

ING Bank Śląski S.A. Group

Quarterly consolidated report
for the 1 quarter 2016

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SELECTED FINANCIAL DATA FROM FINANCIAL STATEMENTS

Selected financial data

	I quarter 2016	I quarter 2015
Net interest income	668.1	569.0
Net commission income	253.9	250.0
Result on basic activities	975.6	906.0
Result before tax	337.4	326.1
Net profit attributable to shareholders of ING Bank Śląski S.A.	259.2	261.0
Earnings per ordinary share (PLN)	1.99	2.01

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Loans and other receivables to customers (net) excluding Eurobonds	71 476.6	68 681.0	59 648.4	57 130.9
Liabilities to customers including matched funding for leasing portfolio	92 324.9	89 815.5	79 888.1	78 126.0
- matched funding	1 921.9	1 997.0	2 281.4	2 467.1
Total assets	112 732.7	108 893.1	102 568.3	99 860.7
Equity attributable to shareholders of ING Bank Śląski S.A.	10 667.7	10 677.9	10 229.5	10 454.0
Initial capital	130.1	130.1	130.1	130.1

Key effectiveness ratios

	I quarter 2016	I quarter 2015
C/I - Cost/Income ratio (%)	52.2	54.7
ROA - Return on assets (%)	1.0	1.1
ROE - Return on equity (%)	10.9	10.8
NIM - net interest margin (%)	2.48	2.56
L/D - Loans-to-deposits ratio (%)	77.4	74.7
Total capital ratio (%)	14.1	14.8

Explanations:

C/I - Cost to Income ratio – total costs to income from operating activity per type.

ROA - Return on assets – net profit attributable to shareholders of ING Bank Śląski S.A. for 4 subsequent quarters to average assets for 5 subsequent quarters.

ROE - Return on equity – net profit attributable to shareholders of ING Bank Śląski S.A. for 4 subsequent quarters to average equity for 5 subsequent quarters.

NIM – total net interest income for 4 consecutive quarters to average interest assets for 5 consecutive quarters.

L/D - Loans-to-deposits ratio – loans and receivables to customers (net) excluding Eurobonds to liabilities due to customers including matched funding for leasing portfolio.

Total capital ratio – equity to risk weighted assets and off-balance sheet liabilities.

Interim condensed consolidated income statements

	Note	I Q 2016 the period from 01 Jan 2016 to 31 Mar 2016	I Q 2015 the period from 01 Jan 2015 to 31 Mar 2015
Net interest income	7.1	668.1	569.0
Net commission income	7.2	253.9	250.0
Net income on financial instruments at fair value through profit or loss and FX result	7.3	23.0	15.2
Net income on investments	7.4	28.7	50.9
Net income on hedge accounting	7.5	-2.6	11.4
Net income on other basic activities	7.6	4.5	9.5
Net income on basic activities		975.6	906.0
General and administrative expenses	7.7	508.8	495.6
Impairment losses and provisions for off-balance sheet liabilities	7.8	78.9	84.3
Tax on certain financial institutions		50.5	0.0
Gross profit (loss)		337.4	326.1
Income tax	7.9	78.2	65.1
Net profit (loss)		259.2	261.0
- attributable to shareholders of ING Bank Śląski S.A.		259.2	261.0
- attributable to non-controlling interests		0.0	0.0
Net profit (loss) attributable to shareholders of ING Bank Śląski S.A.		259.2	261.0
Weighted average number of ordinary shares		130 100 000	130 100 000
Earnings per ordinary share (PLN)		1.99	2.01

The diluted earnings per share are the same as the profit per one ordinary share.

Interim condensed consolidated statement of comprehensive income

	I Q 2016 the period from 01 Jan 2016 to 31 Mar 2016	I Q 2015 the period from 01 Jan 2015 to 31 Mar 2015
Net profit for the period	259.2	261.0
Total other comprehensive income, including:	289.8	34.6
Items which can be reclassified to income statement	290.0	34.0
Items which will not be reclassified to income statement	-0.2	0.6
Net comprehensive income for the reporting period	549.0	295.6
- attributable to owners of ING Bank Śląski S.A.	548.9	295.6
- attributable to non-controlling interests	0.1	0.0

Interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income shall be analysed together with the supplementary notes.

Interim condensed consolidated statement of financial position

	Note	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Assets					
Cash in hand and balances with the Central Bank		3 565.7	3 589.7	2 392.5	5 330.7
Loans and other receivables to other banks	7.10	954.3	1 014.6	2 111.3	1 838.3
Financial assets at fair value through profit or loss	7.11	2 067.7	1 127.1	2 645.7	1 856.8
Valuation of derivatives		1 613.8	1 990.9	2 608.0	2 412.3
Investments	7.12	25 072.0	23 478.8	23 869.7	22 829.3
Derivative hedge instruments		2 737.1	2 454.8	3 039.3	2 983.8
Loans and other receivables to customers	7.13, 7.14	75 330.0	72 519.6	63 399.0	61 054.8
Receivables from customers under repo transactions		19.9	1 354.4	987.1	106.6
Non-financial assets	7.15	1 037.8	1 070.5	1 017.9	1 032.3
Assets held for sale		49.8	38.4	151.0	144.9
Tax assets		71.4	59.6	77.8	59.1
Other assets		213.2	194.7	269.0	211.8
Total assets		112 732.7	108 893.1	102 568.3	99 860.7
Liabilities					
Liabilities to other banks	7.16	4 236.0	3 913.5	5 807.5	6 123.4
Financial liabilities at fair value through profit or loss	7.17	319.9	629.4	1 187.7	917.4
Valuation of derivatives		1 525.1	2 002.7	2 744.8	2 521.6
Derivative hedge instruments		1 818.0	1 830.9	2 062.5	2 032.8
Liabilities to customers	7.18	90 403.0	87 818.5	77 606.7	75 658.9
Liabilities to customers under repo transactions		10.4	47.5	54.8	29.7
Liabilities under issue of debt securities		872.0	866.3	872.7	866.5
Subordinated liabilities		641.6	0.0	0.0	0.0
Provisions	7.19	82.7	67.2	70.6	74.8
Tax liabilities		221.7	156.8	247.3	265.6
Other liabilities		1 932.1	879.8	1 681.6	913.4
Total liabilities		102 062.5	98 212.6	92 336.2	89 404.1
Equity					
Share capital		130.1	130.1	130.1	130.1
Supplementary capital - issuance of shares over nominal value		956.3	956.3	956.3	956.3
Revaluation reserve		1 774.8	1 485.0	1 908.8	1 874.3
Retained earnings		7 806.5	8 106.5	7 234.3	7 493.3
Equity attributable to shareholders of ING Bank Śląski S.A.		10 667.7	10 677.9	10 229.5	10 454.0
Non-controlling interests		2.5	2.6	2.6	2.6
Total equity		10 670.2	10 680.5	10 232.1	10 456.6
Total equity and liabilities		112 732.7	108 893.1	102 568.3	99 860.7
Carrying amount		10 667.7	10 677.9	10 229.5	10 454.0
Number of shares		130 100 000	130 100 000	130 100 000	130 100 000
Carrying amount per share (PLN)		82.00	82.07	78.63	80.35

Interim condensed consolidated statement of financial position shall be analysed together with the supplementary notes to interim condensed consolidated financial statements being the integral part of interim condensed consolidated financial statements.

Interim condensed consolidated statement of changes in equity

I Q 2016

the period from 01 Jan 2016 to 31 Mar 2016

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve	Retained earnings	Non-controlling interests	Total equity
Opening balance of equity	130.1	956.3	1 485.0	8 106.5	2.6	10 680.5
Net result for the current period	-	-	-	259.2	-	259.2
Other net comprehensive income, including:	0.0	0.0	289.8	0.0	0.0	289.8
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	52.8	-	-	52.8
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-23.2	-	-	-23.2
amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the held-to-maturity portfolio	-	-	-8.0	-	-	-8.0
effective part of cash flow hedging relationship	-	-	268.4	-	-	268.4
revaluation of non-current assets	-	-	-0.2	-	-	-0.2
Transactions with shareholders, including:	0.0	0.0	0.0	-559.2	-0.1	-559.3
valuation of share-based payments	-	-	-	0.2	-	0.2
profit distribution with dividend payout allocation	-	-	-	-559.4	-0.1	-559.5
Closing balance of equity	130.1	956.3	1 774.8	7 806.5	2.5	10 670.2

2015

the period from 01 Jan 2015 to 31 Dec 2015

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve	Retained earnings	Non-controlling interests	Total equity
Opening balance of equity	130.1	956.3	1 874.3	7 493.3	2.6	10 456.6
Net result for the current period	-	-	-	1 127.0	0.1	1 127.1
Other net comprehensive income, including:	0.0	0.0	-389.3	5.4	0.0	-383.9
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	12.9	-	-	12.9
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-47.2	-	-	-47.2
amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the held-to-maturity portfolio	-	-	-28.4	-	-	-28.4
effective part of cash flow hedging relationship	-	-	-317.7	-	-	-317.7
revaluation of non-current assets	-	-	-5.2	1.4	-	-3.8
disposal of non-current assets	-	-	-3.3	4.0	-	0.7
actuarial gains/losses	-	-	-0.4	-	-	-0.4
Transactions with shareholders, including:	0.0	0.0	0.0	-519.2	-0.1	-519.3
valuation of share-based payments	-	-	-	1.2	-	1.2
dividends paid	-	-	-	-520.4	-0.1	-520.5
Closing balance of equity	130.1	956.3	1 485.0	8 106.5	2.6	10 680.5

Interim condensed consolidated statement of changes in equity - continued

I Q 2015

the period from 01 Jan 2015 to 31 Mar 2015

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve	Retained earnings	Non-controlling interests	Total equity
Opening balance of equity	130.1	956.3	1 874.3	7 493.3	2.6	10 456.6
Net result for the current period	-	-	-	261.0	-	261.0
Other net comprehensive income, including:	0.0	0.0	34.5	0.1	0.0	34.6
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	76.6	-	-	76.6
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-41.2	-	-	-41.2
amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the portfolio of loans and receivables	-	-	-0.1	-	-	-0.1
amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the held-to-maturity portfolio	-	-	-4.2	-	-	-4.2
effective part of cash flow hedging relationship	-	-	2.9	-	-	2.9
revaluation of non-current assets	-	-	0.5	0.1	-	0.6
Transactions with shareholders, including:	0.0	0.0	0.0	-520.1	0.0	-520.1
valuation of share-based payments	-	-	-	0.3	-	0.3
profit distribution with dividend payout allocation	-	-	-	-520.4	-	-520.4
Closing balance of equity	130.1	956.3	1 908.8	7 234.3	2.6	10 232.1

Interim condensed consolidated statement of changes in equity shall be analysed together with the supplementary notes to interim condensed consolidated financial statements being the integral part of interim condensed consolidated financial statements.

Interim condensed consolidated cash flow statement

	I Q 2016 the period from 01 Jan 2016 to 31 Mar 2016	I Q 2015 the period from 01 Jan 2015 to 31 Mar 2015
Net profit (loss)	259.2	261.0
Adjustments	-509.9	-2 978.9
Depreciation and amortisation	42.2	41.8
Interest accrued (from the income statement)	-668.1	-569.0
Interest paid	-262.0	-323.0
Interest received	955.1	967.9
Gains (losses) on investing activities	1.3	0.0
Income tax (from the income statement)	78.2	65.1
Income tax paid	-25.1	-102.1
Change in provisions	15.5	-4.2
Change in loans and other receivables to other banks	83.1	-283.3
Change in financial assets at fair value through profit or loss	-941.7	-790.0
Change in available-for-sale financial assets	-1 264.6	-1 079.4
Change in valuation of derivatives	-100.5	27.5
Change in hedge derivatives	-26.8	-22.9
Change in loans and other receivables to customers	-1 484.4	-3 229.2
Change in other assets	-33.4	-63.6
Change in liabilities to other banks	401.5	-117.1
Change in liabilities at fair value through profit or loss	-309.5	270.3
Change in liabilities to customers	2 549.4	1 984.2
Change in other liabilities	479.9	248.1
Net cash flow from operating activities	-250.7	-2 717.9
Purchase of property plant and equipment	-12.1	-14.9
Disposal of property, plant and equipment	2.5	0.3
Purchase of intangible assets	-15.0	-16.4
Disposal of assets held for sale	2.3	0.0
Purchase of held-to-maturity financial assets	-304.4	0.0
Interest received from held-to-maturity financial assets	1.4	0.0
Net cash flow from investing activities	-325.3	-31.0
Long-term loans received	654.8	0.0
Long-term loans repaid	-75.2	-192.1
Interest on long-term loans repaid	-5.0	-6.8
Dividends paid	-0.1	0.0
Net cash flow from financing activities	574.5	-198.9
Effect of exchange rate changes on cash and cash equivalents	-58.4	-148.6
Net increase/decrease in cash and cash equivalents	-1.5	-2 947.8
Opening balance of cash and cash equivalents	4 411.9	6 311.1
Closing balance of cash and cash equivalents	4 410.4	3 363.3

Interim condensed consolidated cash flow statement shall be analysed together with the supplementary notes to interim condensed consolidated financial statements being the integral part of interim condensed consolidated financial statements.

