



Group of ING Bank Śląski S.A.

Management Board Report on Operations
in H1 2016

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H1 2016 ING Bank Śląski S.A. Group results overview

CLIENT BASE GROWTH	<p>In June 2016, the Bank serviced 4.2 million clients, including:</p> <ul style="list-style-type: none">● 4,149 thousand individual clients (<i>up by 123 thousand clients from 2015 yearend</i>)● 314 thousand Entrepreneurs (<i>up by 10 thousand clients throughout H1 2016</i>)● 46 thousand corporate clients (<i>up by 3 thousand from December 2015</i>)
NEW APPEALING FINANCIAL SOLUTIONS UNDER SIMPLE AND FAIR PRODUCT OFFER	<ol style="list-style-type: none">1. New offer dedicated to retail clients:<ul style="list-style-type: none">● New online banking system Moje ING● You have to return the money but what you get is yours was the tagline of the cash loan campaign for retail clients.● Savings advertising campaign with the slogan Saving smarties reap benefits!● Special offers within the Open Savings Account: Bonus for Start and Bonus Open Savings Account● The promotional offer of mortgage loans for young people within the Live without Compromise campaign.2. New solutions for corporate clients:<ul style="list-style-type: none">● Launch of the new online banking system for companies ING Business● New process of ING Direct Business account self-opening● 135 electronic depositories, implementation of mini and micro CDMs
MAINTAINING TOP SERVICE QUALITY	<ul style="list-style-type: none">● 391 branches with self-banking zones● 1,133 machines for cash self-service, including 203 standard ATMs and 929 dual machines● Mobile banking:<ul style="list-style-type: none">○ ING BankMobile – the application was downloaded over 1.48 million times from January 2012 to June 2016○ 23% corporate and strategic clients with access to ING Business mobile banking● 92% of credit applications were placed online by corporate clients in June 2016
EFFICIENT IMPLEMENTATION OF ORGANIC GROWTH AND MARKET POSITION STEP-UP STRATEGY	<ol style="list-style-type: none">1. Improved position of the Bank Group in the lending market<ul style="list-style-type: none">● PLN 75,0 billion loans and other receivables from customers → PLN 5.4 billion growth in H1 2016 → credit market share growth by 0.3 p.p. to 6.9%● PLN 29,4 billion retail loans → six-month growth of PLN 3.1 billion (including PLN mortgage loans by PLN 2.1 billion) → second position as regards mortgage production● PLN 45,6 billion receivables from corporate customers → up by PLN 2.3 billion from 2015 yearend2. Strengthening position on the deposit market<ul style="list-style-type: none">● PLN 92,3 billion deposits → PLN 5.0 billion growth in H1 2016 including PLN 62.9 billion retail deposits – up by PLN 4.2 billion (or 7%) → market share up by 0.2 p.p. versus December 2015 to 8.8%
TRANSLATION OF BUSINESS PERFORMANCE INTO FINANCIAL FIGURES	<ul style="list-style-type: none">● PLN 666.1 million net profit – up by 10% as compared with H1 2015● PLN 2,128.0 million income – up by 13% from H1 2015● Ratios: ROA = 1.1%, ROE = 11.4%● Cost to income ratio – 48.2% (down by 4.7 p.p. y/y)● Total capital ratio – 14.6%● Loan to Deposit ratio – 79,6%

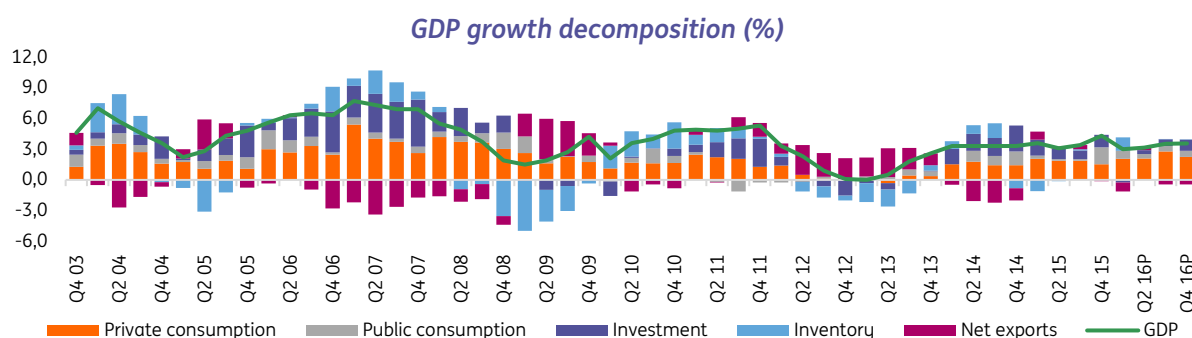
I. Macroeconomic situation of Polish banking sector growth in H1 2016

1. Major trends in Polish economy

Gross Domestic Product

Over the last 12 months (Q2 2015 – Q2 2016), Polish economy grew by 3.5% y/y on average but its growth rate varied significantly quarter to quarter. In Q4 2015, the GDP growth rate reached 4.3% y/y due to the accelerated utilisation of EU funds for public investments before the end of the EU financial perspective for 2007-2013. Q1 2016 was characterised by a slowdown to 3.0% y/y due to delays in public investments financed with EU funds from the new financial perspective for 2014-2020. Investment growth slowdown (from 4.4% y/y to 1.8% y/y) was not amortised by private consumption (up by 3.2% y/y). On the other hand, the inventory growth positively contributed (1.3 p.p.) to the GDP growth. The contribution of net export to GDP growth in Q1 2016 was negative at -0.8 p.p.

In Q2 2016, the economy developed at a probably similar pace to the one of Q1 since more investment projects, in particular those financed from EU funds, might be expected only in H2 2016. In the same period, the growth rate will be supported by consumption financed with 500+ programme funds. Bank economists expect that throughout 2016 Polish GDP will grow 3.3% y/y. They forecast similar growth rate for 2017.

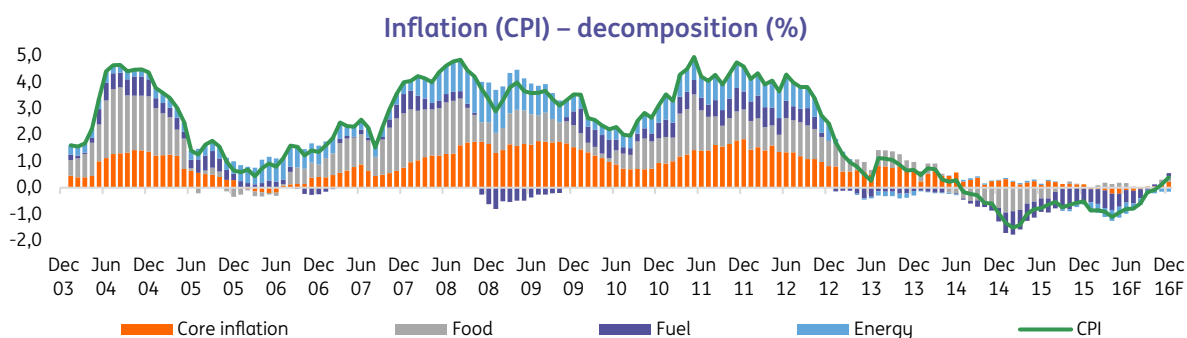


Labour market and payroll

In H1 2016, positive trends in the Polish labour market continued. Employment growth rate in the enterprise sector went up systematically reaching 2.9% in May y/y even though this can be partly attributed to a lower base in H1 2015. The fastest growth was recorded in employment in the services area (4.3-5.3% y/y). In June, the registered unemployment rate reached 8.8% (9.1% upon seasonal adjustment) – the lowest level since October 2008. The growth rate of wages in the enterprise sector in Q2 2016 ranged from 3.2 to 4.6% and was slightly higher than in Q2 2015. Taking into account low unemployment and growing employment, wage pressure in Poland was relatively low, which is probably due to the inflow of a large number of Ukrainians into the Polish labour market.

