



ING Bank Śląski S.A. Group

Semi-annual consolidated report
for the period of 6 months
ending on 30 June 2016

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SELECTED FINANCIAL DATA FROM FINANCIAL STATEMENTS

- Selected financial data

	II quarter 2016	I half year 2016	II quarter 2015	I half year 2015
Net interest income	690.9	1 359.0	594.1	1 163.1
Net commission income	258.1	512.0	263.5	513.5
Result on basic activities	1 152.4	2 128.0	981.4	1 887.4
Result before tax	524.9	862.3	414.8	740.9
Net profit attributable to shareholders of ING Bank Śląski S.A.	406.9	666.1	344.6	605.6
Earnings per ordinary share (PLN)	3.13	5.12	2.65	4.65

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Loans and other receivables to customers (net) excluding Eurobonds	74 398.9	71 476.6	68 681.0	64 416.0	59 648.4
Liabilities to customers	93 483.3	90 403.0	87 818.5	80 750.6	77 606.7
Total assets	115 639.7	112 732.7	108 893.1	105 318.9	102 568.3
Equity attributable to shareholders of ING Bank Śląski S.A.	10 810.1	10 667.7	10 677.9	9 556.1	10 229.5
Initial capital	130.1	130.1	130.1	130.1	130.1

- Key effectiveness ratios

	30 Jun 2016	31 Mar 2016	30 Jun 2015	31 Mar 2015
C/I - Cost/Income ratio (%)	48.2	52.2	52.9	54.7
ROA - Return on assets (%)	1.1	1.0	1.1	1.1
ROE - Return on equity (%)	11.4	10.9	11.2	10.8
NIM - net interest margin (%)	2.50	2.48	2.47	2.56
L/D - Loans-to-deposits ratio (%)	79.6	79.1	79.8	76.9
Total capital ratio (%)	14.6	14.1	13.7	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.

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

Interim condensed consolidated income statement

	Note	II Q 2016 the period from 01Apr 2016 to 30 June 2016	I HY 2016 the period from 01Jan 2016 to 30 June 2016	II Q 2015 the period from 01Apr 2015 to 30 June 2015	I HY 2015 the period from 01Jan 2015 to 30 June 2015
Net interest income	7.1	690.9	1 359.0	594.1	1 163.1
Net commission income	7.2	258.1	512.0	263.5	513.5
Net income on financial instruments at fair value through profit or loss and FX result	7.3	5.1	28.1	27.5	42.7
Net income on investments	7.4	196.6	225.3	90.6	141.5
Net income on hedge accounting	7.5	0.5	-2.1	3.3	14.7
Net income on other basic activities	7.6	1.2	5.7	2.4	11.9
Net income on basic activities		1 152.4	2 128.0	981.4	1 887.4
General and administrative expenses	7.7	517.2	1 026.0	502.3	997.9
Impairment losses and provisions for off-balance sheet liabilities	7.8	33.5	112.4	64.3	148.6
Tax on certain financial institutions		76.8	127.3	0.0	0.0
Gross profit (loss)		524.9	862.3	414.8	740.9
Income tax	7.9	118.0	196.2	70.1	135.2
Net profit (loss)		406.9	666.1	344.7	605.7
- attributable to shareholders of ING Bank Śląski S.A.		406.9	666.1	344.6	605.6
- attributable to non-controlling interests		0.0	0.0	0.1	0.1
Net profit (loss) attributable to shareholders of ING Bank Śląski S.A.		406.9	666.1	344.6	605.6
Weighted average number of ordinary shares		130 100 000	130 100 000	130 100 000	130 100 000
Earnings per ordinary share (PLN)		3.13	5.12	2.65	4.65

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

Interim condensed consolidated statement of comprehensive income

	II Q 2016 the period from 01Apr 2016 to 30 June 2016	I HY 2016 the period from 01Jan 2016 to 30 June 2016	II Q 2015 the period from 01Apr 2015 to 30 June 2015	I HY 2015 the period from 01Jan 2015 to 30 June 2015
Net profit for the period	406.9	666.1	344.7	605.7
Total other comprehensive income, including:	-265.3	24.5	-1 018.7	-984.1
Items which can be reclassified to income statement	-265.3	24.7	-1 015.4	-981.4
Items which will not be reclassified to income statement	0.0	-0.2	-3.3	-2.7
Net comprehensive income for the reporting period	141.6	690.6	-674.0	-378.4
- attributable to owners of ING Bank Śląski S.A.	141.6	690.6	-674.1	-378.5
- attributable to non-controlling interests	0.0	0.0	0.1	0.1

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 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Assets						
Cash in hand and balances with the Central Bank		1 286.6	3 565.7	3 589.7	2 864.7	2 392.5
Loans and other receivables to other banks	7.10	1 285.4	954.3	1 014.6	2 315.4	2 111.3
Financial assets at fair value through profit or loss	7.11	1 847.3	2 067.7	1 127.1	1 755.6	2 645.7
Valuation of derivatives		1 320.5	1 613.8	1 990.9	1 949.8	2 608.0
Investments	7.12	27 761.0	25 072.0	23 478.8	24 267.6	23 869.7
Derivative hedge instruments		2 389.6	2 737.1	2 454.8	2 036.6	3 039.3
Loans and other receivables to customers	7.13, 7.14	78 308.6	75 330.0	72 519.6	68 127.2	63 399.0
Receivables from customers under repo transactions		0.0	19.9	1 354.4	491.3	987.1
Non-financial assets	7.15	1 032.5	1 037.8	1 070.5	1 005.4	1 017.9
Assets held for sale		41.2	49.8	38.4	156.0	151.0
Tax assets		76.9	71.4	59.6	65.9	77.8
Other assets		290.1	213.2	194.7	283.4	269.0
Total assets		115 639.7	112 732.7	108 893.1	105 318.9	102 568.3
Liabilities						
Liabilities to other banks	7.16	5 082.3	4 236.0	3 913.5	8 493.0	5 807.5
Financial liabilities at fair value through profit or loss	7.17	299.3	319.9	629.4	412.1	1 187.7
Valuation of derivatives		1 336.9	1 525.1	2 002.7	2 062.7	2 744.8
Derivative hedge instruments		1 730.1	1 818.0	1 830.9	1 900.5	2 062.5
Liabilities to customers	7.18	93 483.3	90 403.0	87 818.5	80 750.6	77 606.7
Liabilities to customers under repo transactions		9.1	10.4	47.5	4.5	54.8
Liabilities under issue of debt securities		866.3	872.0	866.3	866.3	872.7
Subordinated liabilities		665.2	641.6	0.0	0.0	0.0
Provisions	7.19	82.0	82.7	67.2	69.5	70.6
Tax liabilities		181.4	221.7	156.8	10.2	247.3
Other liabilities		1 091.2	1 932.1	879.8	1 190.8	1 681.6
Total liabilities		104 827.1	102 062.5	98 212.6	95 760.2	92 336.2
Equity						
Share capital		130.1	130.1	130.1	130.1	130.1
Supplementary capital - issuance of shares over nominal value		956.3	956.3	956.3	956.3	956.3
Revaluation reserve		1 508.0	1 774.8	1 485.0	888.3	1 908.8
Retained earnings*		8 215.7	7 806.5	8 106.5	7 581.4	7 234.3
Equity attributable to shareholders of ING Bank Śląski S.A.		10 810.1	10 667.7	10 677.9	9 556.1	10 229.5
Non-controlling interests		2.5	2.5	2.6	2.6	2.6
Total equity		10 812.6	10 670.2	10 680.5	9 558.7	10 232.1
Total equity and liabilities		115 639.7	112 732.7	108 893.1	105 318.9	102 568.3
Carrying amount		10 810.1	10 667.7	10 677.9	9 556.1	10 229.5
Number of shares		130 100 000	130 100 000	130 100 000	130 100 000	130 100 000
Carrying amount per share (PLN)		83.09	82.00	82.07	73.45	78.63

*) Starting from the financial statements for Q1 2016, the Group has moved the Revaluation of share-based payment to the Retained earnings item. Data for previous periods were made comparable. For a detailed description of the aforementioned change see item 6. Comparability of financial data in the Supplementary information chapter.

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 half year 2016

the period from 01 Jan 2016 to 30 Jun 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	-	-	-	666.1	-	666.1
Other net comprehensive income, including:	0.0	0.0	23.0	1.5	0.0	24.5
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	26.2	-	-	26.2
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-181.8	-	-	-181.8
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	-	-	-16.0	-	-	-16.0
effective part of cash flow hedging relationship	-	-	196.3	-	-	196.3
revaluation of non-current assets	-	-	-0.2	-	-	-0.2
disposal of non-current assets	-	-	-1.5	1.5	-	0.0
Transactions with shareholders, including:	0.0	0.0	0.0	-558.4	-0.1	-558.5
valuation of share-based payments	-	-	-	1.0	-	1.0
profit distribution with dividend payout allocation	-	-	-	-559.4	-0.1	-559.5
Closing balance of equity	130.1	956.3	1 508.0	8 215.7	2.5	10 812.6

year 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 half year 2015

the period from 01 Jan 2015 to 30 Jun 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	-	-	-	605.6	0.1	605.7
Other net comprehensive income, including:	0.0	0.0	-986.0	1.9	0.0	-984.1
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	-139.5	-	-	-139.5
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-43.7	-	-	-43.7
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	-	-	-12.2	-	-	-12.2
effective part of cash flow hedging relationship	-	-	-786.0	-	-	-786.0
revaluation of non-current assets	-	-	-3.8	1.4	-	-2.4
disposal of non-current assets	-	-	-0.8	0.5	-	-0.3
Transactions with shareholders, including:	0.0	0.0	0.0	-519.4	-0.1	-519.5
valuation of share-based payments	-	-	-	1.0	-	1.0
profit distribution with dividend payout allocation	-	-	-	-520.4	-0.1	-520.5
Closing balance of equity	130.1	956.3	888.3	7 581.4	2.6	9 558.7

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 half year 2016 the period from 01 Jan 2016 to 30 Jun 2016	I half year 2015 the period from 01 Jan 2015 to 30 Jun 2015
Net profit	666.1	605.6
Adjustments	-1 992.1	-2 474.8
Profit (loss) attributable to non-controlling interests	0.0	0.1
Depreciation and amortisation	87.8	85.2
Interest accrued (from the income statement)	-1 359.0	-1 163.1
Interest paid	-525.9	-607.0
Interest received	1 970.7	1 882.8
Dividends received	-0.9	-83.8
Gains (losses) on investing activities	1.5	-0.4
Income tax (from the income statement)	196.2	135.2
Income tax paid	-188.9	-397.4
Change in provisions	14.8	-5.3
Change in loans and other receivables to other banks	87.5	-595.2
Change in financial assets at fair value through profit or loss	-720.4	101.4
Change in available-for-sale financial assets	-2 879.1	-1 644.7
Change in valuation of derivatives	4.6	3.6
Change in hedge derivatives	160.7	28.9
Change in loans and other receivables from customers	-4 542.9	-7 552.5
Change in other assets	-109.5	-84.1
Change in liabilities to other banks	290.3	2 564.6
Change in liabilities at fair value through profit or loss	-330.1	-505.3
Change in liabilities to customers	5 627.7	5 083.8
Change in other liabilities	222.8	278.4
Net cash flow from operating activities	-1 326.0	-1 869.2
Purchase of property plant and equipment	-26.2	-40.2
Disposal of property plant and equipment	2.8	8.7
Purchase of intangible assets	-43.8	-42.2
Disposal of assets held for sale	10.8	0.9
Purchase of held-to-maturity financial assets	-1 542.3	0.0
Interest received from held-to-maturity financial assets	18.3	0.0
Dividends received	0.9	83.8
Net cash flow from investing activities	-1 579.5	11.0
Long-term loans received	1 767.9	29.4
Long-term loans repaid	-226.3	-211.0
Interest on long-term loans repaid	-9.6	-13.3
Interests from issued debt securities	-11.3	-12.5
Dividends paid	-559.5	-520.5
Net cash flow from financing activities	961.2	-727.9
Effect of exchange rate changes on cash and cash equivalents	134.1	-44.9
Net increase/decrease in cash and cash equivalents	-1 944.3	-2 586.1
Opening balance of cash and cash equivalents	4 411.9	6 311.1
Closing balance of cash and cash equivalents	2 467.6	3 725.0

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 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 capital

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).

