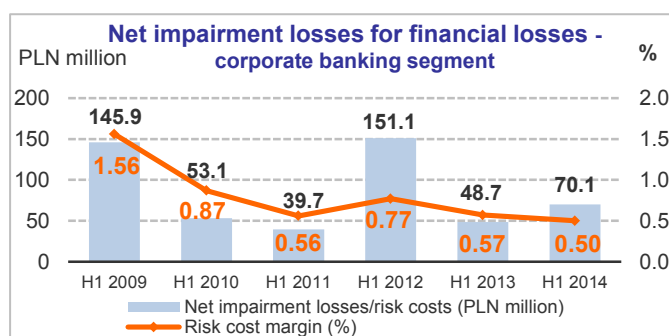
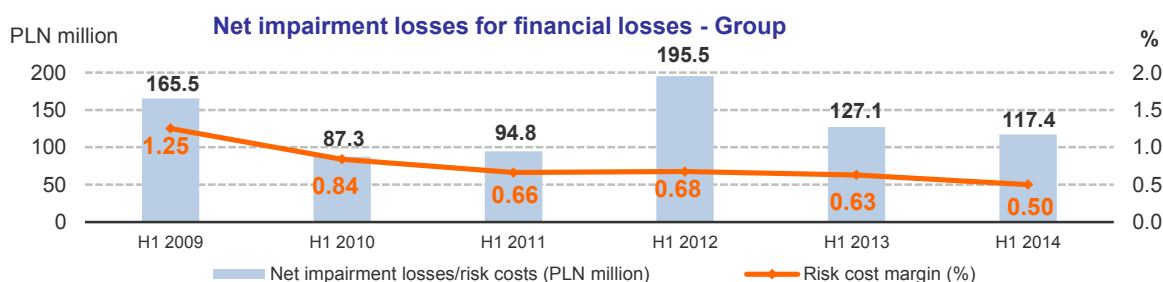
Group expenses by category (PLN million)



5. Impairment losses and provisions

The risk costs recognised in H1 2014 income statement of the ING Bank Śląski S.A. Capital Group amounted to PLN 9.7 million, or 7.6% lower than the year before, due to:

- Significantly lower level of impairment losses created for receivables having impairment trigger for the retail banking segment – by PLN 31.1 million, or 39.7%.
- Higher loan loss provisions net in the corporate client segment – by PLN 21.4 million, or 27.3%.



6. Income tax

In H1 2014, the Group posted the income tax of PLN 177.5 million, up by 53.8% compared with the previous year. Thus, effective tax rate settled at a relatively high level – 24.5%. The increase in the tax encumbrance resulted mainly from:

- establishment in Q2 2014 of a deferred tax provision for the amount of PLN 13.2 million due to reclassification of the Bank's shares in ING PTE to portfolio of assets held for sale;

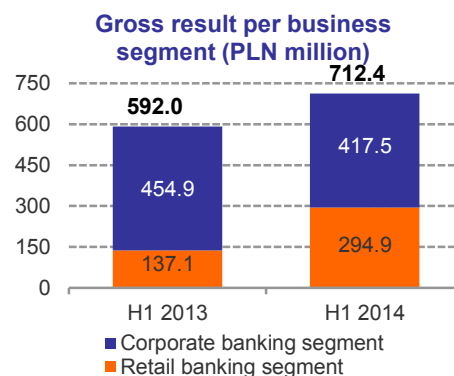
- calculation of tax on the debt claim of one of corporate clients sold in Q2 2014 to an entity other than a securitisation fund (PLN 9.1 million);
- adjustment in Q1 2014 of the deferred tax asset concerning impairment losses for receivables of ING Lease Sp. z o.o. (PLN 9.6 million).

7. Share of individual business segments in the financial result

The Bank's business model is divided into two major segments:

- Retail banking segment, which encompasses private individuals (mass clients sub-segment and affluent clients sub-segments) and entrepreneurs (small businesses).
- Corporate Banking Segment, which comprises institutional clients and FM products' operations.

In H1 2014, the retail banking segment generated PLN 294.9 million worth of gross profit versus PLN 157.8 million in the same period of the previous year (up by 115.1%) mainly due to lower interest costs. As compared with H1 2-13, the retail segment significantly increased its weight in the total gross result of the Group – from 23.2% to 41.4% in H1 2014.



The retail banking segment result was made up by:

- Higher income. It totalled PLN 926.3 million and were 14.4% higher as compared with the same period of the previous year. The segment earned higher net interest income (up by 33.0%) – mainly due to lower deposit costs, and net income on fees and commissions (up by 11.0%). Other income, including share in ING PTE profit, was lower (down by 67.6%).
- Lower operating expenses. The segment's total expenses amounted to PLN 584.2 million (they went down by 1.6% versus H1 2013).
- Considerable decrease in risk costs. In H1 2014, the balance of net loan loss provisions equalled PLN 47.3 million versus PLN 78.4 million in the same period of the previous year. Lower risk costs were impacted by better quality of the portfolio and also one-off establishments of provisions of lower value resulting from changed models.

Whereas, during the first six months of 2014, the corporate banking segment earned a gross profit of PLN 417.5 million as compared with PLN 37.4 million in H1 2013 (down by 8.2%). The segment's result represented 58.6% of the Group's gross result (76.8% in H1 2013).

The corporate banking segment result was made up by:

- The income totalled PLN 855.2 million and was 1.6% lower than in the same period of 2013. At the same time, the net interest income as well as net commission income went up by 4.2% and 6.6%, respectively. Other income dropped (by 61.1%), mainly due to the so called high base effect in H1 2013 following the result on sale of bonds portfolio at the beginning of 2013.
- Higher risk costs. In H1 2014, the balance of net impaired receivables was PLN 70.1 million versus PLN 48.7 million in the same period of 2012.