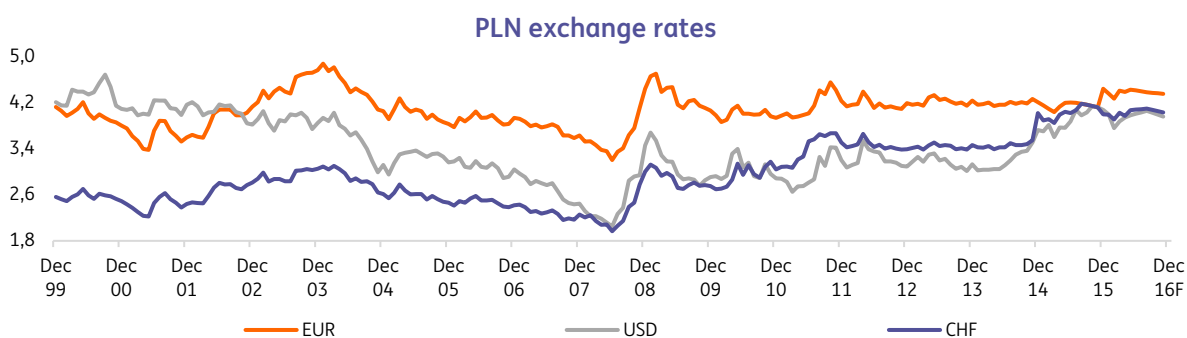
Inflation

In H1 2016, the consumer price index growth remained all the time below zero year on year which was due to the translation of low energy prices into prices of other goods: clothes, fuels, means of transport and certain services (e.g. recreation). Nevertheless, the deflation has been gradually shrinking (from -1.1% in April to -0.8% in June) due to a gradual growth of energy sources on global markets and base effect. ING economists expect CPI to grow further and inflation to return at the beginning of 2017. In their opinion, favourable factors will include expansive fiscal policy, in particular growth of private consumption financed from 500+ programme and postponement of VAT rate reduction.



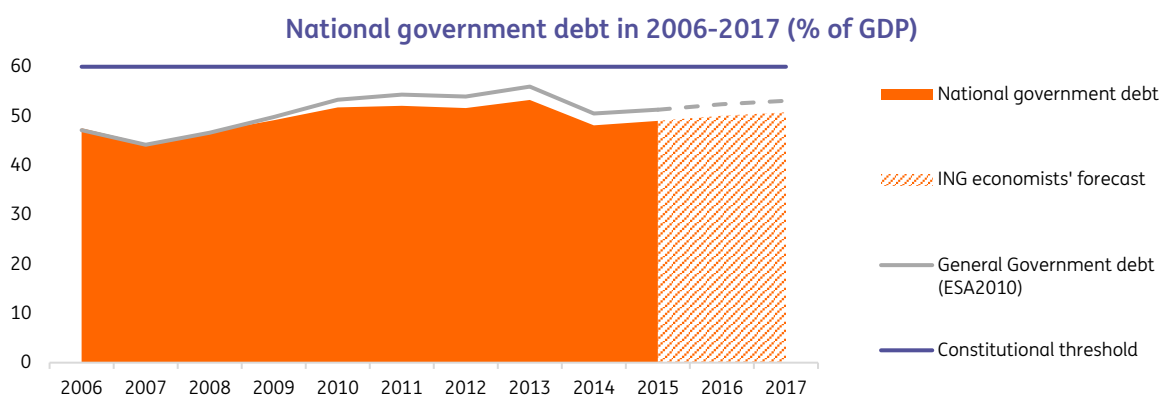
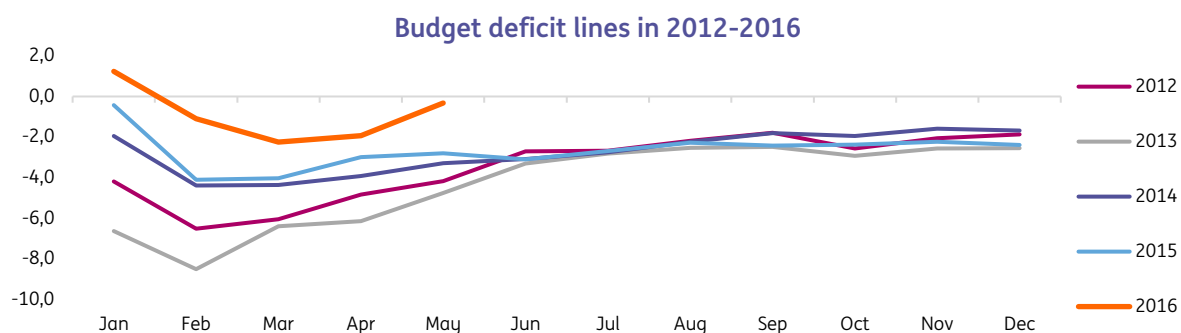
Impact of global financial markets on Polish economy

In H1 2016, the energy sources' prices grew which improved the situation of the countries exporting them - mainly Russia and Middle East. On the other hand, concerns about the economic upturn in China persisted, while macroeconomic and political stability of emerging markets did not improve significantly. Further, H1 2016 was also a period of weaker political stability and growth prospects in the European Union due to an unresolved migration crisis and growing anti-EU sentiments (illustrated by Brexit). All those factors made Polish zloty continue to depreciate in relation to EUR and USD, while bond yields remained relatively high.



State budget

According to the ESA2010 methodology, the central and local government agencies sector deficit in 2015 was 2.6% of GDP and public debt represented 51.3% of GDP. ING economists forecast that the budget deficit in 2016 will be similar to 2015 levels. Even though the expenditure is growing rapidly, due to introduction of 500+ programme for the amount of PLN 17 billion, the budget will be fed with high income on LTE frequency bands auction (PLN 9.2 billion) and profit from NBP (PLN 8 billion). Yet, this income is of one-off nature. In 2017, additional budget inflows will be ensured by sealing of the tax system (CIT and VAT) and sectoral taxes on certain financial institutions and retail sales. On the other hand, the expenditure on 500+ programme will go up while the local governments will increase the deficit due to the need to cover their own contribution to investments co-financed from EU funds. For those reasons, ING economists expect that the budget deficit will reach 3.5% of GDP in 2017. Such deficit level exceeds the 3% of GDP threshold from convergence criteria but it does not pose a threat to public finance stability. Government debt will remain moderate, slightly above 50% of GDP.



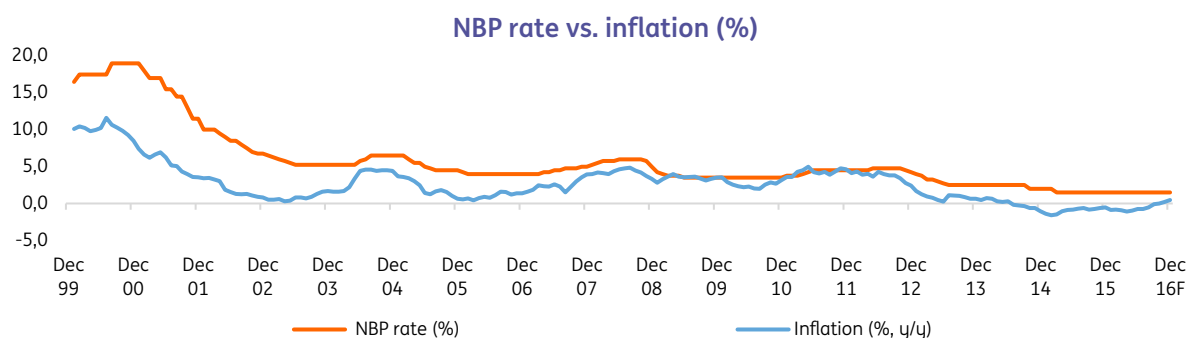
2. Monetary policy

In Q1 2016, the Monetary Policy Council (MPC) began its fourth term of office and 8 out of 10 MPC members were sworn into office. In June, a new President of the National Bank of Poland, former MPC of third term-of-office member, Adam Glapiński was sworn into office. Despite continuing deflation in Poland, new monetary authorities are doves in favour of keeping the interest rates unchanged from March 2015, i.e.

- reference rate – 1.50%,
- rediscount rate – 1.75%,
- lombard rate – 2.50%,
- deposit rate – 0.50%.