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 30 June 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 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.

In the first half of 2016, ING Securities S.A. was divided. The company's entire assets was transferred onto ING Bank Śląski S.A. and Nowe Usługi S.A. as per the principles in the Division Plan. Following the division of ING Securities S.A., the brokerage services provided so far via ING Securities S.A. and ING Bank Śląski S.A. have been integrated within one entity (ING Bank Śląski S.A.). Services other than brokerage services provided by ING Securities S.A. have been 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 relevant resolution on the division of ING Securities S.A. On 31 May 2016, the District Court Katowice-East, Commercial Division No. 8 of the National Court Register removed ING Securities Spółka Akcyjna from the register of entrepreneurs. Since ING Securities had been a fully-consolidated subsidiary until the merger with the Bank, the consolidation had no impact on the Group's consolidated financial statements.

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 30 June 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 30 June 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 30 June 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 2 August 2016.

2. Significant events in I half 2016

2.1. Acquisition of Visa Europe Limited (Visa Europe) by Visa Inc.

On 17 June 2016, the Management Board of ING Bank Śląski S.A. communicated that they received the information regarding the proposed allocation of the settlement of the Visa Europe Limited (Visa Europe) takeover by Visa Inc. transaction. The transaction amount (Visa Europe value) was valued as EUR 18.37 billion, out of which EUR 12.25 billion was paid out in cash (up-front) as at the transaction settlement date and EUR 5.0 billion in Visa Inc. preferred stock. Furthermore, the transaction provides for a deferred cash payment of EUR 1.12 billion, which will be paid after the third anniversary of the closing date. As a Visa Europe member, ING Bank Śląski S.A. was one of the transaction beneficiaries. Pursuant to the information received, the impact of the transaction closing on ING Bank Śląski S.A. is as follows:

- EUR 33.1 million in cash,
- 12,030 Series C Visa Inc. preferred stock,
- a percentage of the deferred payment totalling 0.2553478580% of the amount, subject to potential adjustments, if any.

On 21 June 2016, the Bank received the payment under the settlement of the Visa Europe Limited (Visa Europe) takeover by Visa Inc. transaction on the terms listed above.

The net income on transaction settlement of PLN 189.6 million was recognised at fair value of the fee received, including cash payments, deferred cash payments and the fair value of Visa Inc. shares. The aforesaid net income is included in the statement of profit and loss in the *Net income on investment* item (note 7.4).

The Group classifies the Visa Inc. preference shares obtained as a result of the transaction settlement and with the fair value of PLN 36.1 million as at 30 June 2016, as available-for-sale financial assets, and it carries them at their fair value through other total income. For the description of the procedure for the estimation of the fair value of the above-said shares please see chapter 7, note 7.20.1. *Financial assets and liabilities at fair value in statement of financial position.*

2.2. 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.

2.3. 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+.

2.4. Change of interest for ING Bank Śląski S.A.'s bonds

- bonds series INGBS191219

On 19 June 2016, due to commencing new coupon period and setting a new WIBOR rate for six-month deposits per the coupon period, the interest was changed for bonds series INGBS191219 of the total nominal value of PLN 300,000,000.00, issued by the Bank on 19 December 2014, under the *Own Debt Securities Issuance Programme of ING Bank Śląski S.A.* The bonds interest for the subsequent coupon period is 2.50% per annum. The next coupon date falls on 19 December 2016. The other rights under the said bonds remain unchanged.

- bonds series INGBS061217

On 6 June 2016, due to commencing new, eighth coupon period and setting a new WIBOR rate for six-month deposits per the coupon period, the interest was changed for bonds series INGBS061217 of the total nominal value of PLN 565,000,000.00, issued by the Bank on 6 December 2012, under the *Own Debt Securities Issuance Programme of ING Bank Śląski S.A.* The bonds interest for the subsequent coupon period is 2.64% per annum. The next coupon date falls on 6 December 2016. The other rights under the said bonds remain unchanged.

2.5. Credit Agreement with ING Commercial Finance Polska S.A. – signing a new agreement and annexes

New agreement

On 22 April 2016, the Bank signed a new credit agreement with its subsidiary 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 did not increase the total exposure of the Bank towards the subsidiary.

Annexes

On 1 June 2016, the following two annexes were concluded with ING Commercial Finance Polska S.A.: Annex to the Credit Agreement of 2 January 2012 and Annex to the Credit Agreement of 22 April 2016, whereby the amount of the loan granted to the company was increased by PLN 395.0 million, i.e. to PLN 3,120.00 million.

2.6. Securities Provision Agreement with ING Lease (Polska) Sp. z o.o.

On 21 June 2016, the Bank signed the Securities Provision Agreement with ING Lease (Polska) Sp. z o.o. The Agreement was concluded following the financial pledge of bonds held by the Bank worth PLN 328 million in favour of the European Investment Bank in order to secure liabilities of ING Lease (Polska) Sp. z o.o. under the credit agreement concluded between that company and the European Investment Bank. The Securities Provision Agreement became effective as of 21 June 2016. The criterion for regarding the agreement as significant is the total amount of agreements concluded with ING Lease (Polska) Sp. z o.o. during last 12 months which exceeds 10% of the Bank's equity. ING Lease (Polska) Sp. z o.o. is a related entity of ING Bank Śląski S.A.

2.7. 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 10. *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 2.8. *Changes to the ING Bank Śląski S.A. Management Board and Supervisory Board composition*) and adoption of the Supervisory Board Members Remuneration Policy.

On 9 May 2016, the District Court in Katowice, Commercial Division of the National Court Register, entered the amendments to the Bank Charter enacted at the General Meeting into the National Court Register.

2.8. 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 27 June 2016, the Supervisory Board appointed Mr. Marcin Giżycki Vice-President of the Bank Management Board in charge of the Retail Banking Division and the Brokerage Office Division as of 01 August 2016.

On 24 March 2016, Mr. Diederik van Wassenaeer 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 Wassenaeer 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.

2.9. 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

2.10. Sale of non-performing receivables portfolio

- On 31 May 2016, the Bank concluded an agreement on the sale of corporate receivables from the impaired portfolio. As a result of the transaction, the portfolio of irregular receivables decreased by PLN 305.8 million. The positive impact of the transaction on the Bank's result before tax amounted to PLN 17.4 million.
- On 29 March 2016, ING Bank Śląski S.A. concluded 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 before tax was PLN 18.9 million.

2.11. 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.

2.12. 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 the case of ING Bank Śląski S.A., the total mandatory and prudential contribution for Q1 and Q2 2016 was PLN 64.6 million (pursuant to the Bank Guarantee Fund Council resolutions determining the rates for Q1 and Q2 2016) was recognised in the statement of profit and loss under the *General and administrative expenses* item.

2.13. 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. The bank levy is presented in a separate item under the statement of profit and loss entitled: *Tax on certain financial institutions*.

2.14. 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. Sale of non-performing receivables portfolio

On 27 July 2016, the Bank entered into an agreement on the sale of the portfolio of non-performing loans, unsecured loans in particular, with BEST I Niestandardowy Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty (Non-Standard Closed-End Securitization Investment Fund) with its registered office in Gdynia. The total amount of the receivables sold under the agreement was PLN 139.7 million (that includes a principal amount, interest and other costs as per the day the agreement was signed on). The final sale price of the portfolio was established at PLN 14.8 million. As a consequence of the aforesaid agreement, the Bank decreased its portfolio of non-performing loans by PLN 84.7 million. The positive impact of the transaction on the Bank's result before tax was PLN 13.8 million.

3.2. Rating update by Moody's

On 25 July 2016, Moody's Investors Service rating agency ("Moody's") in its semi-annual review affirmed the ratings for ING Bank Śląski S.A.:

- LT Rating: "A3",
- LT Rating Outlook: "Stable"
- ST Rating: "P-2",
- Baseline Credit Assessment (BCA): baa3,
- Adjusted Baseline Credit Assessment – Adjusted BCA: baa2,
- Counterparty Risk Assessment (CR Assessment) long-term/ short-term: A2/P-1.

The agency stressed in its announcement that the ING Bank Śląski S.A.'s ratings reflect its good financial results, including the quality of its assets above the sector's average and the self-financing nature of the Bank's operations. Moody's rating for ING Bank Śląski S.A. is not a commissioned rating and it is assigned on the basis of available public disclosures

4. Compliance with International Financial Reporting Standards

These interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for the period of 6 months ending on 30 June 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 30 June 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 30 June 2016, and interim condensed consolidated statement of financial position as at 30 June 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 I half 2016 and I half 2015.

4.3. *Financial statements scope and currency*

These interim condensed consolidated financial statements of the Group for the period of 6 months ending on 30 June 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 and verification by the chartered auditor*

The comparative data cover the period from 1 January 2015 to 30 June 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 period from 1 January 2015 to 31 December 2015 for the interim condensed consolidated statement of changes in equity; and in the case of the interim condensed consolidated statement of financial position data as of 31 March 2016, 31 December 2015, 30 June 2015 and 31 March 2015. Interim condensed consolidated income statements, interim

condensed consolidated statement of comprehensive income and notes to the interim condensed consolidated income statements include data for the Q2 2016 (period from 1 April 2016 to 30 June 2016) as well as comparative data for the Q2 2015 (period from 1 April 2015 to 30 June 2015).

The following financial data presented quarterly:

- for the period from 1 January 2016 to 31 March 2016,
- for the period from 1 April 2016 to 30 June 2016,
- for the period from 1 April 2015 to 30 June 2015 and
- as at 31 March 2016

were neither reviewed separately nor audited by the chartered auditor.

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 I half year 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.
IFRS 15 "Revenue from Contracts with Customers" (the accounting year starting on 01 January 2018 or later)	The Group is currently analysing the impact of changes on the financial statements of the Group. The first analyses suggest that the implementation of the change will have no material impact on the financial statements of the Group.
IFRS 2 "Share-Based Payment" (the accounting year starting on 01 January 2018 or later)	The Group is currently analysing the impact of standard amendment on the financial statements of the Group.

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 H1 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 the verification of rates and the economic life of intangible assets, the economic life for the intangible assets created under strategic projects that are of key importance for the Bank's operations, was determined as 5 years.

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 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 30 June 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 I half 2015 and in the current statements.

EQUITY	Financial statements for 2015 as of 31 Dec 2015 (approved data)	Financial statements for I half 2015 as of 30 Jun 2015 (approved data)	change		Financial statements for I half year 2016 (comparable data)	
			as of	as of	as of	as of
			31 Dec 2015	30 Jun 2015	31 Dec 2015	30 Jun 2015
Revaluation of share-based payments	49.4	49.2	-49.4	-49.2	-	-
Retained earnings	8 057.1	7 532.2	49.4	49.2	8 106.5	7 581.4

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

7. Supplementary notes to interim condensed consolidated financial statements

7.1. Net interest income

	II Q 2016 the period from 01Apr 2016 to 30 June 2016	I HY 2016 the period from 01Jan 2016 to 30 June 2016	II Q 2015 the period from 01Apr 2015 to 30 June 2015	I HY 2015 the period from 01Jan 2015 to 30 June 2015
Interest income				
Interest on loans and receivables to other banks	13.9	26.2	15.4	31.3
Interest on loans and receivables to customers	762.0	1 505.3	690.1	1 374.2
Interest on repo transactions concluded with customers	2.7	6.0	1.0	4.6
Interest on financial assets held for trading	4.2	8.4	7.6	14.3
Interest on available-for-sale financial assets	124.4	248.6	140.5	298.2
Interest on financial assets held to maturity	29.8	57.4	20.4	31.4
Net interest income on derivatives	24.2	44.3	3.0	11.0
Total interest income	961.2	1 896.2	878.0	1 765.0
Interest expenses				
Interest on deposits from other banks	7.8	16.4	16.5	31.4
Interest on deposits from customers	253.3	504.3	260.5	557.0
Interest on repo transactions made with customers	0.0	0.1	0.1	0.2
Interest on issue of debt securities	5.6	11.3	6.2	12.3
Interest on financial liabilities held for trading	0.2	0.4	0.6	1.0
Interest on subordinated liabilities	3.4	4.7	0.0	0.0
Total interest expense	270.3	537.2	283.9	601.9
Net interest income	690.9	1 359.0	594.1	1 163.1
NIM -net interest margin- cumulative (annualized) *	2.50%		2.47%	
NIM -net interest margin- quarterly **	2.50%		2.38%	

*) 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.