8. Consolidated statement of financial position

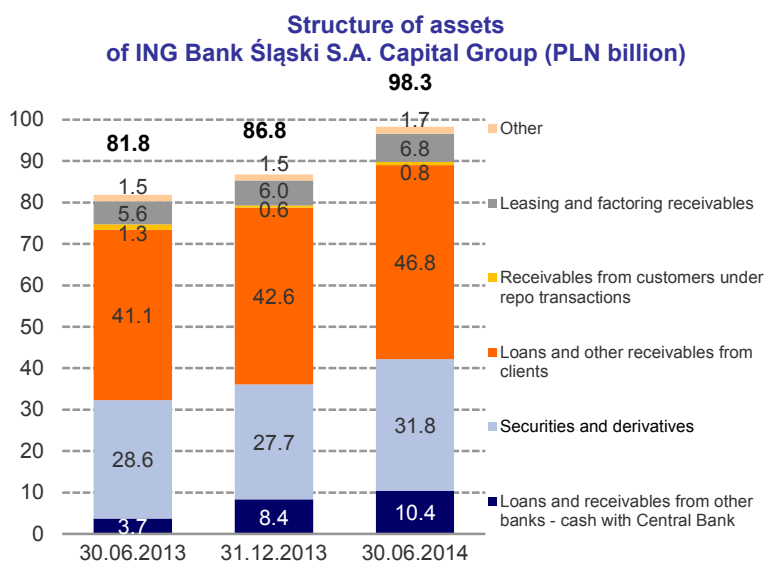
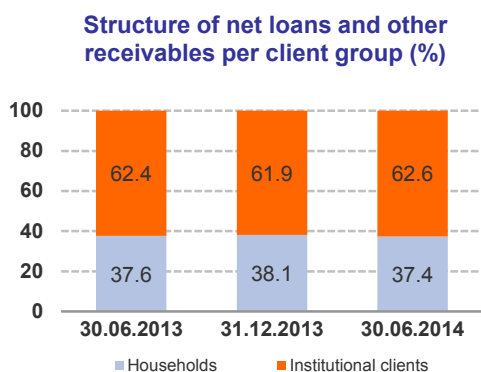
As at 30 June 2014, the balance sheet total of the ING Bank Śląski S.A. Capital Group amounted to PLN 98,261.8 million, up by PLN 11,511.2 million, or 13.3% when compared with the balance sheet total as at the end of 2013.

The size of the Group's balance sheet total as well as the structure of assets and liabilities are determined by the operations of ING Bank Śląski S.A. As at the end of June 2014, the balance sheet total of ING Bank Śląski S.A. was PLN 95,107.0 million (96.8% of the Group's balance sheet total) versus PLN 83,670.5 million in December a year earlier (up by 13.7%).

Assets

H1 2014 saw a continuation of the growing trend in terms of the share of customer receivables in the assets of the ING Bank Śląski S.A. Capital Group. As at 30 June 2014, net loans and other receivables to customers (Eurobonds excluded and customer receivables under repo transactions) totalled PLN 53,595.5 million or accounted for 54.5% of the total assets of the Bank Capital Group.

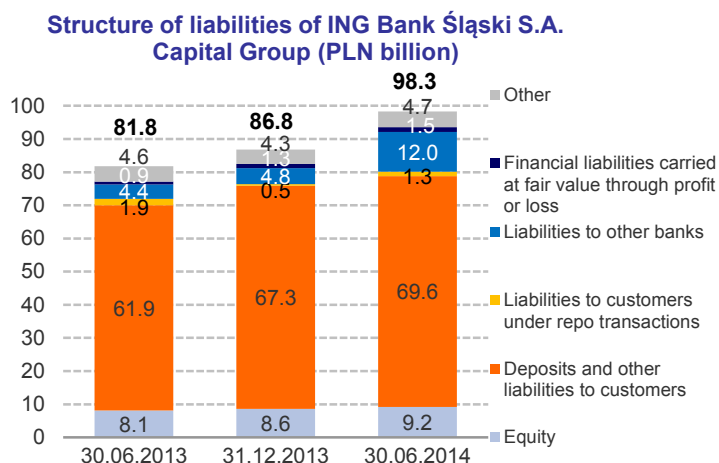
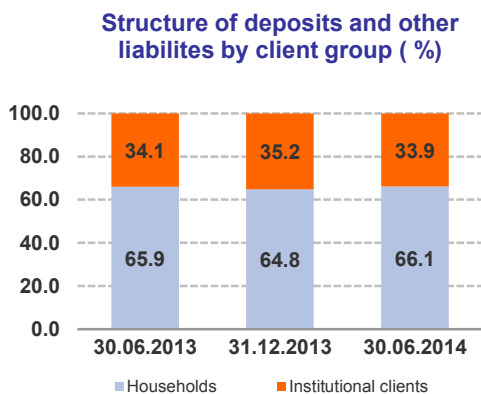
T-bonds (Eurobonds included) and other derivatives represented a major item in the balance sheet of the Bank Capital Group. As at the end of June 2014, they totalled PLN 31,840.2 million (or 32.4% of assets) compared with PLN 27,654.1 million (or 31.9% of assets) in December last year. Debt securities predominated in those assets, including investment assets (available-for-sale assets) the value whereof is PLN 22,090.4 million, or 69.4% of the entire financial instruments portfolio.



Liabilities

The funds deposited with the Bank by customers constituted the dominant source of funding for the operations of the ING Bank Śląski S.A. Capital Group. In June 2014, liabilities to customers totalled PLN 69,585.4 million compared with PLN 67,330.4 million as the 2013 yearend. As at the end of June 2014, liabilities to customers represented 70.8% of total liabilities.

As at the end of H1 2014, the equity attributable to Bank shareholders was PLN 9,158.7 million (versus PLN 8,626.3 million in December 2013). Hence, equity share in funding the Bank Capital Group operations dropped slightly to 9.3%, compared with 9.9% as at the 2013 yearend.



VI. MANAGEMENT OF KEY RISKS

1. Credit Risk

General information

The lending policy pursued by ING Bank Śląski S.A. is based on principles of secure and prudent credit risk management. The lending policy is employed by the Bank Management Board that established the Credit Policy Committee to take decisions as regards credit risk management on a daily basis.

At ING Bank Śląski S.A., the credit risk is defined as the possibility of failure to recover the Bank's receivables under granted credit products which may result in failure to generate income and/ or a financial loss.

Lending-related losses are a consequence of risk and Bank's mitigation actions in that regard. The Bank impacts the level of losses by the level of the accepted risk, risk exposure amounts, risk hedging and direct loss mitigation measures should the risk materialize. The Credit and Market Risk Management Division develops and presents for Bank governing bodies' approval in line with the guidelines of the Polish Financial Supervision Authority Office the following:

- risk appetite criteria and requirements along with stress tests,
- drafts of internal regulations resulting from, among other things, best practices published by the PFSA Office.