Additional information

1. Information on the Bank and the ING Bank Śląski S.A. Group

1.1. Key Bank data

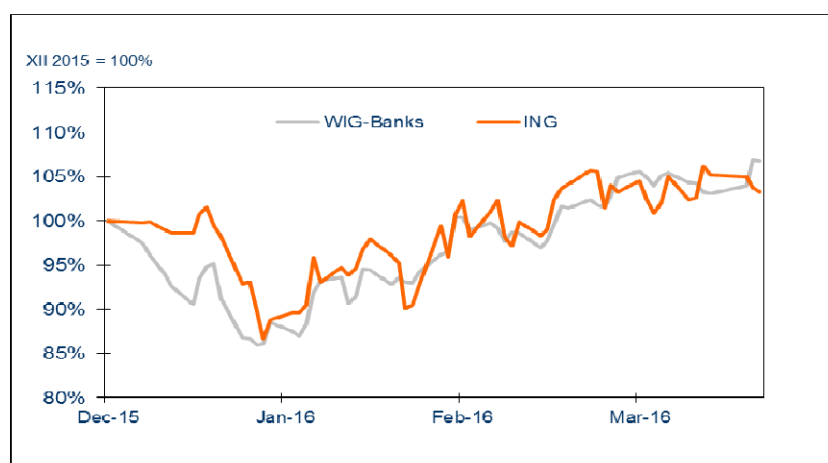
ING Bank Śląski S.A. ("Parent company", "parent entity", "Bank") with the headquarters in Katowice, Sokolska Str. 34, was entered into the entrepreneurs National Court Register managed by the Commercial Department of the Regional Court in Katowice under the reference number KRS 5459. The parent entity statistic number is REGON 271514909, and the taxation identification number is NIP 634-013-54-75.

1.2. Scope and duration of operations

ING Bank Śląski S.A. offers a broad range of banking services rendered for individual and institutional clients in line with the scope of services outlined in the Bank's charter. The Bank runs operations both in the home currency and in foreign currencies. The Bank is also active on the domestic and foreign financial markets. The scope of services offered by the Bank was expanded with leasing and factoring operations, following the acquisition in 2012 of new companies. Additionally through subsidiaries the Group operates brokerage services, real estate, leasing of real estate and advisory and acts as a financial intermediary as well as provides other financial services. The duration of the parent entity and entities forming the Group is indefinite.

1.3. Initial capital, share price

The initial capital of ING Bank Śląski S.A. is PLN 130,100,000 and is divided in 130,100,000 ordinary bearer shares with a par value of PLN 1.00 each. Shares of the Bank are quoted on the Warsaw Stock Exchange (sector: banks). As of 31 March 2016, the share price of ING Bank Śląski S.A. was PLN 121.0, whereas during the same period last year it was at the level of PLN 136.8. In the 3 months of 2016, the price of ING Bank Śląski S.A. shares was as follows:



1.4. ING Bank Śląski S.A. Group

ING Bank Śląski S.A. is the parent company of the ING Bank Śląski S.A. Group (“Capital Group”, “Group”). As at 31 March 2016, the composition of ING Bank Śląski S.A. Group was the following:

Name	Type of activity	Registered office	% of the Group share in equity	% of the Group share in the General Meeting votes	Recognition in the Group Financial Statements
ING Securities S.A.	brokerage services	Katowice	100	100	full consolidation
ING ABL Polska S.A.	financial holding	Katowice	100	100	full consolidation
ING Commercial Finance S.A.*	factoring services	Warszawa	100	100	full consolidation
ING Lease (Polska) Sp. z o.o.**	leasing services	Warszawa	100	100	full consolidation
ING Usługi dla Biznesu S.A.	accountancy services, payroll services	Katowice	100	100	full consolidation
ING Nowe Usługi S.A.	research and development of new market opportunities	Katowice	100	100	full consolidation
Solver Sp. z o.o.	holiday and training courses organisation	Katowice	88,93	88,93	full consolidation

* ING Bank Śląski S.A. has an indirect share in the company via ING ABL S.A.

** ING Bank Śląski S.A. has an indirect share in the company via ING ABL S.A. The ING Lease (Polska) Sp. z o.o Group incorporates 10 special-purpose vehicles wherein ING Lease Polska Sp. z o.o holds 100% of shares.

On 3 February 2016 the Management Board of ING Bank Śląski S.A. gave notice that they intended to divide ING Securities S.A. The division shall be completed by way of transferring the entire assets of ING Securities S.A. onto ING Bank Śląski S.A. and onto Nowe Usługi S.A. Following the division of ING Securities S.A., the brokerage services which have been provided to date via ING Securities S.A. and ING Bank Śląski S.A. will be integrated within one entity (ING Bank Śląski S.A.). Services other than brokerage services which have been provided by ING Securities S.A. will be transferred to Nowe Usługi S.A., a member of the ING Bank Śląski S.A. Group. On 31 March 2016, the General Meeting of ING Bank Śląski S.A. passed a resolution on division of ING Securities S.A.

1.5. Shareholding structure of ING Bank Śląski S.A.

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 31 March 2016 held 75% share in the initial capital of ING Bank Śląski and 75% shares in the total number of votes at the General Meeting of Shareholders. ING Bank NV belongs to the Capital Group, herein referred to as ING Group.

As at the date 31 March 2016, the shareholders owning 5% and more votes at the General Shareholders Meeting of ING Bank Śląski Spółka Akcyjna were:

No.	Entity	Number of shares and votes	% of total number of shares and votes at General Meeting
1.	ING Bank NV	97,575,000	75.00
2.	AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	7,870,000	6.05

1.6. Number of ING Bank Śląski shares held by Bank Management Board and Supervisory Board members

As at 31 March 2016, neither Management Board nor Supervisory Board members held shares of ING Bank Śląski S.A. So was the situation also at the date of rendering the financial statements for the previous reporting period into the public domain.

1.7. Approval of financial statements

The annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2015 to 31 December 2015 were approved by the General Meeting on 31 March 2016.

These interim condensed consolidated financial statements have been approved by the Bank Management Board on 9 May 2016.

2. Significant events in 1 quarter 2016

2.1. General Meeting of ING Bank Śląski S.A.

On 31 March 2016, the General Meeting of ING Bank Śląski S.A. was held, during which the following resolutions were passed:

- on approval of the 2015 annual financial statements (separate and consolidated financial statements),
- on approval of the Management Board Report on Operations in 2015 (separate and consolidated reports),
- on acknowledgement of 2015 reports of the Bank Supervisory Board and assessment of the Bank's remuneration policy,
- on acknowledgement of the fulfilment of duties of the Management Board and Supervisory Board Members for 2015,
- on 2015 profit distribution and retained earnings from previous years,
- on dividend payout for 2015 (description under item 11. *Dividends paid*),
- on division of ING Securities S.A. (description under item 1.4 *ING Bank Śląski S.A. Group*),
- on amendments to the ING Bank Śląski S.A. Charter,
- on changes to the Supervisory Board composition (description under item 2.2. *Changes to the ING Bank Śląski S.A. Management Board and Supervisory Board composition*) and adoption of the Supervisory Board Members Remuneration Policy.

2.2. Changes to the ING Bank Śląski S.A. Management Board and Supervisory Board composition

On 04 March 2016, the Chairman of the ING Bank Śląski S.A. Supervisory Board received letters of resignation tendered by:

- Ms. Małgorzata Kołakowska – resignation from the capacity of President of the Management Board of ING Bank Śląski S.A. as of 31 March 2016. The reason for resignation is the assumption of the position of Global Head of Network, Wholesale Banking, at ING Group as of 01 April 2016.
- Mr. Ignacio Juliá Vilar – resignation from the capacity of Vice-President of the Management Board of ING Bank Śląski S.A. as of 30 April 2016. The reason for resignation is the planned

assumption of the positions of Chief Innovation Officer and Head of Retail Segment at ING Group as of 01 May 2016.

Also, on 04 March 2016, Mr. Brunon Bartkiewicz tendered his resignation to the Chairman of the Supervisory Board of ING Bank Śląski S.A. as Member of the Supervisory Board of ING Bank Śląski S.A., effective as of 04 March 2016.

At the same time, on 04 March 2016 the Supervisory Board appointed Mr. Brunon Bartkiewicz to the position of President of the Bank Management Board, provided the required approval of the Polish Financial Supervision Authority is obtained. On 19 April 2016, the Polish Financial Supervision Authority consented to Mr. Brunon Bartkiewicz assuming that position.

On 24 March 2016, Mr. Diederik van Wassenauer tendered his resignation to the Chairman of the Supervisory Board of ING Bank Śląski S.A. as Member of the Supervisory Board of ING Bank Śląski S.A., effective as of 31 March 2016. Mr. Diederik van Wassenauer resigned because he was entrusted with other duties at ING Group.

On 31 March 2016, the Ordinary General Meeting of ING Bank Śląski S.A. appointed as the Members of the Supervisory Board of ING Bank Śląski S.A.:

- Ms. Małgorzata Kołakowska as of 01 April 2016,
- Mr. Christopher Steane as of 31 March 2016.

2.3. Shareholders having 5 or more per cent of votes at the Ordinary General Meeting of ING Bank Śląski S.A.

In line with the list of shareholders authorised to participate in the Ordinary General Meeting (GM) of ING Bank Śląski S.A., convened for 31 March 2016 the following entities were authorised to 5 or more per cent of votes:

No.	Entity	Number of shares and votes	% of the number of votes at General Meeting	% of total number of shares and votes at General Meeting
1.	ING Bank NV	97,575,000	87.56	75.00
2.	AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	7,870,000	7.06	6.05

2.4. Sale of non-performing receivables portfolio

On 29 March 2016, ING Bank Śląski S.A. concluded with BEST I Niestandardowy Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty (Non-Standard Closed-End Securitization Investment Fund) with the registered office in Gdynia an agreement on the sale of non-performing portfolio of primarily mortgage loans. The total amount of the receivables sold under the agreement equalled PLN 92.4 million (principal, interest and other expenses as at the agreement conclusion date). The final sale price of the portfolio was established at PLN 24 million. As a consequence of the said agreement, the Bank decreased its non-performing loans portfolio by PLN 62.0 million. The positive impact of the transaction on the Bank's results was PLN 18.9 million, including reduction in Bank's risk costs of PLN 12.9 million.

2.5. Conclusion of the subordinated loan agreement with ING Bank N.V.

On 23 February 2016, ING Bank Śląski S.A. concluded with ING Bank N.V. with the registered office in Amsterdam a subordinated loan agreement worth EUR 150.0 million. At the NBP average rate of 23 February 2016, the Loan equals PLN 654.8 million. The Loan was granted for 10 years. The Bank has the right to prepay the Loan after the lapse of 5 years, provided the relevant approval of the Polish Financial Supervision Authority (PFSA) is obtained. Interest will be paid quarterly at the 3M EURIBOR rate plus margin. The financial terms and conditions of the loan were set on an arm's length basis. ING Bank N.V. is the parent company, holding 75% of shares and votes at the Bank General Meeting. With the decision of the Polish Financial Supervision Authority of 19 April 2016, the Bank was granted consent to recognise the loan in Tier II capital. Should the Bank have recognised the subordinated loan in Tier II capital already as at 31 March 2016, the total capital ratio would have been 15.2% (on a consolidated basis) and 16.6% (on a stand-alone basis).

2.6. Amendment to the Act on the Bank Guarantee Fund

On 23 March 2016, the act changing the system of contributions made by the entities covered by the guarantee scheme took effect. The main modification is about the frequency of contribution payment, which was changed from the annual to quarterly system. This is the consequence of a new interpretation of EU regulations on BGF contribution settlement.

After the amendment, the maximum quarterly rates of the mandatory and prudential fees are 0.075% and 0.05% respectively (0.3% and 0.2% per annum so far). In line with the interim regulations, the BGF Council passed a resolution on the Q1 and Q2 2016 contributions.

Should the guaranteed funds protection fund be used up, the rates of relevant mandatory fees can be raised to 0.3% per quarter (0.6% per annum so far).

In case of ING Bank Śląski S.A., the total mandatory and prudential contribution for Q1 2016 was PLN 31.7 million (pursuant to the Bank Guarantee Fund resolutions determining the rates for Q1 2016).

2.7. Act on Tax on Some Financial Institutions

On 01 February 2016 the Act on Tax on Some Financial Institutions entered into force. Under the Act, from February 2016 the banks, insurance undertakings, co-operative savings and credit unions as well as lending companies among many other institutions will have to pay the so-called bank levy of 0.0366% of their assets per month. The tax base will be the entity's assets less PLN 4 billion, own funds and T-securities. The bank levy was introduced first in March 2016.

2.8. Licence to conduct brokerage activity

On 19 January 2016 the Polish Financial Supervision Authority granted ING Bank Śląski S.A. the licence to conduct brokerage activity comprising the following:

- accepting and transmitting orders to buy or sell financial instruments,
- processing the orders to buy or sell financial instruments for the ordering party,
- proprietary trading in financial instruments on its own account,
- providing investment advisory services,
- offering financial instruments,
- providing services in performance of previously concluded agreements on stand-by underwriting and firm commitment underwriting or in conclusion and performance of other agreements of similar nature concerning financial instruments,

- safekeeping or recording financial instruments, including keeping securities accounts, omnibus accounts and cash accounts;
- advising companies on capital structure, corporate strategy and other matters relating to such a structure or strategy,
- providing advisory and other services relating to the mergers, divisions and acquisitions of companies,
- developing investment analyses, financial analyses and other recommendations of a general nature relating to transactions in financial instruments, and
- providing additional services relating to stand-by underwriting or firm commitment underwriting.

3. Significant events after the balance sheet date

3.1. Consent of the Polish Financial Supervision Authority to fulfilling the function of the President of the Bank Management Board

On 19 April 2016, the Polish Financial Supervision Authority approved the appointment of Mr Brunon Bartkiewicz to the position of President of the Management Board of ING Bank Śląski S.A.

3.2. Decision of the Polish Financial Supervision Authority on recognising the funds under the subordinated loan received from ING Bank N.V. to the Bank's Tier II capital

On 20 April 2016, the Bank learnt that the Polish Financial Supervision Authority gave its approval, on 19 April 2016, to the recognition of EUR 150 million to the Bank's Tier II capital, in keeping with the terms and conditions of the subordinated loan agreement between the Bank and ING Bank N.V.

3.3. Rating Upgrade by Fitch Ratings Ltd.

On 20 April 2016, Fitch Ratings Ltd. upgraded the Long-Term Issuer Default Rating ("Long-Term IDR") for ING Bank Śląski S.A. from A- to A. In line with Fitch's announcement, the upgrade is the result of the same rating action taken towards ING Bank N.V. which is the Bank's main shareholder.

The agency affirmed the Bank's Short-Term IDR at F1 and the support rating at 1. The individual Viability Rating remains at bbb+.