MPC justifies its policy by the fact that deflation in Poland does not have negative economic consequences and, in particular, that it does not lead to suspension by households of their consumer purchase and deterioration of enterprises' financial results. Furthermore, in the MPC opinion, the deflation in Poland is imported (due to energy sources prices) and according to NBP forecasts should terminate with 2016 yearend. Bank economists assume that the interest rates will be kept unchanged by the end of 2017, which is justified by:

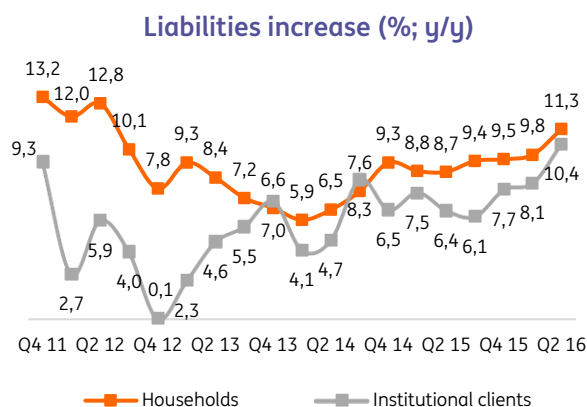
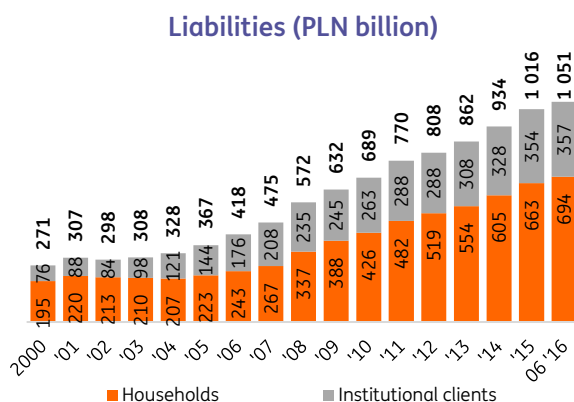
- PLN depreciation;
- weaker economic growth outlook in the European Union due to the results of the Brexit referendum and growing anti-EU sentiment in other Community member states;
- increased volatility in the financial markets.



3. Banking sector¹

As at the end of June 2016, the main monetary categories were as follows:

- Liabilities to households went up by PLN 70.4 billion versus the end of June 2015 and reached PLN 694.2 billion, up by 11.3% from the year before.
- Liabilities to institutional clients amounted to PLN 356.6 billion, up by 10.4% from the previous year. The volume increase by PLN 33.6 billion can be mainly attributed to higher liabilities to enterprises (up by 8.5%, or by PLN 19.0 billion) and local government institutions and social insurance funds (up by 26.2%, or by PLN 7.8 billion). As at the end of June 2016, liabilities to non-monetary financial institutions were higher by PLN 4.8 billion (+9.7%) than the year before. Liabilities to non-commercial institutions for households augmented by 10.8%, that is by PLN 2.1 billion, in that period.

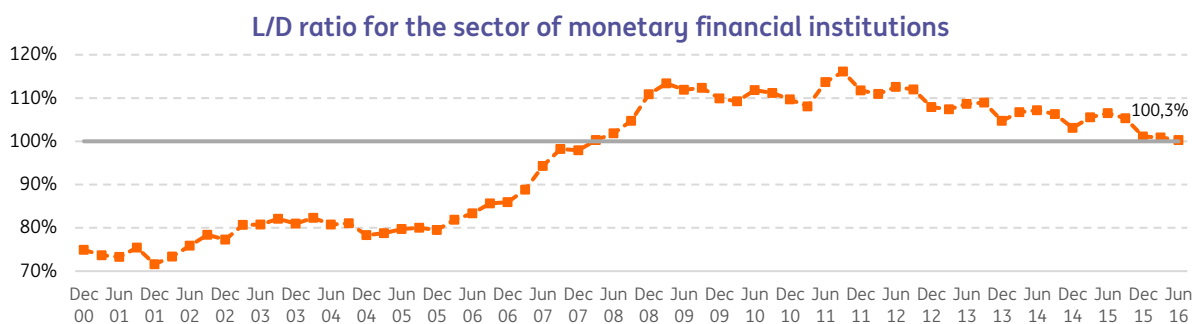
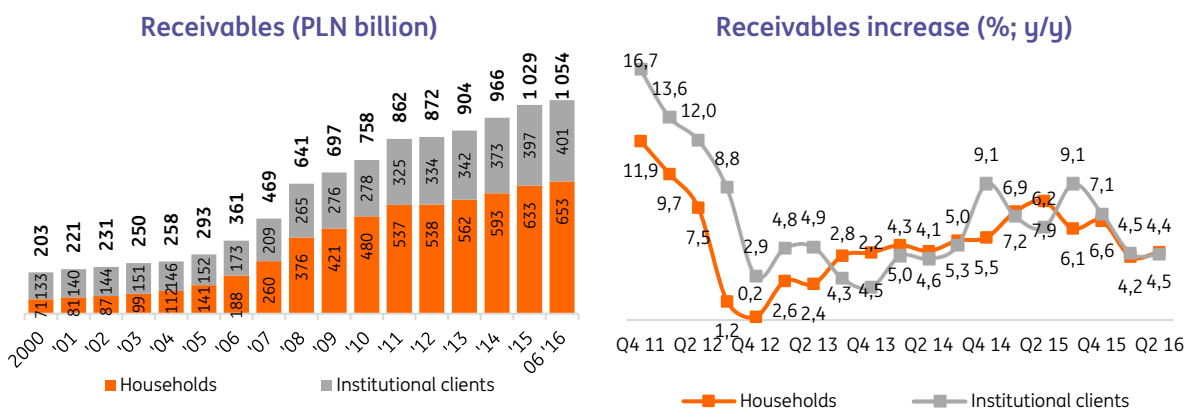


- In June 2016, receivables from households amounted to PLN 652.8 billion, up by 4.5% from the year before. Housing loans, which prevailed in the banks' credit exposure towards households, grew in nominal terms by 2.4%, arriving at PLN 384.0 billion. Upon excluding the exchange rate effect, the housing loans portfolio went up by approximately 1.8% throughout the year. According to the preliminary data of the Polish Bank Association, during the first six months of 2016, banks granted mortgage loans totalling approx. PLN 20.7 billion (PLN 19.6 billion in the same period last year); 98.5% of which were PLN loans. Consumer credit volume grew relatively fast. It reached PLN 159.4 billion in June 2016, up by PLN 11.5 billion (or +7.8%) from the end of June 2015.
- Receivables from institutional clients went up by PLN 16.9 billion (or +4.4%) as compared with June 2015, arriving at PLN 401.4 billion. Corporate receivables rose by PLN 19.4 billion (+6.7%).

¹The amounts discussed are for receivables and liabilities of monetary financial institutions from/to other domestic sectors.
Source: National Bank of Poland, file NALEZ_ZOBOW_MIF.xls – June 2016

Their growth was mainly triggered by capex loans which enlarged by PLN 9.6 billion (or +9.9%) throughout the year. The volume of opex loans went up by PLN 2.6 billion (+2.2%). Real property loans grew at a higher rate; their volume was PLN 3.8 billion higher (+7.5%) than as at the end of June 2015.

- Receivables from other sectors in the analysed period were as follows:
 - receivables from non-monetary financial institutions remained practically unchanged versus June 2015: PLN 54.6 billion (down by -0.1%),
 - receivables from local government institutions and social insurance funds: -8.2% (PLN -2.9 billion),
 - receivables from non-commercial institutions for households: +7.7% (PLN +0.4 billion).



In the first five months of 2016, the growth of general and administrative expenses (+12.1% y/y) accompanied by introduction of the tax on certain financial institutions (the so-called bank levy) were the main factors impacting the financial result of the banking sector. Also net income on fees and commissions and other income on banking operations shrank (the former by 5.5%). The latter's drop was the consequence of a large base. In H1 2015, there were one-off transactions in several banks, mainly in the area of share sale in subsidiaries.

On the other hand, the financial result of the sector was supported by improved net interest income. Interest expenses recorded a material drop (by 11.2%). Interest income was higher by 1.3% from a year earlier. As a result, during the first five months of 2016, the net interest income was 8% higher than the year before.

As a consequence of a sharp costs increase and moderate income growth (+2.9% y/y), the C/I ratio deteriorated by 5 p.p. (or from 55.7% to 60.7%).

Loan and cash loan impairment losses grew in this period by 3.4% as compared with the first five months of 2015.

Profit before tax of the sector fell by 12.6%, i.e. to PLN 6.9 billion, when compared with five months of 2015. Due to the fact that the bank levy is not tax deductible, net profit plummeted even further - by 17.0% y/y.

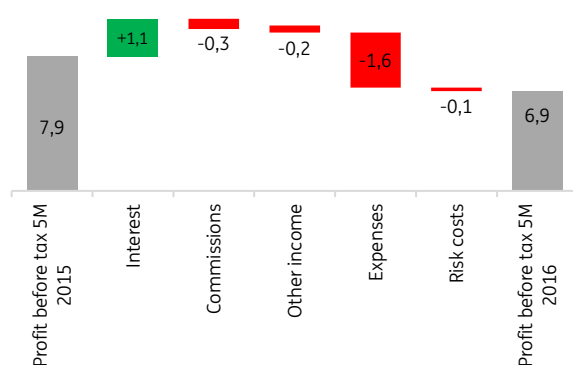
The core effectiveness measures of the banking sector looked as follows:

- return on assets (ROA) was 0.8% as compared with 1.0% the year before,
- return on equity (ROE) came down from 9.4% to 7.3%.