Interest assets used for the calculations include the total of assets under the consolidated statement of financial position less cash in hand and balances with the central bank, non-financial assets, held-for-sale assets, tax assets, and other assets.

7.2. Net commission income

	II Q 2016 the period from 01Apr 2016 to 30 June 2016	I HY 2016 the period from 01Jan 2016 to 30 June 2016	II Q 2015 the period from 01Apr 2015 to 30 June 2015	I HY 2015 the period from 01Jan 2015 to 30 June 2015
Commission income				
transaction margin on currency exchange transactions	67.6	131.5	75.0	144.9
maintaining client accounts	63.8	124.6	62.9	122.0
granting loans	58.8	122.8	58.5	115.6
payment and credit cards fees	32.0	53.9	14.2	30.3
participation units distribution fees	21.9	43.7	26.4	49.4
insurance product offering commissions	9.9	24.0	17.8	33.6
factoring and lease agreements commissions	11.0	20.0	8.7	16.3
brokerage activity fees	8.0	16.8	11.2	21.5
custody operations	6.4	12.4	6.4	14.7
foreign commercial business	6.0	11.2	4.9	9.5
other	9.3	19.4	5.3	10.5
Total commission income	294.7	580.3	291.3	568.3
Total commission expenses	36.6	68.3	27.8	54.8
Net commission income	258.1	512.0	263.5	513.5
Share of the net commission income in Group revenue	22.4%	24.1%	26.8%	27.2%

*) Net income on core operations is treated as the Group's income.

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

	II Q 2016 the period from 01Apr 2016 to 30 June 2016	I HY 2016 the period from 01Jan 2016 to 30 June 2016	II Q 2015 the period from 01Apr 2015 to 30 June 2015	I HY 2015 the period from 01Jan 2015 to 30 June 2015
Net income on financial instruments at fair value through profit or loss:	49.2	166.2	29.4	25.2
Net income on debt instruments	6.1	12.2	1.1	1.9
Net income on derivatives, including:	43.1	154.0	28.3	23.3
- currency derivatives	45.8	154.0	17.4	1.8
- interest rate derivatives	-2.7	0.0	10.9	21.4
- securities derivatives	0.0	0.0	0.0	0.1
FX result	-44.1	-138.1	-1.9	17.5
Net income on financial instruments at fair value through profit or loss and FX result	5.1	28.1	27.5	42.7

7.4. Net income on investments

	II Q 2016 the period from 01Apr 2016 to 30 June 2016	I HY 2016 the period from 01Jan 2016 to 30 June 2016	II Q 2015 the period from 01Apr 2015 to 30 June 2015	I HY 2015 the period from 01Jan 2015 to 30 June 2015
Net income on equity instruments	189.6	189.6	0.0	0.0
Net income on debt instruments	1.6	30.3	3.1	54.0
Dividend income	5.4	5.4	87.5	87.5
Net income on investments	196.6	225.3	90.6	141.5

The amount of PLN 189.6 million in the item *Net income on equity instruments* shows the result of the June 2016 settlement of the acquisition of Visa Europe Limited by Visa Inc.

The above transaction was described in item 2.1. *Acquisition of Visa Europe Limited (Visa Europe) by Visa Inc Chapter 2. Significant events in I half 2016.*

In H1 2015, in the amount of dividend income, the amount of PLN 82.1 million represented the 2014 dividend received from ING Powszechne Towarzystwo Emerytalne S.A.

7.5. Net income on hedge accounting

	II Q 2016 the period from 01Apr 2016 to 30 June 2016	I HY 2016 the period from 01Jan 2016 to 30 June 2016	II Q 2015 the period from 01Apr 2015 to 30 June 2015	I HY 2015 the period from 01Jan 2015 to 30 June 2015
Fair value hedge accounting for securities:	0.6	-2.0	3.1	14.5
valuation of the hedged transaction	-15.1	31.2	-112.8	-111.5
valuation of the hedging transaction	15.7	-33.2	115.9	126.0
Cash flow hedge accounting:	-0.1	-0.1	0.2	0.2
Ineffectiveness that arises from cash flow hedges	-0.1	-0.1	0.2	0.2
Net income on hedge accounting	0.5	-2.1	3.3	14.7

7.6. Net income on other basic activities

	II Q 2016 the period from 01Apr 2016 to 30 June 2016	I HY 2016 the period from 01Jan 2016 to 30 June 2016	II Q 2015 the period from 01Apr 2015 to 30 June 2015	I HY 2015 the period from 01Jan 2015 to 30 June 2015
Net income on the investment properties	1.5	3.0	1.5	3.8
Other	-0.3	2.7	0.9	8.1
Net income on other basic activities	1.2	5.7	2.4	11.9

7.7. General and administrative expenses

	II Q 2016 the period from 01Apr 2016 to 30 June 2016	I HY 2016 the period from 01Jan 2016 to 30 June 2016	II Q 2015 the period from 01Apr 2015 to 30 June 2015	I HY 2015 the period from 01Jan 2015 to 30 June 2015
Personnel expenses	251.3	502.8	237.0	475.9
Other general and administrative expenses, including:	265.9	523.2	265.3	522.0
cost of marketing and promotion	24.6	50.1	30.9	61.0
depreciation and amortisation	45.6	87.8	43.4	85.2
BGF fee	32.8	64.5	26.1	52.2
Total general and administrative expenses	517.2	1 026.0	502.3	997.9

7.7.1. Headcount

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

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
FTEs	8 148.2	8 165.8	8 133.7	8 162.0	8 144.6
Individuals	8 200	8 221	8 189	8 228	8 202

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

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
FTEs	7 780.0	7 706.7	7 686.3	7 707.7	7 674.0
Individuals	7 828	7 754	7 728	7 759	7 719

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

	II Q 2016 the period from 01Apr 2016 to 30 June 2016	I HY 2016 the period from 01Jan 2016 to 30 June 2016	II Q 2015 the period from 01Apr 2015 to 30 June 2015	I HY 2015 the period from 01Jan 2015 to 30 June 2015
Impairment losses on loans and other receivables	237.0	537.4	268.6	479.3
Reversed impairment losses on loans and other receivables	-203.5	-425.0	-204.3	-330.7
Net impairment losses and provisions for off-balance sheet liabilities	33.5	112.4	64.3	148.6
<i>Including:</i>				
corporate banking	8.9	71.5	40.7	91.1
retail banking	24.6	40.9	23.6	57.5

7.9. Effective tax rate

	II Q 2016 the period from 01Apr 2016 to 30 June 2016	I HY 2016 the period from 01Jan 2016 to 30 June 2016	II Q 2015 the period from 01Apr 2015 to 30 June 2015	I HY 2015 the period from 01Jan 2015 to 30 June 2015
Gross profit	524.9	862.3	414.8	740.9
Income tax	118.0	196.2	70.1	135.2
Net profit	406.9	666.1	344.7	605.7
Effective tax rate	22.5%	22.8%	16.9%	18.2%

The effective tax rate deviation in H1 2016 was influenced by the bank levy (127.3 million) and the prudential fee for BGF (20.7 million).

The effective tax rate deviation in H1 2015 below 19% was influenced by the dividend obtained by the Bank and paid out by ING Powszechnie Towarzystwo Emerytalne S.A. (ING PTE) totalling PLN 82.1 million that is exempt from income tax pursuant to Article 22 section 4 of the Corporate Income Tax Act.

7.10. Loans and receivables to other banks

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Current accounts	957.8	837.6	820.7	774.2	794.8
Interbank deposits	223.0	44.6	59.4	403.4	413.2
Loans and advances	55.1	62.3	81.7	68.8	63.5
Factoring receivables	49.9	8.5	51.4	9.8	3.8
Reverse repo transactions	0.0	0.0	0.0	1 038.0	820.9
Other	0.0	2.0	1.5	21.2	15.2
Total (gross)	1 285.8	955.0	1 014.7	2 315.4	2 111.4
Impairment losses, including:	-0.4	-0.7	-0.1	0.0	-0.1
concerning loans and advances	-0.4	-0.7	-0.1	0.0	-0.1
Total (net)	1 285.4	954.3	1 014.6	2 315.4	2 111.3

7.11. Financial assets at fair value through profit or loss

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Financial assets held for trading, including:	1 847.3	2 067.7	1 127.1	1 755.6	2 645.7
debt instruments	1 847.3	2 067.7	964.3	1 740.5	2 068.3
transactions with the buy-back commitment	0.0	0.0	162.8	15.1	577.4
Total, including:	1 847.3	2 067.7	1 127.1	1 755.6	2 645.7
T-bonds and T-bills	1 747.6	2 067.7	964.3	1 740.5	1 568.3

7.12. Investments

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Available-for-sale financial assets, including	23 401.8	21 952.1	20 678.1	22 540.7	22 151.9
debt instruments, including:	23 360.3	21 768.6	20 494.9	22 527.0	22 138.4
- fair value hedge-hedged items	12 987.1	9 659.3	3 515.5	3 034.4	3 226.1
equity instruments	41.5	183.5	183.2	13.7	13.5
Financial assets held to maturity, including:	4 359.2	3 119.9	2 800.7	1 726.9	1 717.8
debt instruments	4 359.2	3 119.9	2 800.7	1 726.9	1 717.8
Total, including:	27 761.0	25 072.0	23 478.8	24 267.6	23 869.7
T-bonds and T-bills	25 311.3	22 696.0	20 620.6	20 026.1	20 824.6

In the amounts shown as at 31 March 2016 and 31 December 2015 in the item *Available-for-sale financial assets – equity instruments* PLN 177.9 million represented the fair value of Visa Europe Limited's shares. In June 2016, the shares were divested and the Group received inter alia Visa Inc.'s preferred stock under the sale transaction settlement. In the amount shown as at 30 June 2016, PLN 36.1 million represents the fair value of received Visa Inc.'s shares.

The above transaction was described in item 2.1. *Acquisition of Visa Europe Limited (Visa Europe) by Visa Inc* Chapter 2. *Significant events in I half 2016*.