3.4. Credit Agreement with ING Commercial Finance Polska S.A. – signing a new agreement

On 22 April 2016, the Bank signed a new credit agreement with ING Commercial Finance Polska S.A. that will ultimately replace the credit agreement of 02 January 2012 as amended. Conclusion of the new credit agreement does not increase the total exposure of the Bank towards ING Commercial Finance Polska S.A. in the amount of PLN 2,725.5 million.

The criterion for regarding the agreement as significant is the ratio of the total loan amounts to the Bank's equity. The borrower is a related entity of ING Bank Śląski S.A.

3.5. Change to the terms and conditions of planned acquisition of Visa Europe Limited (Visa Europe) by Visa Inc.

In April 2016, the Bank was informed by Visa Europe about changes agreed by and between Visa Europe and Visa Inc. to the terms and conditions of the planned acquisition of Visa Europe by Visa Inc. The changed terms and conditions assume an additional guaranteed cash consideration for acquisition in the amount of EUR 1.87 billion (including interest), out of which EUR 750 million is payable upfront and EUR 1.12 billion (including interest) is payable after three years. The additional guaranteed cash consideration is to replace the formerly envisaged earn-out consideration. The changes to the terms and conditions will be covered in the final agreement and will be subject to regulatory approvals. According to the information provided, the transaction may be settled later than originally planned, i.e. after Q2 2016.

Until the approval date of these financial statements, the Bank had not received any additional information on the amounts allocated to the Bank; consequently, the Bank obtained valuation of Visa shares as at 31 March 2016 in the amount of EUR 41.8 million.

4. Compliance with International Financial Reporting Standards

These interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for the 1 quarter 2016 were prepared under the IAS 34 *Interim Financial Reporting* (International Accounting Standards) in a version approved by the European Commission effective as at the reporting date, that is 31 March 2016 as well as in accordance with the Ordinance of Finance Minister of 19 February 2009 on current and interim information submitted by issuers of securities (Journal of Laws of 2009, no. 33, item 259) with subsequent amendments.

Presented financial statements have been prepared in a condensed version. The interim condensed financial statements do not provide all data or disclosures required in the annual financial statements and should be interpreted together with the Bank's financial statements for the year ended 31 December 2015 approved by the General Meeting on 31 March 2016.

Interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated cash flow statement for the period from 1 January 2016 to 31 March 2016, and interim condensed consolidated statement of financial position as at 31 March 2016 together with comparable data were prepared according to the same principles of accounting for each period.

4.1. Going-concern

These interim condensed consolidated financial statements were prepared on a going-concern basis as regards the foreseeable future, namely as regards the period of minimum 12 months from the balance sheet date. As of the date of approving these statements, the Bank Management Board has not identified any events that could indicate that the continuation of the operations by the Capital Group is endangered.

4.2. Discontinued operations

No operations were discontinued during the 1 quarter 2016 and 1 quarter 2015.

4.3. Financial statements scope and currency

These interim condensed consolidated financial statements of the Group for the 1 quarter 2016 comprise the Bank and its subsidiaries. These interim condensed consolidated financial statements have been developed in Polish zloties ("PLN"). Unless provided for otherwise, all values were given rounded up to PLN million. Therefore, some totals and individual notes can be inconsistent in mathematical terms.

4.4. Comparable data

The comparative data cover the period from 1 January 2015 to 31 March 2015 for the interim condensed consolidated income statement; the interim condensed consolidated statement of comprehensive income and the interim condensed consolidated cash flow statement, additionally for the interim condensed consolidated statement of changes in equity as at 31 December 2015; in the case of the interim condensed consolidated statement of financial position data as of 31 December 2015, 31 March 2015 and 31 December 2014.

4.5. Changes to accounting standards

In these interim condensed consolidated financial statements, the same accounting standards have been applied as in the case of the annual consolidated financial statements for the year 2015 (Annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2015 to 31 December 2015 as well as the standards and interpretations adopted by the European Union, effective for annual periods starting on or after 1 January 2016:

Amendment	Impact on the Group statements
IAS 27 "Equity Method in Separate Financial Statements"	The amendment affects the separate financial statements. The Bank continues the current approach in this regard that may be still applied. Thus, it does not impact the Group and Bank financial statements.
IAS 1 "Disclosure Initiative"	Amendment implementation had no material impact on the financial statements of the Group.
Amendments arising from IFRS reviews made during the 2012-2014 cycle. They affect: IFRS 5, IFRS 7, IAS 19, IAS 34 and IFRS 1.	Amendment implementation has no material impact on the financial statements of the Group.
IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"	Amendment implementation has no impact on the financial statements of the Group.
IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	Amendment implementation has no impact on the financial statements of the Group.
IAS 16 and IAS 41 "Agriculture: Bearer Plants"	Not applicable.

The standards and interpretations which were already issued but are still ineffective since not approved by the European Union or approved by the European Union but not previously applied by the Group were presented in the 2015 Annual Consolidated Financial Statements.

In Q1 2016, the following amendments to the accounting standards were published:

Amendment (EU effective date provided for in the parentheses)	Impact on the Group statements
IFRS 16 "Leases" (the accounting year starting on 01 January 2019 or later)	The Group is currently analysing the impact of the new standard on its financial statements.
IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses" (the accounting year starting on 01 January 2017 or later)	Implementation of the change will have no material impact on the financial statements of the Group.
IAS 7 "Disclosure Initiative" (the accounting year starting on 01 January 2017 or later)	Application of the change to the standard will only impact on the scope and structure of the analytical information disclosed in the Group cash flow statement.

In view of the ongoing process of IFRS introduction in the EU and the business run by the Company, as at the approval date of this report, there were no differences between the already effective IFRSs and the IFRSs approved by the EU in terms of the accounting principles applied by the Company.

5. Material accounting principles

Detailed accounting principles are presented in annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2015 to 31 December 2015 published on 29 February 2016 that is available on the Internet site of ING Bank Śląski S.A. (www.ingbank.pl).

Below presented are the amendments made in Q1 2016 to the description of the accounting principles applied by the Group in consequence of approach revision.

5.1. Amendments made to the description of estimates applied

The amortisation period and method for intangible assets are verified at the end of each accounting year. Changes to the economic life or expected pattern of consumption of the future economic benefits embodied in the intangible asset are recognised by changing the amortisation period and method, accordingly. The said changes are approached as changes to estimates.

As a result of verification of rates and economic life of intangible assets, the economic life for the intangible assets created under strategic projects was determined as 5 years.

Strategic applications are made under strategic projects that are key to the Bank's operations. Change to the amortisation period will be recognised prospectively from the application date, that is: 01 January 2016.

5.2. Other amendments

The other amendments were editorial in nature and were to specify and supplement or adjust the descriptions of the principles applied.

6. Comparability of financial data

Amendments to the Income Statement

The Group amended the manner of recognizing the net income on sale of debt securities covered by the fair value hedge accounting in the interim condensed consolidated financial statements

for the period from 1 January 2016 to 31 March 2016 as compared to the interim consolidated financial statements for previous periods. As a result of the amendment:

- net income on sale of securities is now recognised under the item *Net income on investments* but only in the portion corresponding to the valuation under unsecured risks,
- the result of the hedging strategy i.e. result on valuation of securities under secured risk and valuation of hedging instruments is recognised under the item *Net income on hedge accounting*.

The changes described above required a restatement of the comparable data; they did not, however, impact on the level of the financial result as presented in the financial statements.

The table below highlights the individual items of the consolidated income statement as they were presented in the interim condensed consolidated financial statements for the 1 quarter 2015 and in the current statements.

CONSOLIDATED INCOME STATEMENT	Financial statements for Q1 2015 the period from 01 Jan 2015 to 31 Mar 2015 (approved data)	change	Financial statements for Q1 2016 the period from 01 Jan 2015 to 31 Mar 2015 (comparable data)
Net income on investments	51.5	-0.6	50.9
Net income on hedge accounting	10.8	0.6	11.4

In the interim reports, the Group presents detailed information about individual items of interest and commission income and costs in the explanatory notes.

Amendments to the Statement of Financial Position

When compared with the interim consolidated financial statements for previous periods, in the Interim Condensed Consolidated Financial Statements for the period from 01 January 2016 to 31 March 2016, the Group moved valuation of employee incentive programmes to the item *Retained earnings* in the statement of financial position. The Group is of the opinion that by dint of the said amendment the statement of financial position became more transparent. The amendment did not impact the balance sheet totals of the reporting periods.

The below table show individual items of the consolidated statement of financial position as per amounts disclosed in the in the interim condensed consolidated financial statements for the 1 quarter 2015 and in the current statements.

EQUITY	Financial statements for Q1 2015 as of 31 Mar 2015 (approved data)	change	Financial statements for Q1 2016 as of 31 Mar 2015 (comparable data)
Revaluation of share-based payments	48.5	-48.5	-
Retained earnings	7 185.8	48.5	7 234.3

7. Notes to interim condensed consolidated financial statements

7.1. Net interest income

	1 Q 2016 the period from 01 Jan 2016 to 31 Mar 2016	1 Q 2015 the period from 01 Jan 2015 to 31 Mar 2015
Interest income		
Interest on loans and receivables to other banks	12.3	15.9
Interest on loans and receivables to customers	743.3	684.1
Interest on repo transactions concluded with customers	3.3	3.6
Interest on financial assets held for trading	4.2	6.7
Interest on available-for-sale financial assets	124.2	157.7
Interest on financial assets held to maturity	27.6	11.0
Net interest income on derivatives	20.1	8.0
Total interest income	935.0	887.0
Interest expenses		
Interest on deposits from other banks	8.6	14.9
Interest on deposits from customers	251.0	296.5
Interest on repo transactions made with customers	0.1	0.1
Interest on issue of debt securities	5.7	6.1
Interest on financial liabilities held for trading	0.2	0.4
Interest on subordinated liabilities	1.3	0.0
Total interest expense	266.9	318.0
Net interest income	668.1	569.0
NIM -net interest margin- cumulative (annualized) *	2.48%	2.56%
NIM -net interest margin- quarterly **	2.52%	2.37%

*) NIM -net interest margin - cumulative (annualized) was calculated as the quotient of the total net interest income of 4 consecutive quarters to average interest assets of 5 consecutive quarters.

***) NIM -net interest margin - quarterly was calculated as the quotient of the quarterly net interest income x4 to average interest earning assets of a quarter.

7.2. Net commission income

	1 Q 2016 the period from 01 Jan 2016 to 31 Mar 2016	1 Q 2015 the period from 01 Jan 2015 to 31 Mar 2015
Commission income		
transaction margin on currency exchange transactions	63.9	69.9
maintaining client accounts	60.8	59.1
granting loans	64.0	57.1
payment and credit cards fees	24.0	18.2
participation units distribution fees	21.8	23.0
insurance product offering commissions	12.0	13.7
factoring and lease agreements commissions	9.0	7.6
brokerage activity fees	8.8	10.3
custody operations	6.0	8.3
foreign commercial business	5.2	4.6
other	10.1	5.2
Total commission income	285.6	277.0
Total commission expenses	31.7	27.0
Net commission income	253.9	250.0
Share of the net commission income in Group revenue	26.0%	27.6%

7.3. Net income on financial instruments at fair value through profit or loss and FX result

	1 Q 2016 the period from 01 Jan 2016 to 31 Mar 2016	1 Q 2015 the period from 01 Jan 2015 to 31 Mar 2015
Net income on debt instruments available-for-sale, including:	117.0	-4.2
Net income on debt instruments	6.1	0.8
Net income on derivatives, including:	110.9	-5.0
- currency derivatives	108.2	-15.6
- interest rate derivatives	2.7	10.5
- securities derivatives	0.0	0.1
FX result	-94.0	19.4
Net income on financial instruments at fair value through profit or loss and FX result	23.0	15.2

7.4. Net income on investments

	1 Q 2016 the period from 01 Jan 2016 to 31 Mar 2016	1 Q 2015 the period from 01 Jan 2015 to 31 Mar 2015
Net income on debt instruments	28.7	50.9
Net income on investments	28.7	50.9

7.5. Net income on hedge accounting

	1 Q 2016 the period from 01 Jan 2016 to 31 Mar 2016	1 Q 2015 the period from 01 Jan 2015 to 31 Mar 2015
Fair value hedge accounting for securities:	-2.6	11.4
valuation of the hedged transaction	46.3	1.3
valuation of the hedging transaction	-48.9	10.1
Net income on hedge accounting	-2.6	11.4

7.6. Net income on other basic activities

	1 Q 2016 the period from 01 Jan 2016 to 31 Mar 2016	1 Q 2015 the period from 01 Jan 2015 to 31 Mar 2015
Net income on the investment properties	1.5	2.3
Other	3.0	7.2
Total	4.5	9.5

7.7. General and administrative expenses

	1 Q 2016 the period from 01 Jan 2016 to 31 Mar 2016	1 Q 2015 the period from 01 Jan 2015 to 31 Mar 2015
Personnel expenses	251.5	238.9
Cost of marketing and promotion	25.5	30.1
Depreciation and amortisation	42.2	41.8
BGF fee	31.7	26.1
Other	157.9	158.7
Total	508.8	495.6

7.7.1. Headcount

The headcount in the ING Bank Śląski S.A. Group was as follows:

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
FTEs	8 165.8	8 133.7	8 144.6	8 093.9
Individuals	8 221	8 189	8 202	8 157

The headcount in the ING Bank Śląski S.A. was as follows:

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
FTEs	7 706.7	7 686.3	7 674.0	7 637.5
Individuals	7 754	7 728	7 719	7 687

7.8. Impairment losses and provisions for off-balance sheet liabilities

	1 Q 2016 the period from 01 Jan 2016 to 31 Mar 2016	1 Q 2015 the period from 01 Jan 2015 to 31 Mar 2015
Impairment losses on loans and other receivables	300.4	210.7
Reversed impairment losses on loans and other receivables	-221.5	-126.4
Net impairment losses and provisions for off-balance sheet liabilities	78.9	84.3
<i>Including:</i>		
corporate banking	62.5	50.4
retail banking	16.4	33.9

7.9. Effective tax rate

	1 Q 2016 the period from 01 Jan 2016 to 31 Mar 2016	1 Q 2015 the period from 01 Jan 2015 to 31 Mar 2015
Gross profit	337.4	326.1
Income tax	78.2	65.1
Net profit	259.2	261.0
Effective tax rate	23.2%	20.0%

The difference in the effective tax rate in Q1 2016 was caused by the bank levy (PLN 50.5 million for February and March 2016) and the prudential contribution to the Bank Guarantee Fund (PLN 10.2 million for Q1 2016).

