



# **ING Bank Śląski S.A.**

Opinion and Report  
of the Independent Auditor  
Financial Year ended  
31 December 2015

The opinion contains 3 pages  
The supplementary report contains 10 pages  
Opinion of the independent auditor  
and the supplementary report  
on the audit of the separate financial statements  
for the financial year ended  
31 December 2015

*This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.*

## **OPINION OF THE INDEPENDENT AUDITOR**

*To the General Meeting of ING Bank Śląski S.A.*

### **Opinion on the Separate Financial Statements**

We have audited the accompanying separate financial statements of ING Bank Śląski S.A., with its registered office in Katowice, Sokolska 34 (“the Bank”), which comprise the separate statement of financial position as at 31 December 2015, the separate statement of profit and loss, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

#### *Management’s and Supervisory Board’s Responsibility for the Financial Statements*

Management of the Bank is responsible for the accuracy of the accounting records and the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union and with other applicable regulations and preparation of the report on the Bank’s activities. Management of the Bank is also responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) (“the Accounting Act”), Management of the Bank and members of the Supervisory Board are required to ensure that the financial statements and the report on the Bank’s activities are in compliance with the requirements set forth in the Accounting Act.

#### *Auditor’s Responsibility*

Our responsibility is to express an opinion on these financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit. We conducted our audit in accordance with section 7 of the Accounting Act and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Assurance. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accounting records from which they are derived are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Bank, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Opinion*

In our opinion, the accompanying separate financial statements of ING Bank Śląski S.A. have been prepared and present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2015 and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Bank's articles of association that apply to the Bank's separate financial statements and have been prepared from accounting records, that, in all material respects, have been properly maintained.

## Specific Comments on Other Legal and Regulatory Requirements

### *Report on the Bank's Activities*

As required under the Accounting Act and the Banking Act dated 29 August 1997 (Official Journal from 2015, item 128 with amendments) ("the Banking Act"), we report that the accompanying report on the ING Bank Śląski S.A. activities includes, in all material respects, the information required by Art. 49 of the Accounting Act, by Art. 111a of the Banking Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) and the information is consistent with the financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
Registration No. 3546  
ul. Inflancka 4A  
00-189 Warsaw

*Signed on the Polish original*

.....

Ewa Józwik  
Key Certified Auditor  
Registration No. 11154

*Signed on the Polish original*

.....

Stacy Ligas  
Member of the Management Board of  
KPMG Audyt Sp. z o.o., entity which is the  
General Partner of KPMG Audyt Spółka  
z ograniczoną odpowiedzialnością sp.k

29 February 2016

# **ING Bank Śląski S.A.**

Supplementary report  
on the audit of the separate  
financial statements  
Financial Year ended  
31 December 2015

The supplementary report contains 10 pages  
The supplementary report  
on the audit of the separate financial statements  
for the financial year ended  
31 December 2015



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## **1. General**

### **1.1. General information about the Bank**

#### **1.1.1. The Bank's name**

ING Bank Śląski S.A.

#### **1.1.2. Registered office**

Katowice, ul. Sokolska 34

#### **1.1.3. Registration in the National Court Register**

Registration court:	District Court in Katowice, VIII Commercial Department of the National Court Register
Date:	10 April 2001
Registration number:	KRS 0000005459
Share capital as at the end of reporting period:	PLN 130,100,000

#### **1.1.4. Management of the Bank**

The Management Board is responsible for management of the Bank.

At 31 December 2015, the Management Board of the Bank was comprised of the following members:

- Małgorzata Kołakowska – President of the Management Board,
- Mirosław Boda – Vice President of the Management Board,
- Michał Bolesławski – Vice President of the Management Board,
- Joanna Erdman – Vice President of the Management Board,
- Justyna Kesler – Vice President of the Management Board,
- Ignacio Juliá Vilar – Vice President of the Management Board,
- Patrick Roesink – Vice President of the Management Board.

According to the resolution of Supervisory Board dated 18 June 2015 Mr. Oscar Edward Swan was dismissed from the position of Vice President of the Management Board and Mr. Patrick Roesink was appointed to this position.

### **1.2. Key Certified Auditor and Audit Firm Information**

#### **1.2.1. Key Certified Auditor information**

Name and surname:	Ewa Józwik
Registration number:	11154



### **1.2.2. Audit Firm information**

Name: KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
Address of registered office: ul. Inflancka 4A, 00-189 Warsaw  
Registration number: KRS 0000339379  
Registration court: District Court for the Capital City of Warsaw in Warsaw,  
XII Commercial Department of the National Court Register  
NIP number: 527-26-15-362

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is entered in the register of entities authorised to audit financial statements, maintained by the National Council of Certified Auditors, under number 3546.

### **1.3. Prior period financial statements**

The separate financial statements for the financial year ended 31 December 2014 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. and received an unmodified opinion.

The separate financial statements were approved at the General Meeting on 31 March 2015 where it was resolved to distribute the net profit for the prior financial year of PLN 1,067,881,649.62 as follows:

- 497,481,649.62 to reserve capital,
- 50,000,000.00 to Bank's general risk fund,
- 520,400,000.00 to be paid as a dividend.