ING Bank Śląski S.A. manages its credit risk with the use of advanced credit risk assessment models. The credit risk management area ensures: development and implementation to the lending process of credit risk management components such as risk identification and assessment, measurement and monitoring, risk control and preventive actions, as well as development of tools supporting risk identification and measurement, and manners of financial coverage of potential and actual credit risk losses.

Credit risk measurement and monitoring tools

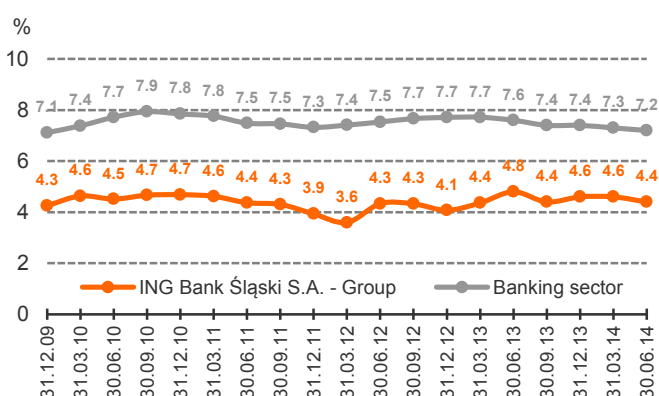
- The main changes introduced to the Bank's Lending Policy in H1 2014 as well as risk measurement and monitoring tools were described in the Interim consolidated financial statements for H1 2014.

Quality of lending portfolio and provisioning

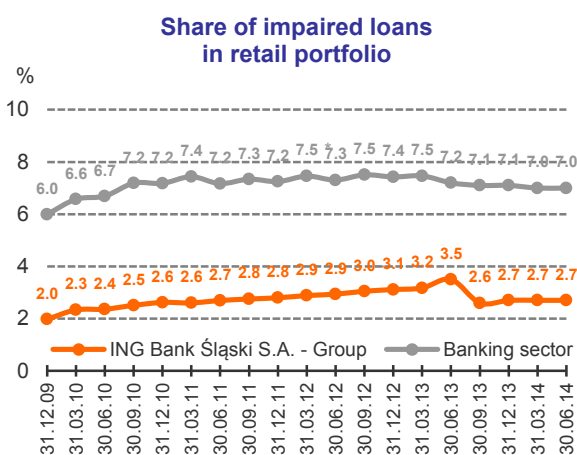
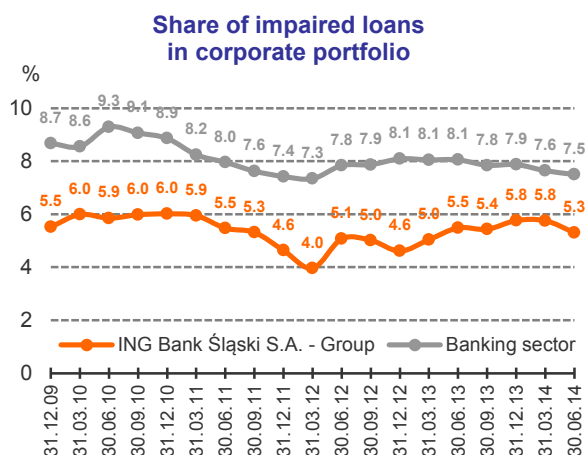
During H1 2014, the quality of lending portfolio of the Bank Capital Group improved – the share of the impaired portfolio in the entire lending portfolio of the Bank Capital Group went down from 4.6% in December 2013 to 4.4% as at the end of June 2014. Impaired loans were worth PLN 2,398.0 million versus PLN 2,314.6 million as at the end of 2013.

It should be noted that the quality of lending portfolios of the ING Bank Śląski S.A. Capital Group (both retail and corporate) is still significantly better than the average in the entire banking sector. The share of impaired receivables as at the end of June 2014 amounted to 7.2% in the sector.

Share of impaired loans - Group



As at the end of H1 2014, the ING Bank Śląski S.A. Capital Group had PLN 1,452.2 million worth of provisions for the lending portfolio. The impaired portfolio provisioning ratio was 60.6%, similar to the 2013 yearend.



Market ratios – estimate based on the data published by NBP.

2. Market and liquidity risk management

The changes introduced in H1 2014 to the process of market risk management, its measurement tools as well as liquidity risk management were described in the Interim consolidated financial statements of ING Bank Śląski S.A. Capital Group for H1 2014.

VaR exposures and limits in H1 2014

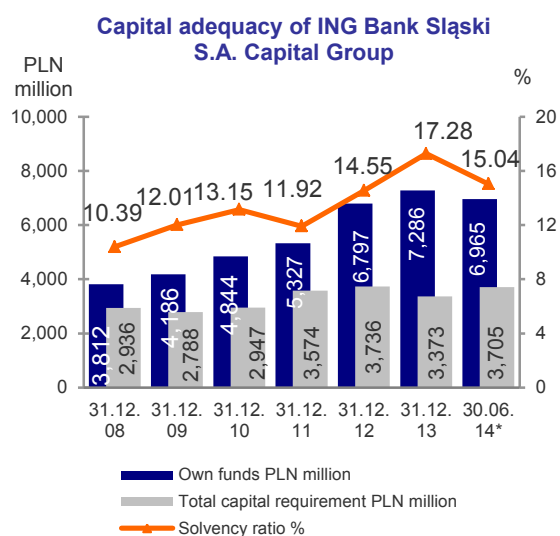
In H1 2014, the Bank maintained its trading exposure at low levels compared with the effective limits. Average limits utilisation for the majority of commercial activity types was below 35%. Throughout the entire period, there was one instance where the VaR limits were exceeded in the long-term interest rate trading portfolio (maximum limit utilisation was 117%) but it was immediately rectified.

None of the VaR limits effective as at the 2013 yearend was changed in H1 2014.

In H1 2014, no cases of overrunning liquidity risk regulatory limits were found.

3. Capital Adequacy

Total Capital Ratio at the end of H1 2014 totalled 15.04% which translates into safe position of the Groups as regards capitals and opportunity of further development in lending. The ratio's drop by 2.24 p.p. versus the 2013 yearend results from the change in methodology for calculating the capital ratio. As of 01 January 2014, new provisions of the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) are applicable to own funds and capital adequacy. The Total Capital Ratio (solvency ratio previously) as at 30 June 2014 was calculated under the CRR guidelines.