7.10. Loans and receivables to other banks

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Current accounts	837.6	820.7	794.8	963.4
Interbank deposits	44.6	59.4	413.2	125.8
Loans and advances	62.3	81.7	63.5	58.3
Factoring receivables	8.5	51.4	3.8	8.9
Reverse repo transactions	0.0	0.0	820.9	664.9
Other	2.0	1.5	15.2	17.0
Total (gross)	955.0	1 014.7	2 111.4	1 838.3
Impairment losses, including:	-0.7	-0.1	-0.1	0.0
concerning loans and advances	-0.7	-0.1	-0.1	0.0
Total (net)	954.3	1 014.6	2 111.3	1 838.3

7.11. Financial assets at fair value through profit or loss

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Financial assets held for trading, including:	2 067.7	1 127.1	2 645.7	1 856.8
Debt instruments	2 067.7	964.3	2 068.3	1 409.8
Transactions with the buy-back commitment	0.0	162.8	577.4	447.0
Total	2 067.7	1 127.1	2 645.7	1 856.8

7.12. Investments

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Available-for-sale financial assets, including	21 952.1	20 678.1	22 151.9	22 829.3
debt instruments, including:	21 768.6	20 494.9	22 138.4	22 815.3
- fair value hedge-hedged items	9 659.3	3 515.5	3 226.1	4 095.9
equity instruments	183.5	183.2	13.5	14.0
Financial assets held to maturity, including:	3 119.9	2 800.7	1 717.8	0.0
debt instruments	3 119.9	2 800.7	1 717.8	0.0
Total	25 072.0	23 478.8	23 869.7	22 829.3

7.13. Loans and receivables to customers

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Customer loan portfolio, including:	72 907.0	70 046.9	61 323.1	58 750.5
Loans and advances	61 492.4	58 563.8	51 561.9	48 750.7
Leasing receivables	5 066.4	4 922.1	4 353.1	4 397.7
Factoring receivables	3 413.9	3 402.0	2 582.6	2 830.4
Debt securities (corporate and municipal bonds)	2 934.3	3 159.0	2 825.5	2 771.7
Other receivables, including:	3 980.1	4 019.6	3 867.8	4 029.8
T-eurobonds	3 853.4	3 838.6	3 750.6	3 923.9
Other	126.7	181.0	117.2	105.9
Total (gross)	76 887.1	74 066.5	65 190.9	62 780.3
Impairment losses (with IBNR), including:	-1 557.1	-1 546.9	-1 791.9	-1 725.5
concerning customer loan portfolio, including:	-1 555.9	-1 545.9	-1 791.0	-1 719.8
concerning loans and advances	-1 365.7	-1 390.7	-1 679.4	-1 638.2
concerning leasing receivables	-43.1	-39.4	-52.0	-62.1
concerning factoring receivables	-17.1	-12.3	-15.0	-13.9
concerning debt securities (corporate and municipal bonds)	-130.0	-103.5	-44.6	-5.6
concerning other receivables, including:	-1.2	-1.0	-0.9	-5.7
concerning T-eurobonds	-0.7	-0.5	-0.4	-0.5
other	-0.5	-0.5	-0.5	-5.2
Total loans and receivables to customers (net), including:	75 330.0	72 519.6	63 399.0	61 054.8
to entities from the financial sector other than banks	2 306.6	2 510.0	1 750.7	1 869.1
to entities from the non-financial sector	65 329.9	62 285.6	54 115.9	51 461.1
to entities from the government and self-government institutions' sector	7 693.5	7 724.0	7 532.4	7 724.6

Loans and other receivables to entities from the financial sector other than banks

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Loans and advances, including:	1 787.1	1 936.1	1 660.4	1 778.7
- in the current account	166.7	157.3	63.9	584.6
- term ones	1 620.4	1 778.8	1 596.5	1 194.1
Leasing receivables	0.6	0.7	0.7	0.8
Factoring receivables	20.4	21.1	0.0	0.0
Debt securities (notes)	386.5	384.5	0.0	0.0
Other receivables	113.1	168.3	90.3	90.8
Total (gross)	2 307.7	2 510.7	1 751.4	1 870.3
Impairment losses (including IBNR), including:	-1.1	-0.7	-0.7	-1.2
- concerning loans and advances	-1.0	-0.6	-0.7	-1.2
- concerning debt securities	-0.1	-0.1	0.0	0.0
Total (net)	2 306.6	2 510.0	1 750.7	1 869.1

Loans and other receivables to entities from the non-financial sector

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Business entities, including:	37 657.4	35 998.3	31 630.5	30 268.0
Loans and advances, including:	28 659.8	26 884.8	23 515.8	21 870.5
- in the current account	7 764.9	6 999.9	6 596.1	5 724.2
- term ones	20 894.9	19 884.9	16 919.7	16 146.3
Leasing receivables	4 399.4	4 319.5	3 907.9	3 972.8
Factoring receivables	3 297.3	3 279.8	2 484.5	2 746.0
Debt securities (corporate bonds i notes)	1 287.8	1 502.0	1 695.9	1 664.1
Other receivables	13.1	12.2	26.4	14.6
Households, including:	29 226.9	27 832.0	24 274.9	22 916.2
Loans and advances, including:	28 514.8	27 173.5	23 773.0	22 441.0
- in the current account	1 753.6	1 632.9	1 620.6	1 542.6
- term ones	26 761.2	25 540.6	22 152.4	20 898.4
Leasing receivables	666.4	601.9	444.5	424.1
Factoring receivables	45.2	56.1	56.9	50.6
Other receivables	0.5	0.5	0.5	0.5
Total (gross)	66 884.3	63 830.3	55 905.4	53 184.2
Impairment losses (including IBNR), including:	-1 554.4	-1 544.7	-1 789.5	-1 723.1
Business entities, including:	-1 022.5	-989.3	-1 158.2	-1 125.4
concerning loans and advances	-834.5	-836.1	-1 047.7	-1 040.0
concerning leasing receivables	-41.3	-37.9	-51.2	-61.3
concerning factoring receivables	-17.0	-12.2	-14.9	-13.8
concerning debt securities	-129.7	-103.1	-44.4	-5.6
concerning other receivables	0.0	0.0	0.0	-4.7
Households, including:	-531.9	-555.4	-631.3	-597.7
concerning loans and advances	-529.5	-553.3	-629.9	-596.3
concerning leasing receivables	-1.8	-1.5	-0.8	-0.8
concerning factoring receivables	-0.1	-0.1	-0.1	-0.1
concerning other receivables	-0.5	-0.5	-0.5	-0.5
Total (net)	65 329.9	62 285.6	54 115.9	51 461.1

Loans and other receivables to entities from the government and self-government institutions' sector

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Loans and advances, including:	2 530.7	2 569.4	2 612.7	2 660.5
- in the current account	85.5	6.8	88.8	6.8
- term ones	2 445.2	2 562.6	2 523.9	2 653.7
Factoring receivables	51.0	45.0	41.2	33.8
Debt securities (municipal bonds)	1 260.0	1 272.5	1 129.6	1 107.6
T-eurobonds	3 853.4	3 838.6	3 750.6	3 923.9
Total (gross)	7 695.1	7 725.5	7 534.1	7 725.8
Impairment losses (including IBNR), including:	-1.6	-1.5	-1.7	-1.2
concerning loans and advances	-0.7	-0.7	-1.1	-0.7
concerning debt securities (municipal bonds)	-0.2	-0.3	-0.2	0.0
concerning T-eurobonds	-0.7	-0.5	-0.4	-0.5
Total (net)	7 693.5	7 724.0	7 532.4	7 724.6

Customer loan portfolio by client segment

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Gross value, including:	72 907.0	70 046.9	61 323.1	58 750.5
Corporate banking segment, including:	45 146.0	43 593.4	38 078.6	36 781.1
- loans and advances	34 111.8	32 445.9	28 558.6	27 005.8
- leasing receivables	4 686.2	4 586.7	4 108.5	4 173.7
- factoring receivables	3 413.7	3 401.8	2 586.0	2 829.9
- corporate and municipal debt securities	2 934.3	3 159.0	2 825.5	2 771.7
Retail banking segment, including:	27 761.0	26 453.5	23 244.5	21 969.4
- mortgages	21 152.6	20 294.5	17 750.1	16 680.8
- other loans and advances	6 608.4	6 159.0	5 494.4	5 288.6
Impairment loss of value (including IBNR), including:	-1 555.9	-1 545.9	-1 791.0	-1 719.8
Corporate banking segment, including:	-1 069.8	-1 030.0	-1 189.0	-1 153.2
- loans and advances	-877.8	-875.5	-1 077.6	-1 071.8
- leasing receivables	-44.8	-38.6	-51.8	-61.9
- factoring receivables	-17.2	-12.4	-15.0	-13.9
- corporate and municipal debt securities	-130.0	-103.5	-44.6	-5.6
Retail banking segment, including:	-486.1	-515.9	-602.0	-566.6
- mortgages	-151.4	-197.1	-195.3	-173.3
- other loans and advances	-334.7	-318.8	-406.7	-393.3
Net value, including:	71 351.1	68 501.0	59 532.1	57 030.7
Corporate banking segment, including:	44 076.2	42 563.4	36 889.6	35 627.9
- loans and advances	33 234.0	31 570.4	27 481.0	25 934.0
- leasing receivables	4 641.4	4 548.1	4 056.7	4 111.8
- factoring receivables	3 396.5	3 389.4	2 571.0	2 816.0
- corporate and municipal debt securities	2 804.3	3 055.5	2 780.9	2 766.1
Retail banking segment, including:	27 274.9	25 937.6	22 642.5	21 402.8
- mortgages	21 001.2	20 097.4	17 554.8	16 507.5
- other loans and advances	6 273.7	5 840.2	5 087.7	895.3

7.14. Quality of customer loan portfolio

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Corporate banking segment				
Gross value, including:	45 146.0	43 593.4	38 078.6	36 781.1
unimpaired	43 220.0	41 867.2	35 951.1	34 981.5
impaired	1 926.0	1 726.2	2 127.5	1 799.6
Impairment loss and provisions, including:	1 102.4	1 056.1	1 203.1	1 171.5
unimpaired	74.1	79.2	71.4	79.0
impaired	995.7	950.8	1 117.6	1 074.2
provisions for off-balance sheet liabilities	32.6	26.1	14.1	18.3
Share of impaired portfolio	4.3%	4.0%	5.6%	4.9%
Impaired portfolio coverage ratio	51.7%	55.1%	52.5%	59.7%
Retail banking segment				
Gross value, including:	27 761.0	26 453.5	23 244.5	21 969.4
unimpaired	27 254.0	25 911.3	22 632.2	21 389.6
impaired	507.0	542.2	612.3	579.8
Impairment loss and provisions, including:	494.6	515.9	602.0	566.6
unimpaired	103.3	101.7	97.8	87.8
impaired	382.8	414.2	504.2	478.8
provisions for off-balance sheet liabilities	8.5	0.0	0.0	0.0
Share of impaired portfolio	1.8%	2.0%	2.6%	2.6%
Impaired portfolio coverage ratio	75.5%	76.4%	82.3%	82.6%
Total gross value	72 907.0	70 046.9	61 323.1	58 750.5
Total impairment loss and provisions, including:	1 597.0	1 572.0	1 805.1	1 738.1
unimpaired	177.4	180.9	169.2	166.8
impaired	1 378.5	1 365.0	1 621.8	1 553.0
provisions for off-balance sheet liabilities	41.1	26.1	14.1	18.3
Total coverage ratio	2.2%	2.2%	2.9%	3.0%
Share of impaired portfolio	3.3%	3.2%	4.5%	4.1%
Impaired portfolio coverage ratio	56.7%	60.2%	59.2%	65.3%

Changes in impairment losses of credit portfolio

	1 Q 2016 the period from 01 Jan 2016 to 31 Mar 2016	1 Q 2015 the period from 01 Jan 2015 to 31 Mar 2015
Opening balance of impairment losses	1 573.6	1 743.8
Changes in the period, including:	25.9	62.7
changes in income statement	78.9	84.3
depreciation	-53.5	-22.7
other	0.5	1.1
Closing balance of impairment losses	1 599.5	1 806.5

7.15. Non-financial assets

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Investment properties	53.2	53.2	60.0	60.0
Property, plant and equipment	566.7	597.7	583.5	595.0
Intangible assets	417.9	419.6	374.4	377.3
Total	1 037.8	1 070.5	1 017.9	1 032.3

7.16. Liabilities due to other banks

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Current accounts	1 767.9	1 527.1	1 785.6	1 823.2
Interbank deposits	454.7	316.5	798.9	1 818.7
Repo transactions	0.0	0.0	932.2	0.0
Loans received*	1 921.9	1 997.0	2 281.4	2 467.1
Other liabilities	91.5	72.9	9.4	14.4
Total	4 236.0	3 913.5	5 807.5	6 123.4

*) The financing of the long-term leasing contracts in EUR ("the matched funding") received by the subsidiary ING Lease Polska Sp. z o.o. from ING Bank NV

7.17. Financial liabilities at fair value through profit or loss

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Financial liabilities held for trading, including:	0.0	162.8	173.1	56.9
repo transactions	0.0	162.8	173.1	56.9
Book short position in trading securities	319.9	466.6	1 014.6	860.5
Total	319.9	629.4	1 187.7	917.4