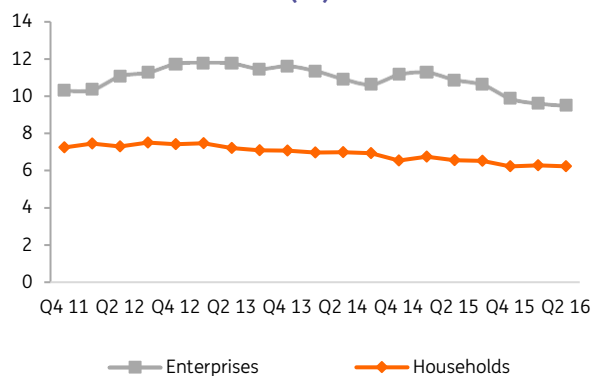
The share of impaired receivables in total receivables from the non-financial sector in May 2016 was 7.3% (8.1% a year before). The portfolio quality improvement was reported primarily for corporate receivables. The share of impaired loans in the enterprises sector came down from 11.1% in May 2015 to 9.5% in May 2016. In the large enterprises segment, that ratio declined in the analysed period from 9.2% to 7.3%. In the SME segment, the share of non-performing loans settled in May 2016 at 11.2% versus 12.6% in May 2015.

The share of impaired receivables from households went down from 6.6% to 6.2% in the analysed period. The share of non-performing housing loans declined to 2.9% (3.3% in May 2015), while the share of non-performing consumer credits fell from 12.7% to 12.2%. A drop in irregular loans observed in H1 2016 was partly due to SK Bank exclusion from database.

Profit before tax² of the banking sector from January to May 2016 (PLN billion)



Share of impaired receivables in banking sector (%)



The main changes introduced in H1 2016 by the Polish Financial Supervision Authority as regards regulatory requirements were as follows:

- Issuing Recommendation K on the principles of maintaining registers securing mortgage bonds by mortgage banks,
- Issuing Recommendation C on concentration risk management.

4. Asset-backed funding market

Leasing

H1 2016 was another period of growth of the leasing sector, triggered by a good economic situation and improving financial standing of companies. The amount of contracts made by leasing companies rose from H1 2015 by 17.7% and reached PLN 28.1 billion³. Thus, the sector affirmed its status as the second biggest (after a capex loan) source of investment project financing in the economy. The active portfolio of lease contracts for movables totalled PLN 89.4 billion in June 2016 (to compare: as at the

² Going concern gross profit.

³ According to the data published by the Polish Leasing Association.

end of June 2016, the capex loans granted by banks amounted to PLN 107.1 billion).

Vehicles with the approved gross vehicle weight up to 3.5 tons were the biggest segment of the market (with the share of 41.2%). In H1 2016, the assets of that category funded by leasing companies equalled PLN 11.6 billion (+32.0% y/y). The total worth of passenger cars financed by leasing companies rose from H1 2015 by 31.2%; for delivery vans with the approved gross vehicle weight up to 3.5 tons it went up by 35.1%.

A high growth rate was also reported for the financing of heavy transport; PLN 8.9 billion (or up by +42.8% y/y). Economy revival in the Western Europe and ensuing good trends in the transport services market drove that segment growth. Further, some enterprises were replacing their older means of transport with those satisfying the Euro 6 exhaust fumes standard due to lower tolls in international transport.

The segment of machinery and equipment (IT included) underwent a different scenario and reported a 10.9% decline (to PLN 7.1 billion) from H1 2015. The situation followed poorer absorption of EU funds and was mirrored especially in the agricultural machinery segment (down by 31.4% y/y) and a negative growth rate of construction equipment funding (-3.5% y/y) to a lower degree. Industrial machinery segments had a better time. Funding of food industry machines went up by 16.8% y/y. Leasing of plastic production and metal processing machines did not yield to decline (+1.3% y/y) either. On the whole, in H1 2016, lease-based funding of machinery and equipment recorded poorer results vis-a-vis economic growth and utilisation of production capacity of enterprises. Revival is expected in H2 2016. The high growth rate observed in June only (+16.2% y/y) seems to foreshadow it.

H1 2016 saw real property funding decline to PLN 343 million (or by 51.5% y/y). The number of contracts made was close to the past-year figure; yet, the average transaction amount was much lower.

Factoring

In H1 2016, the turnover of the factoring companies belonging to the Polish Factors Association grew by 21.1%, arriving at PLN 73.5 billion (versus PLN 60.7 billion in H1 2015). Export factoring was the market segment to enjoy the fastest growth of 38.3% y/y. Frequent fluctuations of exchange rates and incremental exports contributed to the growing popularity of that product. Also full domestic factoring grew very fast – by 30.8% year on year. It shows that the companies increasingly treat factoring not only as a funding source but also as a shield against counterparties' insolvency. According to the estimates of the Polish Factoring Association, the level of funding provided to clients by its members in mid-2016 was approx. PLN 16-17 billion.

5. Capital market

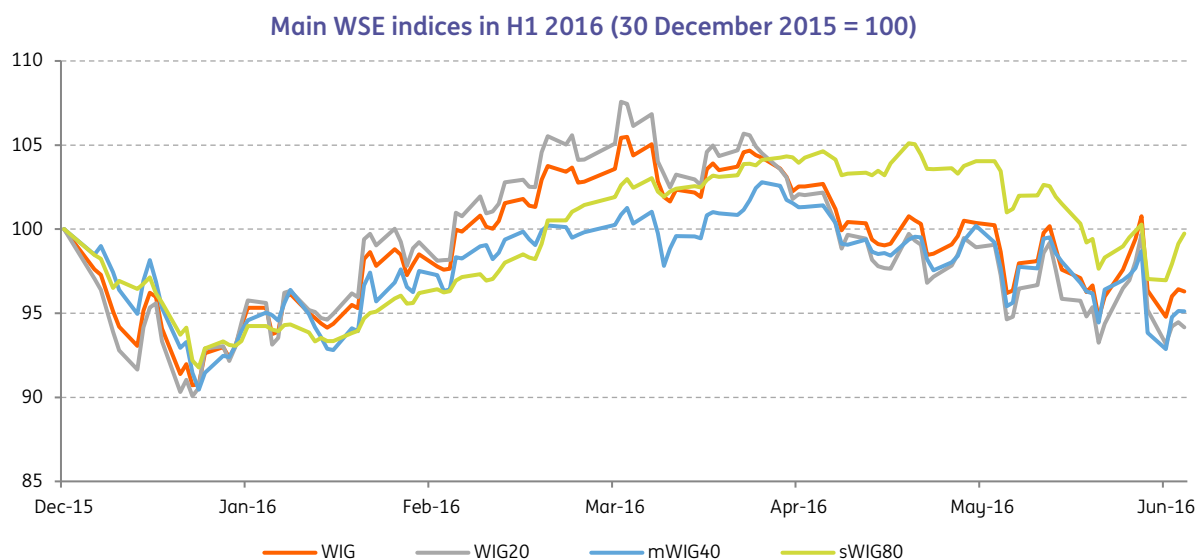
Stock exchange

The first half of 2016 was unfavourable for investors on the Warsaw Stock Exchange. Volatile stock exchange situation was shaped by both internal factors (uncertain political situation, perspective of "Swiss franc" act largely impacting pricing of banks and uncertainty as to further developments in the open-end pension funds area) and the situation on global markets.

The main indexes as at the end of H1 2016 were lower than as at 2015 yearend. The broad market index WIG lowered by 3.7% versus 30 December 2015. The result of the indexes grouping top large-cap companies was even worse – WIG20 and WIG30 diminished by 5.8%. Also the indexes of smaller companies sWIG80 and mWIG40 were below zero as at the end of H1 2016. They lost -4.9% and -0.3% respectively. The NewConnect market indexes performed poorly – NCIndex dropped by 1.1% as

compared with 2015 yearend, while the index covering the most liquid companies of that market, NCIndex30, shrank by 13.2%.

As far as sector indices are concerned, WIG-basic materials recorded the highest increase in H1 2016 (+7.3%). Next, were WIG-IT (+6.4%) and WIG-developers (+6.05%). The biggest drops were recorded by WIG-Construction (-12.9%), WIG-Telecom (-16.3%) and WIG-Chemicals (-25.2%).