4. Operational and compliance risk management

The changes adopted in H1 2014 to the process of operational and compliance risk management were described in the Interim consolidated financial statements for H1 2014.

VII. DEVELOPMENT OF THE ORGANISATION AND INFRASTRUCTURE OF ING BANK ŚLĄSKI S.A. CAPITAL GROUP IN H1 2014

1. IT and Operations

In H1 2014, the main focus of the IT actions at ING Bank Śląski S.A. was on developing innovative solutions with keeping high reliability of banking systems. The following can be listed from among the key tasks performed in this area:

- launching the development of the private cloud of ING Bank Śląski S.A. under unique project in the Polish market called Zero Touch,
- implementing, as the first bank in Poland, V.me digital wallet by Visa facilitating fast and convenient payments in the internet,
- making mobile banking app available for BlackBerry 10,
- implementing the CRM Dynamics application for the relationship managers.

There were also many changes implemented in the Operations area to ensure relentless development and streamlining of processes. The following projects were continued in H1 2014:

- Centralised CashProcessing process whereunder the more recyclers enabling closed-loop cash management were introduced, and there were 170 contactless readers added to ATMs and CDMs,
- centralising complaint handling process which boosted its efficiency and shortened complaint resolution time,
- consolidation of the head office locations in Katowice under the Reunion project.

2. Development of electronic distribution channels

In H1 2014, ING Bank Śląski S.A. introduced the following changes to the ING BankOnLine internet banking system:

- expanding the mutual funds management functionality by adding update on quotations,
- making the Pay with ING service available on mobile devices,
- making a Dream Saver savings programme available for 13- to 18-year-old adolescents,
- presenting and selling personalised lending offers,
- enabling users to save individual steps in the credit applications and to continue the process later on as well as to enclose necessary documentation,
- implementing online mortgage loan application for individual clients,
- implementing online leasing application for entrepreneurs,
- introducing option to enable/disable NFC payments with the use of a payment card.

In H1 2014, also the ING BusinessOnLine system dedicated for corporate clients was being developed. Providing the SMART service is the landmark improvement in this area. This solution consists in enabling the clients to manage accounts open at different in the ING BusinessOnLine system. The tool facilitates and enhances management of accounts and balances available therein.

There was also a number of initiatives making mobile app functionalities available for smartphones, ING BankMobile, and for tablets, ING BankMobile HD, such as:

- providing the option of making a return transfer from the account history and the option of making transfer to the Social Insurance Institution and the Tax Office. Moreover, the ING BankMobile app enables clients to search for transactions in the account history,
- introducing new functionality increasing security of the app - the devices used by the clients need to be added to the trusted ones.

Bank's efforts to deliver top-notch mobile banking service were appreciated at the Mobility Trends 2013 Gala, where ING BankMobile was rewarded with Golden Bell award in the Mobile Bank category. Additionally, the customer satisfaction survey results show that over 90% of clients declare that they would recommend the mobile banking application to their friends and family.

ING BusinessMobile - a mobile app for corporate clients has also undergone some changes. First and foremost, in H1 2014 the group of already functioning apps for iOS, Android and Blackberry 10 systems was expanded with an app for Windows Phone (version 8.0 or higher). Moreover, the following solutions were made available:

- desktop widget for Android-enabled mobile devices – a tool enabling the user to get a quick view of the balance of a selected account and the number of orders to be accepted without logging in to ING BusinessMobile,
- development of the intermediating Webservice app by adding an option to sign orders, qualified electronic signatures included.

As at the end of June 2014, the electronic banking systems of ING Bank Śląski S.A. were used by over 2.7 million clients, i.e. 4.9% more than as at the end of 2013. Until 30 June 2014, the ING BankMobile and ING BankMobile HD apps were downloaded 550 thousand times and nearly 365 thousand clients were using this tool.

Number of clients²⁹ of electronic banking systems at ING Bank Śląski S.A.

	30.06.14	31.12.13	31.12.12	31.12.11	31.12.10	31.12.09
ING BankOnLine, ING BusinessOnLine	2,702,859	2,575,708	2,350,269	2,115,325	1,879,525	1,559,504
ING BankMobile, ING Bank Mobile HD	364,546	243,627	88,421			
ING BusinessMobile	5,755	3,712				

As at the end of June 2014, ING Bank Śląski S.A. had 1,071 machines for cash self-service in total, including 331 standard ATMs, 234 standard CDMs and 506 dual machines.

3. Network of bank outlets

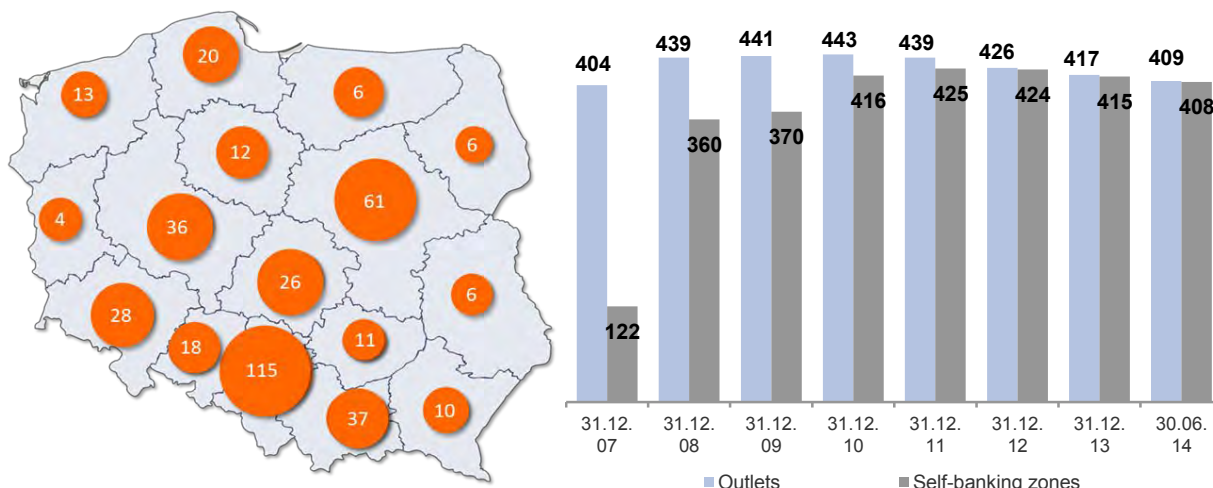
As at 30 June 2014, ING Bank Śląski S.A. had 409 retail branches (including 118 non-cash branches). There is a 24/7 self-banking zone in almost every Bank branch, where the clients may deposit or withdraw funds on their own.