7.13. Loans and receivables to customers

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Customer loan portfolio, including:	75 810.8	72 907.0	70 046.9	65 943.7	61 323.1
Loans and advances	63 743.5	61 492.4	58 563.8	55 607.0	51 561.9
Leasing receivables	5 492.9	5 066.4	4 922.1	4 655.2	4 353.1
Factoring receivables	4 047.3	3 413.9	3 402.0	2 836.4	2 582.6
Debt securities (corporate and municipal bonds)	2 527.1	2 934.3	3 159.0	2 845.1	2 825.5
Other receivables, including:	3 978.6	3 980.1	4 019.6	3 846.1	3 867.8
T-eurobonds	3 909.7	3 853.4	3 838.6	3 711.2	3 750.6
Other	68.9	126.7	181.0	134.9	117.2
Total (gross)	79 789.4	76 887.1	74 066.5	69 789.8	65 190.9
Impairment losses (with IBNR), including:	-1 480.8	-1 557.1	-1 546.9	-1 662.6	-1 791.9
concerning customer loan portfolio, including:	-1 479.6	-1 555.9	-1 545.9	-1 661.7	-1 791.0
concerning loans and advances	-1 409.9	-1 365.7	-1 390.7	-1 542.1	-1 679.4
concerning leasing receivables	-48.8	-43.1	-39.4	-43.6	-52.0
concerning factoring receivables	-19.8	-17.1	-12.3	-14.0	-15.0
concerning debt securities (corporate and municipal bonds)	-1.1	-130.0	-103.5	-62.0	-44.6
concerning other receivables, including:	-1.2	-1.2	-1.0	-0.9	-0.9
concerning T-eurobonds	-0.7	-0.7	-0.5	-0.4	-0.4
other	-0.5	-0.5	-0.5	-0.5	-0.5
Total loans and receivables to customers (net), including:	78 308.6	75 330.0	72 519.6	68 127.2	63 399.0
to entities from the financial sector other than banks	2 335.8	2 306.6	2 510.0	2 197.4	1 750.7
to entities from the non-financial sector	68 319.4	65 329.9	62 285.6	58 468.7	54 115.9
to entities from the government and self-government institutions' sector	7 653.4	7 693.5	7 724.0	7 461.1	7 532.4

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

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Loans and advances, including:	1 866.0	1 787.1	1 936.1	2 070.2	1 660.4
- in the current account	392.5	166.7	157.3	219.9	63.9
- term ones	1 473.5	1 620.4	1 778.8	1 850.3	1 596.5
Leasing receivables	0.4	0.6	0.7	0.8	0.7
Factoring receivables	20.4	20.4	21.1	4.0	0.0
Debt securities (notes)	386.5	386.5	384.5	0.0	0.0
Other receivables	63.1	113.1	168.3	123.3	90.3
Total (gross)	2 336.4	2 307.7	2 510.7	2 198.3	1 751.4
Impairment losses (including IBNR), including:	-0.6	-1.1	-0.7	-0.9	-0.7
- concerning loans and advances	-0.5	-1.0	-0.6	-0.9	-0.7
- concerning debt securities	-0.1	-0.1	-0.1	0.0	0.0
Total (net)	2 335.8	2 306.6	2 510.0	2 197.4	1 750.7

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

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Business entities, including:	38 686.9	37 657.4	35 998.3	34 327.2	31 630.5
Loans and advances, including:	29 117.7	28 659.8	26 884.8	25 748.7	23 515.8
- in the current account	7 844.8	7 764.9	6 999.9	7 085.4	6 596.1
- term ones	21 272.9	20 894.9	19 884.9	18 663.3	16 919.7
Leasing receivables	4 759.6	4 399.4	4 319.5	4 154.8	3 907.9
Factoring receivables	3 916.7	3 297.3	3 279.8	2 733.3	2 484.5
Debt securities (corporate bonds i notes)	887.6	1 287.8	1 502.0	1 679.3	1 695.9
Other receivables	5.3	13.1	12.2	11.1	26.4
Households, including:	31 110.9	29 226.9	27 832.0	25 801.7	24 274.9
Loans and advances, including:	30 328.1	28 514.8	27 173.5	25 241.8	23 773.0
- in the current account	1 767.0	1 753.6	1 632.9	1 670.4	1 620.6
- term ones	28 561.1	26 761.2	25 540.6	23 571.4	22 152.4
Leasing receivables	732.9	666.4	601.9	499.6	444.5
Factoring receivables	49.4	45.2	56.1	59.8	56.9
Other receivables	0.5	0.5	0.5	0.5	0.5
Total (gross)	69 797.8	66 884.3	63 830.3	60 128.9	55 905.4
Impairment losses (including IBNR), including:	-1 478.4	-1 554.4	-1 544.7	-1 660.2	-1 789.5
Business entities, including:	-918.1	-1 022.5	-989.3	-1 015.3	-1 158.2
concerning loans and advances	-851.3	-834.5	-836.1	-896.9	-1 047.7
concerning leasing receivables	-46.9	-41.3	-37.9	-42.7	-51.2
concerning factoring receivables	-19.2	-17.0	-12.2	-13.9	-14.9
concerning debt securities	-0.7	-129.7	-103.1	-61.8	-44.4
concerning other receivables	0.0	0.0	0.0	0.0	0.0
Households, including:	-560.3	-531.9	-555.4	-644.9	-631.3
concerning loans and advances	-557.3	-529.5	-553.3	-643.4	-629.9
concerning leasing receivables	-1.9	-1.8	-1.5	-0.9	-0.8
concerning factoring receivables	-0.6	-0.1	-0.1	-0.1	-0.1
concerning other receivables	-0.5	-0.5	-0.5	-0.5	-0.5
Total (net)	68 319.4	65 329.9	62 285.6	58 468.7	54 115.9

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

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Loans and advances, including:	2 431.7	2 530.7	2 569.4	2 546.3	2 612.7
- in the current account	103.8	85.5	6.8	76.4	88.8
- term ones	2 327.9	2 445.2	2 562.6	2 469.9	2 523.9
Factoring receivables	60.8	51.0	45.0	39.3	41.2
Debt securities (municipal bonds)	1 253.0	1 260.0	1 272.5	1 165.8	1 129.6
T-eurobonds	3 909.7	3 853.4	3 838.6	3 711.2	3 750.6
Total (gross)	7 655.2	7 695.1	7 725.5	7 462.6	7 534.1
Impairment losses (including IBNR), including:	-1.8	-1.6	-1.5	-1.5	-1.7
concerning loans and advances	-0.8	-0.7	-0.7	-0.9	-1.1
concerning debt securities (municipal bonds)	-0.3	-0.2	-0.3	-0.2	-0.2
concerning T-eurobonds	-0.7	-0.7	-0.5	-0.4	-0.4
Total (net)	7 653.4	7 693.5	7 724.0	7 461.1	7 532.4

Customer loan portfolio by client segment

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Gross value, including:	75 810.8	72 907.0	70 046.9	65 943.7	61 323.1
Corporate banking segment, including:	46 247.6	45 146.0	43 593.4	41 302.2	38 078.6
- loans and advances	34 604.2	34 111.8	32 445.9	31 239.0	28 558.6
- leasing receivables	5 069.1	4 686.2	4 586.7	4 382.2	4 108.5
- factoring receivables	4 047.2	3 413.7	3 401.8	2 835.9	2 586.0
- corporate and municipal debt securities	2 527.1	2 934.3	3 159.0	2 845.1	2 825.5
Retail banking segment, including:	29 563.2	27 761.0	26 453.5	24 641.5	23 244.5
- mortgages	22 383.0	21 152.6	20 294.5	18 822.0	17 750.1
- other loans and advances	7 180.2	6 608.4	6 159.0	5 819.5	5 494.4
Impairment loss of value (including IBNR), including:	-1 479.6	-1 555.9	-1 545.9	-1 661.7	-1 791.0
Corporate banking segment, including:	-972.6	-1 069.8	-1 030.0	-1 035.7	-1 189.0
- loans and advances	-903.6	-877.8	-875.5	-914.3	-1 077.6
- leasing receivables	-48.0	-44.8	-38.6	-44.4	-51.8
- factoring receivables	-19.9	-17.2	-12.4	-15.0	-15.0
- corporate and municipal debt securities	-1.1	-130.0	-103.5	-62.0	-44.6
Retail banking segment, including:	-507.0	-486.1	-515.9	-626.0	-602.0
- mortgages	-148.3	-151.4	-197.1	-199.5	-195.3
- other loans and advances	-358.7	-334.7	-318.8	-426.5	-406.7
Net value, including:	74 331.2	71 351.1	68 501.0	64 282.0	59 532.1
Corporate banking segment, including:	45 275.0	44 076.2	42 563.4	40 266.5	36 889.6
- loans and advances	33 700.6	33 234.0	31 570.4	30 324.7	27 481.0
- leasing receivables	5 021.1	4 641.4	4 548.1	4 337.8	4 056.7
- factoring receivables	4 027.3	3 396.5	3 389.4	2 820.9	2 571.0
- corporate and municipal debt securities	2 526.0	2 804.3	3 055.5	2 783.1	2 780.9
Retail banking segment, including:	29 056.2	27 274.9	25 937.6	24 015.5	22 642.5
- mortgages	22 234.7	21 001.2	20 097.4	18 622.5	17 554.8
- other loans and advances	6 821.5	6 273.7	5 840.2	5 393.0	5 087.7

7.14. Quality of customer loan portfolio

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Corporate banking segment					
Gross value, including:	46 247.6	45 146.0	43 593.4	41 302.2	38 078.6
unimpaired	44 581.7	43 220.0	41 867.2	39 415.7	35 951.1
impaired	1 665.9	1 926.0	1 726.2	1 886.5	2 127.5
Impairment loss and provisions, including:	1 005.3	1 102.4	1 056.1	1 049.5	1 203.1
unimpaired	78.0	74.1	79.2	72.1	71.4
impaired	894.6	995.7	950.8	963.6	1 117.6
provisions for off-balance sheet liabilities	32.7	32.6	26.1	13.8	14.1
Share of impaired portfolio	3.6%	4.3%	4.0%	4.6%	5.6%
Impaired portfolio coverage ratio	53.7%	51.7%	55.1%	51.1%	52.5%
Retail banking segment					
Gross value, including:	29 563.2	27 761.0	26 453.5	24 641.5	23 244.5
unimpaired	29 018.1	27 254.0	25 911.3	24 009.8	22 632.2
impaired	545.1	507.0	542.2	631.7	612.3
Impairment loss and provisions, including:	515.8	494.6	515.9	626.1	602.0
unimpaired	99.7	103.3	101.7	101.5	97.8
impaired	407.3	382.8	414.2	524.5	504.2
provisions for off-balance sheet liabilities	8.8	8.5	0.0	0.1	0.0
Share of impaired portfolio	1.8%	1.8%	2.0%	2.6%	2.6%
Impaired portfolio coverage ratio	74.7%	75.5%	76.4%	83.0%	82.3%
Total gross value	75 810.8	72 907.0	70 046.9	65 943.7	61 323.1
Total impairment loss and provisions, including:	1 521.1	1 597.0	1 572.0	1 675.6	1 805.1
unimpaired	177.7	177.4	180.9	173.6	169.2
impaired	1 301.9	1 378.5	1 365.0	1 488.1	1 621.8
provisions for off-balance sheet liabilities	41.5	41.1	26.1	13.9	14.1
Total coverage ratio	2.0%	2.2%	2.2%	2.5%	2.9%
Share of impaired portfolio	2.9%	3.3%	3.2%	3.8%	4.5%
Impaired portfolio coverage ratio	58.9%	56.7%	60.2%	59.1%	59.2%

Changes in impairment losses of credit portfolio

	II Q 2016 the period from 01Apr 2016 to 30 June 2016	I HY 2016 the period from 01Jan 2016 to 30 June 2016	II Q 2015 the period from 01Apr 2015 to 30 June 2015	I HY 2015 the period from 01Jan 2015 to 30 June 2015
Opening balance of impairment losses	1 599.5	1 573.6	1 806.5	1 743.8
Changes in the period, including:	-75.9	-50.0	-129.6	-66.9
changes in income statement	33.5	112.4	64.3	148.6
write-offs and decreases under sale of debt claims	-119.3	-172.8	-198.9	-221.6
other	9.9	10.4	5.0	6.1
Closing balance of impairment losses	1 523.6	1 523.6	1 676.9	1 676.9

7.15. Non-financial assets

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Investment properties	53.2	53.2	53.2	61.0	60.0
Property, plant and equipment	552.9	566.7	597.7	564.3	583.5
Intangible assets	426.4	417.9	419.6	380.1	374.4
Total	1 032.5	1 037.8	1 070.5	1 005.4	1 017.9

7.16. Liabilities due to other banks

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Current accounts	1 356.0	1 767.9	1 527.1	1 282.8	1 785.6
Interbank deposits	772.5	454.7	316.5	3 868.3	798.9
Repo transactions	0.0	0.0	0.0	1 078.2	932.2
Loans received*	2 869.9	1 921.9	1 997.0	2 252.6	2 281.4
Other liabilities	83.9	91.5	72.9	11.1	9.4
Total	5 082.3	4 236.0	3 913.5	8 493.0	5 807.5