As at the end of June 2016, there were 483 companies listed on the WSE main floor, including 53 foreign ones. Domestic companies were worth PLN 496.1 billion, down by 4.0% from December 2015. Domestic and foreign companies were worth the total of PLN 913.1 billion, down by 15.7% versus December 2015. The first half of the year saw 9 IPOs and delisting of 13 companies.

As at the end of June 2016, there were 413 companies quoted on the alternative market (418 as at 2015 yearend). The said companies were worth PLN 8.9 billion in total. In H1 2016, there were 7 IPOs on the alternative market (12 in H1 2015).

H1 2016 saw fewer main floor trades. Trading volumes went down by 16.3% when compared with the same period last year. They amounted to PLN 85.4 billion. Total trading (block trades included) went down by 21.1%, arriving at PLN 89.9 billion. Total trading on the alternative stock market NewConnect went down and reached PLN 0.7 billion, down by 23.9% from H1 2015.

The issues of non-government bonds on the Catalyst market totalled PLN 75.5 billion versus PLN 69.5 billion as at 2015 yearend. Also the value of trading in those instruments rose and in H1 2016 was PLN 1.8 billion, up by 52.7% from a year ago.

In H1 2016, the volume of stock index contracts went up by 16.1% as compared with the value recorded in H1 2015.

Mutual funds

As at the end of June 2016, the mutual funds' assets totalled PLN 261.6 billion, up by PLN 9.1 billion (or +3.6%) from the 2015 yearend. The growth was fully due to the increment in funds deposited in private asset funds (PLN +10.1 billion reaching PLN 108.2 billion). Those are mainly funds dedicated to a target group of investors, created for private purposes of affluent individuals or companies. As at the end of June 2016, their market share was 41.4% (38.8% in December 2015).

The situation in the market of funds available for general public was less favourable. It was to a large extent shaped by the Polish and foreign financial markets. The assets of those funds shrank versus the end of 2015 by PLN 1.0 billion and as at the end of June 2016 totalled PLN 153.4 billion. Bear market on domestic and foreign stock exchanges made equity funds suffer the most. Their accumulated funds declined over six months by PLN 3.4 billion to PLN 26.2 billion. Mixed funds also declined (by PLN 1.7 billion to PLN 30.6 billion). It should be noted that a large part of equity portfolios in those funds are WSE-listed shares.

High volatility in financial markets made lower-risk solutions become increasingly more popular among investors. In H1 2016, cash and money market funds assets built up by PLN 1 billion to PLN 30.6 billion. Absolute return funds grew by a similar amount (by PLN 0.9 billion to PLN 13.1 billion). Given the low interest rates, the funds from the aforementioned groups constituted an attractive alternative to bank deposits.

The assets of debt funds grew slightly by PLN 0.5 billion, or 1.2%. Yet, with the assets of PLN 41.6 billion in June 2016, it remains the biggest segment of public funds.

The assets of commodity funds grew at the fastest rate in H1 2016. They were supported by thriving noble metals market. In consequence, their assets went up versus the end of 2015 by PLN 0.5 billion to PLN 0.9 billion (+104.7%). Yet, this is still a niche segment and high growth rate was due to the low base.

Open-end pension funds

The changes to the open-end pension funds operation were to a great extent reflected in the investment policy of those institutions. As at the end of June 2016, approximately 81.8% of their assets were domestic and foreign issuers' stock. Poor situation in financial markets adversely impacted the funds gathered in pension funds. In June 2016, open-end pension funds' assets amounted to PLN 134.9 billion, down by PLN 5.6 billion (-4.0%) from the 2015 yearend. The assets drop additionally deepened the negative balance of deposits versus withdrawals. In H1 2016, only PLN 1.5 billion was transferred to open-end pension funds from the Social Insurance Institution, while transfers to the Social Insurance Institution under the so-called "slider" approach amounted to PLN 1.7 billion.

6. Macroeconomic factors to affect ING Bank Śląski S.A. operations in H2 2016

The main macroeconomic factor impacting the Bank's standing in the coming six months will be elevated uncertainty of financial markets regarding economic and political perspectives of the European Union. In the opinion of ING economists, it will take a long time before future relations between Great Britain and the European Community or the related negotiations schedule and implementation will be known. In October, the second round of presidential elections in Austria will be repeated. October will also see a referendum on constitution amendments in Italy. If the incumbent Prime Minister Matteo Renzi lost, it would mean political destabilization and economic reforms slowdown. Those factors will contribute to increased volatility in the financial markets and risk aversion which creates a negative environment for the Polish zloty and Polish bonds.

Also the monetary policy in the United States will be a vital factor. Relatively fast economic growth and favourable labour market situation trigger inflation pressure. In April, the Federal Open Market Committee (FOMC) signalled the need for another interest rate rise but without setting a specific deadline for the related decision, i.a. due to the uncertainty surrounding the Brexit referendum. Yet, should the inflation pressure in the USA persist, there may be expectations of faster monetary policy tightening. It will be another factor propitious for the Polish zloty depreciation and increase in the Polish bonds yields.

ING economists forecast that after a slowdown in H1 2016, the Polish economy will move to the stable growth stage of approx. 3.5% GDP. Favourable labour market situation and unemployment drop in particular will contribute thereto. The 500+ programme will lead to a growth in the households' spending power, which should favour high consumption growth. Risk factors include the risk of the public finance sector deficit growth following expansive fiscal policy in the landscape of uncertain and potentially insufficient effects of the tax system sealing.

CPI will gradually go up in H2 2016 month to month. According to ING economists, at the end of the year, CPI inflation will reach 0% y/y which will mark the end of deflation lasting since mid-2014 in Poland. Still, there are various indications that over 2018 the inflation will remain low, below the MPC target. That implies that also interest rates will remain low which may discourage retail clients from keeping deposits. Due to the persisting uncertainty in the financial markets and worsening economic growth outlook in developing countries and in the Eurozone, alternative saving methods do not offer attractive rates of return either.

Polish economy in 2008-2017										
	2008	2009	2010	2011	2012	2013	2014	2015	2016F	2017F
GDP growth (%)	3.9	2.6	3.7	5.0	1.6	1.3	3.3	3.6	3.3	3.3
General government debt as per the EU methodology (% of GDP)	46.6	49.8	53.6	54.8	54.4	55.7	50.1	51.3	52.1	53.1
M3 money supply (PLN billion)	666	720	784	882	921	979	1,059	1,138	1,250	1,344
Producer Price Index growth (%)	3.9	-3.6	11.1	7.2	1.4	2.3	3.5	4.4	4.4	4.0
Average annual inflation (CPI) (%)	4.2	3.5	2.6	4.3	3.7	0.9	0.0	-0.9	-0.5	1.5
Unemployment rate (%)	9.5	12.1	12.4	12.5	13.4	13.4	11.5	9.8	8.9	8.2
PLN/USD (yearend)	2.94	2.85	2.96	3.42	3.10	3.01	3.51	3.90	3.95	3.54
PLN/EUR (yearend)	4.11	4.11	3.96	4.42	4.09	4.15	4.26	4.26	4.35	4.25
WIBOR 3M (yearend)	5.80	4.00	3.95	4.99	4.11	3.0	2.50	1.7	1.7	1.7

II. Major achievements of ING Bank Śląski S.A. Group in H1 2016

1. Increase in number of clients

In H1 2016, the number of ING Bank Śląski S.A. clients went up by 136 thousand (or 3.4%) to 4,194 thousand clients. The Bank's customer base covered:

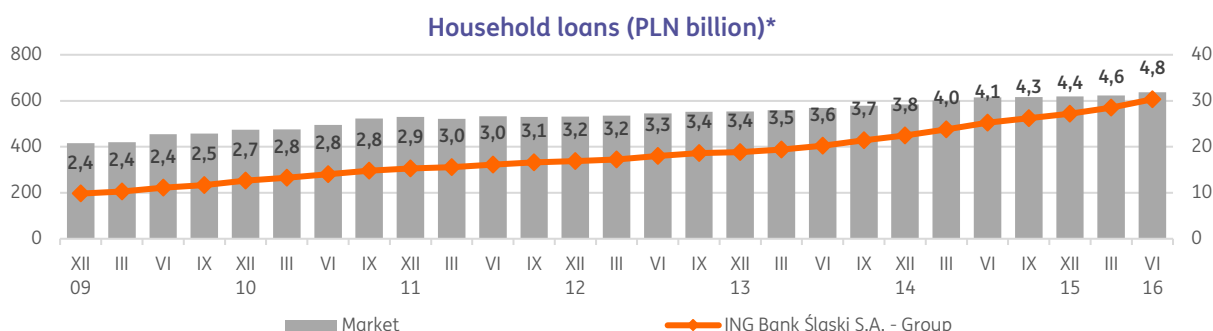
- 4,149 thousand retail clients, including:
 - 3,835 thousand individual clients (up by 123 thousand clients throughout H1 2016),
 - 314 thousand Entrepreneurs (up by 10 thousand clients throughout H1 2016),
- 46 thousand corporate clients (mid-sized and mid-corporates and groups).