The separate financial statements were submitted to the Registry Court on 7 April 2015.

### **1.4. Audit scope and responsibilities**

This report was prepared for the General Meeting of ING Bank Śląski S.A. with its registered office in Katowice, Sokolska 34 and relates to the separate financial statements comprising: the separate statement of financial position as at 31 December 2015, the separate statement of profit and loss, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

The audited Bank prepares its separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of General Meeting dated 23 December 2004.

The separate financial statements have been audited in accordance with the contract dated 16 May 2013, concluded on the basis of the resolution of the Supervisory Board dated 18 January 2013 on the appointment of the auditor.

We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) ("the Accounting Act") and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Assurance.





We audited the separate financial statements at the Bank during the period from 2 November 2015 to 29 February 2016.

Management of the Bank is responsible for the accuracy of the accounting records and the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Bank's activities.

Our responsibility is to express an opinion and to prepare a supplementary report on the audit of the separate financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit.

Management of the Bank submitted a statement dated as at the same date as this report as to the true and fair presentation of the accompanying separate financial statements, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the financial statements.

All required statements, explanations and information were provided to us by Management of the Company and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of the Audit Firm.

The Key Certified Auditor and the Audit Firm fulfil the independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2015, item 1011 with amendments).

## 2. Financial analysis of the Bank

### 2.1. Summary analysis of the separate financial statements

#### 2.1.1. Statement of financial position

ASSETS	31.12.2015 PLN mln	% of total assets	31.12.2014 PLN mln	% of total assets
Cash in hand and balances with the Central Bank	3 589,7	3,4	5 330,7	5,5
Loans and receivables to other banks	1 013,1	1,0	1 821,3	1,9
Financial assets measured at fair value through profit or loss	1 127,1	1,1	1 856,8	1,9
Valuation of derivatives	1 990,9	1,9	2 411,7	2,5
Investments	23 478,7	22,1	22 828,6	23,6
Derivative hedge instruments	2 454,8	2,3	2 983,8	3,1
Loans and receivables to customers	69 633,4	65,6	57 952,1	59,9
Receivables from customers due to repo transactions	1 354,4	1,3	106,6	0,1
Investments in controlled entities recognised under the Non-financial assets	269,3	0,2	269,2	0,3
Assets held for sale	1 036,1	1,0	1 002,5	1,0
Tax assets	38,4	-	68,4	0,1
Other assets	-	-	-	-
Other assets	120,0	0,1	110,7	0,1
<b>TOTAL ASSETS</b>	<b>106 105,9</b>	<b>100,0</b>	<b>96 742,4</b>	<b>100,0</b>
EQUITY AND LIABILITIES	31.12.2015 PLN mln	% of total equity and liabilities	31.12.2014 PLN mln	% of total equity and liabilities
<b>Liabilities</b>				
Liabilities due to other banks	1 855,4	1,8	3 644,2	3,8
Financial liabilities measured at fair value through profit and loss	629,4	0,6	917,4	0,9
Valuation of derivatives	2 002,8	1,9	2 521,3	2,6
Derivative hedge instruments	1 830,9	1,7	2 032,8	2,1
Liabilities due to customers	87 383,7	82,4	75 326,0	77,9
Liabilities due to customers under repo transactions	47,5	-	29,7	-
Liabilities under issue of debt securities	866,3	0,8	866,5	0,9
Provisions	63,8	0,1	70,3	0,1
Tax liabilities	153,7	0,1	248,5	0,2
Other liabilities	787,2	0,7	837,9	0,9
<b>Total liabilities</b>	<b>95 620,7</b>	<b>90,1</b>	<b>86 494,6</b>	<b>89,4</b>
<b>Equity</b>				
Share capital	130,1	0,1	130,1	0,1
Supplementary capital - issuance of shares over nominal value	956,3	0,9	956,3	1,0
Revaluation reserve	1 474,1	1,4	1 869,0	1,9
Revaluation of share-based payment	49,2	0,1	48,0	0,1
Retained earnings	7 875,5	7,4	7 244,4	7,5
<b>Total equity</b>	<b>10 485,2</b>	<b>9,9</b>	<b>10 247,8</b>	<b>10,6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>106 105,9</b>	<b>100,0</b>	<b>96 742,4</b>	<b>100,0</b>
Total capital ratio	15,07%		15,52%	
Book value of equity	10 485,2		10 247,8	
Number of shares	130 100 000		130 100 000	
Book value of equity per share (in PLN)	80,59		78,77	