*) 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 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Financial liabilities held for trading, including:	0.0	0.0	162.8	28.9	173.1
repo transactions	0.0	0.0	162.8	28.9	173.1
Book short position in trading securities	299.3	319.9	466.6	383.2	1 014.6
Total	299.3	319.9	629.4	412.1	1 187.7

7.18. Liabilities due to customers

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Deposits	91 728.1	89 106.8	86 463.7	79 505.6	76 535.2
Other liabilities	1 755.2	1 296.2	1 354.8	1 245.0	1 071.5
Total liabilities due to customers, including:	93 483.3	90 403.0	87 818.5	80 750.6	77 606.7
liabilities due to entities from the financial sector other than banks	2 700.1	2 527.9	2 417.3	2 083.7	2 426.3
liabilities due to entities from the non-financial sector	88 521.8	86 077.3	83 769.3	76 942.5	73 225.8
liabilities due to entities from the government and self-government institutions' sector	2 261.4	1 797.8	1 631.9	1 724.4	1 954.6

Liabilities due to entities from the financial sector other than banks

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Deposits, including:	2 661.1	2 469.0	2 353.8	1 957.9	2 367.5
- current accounts	2 536.2	2 393.6	2 272.3	1 931.9	1 850.4
- term deposit	124.9	75.4	81.5	26.0	517.1
Other liabilities	39.0	58.9	63.5	125.8	58.8
Total	2 700.1	2 527.9	2 417.3	2 083.7	2 426.3

Liabilities due to entities from the non-financial sector

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Business entities, including:	25 447.6	24 268.7	24 792.9	22 162.2	20 717.9
Deposits, including:	23 805.9	23 122.5	23 594.2	21 154.3	19 777.6
- current accounts	12 577.6	12 346.1	13 123.8	11 638.5	10 648.5
- saving accounts	8 774.4	8 948.5	8 000.5	6 793.6	6 341.8
- term deposit	2 453.9	1 827.9	2 469.9	2 722.2	2 787.3
Other liabilities	1 641.7	1 146.2	1 198.7	1 007.9	940.3
Households, including:	63 074.2	61 808.6	58 976.4	54 780.3	52 507.9
Deposits, including:	63 008.8	61 729.1	58 896.2	54 687.9	52 442.0
- current accounts	10 769.1	10 004.1	9 875.2	8 702.5	10 354.5
- saving accounts	47 033.5	45 921.7	42 989.9	40 607.5	36 801.3
- term deposit	5 206.2	5 803.3	6 031.1	5 377.9	5 286.2
Other liabilities	65.4	79.5	80.2	92.4	65.9
Total	88 521.8	86 077.3	83 769.3	76 942.5	73 225.8

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

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Deposits, including:	2 252.3	1 786.2	1 619.5	1 705.5	1 948.1
- current accounts	2 091.7	1 669.6	1 530.6	1 549.5	1 577.6
- term deposit	160.6	116.6	88.9	156.0	370.5
Other liabilities	9.1	11.6	12.4	18.9	6.5
Total	2 261.4	1 797.8	1 631.9	1 724.4	1 954.6

7.19. Provisions

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Provision for issues in dispute	2.1	3.4	3.3	20.4	21.3
Provision for off-balance sheet liabilities	41.5	41.1	26.1	13.9	14.1
Provision for retirement benefits	22.7	22.5	22.1	20.7	20.7
Provision for unused holidays	15.7	15.7	15.7	14.5	14.5
Total	82.0	82.7	67.2	69.5	70.6

As at 30 June 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 16.4 million (PLN 15.7 million as at 31 March 2016), 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**7.20.1. Financial assets and liabilities at fair value in statement of financial position**

The table below presents the balance-sheet figures for financial assets and liabilities per individual measurement levels. In 2016, there were no movements between particular valuation levels.

as of 30 June 2016

	Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	24 876.0	4 041.7	41.5	28 959.2
Financial assets held for trading, including:	1 747.6	99.7	0.0	1 847.3
- T-bonds	1 747.6	0.0	0.0	1 747.6
- T-bills	0.0	99.7	0.0	99.7
Valuation of derivatives	0.0	1 320.5	0.0	1 320.5
Financial assets available-for sale, including:	23 128.4	231.9	41.5	23 401.8
- T-bonds	23 128.4	0.0	0.0	23 128.4
- T-bills	0.0	231.9	0.0	231.9
- equity instruments	0.0	0.0	41.5	41.5
Derivative hedge instruments	0.0	2 389.6	0.0	2 389.6
Financial liabilities, including:	299.3	3 067.0	0.0	3 366.3
Book short position in trading securities	299.3	0.0	0.0	299.3
Valuation of derivatives	0.0	1 336.9	0.0	1 336.9
Derivative hedge instruments	0.0	1 730.1	0.0	1 730.1

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
- T-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
- T-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

As at 31 December 2015, to the 3rd valuation level, among other instruments, the Group classified the shares of Visa Europe Limited whose fair value as at 2015 yearend was PLN 177.9 million. In Q2 2016, the shares were divested and the Group received, inter alia, Visa Inc.'s preferred stock under the sale transaction settlement. The Group classifies the shares of VISA Inc. of fair value of PLN 36.1 million as at 30 June 2016 also to the 3rd valuation level. Visa Inc. shares are not quoted, but in the future they will be gradually converted into A-series shares (which are quoted). The assumptions adopted for the measurement of shares at fair value were defined having regard to such factors as

limited capacity to divest shares in the initial period and share conversion conditions (among others, conversion period and rates).

IRS/FRA settled to market

In Q2 2016, the Group joined a new service provided for by the Regulations of London Clearing House Clearnet (LCH) in respect of the approach to the settlement of IRS and FRA instruments. Before the change, the net exposure under the LCH transactions was collateralised with the variation margin as per the collateralised to market approach. In line with the new terms and conditions of the service, the transaction exposure is settled daily under the settled to market approach. Thus, no variation margin is placed. The fair value of individual transactions includes the daily exposure settlement flows.

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

as of 30 Jun 2016

	Carrying amount	Fair value			TOTAL
		Level 1	Level 2	Level 3	
Assets					
Cash in hand and balances with the Central Bank	1 286.6	-	1 286.6	-	1 286.6
Financial assets held to maturity	4 359.2	4 291.9	-	-	4 291.9
Loans and receivables to other banks	1 285.4	-	1 285.4	-	1 285.4
Loans and receivables to customers	78 308.6	-	3 955.1	72 263.0	76 218.1
Other assets	82.0	-	-	82.0	82.0
Liabilities					
Liabilities due to other banks	5 082.3	-	5 082.3	-	5 082.3
Liabilities due to customers	93 483.3	-	-	93 484.6	93 484.6
Liabilities due to customers under repo transactions	9.1	-	9.1	-	9.1
Liabilities under issue of debt securities	866.3	-	868.5	-	868.5
Subordinated liabilities	665.2	-	-	665.2	665.2

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

7.21. Total capital ratio

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Own funds					
A. Own equity in the statement of financial position, including:	10 812.6	10 670.1	10 680.5	9 558.7	10 232.1
A.I. Own equity included in the own funds calculation, including:	8 845.5	8 893.1	8 479.1	8 125.7	8 192.6
share capital and agio	1 086.4	1 086.4	1 086.4	1 086.4	1 086.4
retained earnings	7 566.1	7 494.3	7 237.3	6 928.3	6 893.8
revaluation reserve (unrealised losses)	-28.3	-21.8	-73.2	-58.8	-40.9
revaluation reserve (unrealised gains)	221.3	334.2	228.6	169.8	253.3
A.II. Own equity excluded from own funds calculation, including:	1 967.1	1 777.0	2 201.4	1 433.0	2 039.5
revaluation reserve	1 315.0	1 462.3	1 329.6	777.3	1 696.4
retained earnings	649.6	312.2	869.2	653.1	340.5
other	2.5	2.5	2.6	2.6	2.6
B. Other elements of own funds (decreases and increases), including:	107.1	-546.7	-559.0	-484.3	-545.4
subordinated debt	663.8	-	-	-	-
godwill and other intangible assets	-426.1	-418.1	-421.0	-373.0	-368.2
amount of expected losses according AIRB methodology	-130.6	-128.6	-138.0	-111.3	-177.2
Own funds taken into account in total capital ratio calculation (A.I. + B), including:	8 952.6	8 346.4	7 920.1	7 641.4	7 647.2
Core Tier I capital	8 314.9	8 346.4	7 920.1	7 641.4	7 647.2
Tier II capital	637.7	0.0	0.0	0.0	0.0
Capital requirements					
capital requirements for credit risk	4 194.4	4 108.4	3 935.1	3 927.1	3 588.3
other capital requirements	597.8	585.6	600.1	533.7	541.9
supplement to the overall level of capital requirements	120.9	39.3	75.9	0.0	0.0
Total capital requirements	4 913.1	4 733.3	4 611.1	4 460.8	4 130.2
Total capital ratio	14.6%	14.1%	13.7%	13.7%	14.8%
Tier I ratio	13.5%	14.1%	13.7%	13.7%	14.8%

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 (according to article 171a Banking Law). In 2015 the Bank recognised 40% of unrealised profits and 100% of unrealised valuation losses in the calculation of own funds, respectively.

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 of EUR 150.0 million.

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.

8. Off-balance sheet items

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Contingent liabilities granted	26 813.0	25 730.3	24 423.2	23 402.4	23 007.4
Contingent liabilities received	65 451.2	56 320.0	53 515.3	47 796.6	45 353.2
Off-balance sheet financial instruments	363 427.4	312 215.9	358 574.2	298 250.0	332 773.8
Total off-balance sheet items	455 691.6	394 266.2	436 512.7	369 449.0	401 134.4

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

None.

10. 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.

11. 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)

	II Q 2016 the period from 01Apr 2016 to 30 June 2016	I HY 2016 the period from 01Jan 2016 to 30 June 2016	II Q 2015 the period from 01Apr 2015 to 30 June 2015	I HY 2015 the period from 01Jan 2015 to 30 June 2015
Status at the period beginning	3.4	3.3	21.3	21.5
Establishment of provisions	0.2	0.3	0.4	0.4
Release of provisions	-1.4	-1.4	-0.2	-0.3
Utilisation of provision	-0.1	-0.1	-1.1	-1.2
Status as at the period	2.1	2.1	20.4	20.4

Either in 6 months 2016 or in 6 months 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.

12. 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.

13. 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 employees' insurance contributions.

In the period from 1 January 2016 to 30 June 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 6 months of 2016 amounted to PLN 19.2 million versus PLN 19.8 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 4.4 million versus PLN 9.6 million in the analogous period of the previous year (net amounts).

Transactions between related entities (PLN million)

as of 30 Jun 2016

	ING Bank NV	Other ING Group entities
Receivables		
Nostro accounts	17.6	1.4
Deposits placed	217.0	-
Loans	4.3	0.1
Positive valuation of derivatives	169.5	223.1
Other receivables	4.6	1.6
Liabilities		
Deposits received	90.7	14.3
Subordinated loan	665.2	-
Loans received	2 642.6	-
Loro accounts	12.9	18.7
Negative valuation of derivatives	256.7	160.2
Other liabilities	4.5	-
Off-balance-sheet operations		
Contingent liabilities	2 841.1	162.8
FX transactions	12 676.6	49.2
IRS	6 017.9	3 184.3
Options	2 312.3	418.2
Revenue and costs*		
Revenue	-95.8	5.4
Costs of cooperation agreements**	19.2	4.4
Other costs**	0.6	-

*) 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).

year 2015

	ING Bank NV	Other ING Group entities	Affiliated entities*
Receivables			
Nostro accounts	4.7	31.1	-
Loans	3.8	5.9	-
Positive valuation of derivatives	364.8	235.7	-
Other receivables	5.1	0.5	-
Liabilities			
Deposits received	274.2	12.6	-
Loans received	1 745.7	-	-
Loro accounts	54.6	5.8	-
Negative valuation of derivatives	351.3	166.2	-
Other liabilities	4.3	-	-
Off-balance-sheet operations			
Contingent off-balance sheet liabilities	3 490.3	171.6	-
FX transactions	8 329.4	35.6	-
Forward transactions	72.2	-	-
IRS	11 186.7	3 532.9	-
Options	2 141.3	478.3	-
Revenue and costs**			
Revenue	-23.2	11.8	80.7
Costs of cooperation agreements***	50.7	20.0	-
Costs***	1.1	-	-

*) Includes ING Bank Śląski S.A.'s transactions with an associated company of ING Bank Śląski S.A. Group. On 20 July 2015, the Bank's share in ING PTE S.A. was sold. As at 31 December 2015 the Bank had no associated entities.