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

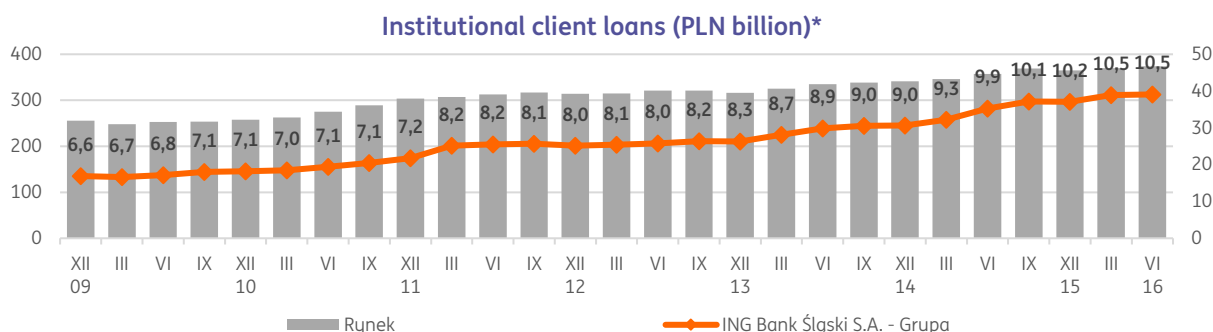
2. Better position on credit market

As at the end of June 2016, net loans and other receivables granted to clients⁴ amounted to more than PLN 74 billion. Throughout H1 2016, they went up by over 8% (PLN 5.7 billion) and over 15% (almost PLN 10 billion) per annum.

The Group was estimated to have a 6.9%-share in the total amount of loans extended to clients by the commercial banks sector⁵ (up by 0.3 p.p. from the 2015 yearend).



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



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

⁴This amount covers net loans and other receivables, except for Eurobonds and receivables from customers under repo transactions.

⁵Banking sector meaning commercial banks sector in line with data published by NBP in the *Assets and liabilities of banks* file.

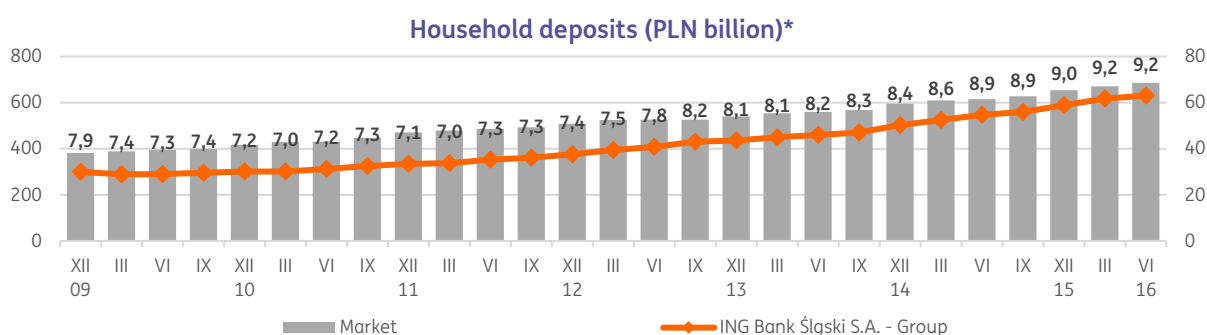
Changes to balances of individual categories of credit receivables are presented in the table below:

Loans and other receivables to customers of ING Bank Śląski S.A. Group (PLN million)							
	30.06.2016	31.12.2015	30.06.2015	Change in H1 2016		Change y/y	
	PLN million	PLN million	PLN million	PLN million	%	PLN million	%
Credit receivables from households, including:	30,550.6	27,276.6	25,156.8	3,274.0	12.0%	5,393.8	21.4%
Loans and advances	29,770.8	26,620.2	24,598.4	3,150.6	11.8%	5,172.4	21.0%
Leasing receivables	731.0	600.4	498.7	130.6	21.8%	232.3	46.6%
Factoring receivables	48.8	56.0	59.7	-7.2	-12.9%	-10.9	-18.3%
Credit receivables from institutional clients ⁶ , including:	43,849.0	41,404.9	39,259.6	2,444.1	5.9%	4,589.4	11.7%
Loans and advances	32,562.8	30,552.9	29,466.5	2,009.9	6.6%	3,096.3	10.5%
- Business entities	28,266.4	26,048.7	24,851.8	2,217.7	8.5%	3,414.6	13.7%
- Financial entities (other than banks)	1,865.5	1,935.5	2,069.3	-70.0	-3.6%	-203.8	-9.8%
- Entities of the sector of central and local government agencies	2,430.9	2,568.7	2,545.4	-137.8	-5.4%	-114.5	-4.5%
Debt securities ⁷	2,526.0	3,055.5	2,783.1	-529.5	-17.3%	-257.1	-9.2%
Leasing receivables	4,713.1	4,282.3	4,112.9	430.8	10.1%	600.2	14.6%
Factoring receivables	3,978.7	3,333.7	2,762.7	645.0	19.3%	1,216.0	44.0%
Other receivables	68.4	180.5	134.4	-112.1	-62.1%	-66.0	-49.1%
Total net credit receivables	74,399.6	68,681.5	64,416.4	5,718.1	8.3%	9,983.2	15.5%
- Eurobonds	3,909.0	3,838.1	3,710.8	70.9	1.8%	198.2	5.3%
Total net loans and other receivables to customers	78,308.6	72,519.6	68,127.2	5,789.0	8.0%	10,181.4	14.9%

3. Strengthening position on deposits market

As at the end of H1 2016, assets deposited by clients in Bank accounts totalled over PLN 93 billion. In H1 2016, this sum went up by over 6% (PLN 5.7 billion) and by almost 16% (PLN 13 billion) year on year.

As at the end of H1 2016, the Bank held 8.8% of the total value of funds deposited in the commercial banks sector⁸, which indicates that the Bank was the fourth largest deposit bank in Poland.

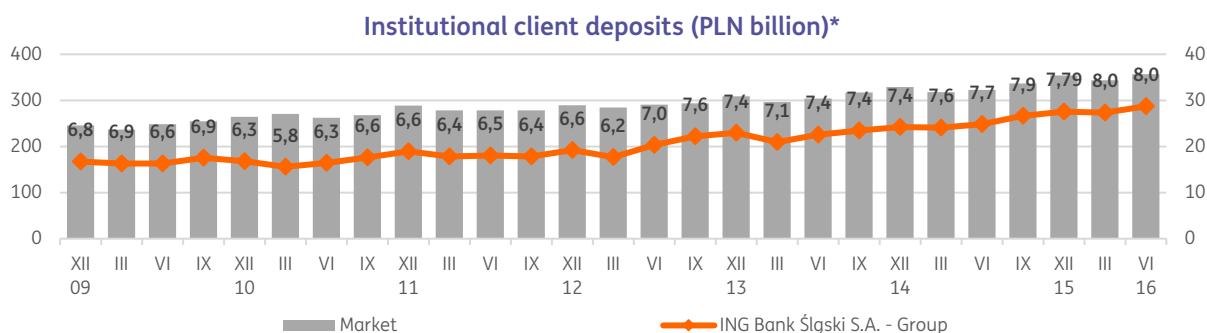


* The figures denote the ING Bank Śląski S.A. Group's share in the commercial banks market.

⁶Excluding receivables from customers under repo transactions.

⁷Eurobonds excluded.

⁸Banking sector meaning commercial banks sector in line with data published by NBP in file *Assets and liabilities of banks*.