The Bank is still modernising its retail branches by making them look more modern and implementing functional solutions supporting the current model of customer service. As at the end of H1 2014, the Bank had 132 branches in new standard. Moreover, the actions designed to relocate branches to the most attractive locations in business terms in given cities, towns and regions were continued. The Bank is planning to maintain the number of branches at a stable level, similar to the current one and to continue its efforts to modernise the traditional branches successively.

Corporate clients from mid-sized and mid-corporates segment were serviced at the Bank by 33 corporate branches and 15 corporate banking centres. Almost all of them were operating in the same locations as retail branches. The largest corporate clients were serviced by the Strategic Clients Department located in Warsaw and by its regional office in Katowice.

²⁹ The number of clients does not correspond to the number of users, one client can have a few users in a given system.

Network of ING Bank Śląski S.A. branches (as at 30 June 2014)



4. Human resources management

Headcount

As at 30 June 2014, the ING Bank Śląski S.A. Capital Group had 8,172 employees. Throughout H1 2014, the headcount in the companies belonging to the Group went up by 11 persons. The headcount rose mainly due to the development of ING Usługi dla Biznesu S.A. and ING Lease (Polska) Sp. z o.o.

In June 2014, ING Bank Śląski S.A. had 7,694 employees, down by 105 persons (or 1.3%) from December 2013.

Employment in ING Bank Śląski S.A. Capital Group

	30.06.2014		31.12.2013	
	number of persons	%	number of persons	%
Retail Banking	3,887	50.5	3,946	50.6
Corporate Banking and Financial Markets	1,081	14.1	1,085	13.9
Operations/IT/Services	1,979	25.7	1,883	24.1
Risk/Organisation/Finance/HR	747	9.7	885	11.4
Bank Total	7,694	100.0	7,799	100.0
ING Securities S.A.	126	26.4	120	25.7
Centrum Banku Śląskiego Sp. z o.o.	6	1.2	14	3.0
ING Lease (Polska) Sp. z o.o.	160	33.5	154	33.0
ING Commercial Finance Polska S.A.	95	19.9	88	18.8
Solver Sp. z o.o.	35	7.3	48	10.3
ING ABL Polska S.A.	1	0.2	1	0.2
ING Usługi dla Biznesu S.A.	55	11.5	42	9.0
Subsidiaries	478	100.0	467	100.0
ING Bank Śląski S.A. Group	8,172		8,266	

The observed changes to the headcount structure stemmed mainly from processes optimisation and organisational changes in Risk and Operations areas. They consisted in increased outsourcing of the debt monitoring- and recovery-related activities. Moreover, in H1 2014 the Retail Sales Network was also reorganised.

Remuneration policy

In H1 2014, ING Bank Śląski S.A. kept the existing remuneration policy, the aim whereof is to effectively support the strategic goals. The assumptions of the policy are based on competitive, marked-to-market and transparent remuneration offered to employees.

On 01 April 2014, the pay rise process was conducted at the Bank. The pay rise amount depended on employee's current remuneration and on his annual performance appraisal grade.

Once again, the Bank settled the bonuses for employees covered by the Variable Remuneration Policy of Persons Holding Managerial Positions Having Material Impact on the Risk Profile of ING Bank Śląski S.A. In compliance with the Policy, the variable remuneration is deferred and at least 50% thereof is paid in phantom stock entitling to cash dependent on the value of ING Bank Śląski S.A. shares. In H1 2014, the first tranche of the deferred bonus of the persons holding managerial positions was paid out.

Recruitment and employer branding

In H1 2014, ING Bank Śląski S.A. continued its employer branding activities geared towards professionals and students.

As part of recruitment addressed to the persons with experience, communication with the candidates' market was expanded by, among other things, Social Media – Goldenline and, for the first time, LinkedIn.

Actions dedicated to people entering the labour market (students and graduates) carried out by the Bank in 2014 included, among others:

- joining job fairs for students,
- ING Ambassadors Programme (for students representing Bank at the universities),
- Internship with the Lion programme,
- joining the Junior Achievement Day,
- cooperating with career offices and student organisations (AIESEC, Wiggor, BEST, CEMS, Paneuropa),

Vast offer and quality of internship within the HR area conducted at ING Bank Śląski S.A. were appreciated by external institutions operating in the research and ranking area. In February 2014, ING Bank Śląski S.A. was honoured for the fifth time with the (2014) Top Employers Poland certificate, along with the Top Employers Europe certificate. The Bank was awarded the latter for the first time thanks to other units of ING Group being certified in France, Spain, Belgium and Italy at the same time. The award granted by the Top Employers Institute – an independent international organisation – confirms that ING Bank Śląski S.A. belongs to the group of top employers worldwide. It was yet another time when the Bank was among top 3 companies to be certified on the Polish market.

Once again, students listed ING Bank Śląski S.A. as one of the top ten most desired employers. The Bank came 7th in the survey conducted by AIESEC international student organisation. Students from 39 universities across Poland indicated companies, which in their opinion are the most desired employers in the country. The clue of the survey is a comprehensive analysis of students insights concerning the labour market. There were 3,628 students of economic studies taking part in this year's edition, the 22nd one.

Employee development and training courses

In H1 2014, the Bank focused on actions defined as development priorities based on the analysis of results of the Winning Performance Culture Scan (WPC), conducted in 2013 in the areas related to leadership, communication and accountability.

The Managerial Competences Compass programme, aimed at preparing the sales employees to take up managerial positions in the Retail Network in the future was completed and summarised. By the end of the programme, 8 participants were promoted to Area Directors in the Retail Network.

ING International Talent Programme was also continued. The Programme aims at acquiring talented graduates with the professional experience of no more than 2 years, having potential to take up key managerial positions within the next 5-7 years. It fosters participants' development based on diversified experiences and individual development programme consistent with the needs of the organisation and the participant's profile.

The Bank conducted also individual development and training actions, in both the traditional and e-learning form, as well as development traineeships.

Tools for professional development are also provided, such as mentoring, coaching and tutoring. Employees also employed self-service forms of sharing knowledge with the use of multimedia tools (like chats, webinars and knowledge sharing forums, for example).