## 2.1.2. Separate statement of profit and loss

	<b>1.01.2015 - 31.12.2015</b>	<b>1.01.2014 - 31.12.2014</b>
	<b>PLN mln</b>	<b>PLN mln</b>
Interest income	3 483,6	3 578,7
Interest expense	1 140,1	1 367,5
<b>Net interest income</b>	<b>2 343,5</b>	<b>2 211,2</b>
Commission income	1 055,9	1 097,4
Commission expense	104,6	94,5
<b>Net commission income</b>	<b>951,3</b>	<b>1 002,9</b>
Net income of financial instruments measured at fair value through profit and loss and FX result	81,9	89,4
Net income on investments	245,5	68,1
Net income on hedge accounting	22,9	8,9
Net income on other basic activities	(1,4)	13,0
<b>Result on core activities</b>	<b>3 643,7</b>	<b>3 393,5</b>
General and administrative expenses	2 035,0	1 814,2
Impairment losses and provisions for off-balance sheet liabilities	212,8	243,4
<b>Profit before income tax</b>	<b>1 395,9</b>	<b>1 335,9</b>
Income tax expense	255,9	268,0
<b>Net profit</b>	<b>1 140,0</b>	<b>1 067,9</b>
<b>Net profit</b>	<b>1 140,0</b>	<b>1 067,9</b>
<b>Weighted average number of shares</b>	<b>130 100 000</b>	<b>130 100 000</b>
<b>Profit per share (in PLN)</b>	<b>8,76</b>	<b>8,21</b>

*Diluted profit per share is equal to the profit per share*

### 2.1.3. Separate statement of comprehensive income

	<b>1.01.2015 - 31.12.2015</b>	<b>1.01.2014 - 31.12.2014</b>
	<b>PLN mln</b>	<b>PLN mln</b>
<b>Profit for the period</b>	<b>1 140,0</b>	<b>1 067,9</b>
Gains on remeasurement of available-for-sale financial assets charged to equity	13,4	291,8
Reclassification to the financial result as a result of sale of available-for-sale financial assets	(47,2)	(4,3)
Amortisation of gains or losses concerning securities re-classified from the available-for-sale portfolio to the held-to-maturity portfolio	(28,4)	-
Effective part of cash flow hedging instruments revaluation	(317,7)	1 072,8
Remeasurement of property, plant and equipment	(3,7)	(4,1)
Disposal of property, plant and equipment	0,7	1,5
Actuarial profits/losses	(0,5)	(1,3)
<b>Other comprehensive income for the period, net of income tax</b>	<b>(383,4)</b>	<b>1 359,0</b>
<b>Total comprehensive income for the period</b>	<b>756,6</b>	<b>2 426,9</b>

### 2.2. Selected financial ratios

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Total assets (PLN mln)	106 105,9	96 742,4	83 670,5
Profit before income tax (PLN mln)	1 395,9	1 335,9	1 140,1
Net profit for the period (PLN mln)	1 140,0	1 067,9	920,1
Shareholders' equity (PLN mln)	10 485,2	10 247,8	8 327,9
Return on Equity*	11,00%	11,50%	11,35%
Return on Assets**	1,12%	1,18%	1,16%
Cost to income ratio***	55,85%	53,46%	56,04%
Capital ratio	15,07%	15,52%	17,10%
Loan to deposit ratio****	79,69%	76,94%	72,80%
Loan Portfolio Coverage ratio*****	2,02%	2,72%	2,87%

\* *net profit for the period / average shareholders' equity*

\*\* *net profit for the period / average total assets*

\*\*\* *general and administrative expenses / results on core activities*

\*\*\*\* *loan and receivables to customers / liabilities due to customers*

\*\*\*\*\* *impairment allowance of loans and receivables to customers / loans and receivables to customers*

### **3. Detailed report**

#### **3.1. Accounting system**

The Bank maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act and the Decree of the Ministry of Finance dated 1 October 2010 on the specific accounting principles of banks (Official Journal from 2013, item 329).

During the audit of the financial statements, we tested, on a sample basis, the operation of the accounting system.

On the basis of the work performed, we have not identified any material irregularities in the accounting system which have not been corrected and that could have a material effect on the separate financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

The Bank performed a physical verification of its assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act and the Decree of the Ministry of Finance dated 1 October 2010 on the specific accounting principles of banks (Official Journal from 2013, item 329) and reconciled and recorded the results thereof in the accounting records.

#### **3.2. Notes to the separate financial statements**

All information included in the notes to the separate financial statements, comprising of a summary of significant accounting policies and other explanatory information, is, in all material respects, presented accurately and completely. This information should be read in conjunction with the separate financial statements.

#### **3.3. Compliance with banking regulations**

Based on our audit, we have not identified significant incompliance by the Bank with banking prudential regulatory norms, and also, we have not identified any material misstatements in determination of the solvency ratio.

### **3.4. Report on the Bank's activities**

The report on the Bank's activities includes, in all material respects, information required by Art. 49 of the Accounting Act, by Art. 111a of the Banking Act dated 29 August 1997 (Official Journal from 2015, item 128 with amendments) and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) and the information is consistent with the separate financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
Registration No. 3546  
ul. Inflancka 4A  
00-189 Warsaw

*Signed on the Polish original*

.....  
Ewa Józwik  
Key Certified Auditor  
Registration No. 11154

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Stacy Ligas  
Member of the Management Board of  
KPMG Audyt Sp. z o.o., entity which is the  
General Partner of KPMG Audyt Spółka  
z ograniczoną odpowiedzialnością sp.k

29 February 2016