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

Changes to balances of individual categories of liabilities to customers are presented in the table below:

Liabilities to customers of ING Bank Śląski S.A. Group (PLN million)							
	30.06.2016	31.12.2015	30.06.2015	Change in H1 2016		Change y/y	
	PLN million	PLN million	PLN million	PLN million	%	PLN million	%
Household liabilities, including:	63,074.2	58,976.4	54,780.3	4,097.8	6.9%	8,293.9	15.1%
Deposits	63,008.8	58,896.2	54,687.9	4,112.6	7.0%	8,320.9	15.2%
Other liabilities	65.4	80.2	92.4	-14.8	-18.5%	-27.0	-29.2%
Liabilities to institutional clients ⁹ , including:	30,409.1	28,842.1	25,970.3	1,567.0	5.4%	4,438.8	17.1%
Deposits	28,719.3	27,567.5	24,817.7	1,151.8	4.2%	3,901.6	15.7%
- Business entities	23,805.9	23,594.2	21,154.3	211.7	0.9%	2,651.6	12.5%
- Financial entities (other than banks)	2,661.1	2,353.8	1,957.9	307.3	13.1%	703.2	35.9%
- Entities of the sector of central and local government agencies	2,252.3	1,619.5	1,705.5	632.8	39.1%	546.8	32.1%
Other liabilities	1,689.8	1,274.6	1,152.6	415.2	32.6%	537.2	46.6%
Total liabilities due to customers	93,483.3	87,818.5	80,750.6	5,664.8	6.5%	12,732.7	15.8%

4. Awards and honourable mentions

The first half of 2016 brought numerous awards and honourable mentions for ING Bank Śląski S.A., i.a.

For the appeal of its product offer and quality of the customer service:

- The main prize and the title of Gwiazda Bankowości (Banking Star) granted for the overall performance in 2015 in the ranking compiled by Dziennik Gazeta Prawna daily and PwC.
- First place in Najlepszy Bank 2016 (2016 Best Bank) ranking by Gazeta Bankowa monthly.
- Złoty Bell (Golden Bell) prize for mobile applications of ING Bank Śląski S.A. in the Mobile Bank of 2015 category presented at the Mobility Trends Gala.
- Second place in the ranking of mortgage loans, compiled by the TotalMoney.pl portal.
- First place in the brokerage accounts ranking, compiled by Puls Biznesu.
- First place in the ranking of accounts for big corporates, compiled by the TotalMoney.pl portal.
- First prize in the Corporate Loan category in the Portfel Roku Tygodnika Wprost (Wprost Weekly Portfolio of the Year) ranking for the vendor finance service.
- Second prize in the Highest Volume and Highest Value of OTC Transactions Cleared in

⁹Excluding liabilities to customers under repo transactions.

KDPW_CCP in 2015 category.

- Złoty Bank (Golden Bank) title awarded by Puls Biznesu and Bankier.pl portal for top service quality.
- Gwiazda Jakości Obsługi 2016 (2016 Service Quality Star) in the Banks category in the ninth edition of the Polish Service Quality Programme.
- First place in the Instytucja Roku 2015 (Institution of 2015) ranking in The Best Customer Service at Branches category and second place in The Best Customer Service in Direct Channels category based on the survey carried out by moжебankowanie.pl portal experts.

For the marketing actions:

- Team award for the Brand and Communication Department for exceptional and effective marketing actions, awarded during the Marketing Summit 2016.
- First place in Lamparty (Leopards) contest, rewarding the best bank brands creations.
- Three Bronze Swords of the Advertising Creators Club, awarded for the best and most interesting creations that shape the communication and marketing landscape in Poland.
- Złoty Bankier (Golden Banker) for the best bank in the social media.

For the manner in which ING Bank Śląski S.A. operates in the community and its ability to effectively combine social responsibility with business values:

- Srebrny Listek CSR (Silver CSR Leaf) awarded by POLITYKA weekly.
- International Top Employers Certificate awarded for the seventh time by the Top Employers Institute.
- Certyfikat Zielone Biuro (Green Office Certificate) for the offices of the bank head office located at ul. Sokolska 34 and ul. Chorzowska 50 in Katowice.
- Szpalty Roku 2016 (Columns of 2016) for the following publications of ING Bank Śląski S.A.: ORANGE CODE brochure – a strategy of implementing the behaviours of ING Bank Śląski S.A. and CSR REPORT of ING Bank Śląski S.A. (Złote Szpalty [Golden Columns]); BAŚKA – an in-house magazine for employees of ING Bank Śląski S.A. (Srebrne Szpalty [Silver Columns] and CSR REPORT of ING Bank Śląski S.A. (honourable mention in the One-Off Publication category)

ING Bank Śląski S.A. management also received high praise:

- Bankowiec Roku (Banker of the Year) title awarded to Małgorzata Kołakowska, President of ING Bank Śląski S.A. (until 31 March 2016) by the Forbes magazine.
- Wizjoner Rynku Bankowego 2015 roku (2015 Banking Market Visionary) title awarded to Małgorzata Kołakowska, President of ING Bank Śląski S.A. (until 31 March 2016) during Banking Horizons conference.

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

III. Operations of ING Bank Śląski S.A. in H1 2016

1. Retail banking

Changes to product offer and customer service rules

Savings, investments, accounts

The aim of ING Bank Śląski S.A. is to maintain a strong position in the retail banking market. The key to accomplish this aim is an extensive and clear product offer and the improvement of the marketing and operating communication with the clients. Moreover, constant simplification and automation of processes as well as maximization of the importance of online and mobile banking, which for instance enables stabilisation of the portfolio of savings and investments made with the Bank by the clients, play a vital role here, as well.

In H1 2016, the main operations of the Bank focused on the following:

- redevelopment of the investment offer for individual clients,
- continuation of retention actions and operations stabilising the portfolio (volume) of retail deposits, with particular focus placed on the long-term deposit portfolio.
- creation, implementation and improvement of marketing communication activities aimed at (1) supporting the sale of investment products, particularly the ING Core Fund SFIO and ING BSK Index Funds SFIO and (2) promoting regular savings and investments by, among others, encouraging clients to set up a Regular Investment Instruction,
- incorporation of ING Securities Brokerage House into the Bank structures.

In January 2016, ING Bank Śląski S.A. obtained the licence of the Polish Financial Supervision Authority to conduct brokerage activity in its full range. In June 2016, the Bank Brokerage Office and ING Securities were merged, which led to the establishment of the new Brokerage Office Division of ING Bank Śląski S.A. that offers a variety of capital market services. All brokerage products were made uniform, simplified and adjusted to the bank standards. The fact that the complex and multi-faceted merger of ING Securities and Bank Brokerage Office was smooth and seamless and that neither the Clients nor the brokerage services were disturbed confirms the success of the process. At that time, the Bank was ranked first by the Puls Biznesu daily for the best brokerage account of 2016.

In January 2016, the Bank extended its product offer for individual clients with a new investment product – ING BSK Index Funds SFIO. ING BSK Index Funds SFIO is an umbrella fund with 3 separate subfunds. It is an investment solution addressed to clients wanting to diversify their investment portfolio.

In April 2016, the PLN 100.00 for the Regular Investment Instruction special offer was launched to encourage new clients to begin regular investment. The promotional campaign was welcomed by clients who as at the end of June placed over 28,000 instructions.

The Bank also improved operational processes for servicing of mutual funds. Individual clients got access to full servicing of fund orders in the new Moje ING transaction system and to the option to conclude intermediation agreements, whereby they may use Moje ING and place mutual fund orders through the Bank. These functionalities, combined with the modified client profile survey also available under Moje ING.

With a view to upholding the competitiveness of the core deposit product, that is the Open Savings Account, in H1 2016, the Bank continued offering periodical, promotional terms and conditions for new funds under the special offer, i.e. Bonus for Start and Bonus Open Savings Account in next editions.

They consist in offering periodically higher interest to new clients or on new funds over a specified period.

In January and February 2016, the advertising campaign for deposits continued (15 November 2015 – 21 February 2016). The Saving smarties reap benefits campaign was addressed to new and existing Bank clients alike. It was promoted on TV and the Internet.

In H1 2016, the Bank also held 11 subscriptions for the Investment Term Deposit structured product for the total amount of approx. PLN 472 million. Investment Term Deposit is a modern form of saving money. It guarantees capital protection, while offering higher yields than those usually earned on traditional deposits.

As for the current account offer, in H1 2016, ING Bank Śląski S.A. changed terms of using ATMs and clearing foreign transactions. Changes were also introduced to the Table of Fees and Commissions for natural persons valid since 29 January 2016 and the Table of Fees and Commissions for Entrepreneurs in force since 01 February 2016. Additionally, the Bank also launched a new service – the option to check the account balance in Planet Cash-networked ATMs and those other than ING Bank Śląski S.A. or Planet Cash ATMs.

Moreover, in March 2016, ING Bank Śląski S.A. signed a Letter of Intent on the possibility to submit the Family 500+ applications via the electronic banking system. ING Bank Śląski S.A. was one of the 18 banks that joined this programme. Parents or guardians could submit Family 500+ applications via the Bank's website. The Bank's role in the application process consisted in making the applications available and forwarding them to the Supervising Body for the district.