**) 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).

as of 30 Jun 2015

	ING Bank NV	Other ING Group entities	Affiliated entities*
Receivables			
Nostro accounts	10.4	9.6	-
Deposits placed	60.0	-	-
Loans	-	6.9	-
Positive valuation of derivatives	321.8	230.3	-
Other receivables	4.2	0.7	-
Liabilities			
Deposits received	1 948.1	559.5	6.2
Loans received	1 973.2	-	-
Loro accounts	69.3	10.1	-
Negative valuation of derivatives	325.6	163.9	-
Other liabilities	10.7	-	-
Off-balance-sheet operations			
Contingent liabilities	3 714.6	199.5	0.1
FX transactions	4 373.1	-	-
Forward transactions	39.9	955.5	-
IRS	10 971.5	3 595.4	-
FRA	2 816.6	-	-
Options	1 710.1	549.3	-
Revenue and costs**			
Revenue	-6.1	0.4	80.7
Costs of cooperation agreements***	19.8	9.6	-
Costs***	0.7	0.8	-

*) 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).

14. Segmentation of revenue and financial results of the Group

14.1. 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 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.

14.1.1. 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), deposit products (current accounts, term deposits, savings accounts), structured product, ING fund units, brokerage services and bank cards.

14.1.2. 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.

14.1.3. 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 6 months 2016, the Bank revised the allocation key for the ALCO's income. The data for previous periods presented herein were made comparable.

I half year 2016

the period from 01 Jan 2016 to 30 Jun 2016

	Retail banking segment	Corporate banking segment	TOTAL
Income total	1 244.3	883.7	2 128.0
net interest income	833.6	525.4	1 359.0
net commission income	182.2	329.8	512.0
other income/expenses	228.5	28.5	257.0
Expenses total	606.5	419.5	1 026.0
Segment result	637.8	464.2	1 102.0
Impairment losses	40.9	71.5	112.4
Tax on certain financial institutions	45.4	81.9	127.3
Segment profit before tax	551.5	310.8	862.3
Income tax	-	-	196.2
Result after tax	-	-	666.1
- attributable to shareholders of ING Bank Śląski S.A.	-	-	666.1
Allocated equity	4 683.1	6 127.0	10 810.1
ROE - Return on equity (%)*	15.8	8.3	11.4

*) 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.

II quarter 2016

the period from 01 Apr 2016 to 30 Jun 2016

	Retail banking segment	Corporate banking segment	TOTAL
Income total	715.3	437.1	1 152.4
net interest income	430.4	260.5	690.9
net commission income	92.0	166.1	258.1
other income/expenses	192.9	10.5	203.4
Expenses total	302.0	215.2	517.2
Segment result	413.3	221.9	635.2
Impairment losses	24.6	8.9	33.5
Tax on certain financial institutions	27.7	49.1	76.8
Segment profit before tax	361.0	163.9	524.9
Income tax	-	-	118.0
Result after tax	-	-	406.9
- attributable to shareholders of ING Bank Śląski S.A.	-	-	406.9

I half year 2015

the period from 01 Jan 2015 to 30 Jun 2015

	Retail banking segment	Corporate banking segment	TOTAL
Income total	1 049.2	838.2	1 887.4
net interest income	717.7	445.4	1 163.1
net commission income	184.3	329.2	513.5
other income/expenses	147.2	63.6	210.8
Expenses total	614.8	383.1	997.9
Segment result	434.4	455.1	889.5
Impairment losses	57.5	91.1	148.6
Segment profit before tax	376.9	364.0	740.9
Income tax	-	-	135.2
Result after tax	-	-	605.7
- attributable to shareholders of ING Bank Śląski S.A.	-	-	605.6
Allocated equity	3 851.1	5 705.0	9 556.1
ROE - Return on equity (%)*	13.6	9.6	11.2

*) 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.

II quarter 2015

the period from 01 Apr 2015 to 30 Jun 2015

	Retail banking segment	Corporate banking segment	TOTAL
Income total	569.6	411.8	981.4
net interest income	373.2	220.9	594.1
net commission income	94.8	168.7	263.5
other income/expenses	101.6	22.2	123.8
Expenses total	303.2	199.1	502.3
Segment result	266.4	212.7	479.1
Impairment losses	23.6	40.7	64.3
Segment profit before tax	242.8	172.0	414.8
Income tax	-	-	70.1
Result after tax	-	-	344.7
- attributable to shareholders of ING Bank Śląski S.A.	-	-	344.6

as of 30 Jun 2016

	Retail banking segment	Corporate banking segment	TOTAL
Assets of the segment	46 579.5	67 843.3	114 422.8
Other assets (not allocated to segments)	0.0	0.0	1 216.9
Total assets	46 579.5	67 843.3	115 639.7
Segment liabilities	66 392.0	36 415.3	102 807.3
Other liabilities (not allocated to segment)	0.0	0.0	2 019.8
Equity	0.0	0.0	10 812.6
Total equity and liabilities	66 392.0	36 415.3	115 639.7

as of 31 Mar 2016

	Retail banking segment	Corporate banking segment	TOTAL
Assets of the segment	44 446.2	67 138.1	111 584.3
Other assets (not allocated to segments)	0.0	0.0	1 148.4
Total assets	44 446.2	67 138.1	112 732.7
Segment liabilities	64 405.6	34 778.8	99 184.4
Other liabilities (not allocated to segment)	0.0	0.0	2 878.1
Equity	0.0	0.0	10 670.2
Total equity and liabilities	64 405.6	34 778.8	112 732.7

as of 31 Dec 2015

	Retail banking segment	Corporate banking segment	TOTAL
Assets of the segment	42 431.7	65 322.0	107 753.7
Other assets (not allocated to segments)	0.0	0.0	1 139.4
Total assets	42 431.7	65 322.0	108 893.1
Segment liabilities	61 560.5	35 548.3	97 108.8
Other liabilities (not allocated to segment)	0.0	0.0	1 103.8
Equity	0.0	0.0	10 680.5
Total equity and liabilities	61 560.5	35 548.3	108 893.1

as of 30 Jun 2015

	Retail banking segment	Corporate banking segment	TOTAL
Assets of the segment	40 542.9	63 489.1	104 032.0
Other assets (not allocated to segments)	0.0	0.0	1 286.9
Total assets	40 542.9	63 489.1	105 318.9
Segment liabilities	59 552.6	34 937.1	94 489.7
Other liabilities (not allocated to segment)	0.0	0.0	1 270.5
Equity	0.0	0.0	9 558.7
Total equity and liabilities	59 552.6	34 937.1	105 318.9

as of 30 Mar 2015

	Retail banking segment	Corporate banking segment	TOTAL
Assets of the segment	39 409.2	61 867.2	101 276.4
Other assets (not allocated to segments)	0.0	0.0	1 291.9
Total assets	39 409.2	61 867.2	102 568.3
Segment liabilities	56 280.9	34 055.8	90 336.7
Other liabilities (not allocated to segment)	0.0	0.0	1 999.5
Equity	0.0	0.0	10 232.1
Total equity and liabilities	56 280.9	34 055.8	102 568.3

14.2. Geographical segments

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

15. Risk management

The changes to the credit risk and market risk made in H1 2016 are described hereinbelow.

Credit risk

The modifications in the Group lending policy made in H1 2016 were oriented at ensuring proper and stable functioning of the credit risk management system in the changing legal, economic and business landscape and at ensuring the policy compliance with the credit risk appetite level approved. The modifications took account of, inter alia, Poland's overall economic situation as well as the financial standing of individual groups of borrowers.

The said modifications were aimed at the following in particular:

- making the lending process continuously more effective while ensuring adequate credit risk identification, measurement and control mechanisms,
- making the lending offer for the Group clients more attractive on the assumption that the Bank's credit risk is maintained at an acceptable level,

- adapting the internal regulations to:
 - Regulation of the European Parliament and of the Council (EU) No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms,
 - Act of 14 April 2016 on suspension of sale of real property included in the Agricultural Property Stock of the State Treasury and on amendment of some other Acts (including Act on Land and Mortgage Register and Mortgage),
 - Commission Implementing Regulation (EU) 2015/1278 of 9 July 2015 amending Implementing Regulation (EU) No. 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions as regards instructions, templates and definitions,
- continuing development of credit risk reporting and monitoring systems to support fast and effective risk identification and measurement in the corporate and retail credit portfolios,
- further strengthening of active sectorial policy management through quarterly reviews of the situation in individual industries and appropriate diversification of lending policy principles on the basis of client qualification to pre-defined industry risk groups (preferred, neutral, under watch, and non-preferred industries).

Market risk

Value at Risk (VaR) is the main methodology used to measure market risk both in FM books (trading) and Treasury Department's books (banking).

In H1 2016, the Bank maintained the following trading exposure versus the binding limits:

- low exposure for FX risk in foreign exchange section – average limit utilization of 7%,
- average exposure for FX risk in FX options section – average limit utilization of 33%,
- significant exposure for interest rate risk – average limit utilization of 52%.

Average utilization of VaR limits for interest rate risk of the banking book (Treasury Department's items) was below 62%. In H1 2016, there were no changes to VaR limits.

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

2016-08-02 **Brunon Bartkiewicz** *Signed on the Polish original*
President

2016-08-02 **Mirosław Boda** *Signed on the Polish original*
Vice-President

2016-08-02 **Michał Bolesławski** *Signed on the Polish original*
Vice-President

2016-08-02 **Joanna Erdman** *Signed on the Polish original*
Vice-President

2016-08-02 **Marcin Giżycki** *Signed on the Polish original*
Vice-President

2016-08-02 **Justyna Kesler** *Signed on the Polish original*
Vice-President

2016-08-02 **Patrick Roesink** *Signed on the Polish original*
Vice-President

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2016-08-02 **Jolanta Alvarado Rodriguez** Director of Accounting
Department *Signed on the Polish original*
Chief Accountant

Interim condensed standalone income statement

	II Q 2016 the period from 01Apr 2016 to 30 June 2016	I HY 2016 the period from 01Jan 2016 to 30 June 2016	II Q 2015 the period from 01Apr 2015 to 30 June 2015	I HY 2015 the period from 01Jan 2015 to 30 June 2015
Profit from interests	925.8	1 826.0	844.1	1 695.9
Interest expenses	266.1	528.8	278.5	590.8
Net interest income	659.7	1 297.2	565.6	1 105.1
Profit from commission	279.6	547.3	271.6	530.9
Commission expenses	34.5	62.9	24.9	48.6
Net commission income	245.1	484.4	246.7	482.3
Net income on financial instruments at fair value through profit or loss and FX result	3.9	26.8	26.0	40.5
Net income on investments	208.6	238.2	102.3	153.2
Net income on hedge accounting	0.5	-2.1	3.3	14.7
Net income on other basic activities	-1.8	-0.1	-0.4	-0.1
Net income on basic activities	1 116.0	2 044.4	943.5	1795.7
General and administrative expenses	493.9	973.0	470.5	934.9
Impairment losses and provisions for off-balance sheet liabilities	24.5	95.4	54.6	137.4
Tax on certain financial institutions	76.8	127.3	0.0	0.0
Gross profit (loss)	520.8	848.7	418.4	723.4
Income tax	113.4	187.6	65.5	127.6
Net profit (loss)	407.4	661.1	352.9	595.8
Net profit (loss)	407.4	661.1	352.9	595.8
Weighted average number of ordinary shares	130 100 000	130 100 000	130 100 000	130 100 000
Earnings per ordinary share (PLN)	3.13	5.08	2.71	4.58