7.18. Liabilities due to customers

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Deposits	89 106.8	86 463.7	76 535.2	74 405.7
Other liabilities	1 296.2	1 354.8	1 071.5	1 253.2
Total liabilities due to customers, including:	90 403.0	87 818.5	77 606.7	75 658.9
liabilities due to entities from the financial sector other than banks	2 527.9	2 417.3	2 426.3	2 243.8
liabilities due to entities from the non-financial sector	86 077.3	83 769.3	73 225.8	71 539.3
liabilities due to entities from the government and self-government institutions' sector	1 797.8	1 631.9	1 954.6	1 875.8

Liabilities due to entities from the financial sector other than banks

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Deposits, including:	2 469.0	2 353.8	2 367.5	2 142.8
- current accounts	2 393.6	2 272.3	1 850.4	1 707.6
- term deposit	75.4	81.5	517.1	435.2
Other liabilities	58.9	63.5	58.8	101.0
Total	2 527.9	2 417.3	2 426.3	2 243.8

Liabilities due to entities from the non-financial sector

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Business entities, including:	24 268.7	24 792.9	20 717.9	21 260.5
Deposits, including:	23 122.5	23 594.2	19 777.6	20 177.3
- current accounts	12 346.1	13 123.8	10 648.5	10 641.5
- saving accounts	8 948.5	8 000.5	6 341.8	6 139.6
- term deposit	1 827.9	2 469.9	2 787.3	3 396.2
Other liabilities	1 146.2	1 198.7	940.3	1 083.2
Households, including:	61 808.6	58 976.4	52 507.9	50 278.8
Deposits, including:	61 729.1	58 896.2	52 442.0	50 217.1
- current accounts	10 004.1	9 875.2	10 354.5	7 715.3
- saving accounts	45 921.7	42 989.9	36 801.3	36 622.6
- term deposit	5 803.3	6 031.1	5 286.2	5 879.2
Other liabilities	79.5	80.2	65.9	61.7
Total	86 077.3	83 769.3	73 225.8	71 539.3

Liabilities due to entities from the government and self-government institutions' sector

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Deposits, including:	1 786.2	1 619.5	1 948.1	1 868.5
- current accounts	1 669.6	1 530.6	1 577.6	1 809.4
- term deposit	116.6	88.9	370.5	59.1
Other liabilities	11.6	12.4	6.5	7.3
Total	1 797.8	1 631.9	1 954.6	1 875.8

7.19. Provisions

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Provision for issues in dispute	3.4	3.3	21.3	21.5
Provision for off-balance sheet liabilities	41.1	26.1	14.1	18.3
Provision for retirement benefits	22.5	22.1	20.7	20.5
Provision for unused holidays	15.7	15.7	14.5	14.5
Total	82.7	67.2	70.6	74.8

In Q1 2016, the Bank additionally recognised under item *provisions for off-balance sheet liabilities* provisions for off-balance sheet credit exposures in the amount of PLN 15.7 million, which used to be recognised together with the impairment loss and decreased the carrying amount of *Loans and other receivables to customers*. On account of the change insignificance as regards the balance sheet total (approx. 0.01%), the Bank did not adjust the data for previous periods.

7.20. Fair value

Fair value, which is best reflected by a market price, if available is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in a direct transaction, other than forced sale or liquidation.

7.20.1. Financial assets and liabilities at fair value in statement of financial position

Categories of fair value measurement of financial assets and liabilities

Based on the employed methods of determining the fair value, financial assets/liabilities are classified to the following categories:

- Level 1: financial assets/liabilities measured directly on the basis of prices quoted in the active market.
- Level 2: financial assets/liabilities measured using the measurement techniques based on assumptions using data from an active market or market observations.
- Level 3: financial assets/liabilities measured using the measurement techniques commonly used by the market players, the assumptions of which are not based on data from an active market.

The table below presents the balance-sheet figures for financial assets and liabilities per individual measurement levels.

As of 31 Mar 2016

	Level 1	Level 2	Level 3	Total
Financial assets, including:	23 306.8	4 880.4	183.5	28 370.7
Financial assets held for trading, including:	2 067.7	0.0	0.0	2 067.7
- treasury bonds	2 067.7	0.0	0.0	2 067.7
Valuation of derivatives	0.0	1 613.8	0.0	1 613.8
Financial assets available-for sale, including:	21 239.1	529.5	183.5	21 952.1
- treasury bonds	21 239.1	0.0	0.0	21 239.1
- NBP bills	0.0	529.5	0.0	529.5
- equity instruments	0.0	0.0	183.5	183.5
Derivative hedge instruments	0.0	2 737.1	0.0	2 737.1
Financial liabilities, including:	319.9	3 343.1	0.0	3 663.0
Book short position in trading securities	319.9	0.0	0.0	319.9
Valuation of derivatives	0.0	1 525.1	0.0	1 525.1
Derivative hedge instruments	0.0	1 818.0	0.0	1 818.0

As of 31 Dec 2015

	Level 1	Level 2	Level 3	Total
Financial assets, including:	20 959.5	5 108.2	183.2	26 250.9
Financial assets held for trading, including:	964.4	162.7	0.0	1 127.1
- repo transactions	0.0	162.7	0.0	162.7
- treasury bonds	964.4	0.0	0.0	964.4
Valuation of derivatives	0.0	1 990.9	0.0	1 990.9
Financial assets available-for sale, including:	19 995.1	499.8	183.2	20 678.1
- treasury bonds	19 995.1	0.0	0.0	19 995.1
- NBP bills	0.0	499.8	0.0	499.8
- equity instruments	0.0	0.0	183.2	183.2
Derivative hedge instruments	0.0	2 454.8	0.0	2 454.8
Financial liabilities, including:	466.6	3 996.4	0.0	4 463.0
Financial liabilities held for trading, including:	0.0	162.8	0.0	162.8
- repo transactions	0.0	162.8	0.0	162.8
Book short position in trading securities	466.6	0.0	0.0	466.6
Valuation of derivatives	0.0	2 002.7	0.0	2 002.7
Derivative hedge instruments	0.0	1 830.9	0.0	1 830.9

Movements between valuation levels

In 2016 there were no movements between valuation levels.

Valuation of financial instruments classified to level

The Group classifies derivatives, T-bills, cash bills of the National Bank of Poland and repo transactions to level 2 of valuation.

Derivatives

The following models are applied for non-linear transactions (FX options), depending on the product type:

- the European vanilla option – the Garman-Kohlhagen model,
- the European digital option – the Garman-Kohlhagen model adjusted by the call spread,
- the touch option – the Murex Skew Model,
- the (American) barrier option – the Murex Skew Model,
- the (European) barrier option – the Garman-Kohlhagen model, and
- Cap/Floor (back-to-back transactions) – the Black model.

The following are the input data for the models:

- the foreign exchange rate – obtained by the parties from the National Bank of Poland's website,
- implied volatilities – obtained from Bloomberg BGN or Bloomberg Synthetic for the currency pair with lower liquidity, and
- profitability curves similar to those for linear derivatives.

Fair value for linear instruments (other derivatives) is determined based on discounted future cash flows at the transaction levels. The fair value determined in that manner is the PV of those cash flows.

All input data used for the creation of the revaluation curves are observed on the market, and include: deposit market rates, forward points, FRA rates, IRS rates, OIS rates, FX basis points, basis points among the indexes for variable rate, and FX-rates. The data come from the Reuters system and come mainly from brokers. Market data quality is controlled during the daily process of revaluation rates contribution.

Derivatives except for interest rate derivatives in PLN are valued according to the OIS curve concept on the assumption that there is a hedge of the transaction valuation in the form of a deposit at EONIA rate.

PLN transactions settled in central clearing houses (London Clearing House, Central Securities Depository of Poland) are exception, where NPV settlement is in the original currency which is reflected in the applied valuation curves (initial zero curve based on WIBOR and IRS quotations).

T-bills

For T-bills the profitability curve obtained based on the observation of broker websites is used.

Cash bills of the National Bank of Poland

Flat profitability curve set at the level of the NBP reference rate is applied for the valuation of NBP cash bills.

Repo transactions

Fair value for repo transactions is determined based on future payment flows discounted according to the profitability curve for the so-called cash instruments.

Measurement adjustment

The Group adopted prudent valuation for financial assets and liabilities measured at fair value and based the said measurement on the guidelines provided for in the Technical Standards of the European Banking Authority (i.e.: EBA – Article 105(14) of the Regulation EU 575/2013 published in March 2014). This approach aims at determining the fair value with a high, 90%, confidence level, considering uncertain market pricing and closing cost.

Valuation of financial instruments classified to level 3

The Group classifies the shares of Visa Europe Limited to the 3rd valuation level. These shares were priced based on the foreseeable allocation value of settlement of the Visa Europe Limited takeover by VISA Inc. As a Visa Europe member, ING Bank Śląski S.A. will be one of the transaction beneficiaries.

Shares and participations of several companies classified to level 3 for which it is difficult or impossible to determine the fair value due to absence of an active market for those instruments are classified to level 3 of valuation. The Group is of the opinion that the purchase price less the impairment (if any) is the best indicator of their value.

7.20.2. Financial assets and liabilities not carried at fair value in statement of financial position

As of 31 Mar 2016

	Carrying amount	Fair value			TOTAL
		Level 1	Level 2	Level 3	
Assets					
Cash in hand and balances with the Central Bank	3 565.7	-	3 565.7	-	3 565.7
Financial assets held to maturity	3 119.9	3 077.4	-	-	3 077.4
Loans and receivables to other banks	954.3	-	954.3	-	954.3
Loans and receivables to customers	75 330.0	-	3 870.8	68 975.9	72 846.7
Receivables from customers due to repo transactions	19.9	-	19.9	-	19.9
Other assets	49.4	-	-	49.4	49.4
Liabilities					
Liabilities due to other banks	4 236.0	-	4 236.0	-	4 236.0
Liabilities due to customers	90 403.0	-	-	90 402.7	90 402.7
Liabilities due to customers under repo transactions	10.4	-	10.4	-	10.4
Liabilities under issue of debt securities	872.0	-	872.9	-	872.9
Subordinated liabilities	641.6	-	-	641.6	641.6

As of 31 Dec 2015

	Carrying amount	Fair value			TOTAL
		Level 1	Level 2	Level 3	
Assets					
Cash in hand and balances with the Central Bank	3 589.7	-	3 589.7	-	3 589.7
Financial assets held to maturity	2 800.7	2 758.4	-	-	2 758.4
Loans and receivables to other banks	1 014.6	-	1 014.6	-	1 014.6
Loans and receivables to customers	72 519.6	-	3 854.5	65 692.4	69 546.9
Receivables from customers due to repo transactions	1 354.4	-	1 354.4	-	1 354.4
Other assets	108.3	-	-	108.3	108.3
Liabilities					
Liabilities due to other banks	3 913.5	-	3 913.5	-	3 913.5
Liabilities due to customers	87 818.5	-	-	87 817.8	87 817.8
Liabilities due to customers under repo transactions	47.5	-	47.5	-	47.5
Liabilities under issue of debt securities	866.3	-	862.3	-	862.3

The Group discloses the data on the fair value of loans and deposits and debt securities recognised respectively in the groups of financial assets and financial liabilities carried at amortised cost considering the effective interest rate.

In calculations, the yield curve is used; it takes account of the transfer prices calculated based on:

- PLN: BID rates up to 9M (inclusive) being WIBID and over 1Y adequate IRS rates; OFFER rates up to 9M (inclusive) being WIBOR and over 1Y adequate IRS rates.
- EUR: BID rates up to 9M (inclusive) being EURIBOR and over 1Y adequate IRS rates; OFFER rates up to 9M (inclusive) being EURIBOR and over 1Y adequate IRS rates.
- USD and CHF: BID rates up to 9M (inclusive) being LIBOR and over 1Y adequate IRS rates; OFFER rates up to 9M (inclusive) being LIBOR and over 1Y adequate IRS rates.

BID rates are used to compute fair value of financial liabilities measured at amortized cost; in the case of financial assets measured at amortized cost OFFER rates are applied. All intermediate points on the curves are interpolated linearly.

Credit loss estimates mirror the loan loss provisioning model used by the Group.

In certain aspects, the model adopted by the Group is based on the assumptions that do not confirm the prices of verifiable current market transactions referring to the same instrument – the model does not take into account restructuring-based changes either.

Loans and other receivables

The credit portfolio including securities classified to financial assets measured at amortised cost is divided into sub-portfolios according to the product type, the client segment and the currency.

For mortgage portfolio, the prepayment model is applied. Data on the maturity of PLN and CHF mortgage portfolios are used to determine the estimated prepayments according to the model maturity structure. On the basis thereof, the average interest rate weighted with unmaturing principal is calculated separately for PLN and CHF portfolios. A model schedule of principal and interest payments is aggregated on the basis of the model maturity structure and future interest flows measured at average interest rate separately for PLN and CHF.

In case of those sub-portfolios the discounting factor is used for each cashflow.

For loans/debt securities the discounting factor is assumed as the total of:

- the market rate based on the yield curve as of the balance sheet date, and
- the average margin based on the portfolio of loans granted in the last two month period.

For that purpose the following assumptions are adopted:

- use of the loans granted in the last two months for calculation,
- division into the abovementioned product groups, and
- the spot at the yield curve on the basis of which the relevant market rate is set is reflected by the revaluation date for each loan.

To estimate the fair value of CHF mortgage loans portfolio, an average margin used when extending EUR mortgage loans adjusted with swap instruments quotations for CHF/EUR currencies was applied on account of active market disappearance.

As a result, the fair value is the total of the net present value of cash flows of a single loan/ security (in the case of the mortgage portfolio, the fair value is the total of the net present value of cash flows of the aggregated mortgage portfolio calculated separately for PLN and CHF).

For FX loans, fair value is measured without impact of potential future regulatory changes.

In the case of loans without any repayment schedules and loans from the impaired group, it is assumed that the fair value for those loans equals their book value.

Liabilities due to other banks and to customers

The deposit portfolio is divided according to the product type, client segment and the currency. For deposits paid on demand, it is assumed that the fair value equals their book value.

Another phase involves the calculation of future cashflows as the total of principal- and interest cashflows. After that, by applying the discounting factor for each cashflow one receives the fair value of individual deposits. The sum of fair values of individual deposits represents the fair value of the portfolio of deposits reviewed.