VIII. OUTLOOK ON ING BANK ŚLĄSKI S.A. OPERATIONS DEVELOPMENT

The Preferred Bank strategy is based on three pillars:

- Client centricity – all operations of the company focus on tailoring products and service model to needs of clients from individual segments,
- Operational excellence – keeping the position of the best internet bank and streamlining the processes,
- Top Employer - acquiring and retaining the best personnel by supporting employees' professional development and using modern communication tools.

In order to ensure long-term growth of the goodwill, the Bank undertakes actions aimed at reinforcing and then keeping the top position in the Polish banking sector by harmonious development of core activities; i.e., retail and corporate banking. The multichannel and integrated sales and customer service model, with special focus on enhancing the electronic banking systems, is further developed.

Retail Banking

In 2014, ING Bank Śląski S.A. will strive to strengthen its position in the consolidating market environment and aim at becoming the preferred bank. As in 2013, customer experience improvement and sustainable growth of both savings and loans volumes will remain the main areas of focus.

Key principles which actively support pursuit of strategic goals have proved successful and therefore remain unchanged: broad and innovative multichannel distribution network (over 400 branches, network of IFAs, remote channels: contact centre, electronic and mobile banking), efficient and practical internet processes, strong brand recognition and high performing team.

Main goals for 2014:

- increasing the number of acquired clients,
- strengthening the position of the main Bank for current clients through multichannel approach in order to serve them in the form they find most convenient at a given moment,
- further improvement of the customer experience, and
- sustainable growth in all the categories:
 - maintenance of a strong position in the household deposits market with greater focus on sales of investment and structured products in the low-interest environment, and
 - further growth of unsecured loans and mortgage loans volumes.

In order to achieve the abovementioned priorities, ING Bank Śląski S.A. will strive to fully leverage on the potential of multichannel distribution system and top customer service quality. The Bank will aim at increasing the cross-sell ratio through extending the functionality of remote channels, implementing new payment solutions, providing clients with convenient on-line processes and shifting branch role to advisory services.

The expected strategy deliverables cover better sales results coupled with increased deposits and loans volumes. A higher cross-sell ratio (sales of insurance and investment products) will result in income increase and diversification. While growing branches' efficiency, increased importance of remote distribution and service channels and operations automation will favour cost effectiveness improvement.

Corporate Banking

In 2014, the operations of ING Bank Śląski S.A. in the corporate banking area will be mainly focused on:

- strengthening and fostering long-term partnership with strategic clients by dint of excellent knowledge of the client's business, among other things,
- achieving growth of the funds accumulated in institutional clients' current accounts above market average,
- increasing the share in credit market while paying attention to the portfolio quality. The Bank intends to focus on assets with the best risk profile by participating in the biggest lending tenders and new Direct offer for small exposures,
- supporting Polish companies operating on international markets in the banking services area,
- improving relationship with international entities acting as business process outsourcers,
- retaining market position in the area of non-government debt securities issue for corporate entities,
- developing top quality process and product solutions aimed at strengthening the bank's leading position in the area of technology and innovation,
- maintaining the leader position within customer satisfaction with the offer quality and service level.

The basic instruments for accomplishment of the objectives adopted on the corporate banking market and financial markets will be the following projects:

- Transaction Banking 3.0 - a cover-all platform for development of products and channels as well as modification of processes supporting continuous advancement and innovativeness of the solutions offered to clients. The project includes over 100 initiatives, concerning product/channels development and process improvement, such as:
 - innovations in the area of payments/settlements (mobile payments, e-commerce settlements, card development, e-invoicing, advanced cash solutions, dedicated procurement/settlement platforms),
 - further development of channels: web services, payment factory, SWIFTNet, e-Custody, mobile banking, new standards in SWIFT communication,
 - settlement solutions for commodity exchange, and
 - development of securities lending.
- Financial Markets 3.0 – providing clients with automated, 24/7 e-FM internet platform where they may purchase FM instruments such as FX forwards or FX options and to check economic commentaries and market outlooks.
- Smart Lending – the project grouping a number of initiatives in the lending area, aimed at streamlining the decision-making process and thus enhancing competitiveness of the Bank's offer.
- Easy Lending – a new approach to funding corporate clients. The Bank intends to provide the option of electronic conclusion of credit agreements and tracking the status of applications lodged by clients in the ING BusinessOnLine system.
- Corporate Lending – launch of a new smartphone application for both advisors and clients. The application will facilitate provision of documents used in the lending process.
- Redevelopment of the clients' monitoring process for better identification of signals of potential default on repayment of Bank's receivables.

IX. INVESTOR INFORMATION

1. Shareholding Structure

ING Bank Śląski S.A. is a subsidiary of ING Bank N.V., which as at 30 June 2014 had a 75% share in the share capital of ING Bank Śląski S.A. and a 75% share in the overall number of votes at the General Meeting. ING Bank N.V. belongs to ING Group, a global financial institution, conducting its business activity on banking and insurance markets as well as within the area of asset management.

In line with the Charter, the Bank's share capital is divided into 130,100,000 shares with the face value of PLN 1 each.

In H1 2014, neither the worth of ING Bank Śląski S.A.'s share capital nor the majority shareholder's share in the equity were changed.

Shareholding Structure of ING Bank Śląski S.A.

Shareholder name	Number of shares and votes at GM	Share in share capital and in the total votes at GM	Shareholder name	Number of shares and votes at GM	Share in share capital and in the total votes at GM
	30 June 2014			31 December 2013	
ING Bank N.V.	97,575,000	75.00%	ING Bank N.V.	97,575,000	75.00%
Aviva Otwarty Fundusz Emerytalny (Open Pension Fund) Aviva BZWBK ³⁰	7,370,000	5.66%	Aviva Otwarty Fundusz Emerytalny (Open Pension Fund) Aviva BZ WBK ³¹	6,548,964	5.03%
Other	25,155,000	19.34%	Other	25,976,036	19.97%
Total	130,100,000	100.00%		130,100,000	100.00%

Bank shares are ordinary bearer shares. No additional special controlling rights are attached thereto. The Bank Charter does not impose any restrictions on transferring ownership of shares issued by the Bank, voting right execution or any stipulations whereunder share-based equity rights are separated from share ownership.