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

Interim condensed standalone statement of comprehensive income

	II Q 2016 the period from 01Apr 2016 to 30 June 2016	I HY 2016 the period from 01Jan 2016 to 30 June 2016	II Q 2015 the period from 01Apr 2015 to 30 June 2015	I HY 2015 the period from 01Jan 2015 to 30 June 2015
Net profit for the period	407.4	661.1	352.9	595.8
Total other comprehensive income, including:	-265.3	24.5	-1 018.6	-984.2
Items which can be reclassified to income statement	-265.2	24.7	-1 015.4	-981.4
Items which will not be reclassified to income statement	-0.1	-0.2	-3.2	-2.8
Net comprehensive income for the reporting period	142.1	685.6	-665.7	-388.4

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 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Assets					
Cash in hand and balances with the Central Bank	1 286.6	3 565.7	3 589.7	2 864.7	2 392.5
Loans and other receivables to other banks	1 285.4	952.4	1 013.1	2 294.2	2 096.1
Financial assets at fair value through profit or loss	1 847.3	2 067.7	1 127.1	1 755.6	2 645.7
Valuation of derivatives	1 320.5	1 613.8	1 990.9	1 949.8	2 607.8
Investments	27 761.0	25 071.9	23 478.7	24 266.8	23 868.9
Derivative hedge instruments	2 389.6	2 737.1	2 454.8	2 036.6	3 039.3
Loans and other receivables to customers	74 377.6	72 621.9	69 633.4	65 260.6	60 538.0
Receivables from customers under repo transactions	0.0	19.9	1 354.4	491.3	987.1
Investments in controlled entities	239.2	269.3	269.3	269.2	269.2
Non-financial assets	1 015.5	1 013.3	1 036.1	972.1	986.3
Assets held for sale	31.0	39.6	38.4	86.6	74.5
Tax assets	0.0	2.7	0.0	21.7	18.2
Other assets	156.7	122.0	120.0	209.3	226.6
Total assets	111 710.4	110 097.3	106 105.9	102 478.5	99 750.2
Liabilities					
Liabilities to other banks	2 212.4	2 301.0	1 855.4	6 231.4	3 518.6
Financial liabilities at fair value through profit or loss	299.3	319.9	629.4	412.1	1 187.7
Valuation of derivatives	1 336.9	1 525.1	2 002.8	2 062.9	2 744.9
Derivative hedge instruments	1 730.1	1 818.0	1 830.9	1 900.5	2 062.5
Liabilities to customers	92 714.9	90 036.9	87 383.7	80 449.6	77 401.5
Liabilities to customers under repo transactions	9.1	10.4	47.5	4.5	54.8
Liabilities under issue of debt securities	866.3	872.0	866.3	866.3	872.7
Subordinated liabilities	665.2	641.6	0.0	0.0	0.0
Provisions	79.6	79.2	63.8	65.1	66.1
Tax liabilities	178.2	219.3	153.7	8.4	229.6
Other liabilities	950.8	1 804.4	787.2	1 137.7	1 606.8
Total liabilities	101 042.8	99 627.8	95 620.7	93 138.5	89 745.2
Equity					
Share capital	130.1	130.1	130.1	130.1	130.1
Supplementary capital - issuance of shares over nominal value	956.3	956.3	956.3	956.3	956.3
Revaluation reserve	1 497.2	1 763.9	1 474.1	884.3	1 903.4
Retained earnings	8 084.0	7 619.2	7 924.7	7 369.3	7 015.2
Total equity	10 667.6	10 469.5	10 485.2	9 340.0	10 005.0
Total equity and liabilities	111 710.4	110 097.3	106 105.9	102 478.5	99 750.2
Carrying amount	10 667.6	10 469.5	10 485.2	9 340.0	10 005.0
Number of shares	130 100 000	130 100 000	130 100 000	130 100 000	130 100 000
Carrying amount per share (PLN)	82.00	80.47	80.59	71.79	76.90

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 half year 2016

the period from 01 Jan 2016 to 30 Jun 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	-	-	-	661.1	661.1
Other net comprehensive income, including:	0.0	0.0	23.0	1.5	24.5
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	26.2	-	26.2
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-181.8	-	-181.8
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	-	-	-16.0	-	-16.0
effective part of cash flow hedging relationship	-	-	196.3	-	196.3
revaluation of non-current assets	-	-	-0.1	-	-0.1
disposal of non-current assets	-	-	-1.6	1.5	-0.1
Other changes in equity, including:	0.0	0.0	0.1	-503.3	-503.2
valuation of share-based payments	-	-	-	1.0	1.0
settlement of subsidiary takeover	-	-	0.1	55.1	55.2
profit distribution with dividend payout allocation	-	-	-	-559.4	-559.4
Closing balance of equity	130.1	956.3	1 497.2	8 084.0	10 667.6

year 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 half year 2015

the period from 01 Jan 2015 to 30 Jun 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	-	-	-	595.8	595.8
Other net comprehensive income, including:	0.0	0.0	-984.7	0.5	-984.2
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	-139.5	-	-139.5
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-43.7	-	-43.7
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	-	-	-12.2	-	-12.2
effective part of cash flow hedging relationship	-	-	-786.0	-	-786.0
revaluation of non-current assets	-	-	-2.5	-	-2.5
disposal of non-current assets	-	-	-0.8	0.5	-0.3
Transactions with shareholders, including:	0.0	0.0	0.0	-519.4	-519.4
valuation of share-based payments	-	-	-	1.0	1.0
profit distribution with dividend payout allocation	-	-	-	-520.4	-520.4
Closing balance of equity	130.1	956.3	884.3	7 369.3	9 340.0

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

	I HY 2016 the period from 01 Jan 2016 to 30 Jun 2016	I HY 2015 the period from 01 Jan 2015 to 30 Jun 2015
Net profit	661.1	595.8
Adjustments	-1 123.0	-2 673.5
Depreciation and amortisation	86.5	82.6
Interest accrued (from the income statement)	-1 297.2	-1 105.1
Interest paid	-517.6	-595.8
Interest received	1 871.2	1 790.1
Dividends received	-13.8	-95.5
Gains (losses) on investing activities	1.5	0.7
Income tax (from the income statement)	187.6	127.6
Income tax paid	-163.1	-389.4
Change in provisions	15.8	-5.2
Change in loans and other receivables to other banks	87.5	-595.1
Change in financial assets at fair value through profit or loss	-720.4	101.4
Change in available-for-sale financial assets	-2 879.2	-1 644.6
Change in valuation of derivatives	4.5	3.5
Change in hedge derivatives	160.7	28.9
Change in loans and other receivables to customers	-3 468.8	-7 765.0
Change in other assets	27.0	-111.0
Change in liabilities to other banks	355.7	2 587.2
Change in liabilities at fair value through profit or loss	-330.1	-505.3
Change in liabilities to customers	5 294.2	5 115.7
Change in other liabilities	175.0	300.8
Net cash flow from operating activities	-461.9	-2 077.7
Purchase of property plant and equipment	-26.0	-37.3
Disposal of property plant and equipment	2.8	0.2
Purchase of intangible assets	-42.4	-38.9
Disposal of assets held for sale	10.8	0.9
Purchase of held-to-maturity financial assets	-1 542.3	0.0
Interest received from held-to-maturity financial assets	18.3	0.0
Dividends received	13.8	95.5
Net cash flow from investing activities	-1 565.0	20.4
Long-term loans received	654.8	0.0
Interests from issued debt securities	-11.3	-12.5
Dividends paid	-559.4	-520.4
Net cash flow from financing activities	84.1	-532.9
Effect of exchange rate changes on cash and cash equivalents	134.1	-44.9
Net increase/decrease in cash and cash equivalents	-1 942.8	-2 590.2
Opening balance of cash and cash equivalents	4 410.4	6 294.1
Closing balance of cash and cash equivalents	2 467.6	3 703.9

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 of the ING Bank Śląski S.A. for the period of 6 months ending on 30 June 2016 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 I half 2016 and I half 2015.

1.3. Compliance with International Financial Reporting Standards

These interim condensed standalone financial statements of the ING Bank Śląski S.A. for the period of 6 months ending on 30 June 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 30 June 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 I half 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 30 June 2016, and interim condensed standalone statement of financial position as at 30 June 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 30 June 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 period from 1 January 2015 to 31 December 2015 for the interim condensed standalone statement of changes in equity; and in the case of the interim condensed standalone statement of financial position data as of 31 March 2016, 31 December 2015, 30 June 2015 and 31 March 2015. Interim condensed standalone income statements, interim condensed standalone statement of comprehensive income and notes to the interim condensed standalone income

statements include data for the Q2 2016 (period from 1 April 2016 to 30 June 2016) as well as comparative data for the Q2 2015 (period from 1 April 2015 to 30 June 2015).

The following financial data presented quarterly:

- for the period from 1 January 2016 to 31 March 2016,
- for the period from 1 April 2016 to 30 June 2016,
- for the period from 1 April 2015 to 30 June 2015 and
- as at 31 March 2016

were neither reviewed separately nor audited by the chartered auditor.

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 period of 6 months ending on 30 June 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 2 August 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 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.

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 H1 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

When compared with the interim standalone financial statements for previous periods, in the interim condensed standalone financial statements for the period from 1 January 2016 to 30 June 2016, the Bank moved valuation of employee incentive programmes to the item *Retained earnings* in the statement of financial position, 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 I half 2016

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

The separate statements of the Bank were also influenced by the division of ING Securities S.A. subsidiary that took place in H1 2016. The company's entire assets was transferred onto ING Bank Śląski S.A. and Nowe Usługi S.A. as per the principles described in the Division Plan. 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.). Non-brokerage services provided so far by ING Securities S.A. were transferred to Nowe Usługi S.A., a member of the ING Bank Śląski S.A. Group. The General Meeting of ING Bank Śląski S.A. passed the relevant resolution on the division of ING Securities S.A. on 31 March 2016. On 31 May 2016, the District Court Katowice-Wschód, Commercial Division No. 8 of the National Court Register removed ING Securities Spółka Akcyjna from the register of entrepreneurs.

When settling the transactions of Bank-subsidiary consolidation (subject to joint control), the Bank applies the approach consistent with the terms and conditions of the approach whereunder shares are consolidated under the Accounting Act of 29 September 1994, following implementation of IAS 8 guidelines.

Under this approach, individual items of relevant assets and liabilities of the consolidated subsidiary are included in the separate financial statements of the Bank in the amounts recognized in the consolidated financial statements of the dominant entity as at the consolidation date.

The impact of the ING Securities S.A. acquisition on the interim condensed separate financial statements of ING Bank Śląski S.A. as at 30 June 2016 is as follows:

- PLN 249.8 million of the Company's assets acquired,
- PLN 164.5 million of the liabilities acquired,
- PLN 55.1 million of the capital acquired (result from previous years).

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 H1 2016, ING Securities S.A. was divided by acquisition, the operation was which described in the interim condensed consolidated financial statements, see item 1.4. *ING Bank Śląski S.A. Group of Additional information*. In H1 2015, ING Bank Śląski S.A. did not perform the acquisition.

10. Off-balance sheet items

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Contingent liabilities granted	25 854.1	23 907.6	23 453.5	22 365.4	22 572.5
Contingent liabilities received	64 110.2	54 164.1	51 424.8	45 907.0	43 580.4
Off-balance sheet financial instruments	363 477.2	312 264.0	358 622.2	298 297.3	332 649.3
Total off-balance sheet items	453 441.5	390 335.7	433 500.5	366 569.7	398 802.2

11. 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*.

12. Transactions with related entities

ING Bank Śląski subsidiaries and affiliated entities (their list has been presented in interim condensed consolidated financial statements 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 employees' insurance contributions.

In the period from 1 January 2016 to 30 June 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 6 months of 2016 amounted to PLN 19.2 million versus PLN 19.6 million in the same period last year (net amounts).

- transactions with ING Services Polska – the company renders hardware lease services for ING Bank Śląski. Services' costs amounted to PLN 3.7 million versus PLN 9.1 million in the analogous period of the previous year (net amounts).