For deposits the discounting factor represents the total of:

- the market rate based on the yield curve as at the balance sheet date, and
- the average margin based on the portfolio of deposits accepted in the last two months.

For that purpose the following assumptions are adopted:

- use of the deposits accepted in the last two months for calculation,
- division into the abovementioned product groups, and
- the spot at the yield curve on the basis of which the relevant market rate is set is reflected by the revaluation date for each deposit.

Liabilities under issue of securities

Fair value is calculated with the use of the discounting factor for each cash flow. Accordingly, the discounting factor is the total of:

- the market rate based on the yield curve from the balance sheet date, and
- the estimated margin applied should the securities be issued.

For that purpose, it is assumed that the spot at the yield curve on the basis of which the relevant market rate is set reflects the bond repricing date.

Cash in hand and balances with the Central Bank, Other assets

As the financial assets recognised in the above item are of short-term nature, it was assumed that the carrying amount is approximately the same as the fair value.

Financial assets held to maturity

The fair value of the financial assets in the held-to-maturity portfolio was determined using the valuation parameters which would have been used if those assets had been in the portfolio of available-for-sale financial assets.

7.21. Total capital ratio

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Own funds				
A. Own equity in the statement of financial position, including:	10 670.1	10 680.5	10 232.1	10 456.6
A.I. Own equity included in the own funds calculation, including:	8 893.1	8 479.1	8 192.6	7 491.5
share capital and agio	1 086.4	1 086.4	1 086.4	1 086.4
retained earnings, including:	7 494.3	7 237.3	6 893.8	6 408.6
revaluation reserve (unrealised losses)	-21.8	-73.2	-40.9	-3.5
revaluation reserve (unrealised gains)	334.2	228.6	253.3	0.0
A.II. Own equity excluded from own funds calculation, including:	1 777.0	2 201.4	2 039.5	2 965.1
revaluation reserve	1 462.3	1 329.6	1 696.4	1 877.8
retained earnings	312.2	869.2	340.5	1 084.7
other	2.5	2.6	2.6	2.6
B. Other elements of own funds (decreases and increases), including:	-546.7	-559.0	-545.4	-508.1
goodwill and other intangible assets	-418.1	-421.0	-368.2	-371.4
amount of expected losses according AIRB methodology	-128.6	-138.0	-177.2	-136.7
Own funds taken into account in total capital ratio calculation (A.I. + B)	8 346.4	7 920.1	7 647.2	6 983.4
Capital requirements				
capital requirements for credit risk	4 108.4	3 935.1	3 588.3	3 291.1
other capital requirements	585.6	600.1	541.9	503.4
supplement to the overall level of capital requirements	39.3	75.9	0.0	147.0
Total capital requirements	4 733.3	4 611.1	4 130.2	3 941.5
Total capital ratio	14.1%	13.7%	14.8%	14.2%

Under Regulation (EU) No. 241/2014 with regard to regulatory technical standards for own funds requirements for institutions and the Polish Financial Supervision Authority's decision of 29 October 2015, the Group recognised the bank's net profit of PLN 305.5 million for the period from 01 January 2015 to 30 June 2015 in their own funds as at 31 December 2015.

Since January 2016, the Bank has recognised in the calculation of own funds 60% of unrealised profits and 100% of unrealised losses on valuation of available-for-sale financial assets carried through revaluation reserve (as per the guidelines of the Polish Financial Supervision Authority delivered with the letter BRB/DRB_II/0735/29/17/2015 of 26 March 2015). In 2015, the Bank recognised 40% of unrealised profits and 100% of unrealised valuation losses in the calculation of own funds, respectively.

8. Factors potentially affecting the financial results in the following quarters

The macroeconomic factors that may impact the results in subsequent quarters include:

- In Q4 2015, GDP in Poland stood at 3.9% (y/y) and was higher primarily due to one-off drivers (i.a. higher growth rate of investment projects before closure of some EU programmes). The ING Bank Śląski S.A.'s predictions suggest that one should anticipate GDP to come back to 3.4% and 3.5% (y/y) in Q1 and Q2 2016 respectively, mainly in consequence of postponing public investment projects carried out with EU funds (they will start first in 2017). One can expect accelerated economic growth (to 3.6%-3.7% y/y) in H2 2016. Thus, in 2016, GDP will most probably go up to 3.6% as was the case in 2015.
- Private consumption will be a material driver of GDP growth in 2016. Although Q1 2016 will see consumer expenditures close to those of Q4 2015 (3.1% y/y), one should anticipate their acceleration to 4-4.3% in the following quarters as the *Rodzina 500+* (Family 500+) programme is installed.
- Key interest rates in Poland will remain stable probably. The NBP key interest rate has been 1.5% since March 2015. The deflation observed from July 2014 is to last until H2 2016. It is only in Q3 2016 that consumer goods prices will stop going down (y/y). Nonetheless, inflation pressure remains suppressed and inflation in Poland will continue to hover around the bottom of NBP's target (1.5% y/y) for a few more years. Since the low inflation follows supplies and imports (drop in fossil fuels prices), MPC members resolve to stabilise interest rates.
- Good situation of the labour market backs up economic upturn, while wages pressure growth remains moderate. In February 2016, the unemployment rate in Poland stood at 10.3% and was 1.6 p.p. lower than last year. ING Bank Śląski S.A.'s economists forecast that the quarters to come will see sustained downward trend for the unemployment rate to reach 8.8% at 2016 yearend. One should expect wages to rise by approximately 4% (y/y) in Poland over the same period. High inflow of economic migrants from Ukraine is another major limiting factor for wages rise in the non-specialised segment.
- In their review planned for May 2016, Moody's can opt to downgrade their credit rating for Poland. This would be one more decision of that kind, after the unexpected credit rating downgrade for Poland by Standard & Poors in January 2016. Rating downgrade would entail higher funding costs for the Bank in the financial markets.

9. Off-balance sheet items

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Contingent liabilities granted	25 730.3	24 423.2	23 007.4	23 802.6
Contingent liabilities received	56 320.0	53 515.3	45 353.2	43 228.2
Off-balance sheet financial instruments	312 215.9	358 574.2	332 773.8	297 683.6
Total off-balance sheet items	394 266.2	436 512.7	401 134.4	364 714.4

10. Issues, redemption or repayments of debt securities and equities

None.

11. Dividends paid

On 31 March 2016, the General Meeting passed a resolution regarding dividend payout for 2015, pursuant to which the Bank paid out the dividend for 2015 totalling PLN 559,430.0 thousand, (PLN 4.3 gross per share). On 20 April 2016 the shareholders of record became entitled to the dividend payout which took place on 5 May 2016.

On 31 March 2015, the General Meeting passed a resolution regarding dividend payout for 2014, pursuant to which the Bank paid out the dividend for 2014 totalling PLN 520,400.0 thousand, (PLN 4.0 gross per share). On 20 April 2015 the shareholders of record became entitled to the dividend payout which took place on 5 May 2015.

12. Settlements due to disputable cases

ING Bank Śląski maintains detailed records of court cases and other liabilities being legal claims. The Bank establishes reserves for the cases, which in the opinion of the legal staff and/or management staff are encumbered with a high risk of losing the case or it is impossible to recover the lost assets. Possible future settlements are made against the reserves established.

Changes to the litigation reserves (in PLN million)

	Q1 2016 the period from 01 Jan 2016 to 31 Mar 2016	Q1 2015 the period from 01 Jan 2015 to 31 Mar 2015
Status at the period beginning	3.3	21.5
Establishment of provisions	0.1	0.0
Release of provisions	0.0	-0.1
Utilisation of provision	0.0	-0.1
Status as at the period end Stan na koniec okresu	3.4	21.3

Either in Q1 2016 or Q1 quarter 2015, no proceedings concerning liabilities or debts whose total value would amount to 10% of the Bank's equity were initiated before courts or administrative bodies against the ING Bank Śląski S.A. Group.

13. Seasonality or cyclicity of activity

Activity of ING Bank Śląski Group is not subject to seasonality or cyclicity within the meaning of §21 of IAS 34.

14. Transactions with related entities

ING Bank Śląski subsidiaries and affiliated entities (their list has been presented in chapter *Additional information* in item 1.4. *ING Bank Śląski S.A. Group*) as part of their business hold current accounts at ING Bank Śląski, via which they perform standard clearing operations and also invest cash funds using term deposits. Similarly, ING Bank Śląski maintains bank accounts of other members of ING Group. The transactions with the above entities are performed on an arm's length basis.

ING Bank Śląski performs operations with ING Bank NV and its subsidiaries on the inter-bank market. These are both short-term deposits and loans, as well as operations in derivatives. Moreover, ING Lease Sp. z o.o. received long-term funding for leasing contracts in EUR ("matched funding"). The abovementioned transactions are carried out on an arm's length basis. There were also other

transactions between the related entities and ING Bank Śląski. They originated from agreements concluded as to co-operation, sublease of premises, lease of equipment, data processing as well as management and employees' insurance contributions.

In the period from 1 January 2016 to 31 Mar 2016 the following transactions were made of the total value exceeding EURO 500.000:

- transactions with ING Bank NV – under execution of the agreements (among other Cooperation Agreement and Agreement on Provision of Data Processing and Financial Information Analysis Services), the fee for services rendered under financial advisory, the fee for using data processing and financial information analysis services by ING Bank Śląski and the fee for services rendered under business operations and product development advisory in the PCM area for 3 months of 2016 amounted to PLN 3.3 million versus PLN 5.4 million in the same period last year (net amounts).
- transactions with ING Services Polska – the Company provides ING Bank Śląski with IT equipment rental and operation services. Services' costs amounted to PLN 3,6 million versus PLN 5.9 million in the analogous period of the previous year (net amounts).

Transactions between related entities (PLN million)

31.03.2016

	ING Bank NV	Other ING Group entities	Subsidiaries
Receivables			
Nostro accounts	4.7	2.8	-
Deposits placed	5.0	-	-
Loans	4.1	5.4	6 057.5
Positive valuation of derivatives	199.6	212.5	3.1
Other receivables	4.5	1.7	0.1
Liabilities			
Deposits received	417.6	18.6	272.5
Subordinated loan	641.6	-	-
Loans received	1 686.4	-	-
Loro accounts	58.4	14.3	-
Negative valuation of derivatives	225.2	151.8	-
Other liabilities	4,3	-	-
Off-balance-sheet operations			
Contingent liabilities	3 641.7	160,0	1 777.0
FX transactions	6 235.6	154.2	-
Forward transactions	86.3	-	48.8
IRS	6 180.7	3 028.6	74.2
Options	2 253.0	475.3	48.1
Revenue and costs*			
Revenue	-70.7	3.2	30.3
Costs of cooperation agreements**	3.3	3.6	-0.7
Other costs**	0.2	-	-

*) Revenues and costs are presented in the uniform setting as in the financial statements. The revenues include, among others, the result on valuation of derivatives.

***) Costs are presented as per their net value (VAT excluded).

31.03.2015

	ING Bank NV	Other ING Group entities	Subsidiaries	Affiliated entities*
Receivables				
Nostro accounts	11.9	0.3	-	-
Deposits placed	30.5	-	-	-
Loans	-	7.4	4 516.7	-
Positive valuation of derivatives	504.5	250.6	1.6	-
Other receivables	4.3	0.7	0.1	-
Liabilities				
Deposits received	201.8	758.7	337.2	181.3
Loans received	1 993.4	-	-	-
Loro accounts	15.0	14.0	-	-
Negative valuation of derivatives	442.3	254.4	0.4	-
Other liabilities	10.5	0.1	-	-
Off-balance-sheet operations				
Contingent liabilities	2 780.3	179.3	2 318.6	0.1
FX transactions	2 813.1	136.7	-	-
Forward transactions	82.1	986.1	-	-
IRS	12 251.0	3 659.4	71.1	-
FRA	2 344.5	-	-	-
Options	1 445.9	553.4	46.0	-
Revenue and costs**				
Revenue	-26,3	0,3	28,4	-0,8
Costs of cooperation agreements***	5,4	5,9	-1,1	-

*) Includes transactions between ING Bank Śląski S.A. and affiliated entities (on 20 July 2015, the Bank's share in ING PTE S.A. was sold).

**) Revenues and costs are presented in the uniform setting as in the financial statements. The revenues include, among others, the result on valuation of derivatives.

***) Costs are presented as per their net value (VAT excluded).

15. Segmentation of revenue and financial results of the Group

15.1. Segments of operation

The management of ING Bank Śląski is conducted within the areas defined in the Bank's business model.

The Bank's business model, above all for the purpose of management reporting, includes division of clients into two main segments:

- retail banking segment,
- corporate banking segment.

The segments are separated based on the financial (especially turnover, level of collected assets) and subject-related criteria. The specific rules of putting clients to respective segments are governed by the clients segmentation criteria specified in the Bank's internal regulations.

ING Bank Śląski S.A. has separated in organisational terms the operations performed by the Bank Treasury. The mission of the Bank Treasury is to support the development of the Bank's business lines by assuming their market risks to protect them against negative effects of market changes.

The Bank Treasury manages short-term and long-term liquidity risk in line with the effective regulations and risk appetite internally set at the Bank, manages interest rate risk and invests



surpluses obtained from business lines while maintaining the liquidity buffer in the form of liquid assets.

The Bank Treasury's net income on operations is allocated to the business lines considering its support function for the Bank's business lines.

15.1.1. Retail banking segment

Within the framework of retail banking, the Bank provides services for individual customers (segments of mass customers and wealthy customers) and for sole traders.

This activity is analysed by the leading products, including i.e.: credit products (overdraft on the savings and settlement account - ROR, loans related to cards, hire purchase loans, housing loans, mortgage loans, contract loans granted by the Building Society), deposit products (current accounts, term deposits, savings accounts), structured product, ING fund units, brokerage services provided by ING Securities SA and bank cards.

15.1.2. Corporate banking segment

Corporate banking area encompasses as follows:

- providing services to institutional clients,
- Financial Markets products.