Pursuant to the provisions of the Bank Charter, the Bank Management Board do not have any special rights concerning share issue or buyout.

As at the report's publication date, ING Bank Śląski S.A. did not have any information about agreements which might change the ratio of shares held by existing shareholders in the future.

2. ING Bank Śląski S.A. Share Price

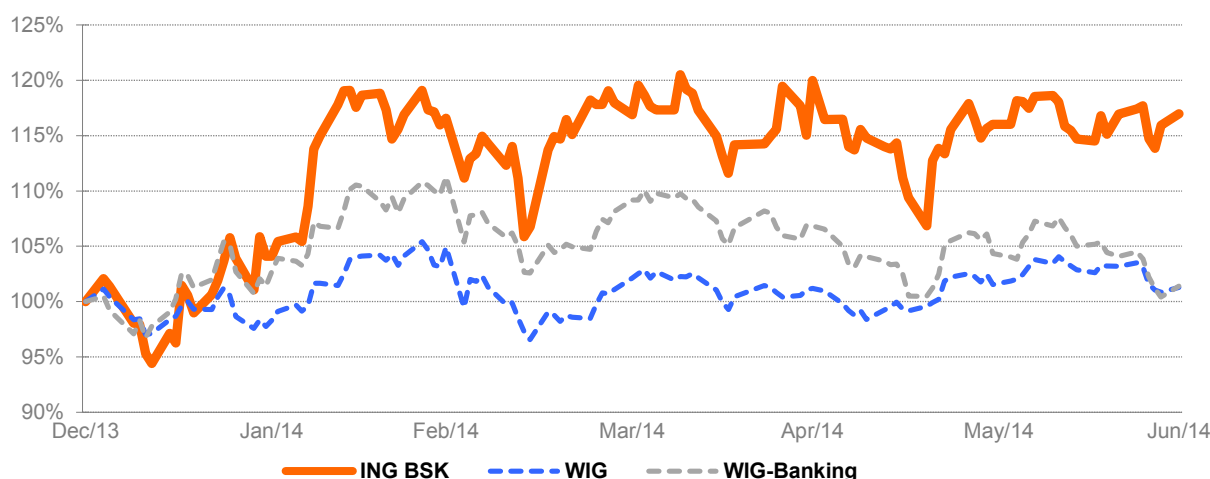
In H1 2014, the price of ING Bank Śląski S.A. shares at the close of the WSE session fluctuated from PLN 107.00 (as quoted on 10 January) to PLN 136.60 (as during the session on 08 April). On 30 June 2014, the price of ING Bank Śląski S.A. share equalled PLN 132.60, up by 17.0% from the last quotation day in 2013 (to compare: WIG-Banking sub-index went up then only by 1.4%).

As at the end of June 2014, the Bank's market value was PLN 17.3 billion, while its book value amounted to PLN 9.2 billion.

³⁰ Based on the list of shareholders registered at the Ordinary General Meeting of ING Bank Śląski S.A. on 10 April 2014.

³¹ Based on the notice received by the Management Board of ING Bank Śląski S.A. from Aviva Powszechnie Towarzystwo Emerytalne Aviva BZ WBK S.A on 03 July 2013. (Current Report No. 17/2013 of 03 July 2013).

ING Bank Śląski S.A. Trading Share Price in H1 2014 (30 December 2013 = 100%)



3. Ratings

ING Bank Śląski S.A. cooperates with the following rating agencies: Fitch Ratings and Moody's Investors Service.

At the beginning of 2014, Fitch Agency carried out another annual rating review at the Bank. Also, as a result of this review, all the ratings were affirmed (Fitch Agency's press release of 24 January 2014 and full report on the Bank's rating of 05 February 2014).

The full rating assigned to the Bank by Fitch Agency as at the date of the Financial Statements publication was as follows:

Fitch Ratings Ltd.

Long-term IDR	A
Outlook for sustaining the above rating	Negative
Short-term IDR	F1
Viability rating	bbb+
Support rating	1

Long-term IDR and Short-term IDR specify the entity's capacity to promptly pay its financial liabilities. "A" Long term IDR of the entity reflects high capacity of the Bank to promptly pay its long-term financial liabilities. "F1" Short-term IDR stands for the highest appraisal of the capacity to promptly pay the short-term financial liabilities (up to 13 months). For both ratings, Fitch Agency took into account high probability of getting potential support from the controlling shareholder of the Bank – ING Bank N.V. (ING Bank Śląski S.A. has the highest support rating – level 1). Viability rating of bbb+ means that the intrinsic creditworthiness of the Bank; i.e., without any support (understood as the capacity to promptly pay one's liabilities) is high. The Agency is of the opinion that the Bank has a strong capital and liquidity position.

The Moody's Investors Service Ltd. Agency on the other hand, assigns ING Bank Śląski S.A. rating on the basis of public information. The Bank's ratings for financial viability assigned by the Agency were as follows:

Moody's Investors Service Ltd.

LT Rating	Baa1
ST Rating	P-2
Bank Financial Strength (BFSR)/ Baseline Credit Assessment (BCA)	D+ / baa3
LT rating outlook	Negative
BFSR Outlook	Stable

The above ratings were affirmed by the Agency at the end of April this year (Credit Opinion of 29 April 2014).



4. Investor Relations

The Bank pursues highest standards in the scope of communication with the capital market. It pays special attention to the data reliability, transparency and equal treatment of all the stakeholders and observes all the provisions of law regarding disclosure duties of listed companies. Important financial and business information in the form of financial reports, current reports, investor presentations and editable files with key data concerning the company are at the same time presented to the broad capital market. The Investors Relations Bureau in the Finance Division is dedicated to communication with investors and share's analysts.

In H1 2014, the representatives of the Bank Management Board held many meetings with the investors and participated in key investors' conferences on the banking sector.

In H1 2014, two conferences were held at the Bank's Head Office for analysts and investors to present the results for Q4 2013 and Q1 2014. Each time, approximately 30 representatives of analysts and investors attend such a conference.

In H1 2014, the Bank continued to develop the channels of communication with stakeholders, including the basic tool, that is its webpage: <http://en.ingbank.pl/company-profile/investor-relations>. The webpage contains vital information concerning, among other things, quotations of ING BSK shares on the WSE, company shareholding structure, General Meetings or ratings. Also the current, interim and annual reports, results presentations, Excel sheets with key financial and business information as well as recordings from teleconferences are published on the webpage.