Transactions between related entities (PLN million)

as of 30 Jun 2016

	ING Bank NV	Other ING Group entities	Subsidiaries*
Receivables			
Nostro accounts	17.6	1.4	-
Deposits placed	217.0	-	-
Loans	4.3	0.1	5 789.0
Positive valuation of derivatives	169.5	223.1	4.2
Other receivables	4.6	1.6	-
Liabilities			
Deposits received	90.7	14.3	61.2
Subordinated loan	665.2	-	-
Loro accounts	12.9	18.7	-
Negative valuation of derivatives	256.7	160.2	0.7
Other liabilities	4.5	-	-
Off-balance-sheet operations			
Contingent liabilities	1 500.1	162.8	2 434.7
FX transactions			
Forward transactions	-	-	41.2
IRS	6 017.9	3 184.3	76.9
Options	2 312.3	418.2	49.8
Revenue and costs**			
Revenue	-86.8	6.1	61.3
Costs of cooperation agreements***	19.2	3.7	2.2
Other costs**	0.2	-	-

*) Includes transactions between ING Bank Śląski S.A. and ING Bank Śląski S.A. Group subsidiaries entities.

**) 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).

year 2015

	ING Bank NV	Other ING Group entities	Subsidiaries*	Affiliated entities*
Receivables				
Nostro accounts	4.7	31.1	-	-
Loans	3.8	5.9	5 811.6	-
Positive valuation of derivatives	364.8	235.7	0.9	-
Other receivables	5.1	0.5	0.2	-
Liabilities				
Deposits received	274.2	12.6	277.7	-
Loro accounts	54.6	5.8	-	-
Negative valuation of derivatives	351.3	166.2	0.2	-
Other liabilities	4.3	-	-	-
Off-balance-sheet operations				
Contingent liabilities	1 399.8	171.6	2 023.7	-
FX transactions	8 329.4	35.6	-	-
Forward transactions	72.2	-	77.3	-
IRS	11 186.7	3 532.9	74.1	-
Options	2 141.3	478.3	48.0	-
Revenue and costs**				
Revenue	4.6	11.7	110.2	80.7
Costs of cooperation agreements***	50.8	16.3	-3.9	-

*) Includes transactions between ING Bank Śląski S.A. and ING Bank Śląski S.A. Group subsidiaries /affiliated entities (on 20 July 2015, the Bank's share in ING PTE S.A. was sold. As at 31 December 2015 the Bank had no associated entities).

**) 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).

as of 30 Jun 2015

	ING Bank NV	Other ING Group entities	Subsidiaries*	Affiliated entities*
Receivables				
Nostro accounts	10.4	9.6	-	-
Deposits placed	60.0	-	-	-
Loans	-	6.9	5 048.4	-
Positive valuation of derivatives	321.8	230.3	-	-
Other receivables	4.2	0.7	0.1	-
Liabilities				
Deposits received	1 948.1	559.5	279.6	6.2
Loro accounts	69.3	10.1	-	-
Negative valuation of derivatives	325.6	163.9	0.8	-
Other liabilities	10.7	-	-	-
Off-balance-sheet operations				
Contingent liabilities	1 911.9	199.5	1 786.8	0.1
FX transactions	4 373.1	-	-	-
Forward transactions	39.9	955.5	-	-
IRS	10 971.5	3 595.4	72.9	-
FRA	2 816.6	-	-	-
Options	1 710.1	549.3	47.2	-
Revenue and costs**				
Revenue	6.0	-2.5	51.8	80.7
Costs of cooperation agreements***	19.6	9.1	-2.3	-

*) Includes transactions between ING Bank Śląski S.A. and ING Bank Śląski S.A. Group subsidiaries /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).

13. Segment reporting

13.1. Segments of operation

ING Bank Śląski is managed 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, and
- corporate banking segment.

The segments are separated based on the financial (especially turnover, level of accumulated 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 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.

13.1.1. 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 in the current account - ROR, loans under cards, hire purchase loans, housing loans and mortgage loans), deposit products (current accounts, term deposits, savings accounts), structured products, ING fund units, brokerage services and bank cards.

13.1.2. Corporate banking segment

Corporate banking area encompasses as follows:

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

As institutional clients strategic clients, large corporate entities and mid-sized companies are recognized. For corporate activity, the Bank provides reporting broken down by leading products covering i.e. loan products (opex loans and capex loans), deposit products (current accounts, term deposits and negotiated deposits, savings accounts), financial markets products, trust services, capital market operations conducted by the parent.

Financial Markets products encompass operations performed in money and capital markets, conducted both on the proprietary basis as well as for the customers' benefit. This activity, currency covers money and derivative instrument market products and securities operations (treasury securities, shares and notes).

13.1.3. Measurement

The segment's assets and liabilities as well as the segment's income and costs are measured 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.

Income, 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 less the cost of interest.

In H1 2016, the Bank updated the allocation key for ALCO income. The data for previous periods presented herein were made comparable.

I half 2016

the period from 01 Jan 2016 to 30 Jun 2016

	Retail banking segment	Corporate banking segment	TOTAL
Income total	1 232.1	812.3	2 044.4
net interest income	831.1	466.1	1 297.2
net commission income	175.8	308.6	484.4
other income/expenses	225.2	37.6	262.8
Expenses total	599.8	373.2	973.0
Segment result	632.3	439.1	1 071.4
Impairment losses	40.9	54.5	95.4
Tax on certain financial institutions	45.4	81.9	127.3
Segment profit before tax	546.0	302.7	848.7
Income tax	-	-	187.6
Result after tax	-	-	661.1
Allocated equity	5 165.6	5 502.0	10 667.6
ROE - Return on equity (%)*	14.3	9.7	11.8

*) ROE - Return on equity - net profit, for 4 subsequent quarters to average equity for 5 subsequent quarters.

II quarter 2016

the period from 01 Apr 2016 to 30 Jun 2016

	Retail banking segment	Corporate banking segment	TOTAL
Income total	710.8	405.2	1 116.0
net interest income	431.2	228.5	659.7
net commission income	89.1	156.0	245.1
other income/expenses	190.5	20.7	211.2
Expenses total	299.6	194.3	493.9
Segment result	411.2	210.9	622.1
Impairment losses	24.6	-0.1	24.5
Tax on certain financial institutions	27.7	49.1	76.8
Segment profit before tax	358.9	161.9	520.8
Income tax	-	-	113.4
Result after tax	-	-	407.4

I half 2015

the period from 01 Jan 2015 to 30 Jun 2015

	Retail banking segment	Corporate banking segment	TOTAL
Income total	1 036.1	759.6	1 795.7
net interest income	714.9	390.2	1 105.1
net commission income	176.7	305.6	482.3
other income/expenses	144.5	63.8	208.3
Expenses total	601.0	333.9	934.9
Segment result	435.1	425.7	860.8
Impairment losses	57.5	79.9	137.4
Segment profit before tax	377.6	345.8	723.4
Income tax	-	-	127.6
Result after tax	-	-	595.8
Allocated equity	4 066.0	5 274.0	9 340.0
ROE - Return on equity (%)*	13.6	9.3	11.2

*) ROE - Return on equity - net profit for 4 subsequent quarters to average equity for 5 subsequent quarters.

II quarter 2015

the period from 01 Apr 2015 to 30 Jun 2015

	Retail banking segment	Corporate banking segment	TOTAL
Income total	563.9	379.6	943.5
net interest income	373.2	192.4	565.6
net commission income	90.8	155.9	246.7
other income/expenses	99.9	31.3	131.2
Expenses total	296.3	174.2	470.5
Segment result	267.6	205.4	473.0
Impairment losses	23.6	31.0	54.6
Segment profit before tax	244.0	174.4	418.4
Income tax	-	-	65.5
Result after tax	-	-	352.9

as of 30 Jun 2016

	Retail banking segment	Corporate banking segment	TOTAL
Assets of the segment	44 722.2	65 769.6	110 491.8
Segment investments in controlled entities	21.0	218.2	239.2
Other assets (not allocated to segments)	0.0	0.0	979.4
Total assets	44 743.2	65 987.8	111 710.4
Segment liabilities	64 643.8	34 525.2	99 169.0
Other liabilities (not allocated to segment)	0.0	0.0	1 873.8
Equity	0.0	0.0	10 667.6
Total equity and liabilities	64 643.8	34 525.2	111 710.4

as of 31 Mar 2016

	Retail banking segment	Corporate banking segment	TOTAL
Assets of the segment	43 144.0	65 730.2	108 874.2
Segment investments in controlled entities	36.0	233.3	269.3
Other assets (not allocated to segments)	0.0	0.0	953.8
Total assets	43 180.0	65 963.5	110 097.3
Segment liabilities	63 299.9	33 583.4	96 883.3
Other liabilities (not allocated to segment)	0.0	0.0	2 744.5
Equity	0.0	0.0	10 469.5
Total equity and liabilities	63 299.9	33 583.4	110 097.3

as of 31 Dec 2015

	Retail banking segment	Corporate banking segment	TOTAL
Assets of the segment	41 027.1	63 848.8	104 875.9
Segment investments in controlled entities	36.0	233.3	269.3
Other assets (not allocated to segments)	0.0	0.0	960.7
Total assets	41 063.1	64 082.0	106 105.9
Segment liabilities	60 378.9	34 237.1	94 616.0
Other liabilities (not allocated to segment)	0.0	0.0	1 004.7
Equity	0.0	0.0	10 485.2
Total equity and liabilities	60 378.9	34 237.1	106 105.9

as of 30 Jun 2015

	Retail banking segment	Corporate banking segment	TOTAL
Assets of the segment	39 188.5	61 954.7	101 143.2
Segment investments in controlled entities	36.0	233.2	269.2
Other assets (not allocated to segments)	0.0	0.0	1 066.1
Total assets	39 224.5	62 187.9	102 478.5
Segment liabilities	58 338.0	33 589.3	91 927.3
Other liabilities (not allocated to segment)	0.0	0.0	1 211.2
Equity	0.0	0.0	9 340.0
Total equity and liabilities	58 338.0	33 589.3	102 478.5

as of 31 Mar 2015

	Retail banking segment	Corporate banking segment	TOTAL
Assets of the segment	38 045.3	60 353.9	98 399.2
Segment investments in controlled entities	31.5	237.7	269.2
Other assets (not allocated to segments)	0.0	0.0	1 081.8
Total assets	38 076.8	60 591.6	99 750.2
Segment liabilities	55 098.7	32 744.0	87 842.7
Other liabilities (not allocated to segment)	0.0	0.0	1 902.5
Equity	0.0	0.0	10 005.0
Total equity and liabilities	55 098.7	32 744.0	99 750.2

13.2. Geographical segments

The Bank pursues business within the territory of the Republic of Poland.

14. Total capital ratio

	as of 30 Jun 2016	as of 31 Mar 2016	as of 31 Dec 2015	as of 30 Jun 2015	as of 31 Mar 2015
Own funds	8 829.6	8 240.2	7 750.1	7 458.3	7 498.7
Total capital requirement	4 338.2	4 281.9	4 115.4	4 082.4	3 806.6
Total capital ratio	16.3%	15.4%	15.1%	14.6%	15.8%
Tier I ratio	15.1%	15.4%	15.1%	14.6%	15.8%

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

2016-08-02 **Brunon Bartkiewicz** *Signed on the Polish original*
President

2016-08-02 **Mirosław Boda** *Signed on the Polish original*
Vice-President

2016-08-02 **Michał Bolesławski** *Signed on the Polish original*
Vice-President

2016-08-02 **Joanna Erdman** *Signed on the Polish original*
Vice-President

2016-08-02 **Marcin Giżycki** *Signed on the Polish original*
Vice-President

2016-08-02 **Justyna Kesler** *Signed on the Polish original*
Vice-President

2016-08-02 **Patrick Roesink** *Signed on the Polish original*
Vice-President

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2016-08-02 **Jolanta Alvarado Rodriguez** Director of Accounting
Department
Chief Accountant *Signed on the Polish original*