Services to institutional clients encompasses strategic clients, large corporate entities and mid-sized companies. For corporate activity, the Bank provides reporting broken down by leading products covering i.e. loan products (working loans, investment loans), deposit products (current accounts, term deposits and negotiated deposits, savings accounts), financial markets products, trust services, capital market operations conducted by the parent and by ING Securities, products related to leasing and factoring services offered by ING Lease (Polska) Sp. z o.o. and ING Commercial Finance Polska S.A. Financial Markets products encompass operations performed in money and capital markets, conducted both on the proprietary basis as well as for the customers' benefit. Within the framework of this activity, currency, money and derivative instrument market products and securities operations (treasury securities, shares and notes) are specified.

15.1.3. Measurement

The measurement of the segment's assets and liabilities, segment's revenue and costs is based on the accounting standards applied by the Bank, included in notes describing applied accounting standards. In particular, both internal and external interest income and costs for individual segments are determined with the use of the transfer price system within the Risk Transfer System (RTS).

Transfer prices are defined based on the yield curve for a given currency that is common for assets and liabilities. The transfer price that is determined for the products being assets and liabilities with the same position on the yield curve is identical. The original transfer price – coming from the product measurement regarding the yield curve can be modified and the factors adjusting the transfer price can be the following: a premium for obtainment of long-term liquidity, matching of the Bank's position, a hedging cost for sophisticated products and the pricing policy. Thereafter, based on quotation rates available at news services, yield curves are developed using mathematical equations.

Revenue, costs, results, assets and liabilities for a given segment account for elements that are directly attributable to the segment in question, as well as element that may be attributed to that segment based on reasonable premises.

The Bank presents segment's interest income reduced by the cost of the interest. In 3 months 2016, the Bank revised the allocation key for the ALCO's income. The data for previous periods presented herein were made comparable.

Q1 2016 the period from 01 Jan 2016 to 31 Mar 2016

	Retail banking segment	Corporate banking segment	TOTAL
Income total	528.9	446.7	975.6
net interest income	403.2	264.9	668.1
net commission income	90.1	163.8	253.9
other income/expenses	35.6	18.0	53.6
Expenses total	304.5	204.3	508.8
Segment result	224.4	242.4	466.8
Impairment losses	16.4	62.5	78.9
Tax on certain financial institutions	17.8	32.7	50.5
Segment profit before tax	190.2	147.2	337.4
Income tax	-	-	78.2
Result after tax	-	-	259.2
- attributable to shareholders of ING Bank Śląski S.A.	-	-	259.2
Allocated equity	4 520.7	6 147.0	10 667.7
ROE - Return on equity (%)*	14.4	8.5	10.9

Q1 2015 the period from 01 Jan 2015 to 31 Mar 2015

	Retail banking segment	Corporate banking segment	TOTAL
Income total	479.6	426.4	906.0
net interest income	344.5	224.5	569.0
net commission income	89.5	160.5	250.0
other income/expenses	45.6	41.4	87.0
Expenses total	311.5	184.1	495.6
Segment result	168.1	242.3	410.4
Impairment losses	33.9	50.4	84.3
Segment profit before tax	134.2	191.9	326.1
Income tax	-	-	65.1
Result after tax	-	-	261.0
- attributable to shareholders of ING Bank Śląski S.A.	-	-	261.0
Allocated equity	4 200.0	6 029.5	10 229.5
ROE - Return on equity (%)*	11.7	10.1	10.8

*) ROE - Return on equity - net profit attributable to shareholders of ING Bank Śląski S.A. for 4 subsequent quarters to average equity for 5 subsequent quarters.

15.1.4. Geographical segments

The business activities of the Capital Group are performed on the territory of the Republic of Poland.

16. Other informations

16.1. Ratings

Fitch Ratings Ltd.

The Fitch Ratings Ltd. Agency assigns full rating to ING Bank Śląski S.A. under the agreement between the Bank and the Agency. In May 2015, Fitch Ratings Ltd. downgraded the Long-Term Issuer Default Rating (Long-Term IDR) for ING Bank Śląski S.A. from A to A-, and revised the outlook for that rating from "negative" to "stable" (Fitch Agency's press release of 19 May 2015). The downgrade is the result of the same rating action taken towards ING Bank N.V. which is the Bank's main shareholder. In line with its previous announcements, Fitch Agency revised the ratings for banks in view of the advanced implementation status of the new EU regulations regarding the said institutions' functioning. The Agency believes the new regulations substantially reduce the likelihood of sovereign support for the banks; as a result, the current ratings do not account for the potential support from the sovereign. The other ratings assigned by the Agency are unaffected by the revision of the Long-Term IDR and its outlook.

As at the end of 2015, Fitch carried out the annual rating review of the Bank. As a result, all the ratings to date were affirmed (Fitch Agency's press release of 23 November 2015).

As at 31.03.2016, the Bank had the rating of financial credibility, issued by the Agency:

Rating	Poziom
Long-term IDR*	A-
Outlook for sustaining the above rating	Stable
Short-term IDR	F1
Viability rating	bbb+
Support rating	1

*) On 20 April 2016, Fitch Ratings Ltd. upgraded the Long-Term Issuer Default Rating ("Long-Term IDR") for ING Bank Śląski S.A. from A- to A. In line with Fitch's announcement, the upgrade is the result of the same rating action taken towards ING Bank N.V. which is the Bank's main shareholder.

Long-term IDR and Short-term IDR determine the entity's ability to meet financial commitments on a timely basis. Long-term IDR at A- level reflects high ability of the Bank to timely settle long-term financial obligations. Short-term IDR at the F1 level means the highest rating for the ability to meet short-term commitments (up to 13 months) on a timely basis. In case of both ratings the Fitch agency considered the high probability of obtaining potential support from the dominant shareholder. ING Bank NV (ING Bank Śląski was assigned the highest support rating - 1). Viability rating of bbb+ means that according to the Agency, the intrinsic creditworthiness of the Bank; i.e., without any support (understood as the capacity to pay one's liabilities on time) is high. The Agency is of the opinion that the Bank has strong capital and liquidity position.

Moody's Investors Service Ltd.

The Moody's Investors Service Ltd. Agency assigns rating to ING Bank Śląski S.A. on the basis of the universally available public information. On May 2015, Moody's Investors Service upgraded the long-term deposit rating for ING Bank Śląski S.A. to A3 from Baa1 and assigned it a stable outlook revised from "review for possible upgrade" (Moody's press release of 21 May 2015 and Credit Opinion of 03 June 2015). Rating review is a consequence of the new bank rating methodology. Moody's assigned also the Bank the Counterparty Risk Assessment (or CR Assessment) of A2 – long-term and of P-1 – short-term. Other ratings did not change.

The above ratings were affirmed by the Agency in Q4 2015 (Credit Opinion of 26 November 2015).

As at 31 March 2016, the Bank's financial viability rating issued by the Agency was as follows:

Rating	Poziom
LT Rating	A3
ST Rating	P-2
Baseline Credit Assessment (BCA)	baa3
Adjusted Baseline Credit Assessment (Adjusted BCA)	baa2
LT rating outlook	Stable
Counterparty Risk Assessment (CR Assessment) long-term/ short-term	A2/P-1

16.2. Number of Branches and ATMs, CDMs

The number of outlets of the Bank in particular periods was as follows:

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Number of outlets	394	395	401	402
Number of ING Express sales points at shopping malls	65	64	58	55

As at 31 March 2016, the Bank had the network of 1,137 ATMs and 935 CDMs, out of which 934 were dual recycling machines.

As at 31 March 2015, the Bank had the network of 907 ATMs and 782 CDMs, out of which 629 were dual machines (including 512 with the recycling feature).

16.3. Electronic distribution channels

Development of electronic distribution channels is one of the Bank's priorities. A regular update of this offer results in an increase of the number of Clients interested in e-banking. The figures for electronic banking clients¹ are as follows:

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
ING BankOnLine i ING BusinessOnLine (in million)	3.2	3.2	2.9	2.9
HaloŚląski (in million)	2.1	2.1	1.9	1.8
ING BankMobile* (in million)	1.4	1.2	0.9	0.8
ING BusinessMobile (in thousands)	10.1	9.5	7.2	6.7

* / Number of downloaded applications

The monthly number of transactions in March 2016 was at the level of 28.6 million, whereas at the end of December 2015 it was 28.9 million and in the analogical period last year it was 24.7 million.

16.4. Banking cards

ING Bank Śląski S.A. is one of the largest issuers of banking cards in Poland. The data concerning the number of payment cards issued to ING Bank Śląski S.A. clients are as follows:

in thousands	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Debit cards	2 722	2 685	2 501	2 431
Credit cards	212	211	206	206
Other cards	104	107	99	94
Total payment cards, in which:	3 038	3 003	2 806	2 731
Paywave ²	2 379	2 343	2 155	2 106
Virtual cards	43	42	40	39

¹ The number of clients is not the same as the number of users as one client may represent several users in a given system.

² Cards: Contactless VISA, Contactless Visa Business, Contactless MasterCard Debit, Visa Zbliżak, Zbliżak MasterCard Paypass, VISA NFC.

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS OF ING BANK ŚLĄSKI S.A.

2016-05-09 **Brunon Bartkiewicz** *Signed on the Polish original*
President

2016-05-09 **Mirosław Boda** *Signed on the Polish original*
Vice-President

2016-05-09 **Michał Bolesławski** *Signed on the Polish original*
Vice-President

2016-05-09 **Joanna Erdman** *Signed on the Polish original*
Vice-President

2016-05-09 **Justyna Kesler** *Signed on the Polish original*
Vice-President

2016-05-09 **Patrick Roesink** *Signed on the Polish original*
Vice-President

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2016-05-09 **Jolanta Alvarado Rodriguez** *Signed on the Polish original*
Director of Accounting
Department
Chief Accountant

Interim condensed standalone income statement

	I Q 2016 the period from 01 Jan 2016 to 31 Mar 2016	I Q 2015 the period from 01 Jan 2015 to 31 Mar 2015
Net interest income	637.5	539.5
Net commission income	239.3	235.6
Net income on financial instruments at fair value through profit or loss and FX result	22.9	14.5
Net income on investments	29.6	50.9
Net income on hedge accounting	-2.6	11.4
Net income on other basic activities	1.7	0.3
Net income on basic activities	928.4	852.2
General and administrative expenses	479.1	464.4
Impairment losses and provisions for off-balance sheet liabilities	70.9	82.8
Tax on certain financial institutions	50.5	0.0
Gross profit (loss)	327.9	305.0
Income tax	74.2	62.1
Net profit (loss)	253.7	242.9
Net profit (loss)	253.7	242.9
Weighted average number of ordinary shares	130 100 000	130 100 000
Earnings per ordinary share (PLN)	1.95	1.87

The diluted earnings per share are the same as the profit per one ordinary share.

Interim condensed standalone statement of comprehensive income

	I Q 2016 the period from 01 Jan 2016 to 31 Mar 2016	I Q 2015 the period from 01 Jan 2015 to 31 Mar 2015
Net profit for the period	253.7	242.9
Total other comprehensive income, including:	289.8	34.4
Items which can be reclassified to income statement	289.9	34.0
Items which will not be reclassified to income statement	-0.1	0.4
Net comprehensive income for the reporting period	543.5	277.3

Interim condensed standalone income statement and interim condensed standalone statement of comprehensive income shall be analysed together with the supplementary notes to interim condensed consolidated financial statements being the integral part of interim condensed consolidated financial statements.

Interim condensed standalone statement of financial position

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Assets				
Cash in hand and balances with the Central Bank	3 565.7	3 589.7	2 392.5	5 330.7
Loans and other receivables to other banks	952.4	1 013.1	2 096.1	1 821.3
Financial assets at fair value through profit or loss	2 067.7	1 127.1	2 645.7	1 856.8
Valuation of derivatives	1 613.8	1 990.9	2 607.8	2 411.7
Investments	25 071.9	23 478.7	23 868.9	22 828.6
Derivative hedge instruments	2 737.1	2 454.8	3 039.3	2 983.8
Loans and other receivables to customers	72 621.9	69 633.4	60 538.0	57 952.1
Receivables from customers under repo transactions	19.9	1 354.4	987.1	106.6
Investments in controlled entities	269.3	269.3	269.2	269.2
Non-financial assets	1 013.3	1 036.1	986.3	1 002.5
Assets held for sale	39.6	38.4	74.5	68.4
Tax assets	2.7	0.0	18.2	0.0
Other assets	122.0	120.0	226.6	110.7
Total assets	110 097.3	106 105.9	99 750.2	96 742.4
Liabilities				
Liabilities to other banks	2 301.0	1 855.4	3 518.6	3 644.2
Financial liabilities at fair value through profit or loss	319.9	629.4	1 187.7	917.4
Valuation of derivatives	1 525.1	2 002.8	2 744.9	2 521.3
Derivative hedge instruments	1 818.0	1 830.9	2 062.5	2 032.8
Liabilities to customers	90 036.9	87 383.7	77 401.5	75 326.0
Liabilities to customers under repo transactions	10.4	47.5	54.8	29.7
Liabilities under issue of debt securities	872.0	866.3	872.7	866.5
Subordinated liabilities	641.6	0.0	0.0	0.0
Provisions	79.2	63.8	66.1	70.3
Tax liabilities	219.3	153.7	229.6	248.5
Other liabilities	1 804.4	787.2	1 606.8	837.9
Total liabilities	99 627.8	95 620.7	89 745.2	86 494.6
Equity				
Share capital	130.1	130.1	130.1	130.1
Supplementary capital - issuance of shares over nominal value	956.3	956.3	956.3	956.3
Revaluation reserve	1 763.9	1 474.1	1 903.4	1 869.0
Retained earnings	7 619.2	7 924.7	7 015.2	7 292.4
Total equity	10 469.5	10 485.2	10 005.0	10 247.8
Total equity and liabilities	110 097.3	106 105.9	99 750.2	96 742.4
Carrying amount	10 469.5	10 485.2	10 005.0	10 247.8
Number of shares	130 100 000	130 100 000	130 100 000	130 100 000
Carrying amount per share (PLN)	80.47	80.59	76.90	78.77

Interim condensed standalone statement of financial position shall be analysed together with the supplementary notes to interim condensed consolidated financial statements being the integral part of interim condensed consolidated financial statements.