ING Bank Śląski S.A. is one of the companies being observed and analysed by the market. As at the end of June 2014, analysts representing 15 domestic and foreign financial institutions published reports and recommendations for the Bank's shares.

5. Dividend payout

Following the decision of the Ordinary General Meeting of 10 April 2014, on 03 June 2014 the Bank paid out the dividend for 2013 in the total amount of PLN 572.4 million, that is PLN 4.40 gross for one share. 14 May 2014 was the record date.

6. Compensation of the Members of the Management Board and the Supervisory Board of ING Bank Śląski S.A.

Emoluments due to Members of ING Bank Śląski S.A. Management Board for H1 2014 (PLN million)

Period	Remuneration	Other benefits*	Total
H1 2014	4.3	0.9	5.2
H1 2013	3.9	1.0	4.9

*/ Other benefits cover, among other things: insurance, payments towards the mutual fund, medical care and other benefits awarded by the Supervisory Board.

Emoluments of Members of ING Bank Śląski S.A. Management Board for 2014 under the Variable Remuneration Programme have not been awarded yet.

Following the remuneration system in place at the Bank, the Bank Management Board Members may be entitled to the 2014 bonus to be paid out in 2015. Accordingly, a reserve was formed for the 2014 bonus for the Bank Management Board Members, which as at 30 June 2014 was PLN 3.3 million. The Bank Supervisory Body will take the final decision on the bonus amount.

**Emoluments paid to Management Board Members of ING Bank Śląski S.A. in H1 2014
(PLN million)**

Period	Remuneration	Awards*	Other benefits**	Total
H1 2014	4.3	5.4	2.4	12.1
H1 2013	3.9	3.5	2.0	9.4

*/ Awards for H1 2014 cover the following items:

- Bonus under the Variable Remuneration Programme: for 2013 non-deferred cash and for 2012 1st tranche deferred cash,
- Phantom Stock under the Variable Remuneration Programme Benefits for 2012 – retained,
- Deferred bonus for the years 2010 and 2011.

Awards for H1 2013 cover the following items:

- Bonus under the Variable Remuneration Programme for 2012 – non-deferred cash,
- Deferred bonus for the years 2009, 2010 and 2011.

**/ Other benefits cover, among other things: insurance, payments towards the mutual fund, medical care and other benefits awarded by the Supervisory Board and financial instruments exercised under the Long-term Incentive Schemes.

The total remuneration due and paid out by ING Bank Śląski S.A. in H1 2014 to its Supervisory Board Members amounted to PLN 0.3 million.

**Remuneration of Members of the Supervisory Board of ING Bank Śląski S.A. in H1 2014
(PLN million)**

Period	Remuneration and awards	Other benefits*	Total
H1 2014	0.3	0.0	0.3
H1 2013	0.2	0.0	0.2

As at 30 June 2014, neither Bank Management Board nor Supervisory Board Members held shares of ING Bank Śląski S.A.

7. Selection of chartered auditor

On 18 January 2013, the ING Bank Śląski S.A. Supervisory Board selected KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in Warsaw as the entity authorised to audit the financial statements of ING Bank Śląski S.A. and the Capital Group of ING Bank Śląski S.A. for the period of 2013-2015.

KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. was entered on the list of entities authorised to audit financial statements, which is kept by the National Board of Statutory Auditors (KRBR).

X. ING BANK ŚLĄSKI S.A. MANAGEMENT BOARD STATEMENTS

1. Truthfulness and Fairness of Statements

To the best knowledge of the Bank Management Board, the financial data for H1 2014 and the comparable data presented in the condensed interim consolidated financial statements of the ING Bank Śląski S.A. Capital Group were prepared, in all material aspects, in accordance with the effective accounting principles and present fairly, accurately and transparently all the information on the property and financial situation of the Bank Capital Group and its financial result. The Management Board report being part of this document is a true presentation of the development, achievements and situation (including a description of key risk types) of the Bank Capital Group in H1 2014.

2. Corporate Governance

Principles of Corporate Governance effective at ING Bank Śląski S.A. Capital Group were described in the Bank Management Board Report on Operations for 2013.

3. Selection of entity authorised to audit financial statements

The entity authorised to audit the financial statements that audited the condensed interim financial statements of the Bank Capital Group was selected according to the effective laws and Bank's regulations. The entity and the chartered auditors fulfilled the conditions required to make an impartial and independent report on their review, as required by the applicable Polish laws.

4. Additional information

Agreements concluded

The Bank Management Board declare that as at 30 June 2014 ING Bank Śląski S.A. did not have any:

- significant cash loan agreements, sureties or guarantees not concerning operating activity, or
- liabilities towards the Central Bank,

As at 30 June 2014, the Bank had PLN 566.4 million worth of contractual liabilities under the issued own bonds.

Number and value of writs of execution

To safeguard the Bank against the lending-related risk, the Bank accepts various personal and tangible legal collaterals such as: bank guarantee, surety under the civil law, blank promissory note, draft guarantee, transfer of debt claims, mortgage, registered pledge, ordinary pledge, repossession for collateral, transfer of a specific amount to the Bank account and freezing of funds in the bank account.

As at 30 June 2014, the number of writs of execution issued by the Bank in the case of loans for business activity was 447 and covered total debt of PLN 478,029.6 thousand.

As regards retail clients, in H1 2014 the Bank issued 2,362 banking writs of execution totalling PLN 14,454.2 thousand and filed 2,324 claims totalling PLN 41,325.4 thousand.

The liabilities or debt claims under the proceedings in progress in H1 2014 did not exceed 10% of the Bank's equity.

The Bank is of the opinion that the individual proceedings that were in progress in H1 2014 and that were heard before any court of justice or arbitration, or before any public administration authority as well as all the proceedings in total do not pose a threat to the financial liquidity of the Bank.

Signatures of Management Board members of ING Bank Śląski S.A.:

Małgorzata Kołakowska

President

(signed on the Polish original)

Mirosław Boda

Vice-President

(signed on the Polish original)

Michał Bolesławski

Vice-President

(signed on the Polish original)

Joanna Erdman

Vice-President

(signed on the Polish original)

Justyna Kesler

Vice-President

(signed on the Polish original)

Oscar Edward Swan

Vice-President

(signed on the Polish original)

Ignacio Juliá Vilar

Vice-President

(signed on the Polish original)

05 August 2014