Interim condensed standalone statement of changes in equity

I Q 2016

the period from 01 Jan 2016 to 31 Mar 2016

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve	Retained earnings	Total equity
Opening balance of equity	130.1	956.3	1 474.1	7 924.7	10 485.2
Net result for the current period	-	-	-	253.7	253.7
Other net comprehensive income, including:	0.0	0.0	289.8	0.0	289.8
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	52.7	-	52.7
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-23.2	-	-23.2
amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the held-to-maturity portfolio	-	-	-8.0	-	-8.0
effective part of cash flow hedging relationship	-	-	268.4	-	268.4
revaluation of non-current assets	-	-	-0.1	-	-0.1
Transactions with shareholders, including:	0.0	0.0	0.0	-559.2	-559.2
valuation of share-based payments	-	-	-	0.2	0.2
profit distribution with dividend payout allocation	-	-	-	-559.4	-559.4
Closing balance of equity	130.1	956.3	1 763.9	7 619.2	10 469.5

2015

the period from 01 Jan 2015 to 31 Dec 2015

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve	Retained earnings	Total equity
Opening balance of equity	130.1	956.3	1 869.0	7 292.4	10 247.8
Net result for the current period	-	-	-	1 140.0	1 140.0
Other net comprehensive income, including:	0.0	0.0	-394.9	11.5	-383.4
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	13.4	-	13.4
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-47.2	-	-47.2
amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the held-to-maturity portfolio	-	-	-28.4	-	-28.4
effective part of cash flow hedging relationship	-	-	-317.7	-	-317.7
revaluation of non-current assets	-	-	-3.7	-	-3.7
disposal of non-current assets	-	-	-10.8	11.5	0.7
actuarial gains/losses	-	-	-0.5	-	-0.5
Transactions with shareholders, including:	0.0	0.0	0.0	-519.2	-519.2
valuation of share-based payments	-	-	-	1.2	1.2
dividends paid	-	-	-	-520.4	-520.4
Closing balance of equity	130.1	956.3	1 474.1	7 924.7	10 485.2

Interim condensed standalone statement of changes in equity - continued

I Q 2015

the period from 01 Jan 2015 to 31 Mar 2015

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve	Retained earnings	Total equity
Opening balance of equity	130.1	956.3	1 869.0	7 292.4	10 247.8
Net result for the current period	-	-	-	242.9	242.9
Other net comprehensive income, including:	0.0	0.0	34.4	0.0	34.4
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	76.6	-	76.6
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-41.2	-	-41.2
amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the portfolio of loans and receivables	-	-	-0.1	-	-0.1
amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the held-to-maturity portfolio	-	-	-4.2	-	-4.2
effective part of cash flow hedging relationship	-	-	2.9	-	2.9
revaluation of non-current assets	-	-	0.4	-	0.4
Transactions with shareholders, including:	0.0	0.0	0.0	-520.1	-520.1
valuation of share-based payments	-	-	-	0.3	0.3
profit distribution with dividend payout allocation	-	-	-	-520.4	-520.4
Closing balance of equity	130.1	956.3	1 903.4	7 015.2	10 005.0

Interim condensed standalone statement of changes in equity shall be analysed together with the supplementary notes to interim condensed consolidated financial statements being the integral part of interim condensed consolidated financial statements.

Interim condensed standalone cash flow statement

	IQ 2016 the period from 01 Jan 2016 to 31 Mar 2016	IQ 2015 the period from 01 Jan 2015 to 31 Mar 2015
Net profit (loss)	253.7	242.9
Adjustments	-586.3	-3 161.1
Depreciation and amortisation	41.5	40.5
Interest accrued (from the income statement)	-637.5	-539.5
Interest paid	-257.9	-317.4
Interest received	907.0	919.5
Dividends received	-1.0	0.0
Gains (losses) on investing activities	1.3	0.1
Income tax (from the income statement)	74.2	62.1
Income tax paid	-11.3	-99.2
Change in provisions	15.4	-4.2
Change in loans and other receivables to other banks	83.1	-283.3
Change in financial assets at fair value through profit or loss	-941.7	-790.0
Change in available-for-sale financial assets	-1 264.7	-1 079.3
Change in valuation of derivatives	-100.6	27.5
Change in hedge derivatives	-26.8	-22.9
Change in loans and other receivables to customers	-1 649.2	-3 457.7
Change in other assets	-16.0	-122.7
Change in liabilities to other banks	444.4	-125.6
Change in liabilities at fair value through profit or loss	-309.5	270.3
Change in liabilities to customers	2 618.2	2 111.9
Change in other liabilities	444.8	248.8
Net cash flow from operating activities	-332.6	-2 918.2
Purchase of property plant and equipment	-12.1	-12.8
Disposal of property, plant and equipment	2.5	0.1
Purchase of intangible assets	-14.8	-15.1
Disposal of assets held for sale	2.3	0.0
Purchase of held-to-maturity financial assets	-304.4	0.0
Interest received from held-to-maturity financial assets	1.4	0.0
Dividends received	1.0	0.0
Net cash flow from investing activities	-324.1	-27.8
Long-term loans received	654.8	0.0
Net cash flow from financing activities	654.8	0.0
Effect of exchange rate changes on cash and cash equivalents	-58.4	-148.6
Net increase/decrease in cash and cash equivalents	-1.9	-2 946.0
Opening balance of cash and cash equivalents	4 410.4	6 294.1
Closing balance of cash and cash equivalents	4 408.5	3 348.1

Interim condensed standalone cash flow statement shall be analysed together with the supplementary notes to interim condensed consolidated financial statements being the integral part of interim condensed consolidated financial statements.

Additional information to the interim condensed standalone financial statements

1. Introduction

1.1. *Going-concern*

These interim condensed standalone financial statements were prepared on a going-concern basis as regards the foreseeable future, namely as regards the period of minimum 12 months from the balance sheet date. As of the date of approving this statement, the Bank Management Board has not identified any events that could indicate that the continuation of the operations by the Bank is endangered.

1.2. *Discontinued operations*

No operations were discontinued during 1 quarter 2016 and 1 quarter 2015.

1.3. *Compliance with International Financial Reporting Standards*

These interim condensed standalone financial statements of the ING Bank Śląski S.A. for the 1 quarter 2016 were prepared under the IAS 34 *Interim Financial Reporting* (International Accounting Standards) in a version approved by the European Commission effective as at the reporting date, that is 31 March 2016 as well as in accordance with the Ordinance of Finance Minister of 19 February 2009 on current and interim information submitted by issuers of securities (Journal of Laws of 2009, no. 33, item 259) with subsequent amendments.

Presented financial statements have been prepared in a condensed version. The interim condensed financial statements do not provide all data or disclosures required in the annual financial statements and should be interpreted together with the interim condensed consolidated financial statements for the 1 quarter 2016 and the Bank's financial statements for the year ended 31 December 2015 approved by the General Meeting on 31 March 2016.

Interim condensed standalone income statement, interim condensed standalone statement of comprehensive income, interim condensed standalone statement of changes in equity, and interim condensed standalone cash flow statement for the period from 1 January 2016 to 31 March 2016, and interim condensed standalone statement of financial position as at 31 December 2016 together with comparable data were prepared according to the same principles of accounting for each period.

1.4. *Comparative data and verification by the chartered auditor*

The comparative data cover the period from 1 January 2015 to 31 March 2015 for the interim condensed standalone income statement; the interim condensed standalone statement of comprehensive income and the interim condensed standalone cash flow statement, additionally for the interim condensed standalone statement of changes in equity as at 31 December 2015; and in the case of the interim condensed standalone statement of financial position data as of 31 December 2015, 31 March 2015 and 31 December 2014.

1.5. *Financial statements scope and currency*

From the Bank's point of view all significant disclosures are presented in interim condensed consolidated financial statements.

These interim condensed financial statements have been developed in Polish zloties ("PLN"). Unless

provided for otherwise, all values were given rounded up to PLN million. Therefore, some totals and individual notes can be inconsistent in mathematical terms.

1.6. Changes to accounting standards

In these interim condensed standalone financial statements the same principles of accounting have been applied as the ones applied for developing the 2015 annual standalone financial statements. Amendments to standards and new interpretations are described in interim condensed consolidated statements of the ING Bank Śląski S.A. Capital Group for the 1 quarter 2016 enclosed herewith ("interim condensed consolidated financial statements"), in chapter *Additional information* in item 4.5. *Changes to accounting standards*.

1.7. Approval of financial statements

These interim condensed standalone financial statements have been approved by the Bank Management Board on 9 May 2016.

2. Material accounting principles

Detailed accounting principles are presented in annual financial statements of ING Bank Śląski S.A. for the period from 1 January 2015 to 31 December 2015 published on 29 February 2016 that is available on the Internet site of ING Bank Śląski S.A. (www.ingbank.pl).

The same accounting principles were applied to interim condensed standalone financial statements and interim condensed consolidated financial statements, except for the changes in recording capital investments described above.

2.1. Subsidiaries

Subsidiaries are entities that are controlled directly or indirectly by the bank. Control is the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. All of the following conditions have to be fulfilled simultaneously in order to confirm control over a specified unit:

- holding an existing right (power) to manage the relevant activities of the unit on an ongoing basis (activities that significantly affect return from a specific involvement with a given unit),
- exposure to variable returns or holding rights to variable returns,
- having the ability to use the existing rights (power) to affect its returns from a given involvement.

The conditions indicated hereinabove are not deemed fulfilled if the existing rights are of the protective nature only, i.e. are defined as rights securing Bank's interests related to a given involvement.

Recognition and valuation

The Bank recognises in its financial statements investments in its subsidiaries, associates and joint ventures under joint control as at the purchase price. The carrying amount of the investment is subject to tests for impairment under IAS 36. Any identified impairment is recognised in the income statement under the item *Impairment losses for financial assets and provisions for off-balance-sheet*

liabilities. Dividends being investment income are recognised in the income statement as at the date when the Bank is vested with the right to receive them.

Items of assets and liabilities as well as revenues and expenses related to the joint operation are recognised at the value corresponding to the Bank's interest in the joint operation (in line with the proportionate consolidation principles). The adopted recognition method is applied both under joint control and a lack thereof provided that the Bank still holds rights to the items of assets and obligations under an arrangement.

3. Accounting estimates

The most significant accounting estimates made by the Bank are described in the annual financial statements of ING Bank Śląski S.A. for the period from 1 January 2015 to 31 December 2015 published on 29 February 2016 that is available on the Internet site of ING Bank Śląski S.A. (www.ingbank.pl). Changes to the estimates made in Q1 2016 were described in the interim condensed consolidated financial statements, in chapter *Additional information*, item 5.1. *Changes made to estimates*.

4. Comparability of financial data

In the interim condensed standalone financial statements for the 1 quarter 2016, the Bank made disclosure-related amendments regarding some items in the income statement and statement of financial position, compared to the interim condensed standalone financial statements for the 1 quarter 2015, the fact which was described in chapter *Additional information* of the interim condensed consolidated financial statements in item 6. *Comparability of financial data*.

5. Significant events in 1 quarter 2016

Significant events that occurred in 1 quarter 2016 are described in the interim condensed consolidated financial statement in chapter *Additional information* in item 2. *Significant events in 1 quarter 2016*.

6. Seasonality or cyclicity of activity

Activity of ING Bank Śląski S.A. Group is not subject to seasonality or cyclicity within the meaning of §21 of IAS 34.

7. Issues, redemption or repayments of debt securities and equities

None.

8. Dividends paid

On 31 March 2016, the General Meeting passed a resolution regarding dividend payout for 2015, pursuant to which the Bank paid out the dividend for 2015 totalling PLN 559,430.0 thousand, (PLN 4.3 gross per share). On 20 April 2016 the shareholders of record became entitled to the dividend payout which took place on 5 May 2016.

On 31 March 2015, the General Meeting passed a resolution regarding dividend payout for 2014, pursuant to which the Bank paid out the dividend for 2014 totalling PLN 520,400.0 thousand, (PLN 4.0

gross per share). On 20 April 2015 the shareholders of record became entitled to the dividend payout which took place on 5 May 2015.

9. Acquisitions

In 1 quarter 2016, the ING Bank Śląski did not make any acquisitions, as in 1 quarter 2015.

10. Off-balance sheet items

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Contingent liabilities granted	23 907.6	23 453.5	22 572.5	23 394.6
Contingent liabilities received	54 164.1	51 424.8	43 580.4	41 454.6
Off-balance sheet financial instruments	312 264.0	358 622.2	332 649.3	297 537.4
Total off-balance sheet items	390 335.7	433 500.5	398 802.2	362 386.6

11. Total capital ratio

	as of 31 Mar 2016	as of 31 Dec 2015	as of 31 Mar 2015	as of 31 Dec 2014
Own funds	8 240.2	7 750.1	7 498.7	6 774.6
Total capital requirement	4 281.9	4 115.4	3 806.6	3 492.9
Total capital ratio	15.4%	15.1%	15.8%	15.5%

12. Significant events after the balance sheet date

Significant events after the balance sheet date are described in the interim condensed consolidated financial statement in chapter *Additional information* in item 3. *Significant events after the balance sheet date*.

13. Transactions with related entities

Transactions with related entities have been described in the interim condensed consolidated financial statements in chapter *Additional information* in item 14. *Transactions with related entities*.

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS OF ING BANK ŚLĄSKI S.A.

2016-05-09 **Brunon Bartkiewicz** *Signed on the Polish original*
President

2016-05-09 **Mirosław Boda** *Signed on the Polish original*
Vice-President

2016-05-09 **Michał Bolesławski** *Signed on the Polish original*
Vice-President

2016-05-09 **Joanna Erdman** *Signed on the Polish original*
Vice-President

2016-05-09 **Justyna Kesler** *Signed on the Polish original*
Vice-President

2016-05-09 **Patrick Roesink** *Signed on the Polish original*
Vice-President

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2016-05-09 **Jolanta Alvarado Rodriguez** Director of Accounting
Department *Signed on the Polish original*
Chief Accountant