Lending products

In H1 2016, the Bank also strongly developed its lending offer as part of pursuing the strategy of constant and balanced growth of lending product exposure. What supported this growth was, among others, the media campaign entitled You have to return the money but what you get is yours advertising loans for individual clients. In that way the message communicated to clients the year before was upheld. The campaign stressed that the client can get a loan during just one visit to the branch. Furthermore, the client can choose from different application placement options – at a branch, via the online banking system (ING BankOnLine or Moje ING) or through the Contact Centre. The promotional campaign lasted from 28 February through 24 May 2016.

H1 2016 saw 2 editions of the Combine the instalments and make profit special offer. Any client that consolidated liabilities from other banks within a cash loan could earn even PLN 200.

The release of a new functionality enabling commission financing (for a cash loan) was an interesting solution, reflecting not only involvement of ING Bank Śląski S.A. in the development of the lending offer but also emphasising its continuous activity to simplify its products. Apart from the option to pay commission from own funds, the clients can also choose an option that allows them to add commission to the loan amount and pay it off in monthly instalments together with the loan.

In addition, starting from May 2016, cash loan documents (agreement) are presented to the client in a new graphic design and a linguistically simplified form. In May, a new process was also rolled out to enable the clients to buy insurance for active cash loans (use of the insurance offer for existing loans; before the client, who chose not to insure the loan at the time it was granted, could not change that decision afterwards).

New/additional functionalities were added to the sale process in the Moje ING online banking system for individual clients, which means that now all processes (credit card, overdraft, cash loan and cash loan with insurance) are fully available in the pre-approved process and the processes initiated by the

client.

Unification of service of lending processes was focused in H1 2016 on the migration of those processes from the application used so far in the lending process to a new Decision Engine-based Front-End system and development of a process supporting multichannel service for the clients from the Entrepreneurs segment.

In the March – May period, the service of all unsecured products, i.e. loans for entrepreneurs, credit lines, and credit cards, was offered in the new system. Thereby, regardless of the nature of the client's business activity and the form of tax clearance, all products can be accessed quicker and based on a better calibrated application assessment system.

Two entrepreneur-directed special offers were also launched in January and February 2016. On 02 February 2016, a new pricing offer for credit products for entrepreneurs was launched. The changes introduced therein included beneficial pricing conditions for clients holding other ING products and clients moving their liabilities from other banks. In the period between 07 March and 31 May 2016, a campaign promoting loans for entrepreneurs was run and within it loans with lower margins and with two pricing options – without or with commission – were advertised.

We also have been constantly developing the online loan offer. In January 2016, a new offer of discount codes enabling the reimbursement of first-month interest on a loan or cash line was released to encourage clients to take out loans via the online banking system.

As for mortgage loans, between 11 January and 05 February 2016, the Bank ran the New Year's Sale of Mortgage Loans. It was a special offer providing for the same pricing conditions as those applicable to the Live without compromise offer, but not limiting the borrower's age.

In H1 2016, the Bank continued the Live without compromise special offer. The clients can customise the offer thanks to the introduction of the following two options: 0% margin and Lower margin.

In May 2016, to ensure the best customer service possible, the Bank introduced a solution enabling online submission of mortgage loan applications. Trade talks can be conducted and application documents submitted via a Contact Centre advisor. However, loan agreements are signed at a branch.

As far as the insurance offer is concerned, in H1 2016, the Bank centred its actions around changing group insurance into individual insurance (conversion). So far the conversion process was initiated for mortgage product, debit card and cash loan insurance.

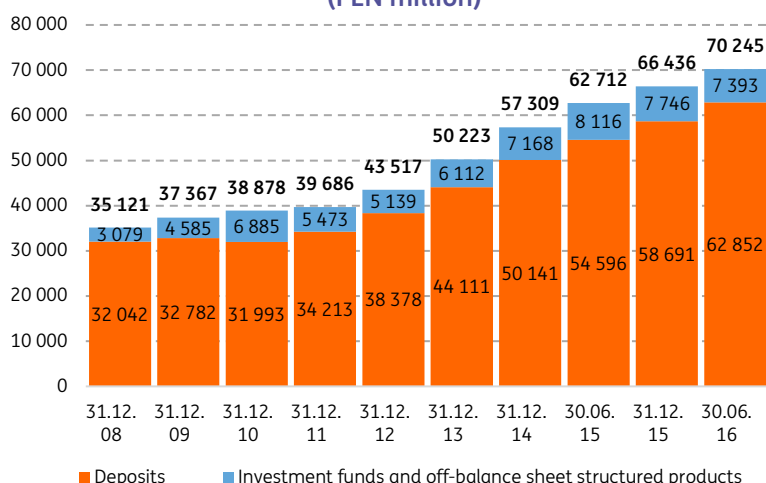
Deposits¹⁰

As at 30 June 2016, funds entrusted to ING Bank Śląski S.A. by retail clients totalled over PLN 70 billion, up by more than PLN 3.8 billion (5.8%) over H1 2016 and by more than PLN 7.5 billion (12%) y/y.

The fact that deposit base grew faster than the volumes in the sector translated into higher share in the household deposits market. At the end of June it was 9.2 % versus 8.9% the previous year.

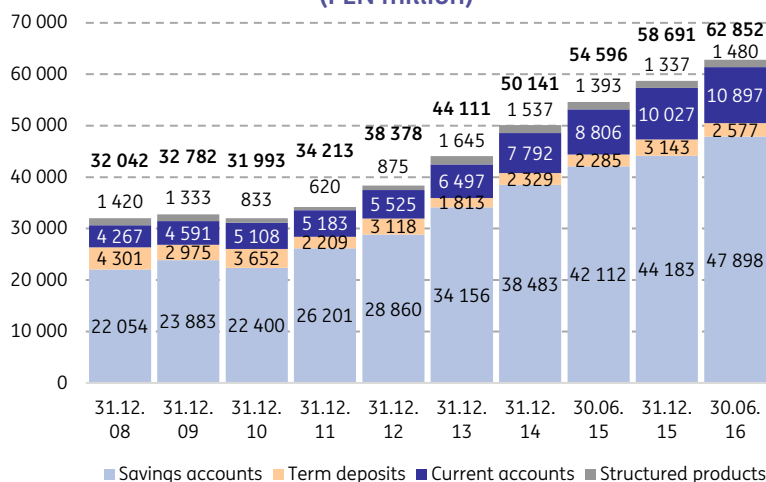
¹⁰Due to the availability of more detailed product-related information, the description is made based on the data from the management information system.

Funds entrusted by retail clients (PLN million)



Change H1 2016		Change y/y	
PLN million	%	PLN million	%
3,808	5.7%	7,533	12.0%
-353	-4.6%	-723	-8.9%
4,162	7.1%	8,256	15.1%

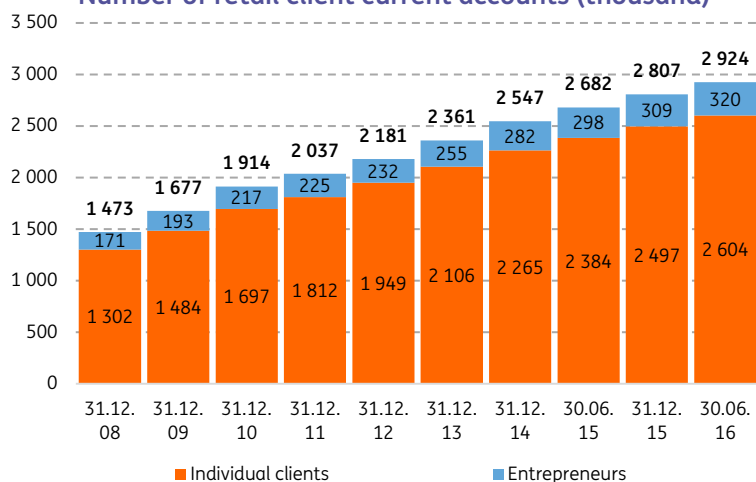
Retail client deposits – product structure (PLN million)



Change H1 2016		Change y/y	
PLN million	%	PLN million	%
4 162	7,1%	8 256	15,1%
143	10,7%	87	6,3%
870	8,7%	2 090	23,7%
-566	-18,0%	293	12,8%
3 715	8,4%	5 786	13,7%

Throughout H1 2016, the array of settlement services rendered by the Bank to its retail clients grew significantly. As at the end of June 2016, ING Bank Śląski S.A. maintained 2,924 thousand personal accounts for retail clients. The majority of the accounts (79%) were Direct accounts.

Number of retail client current accounts (thousand)

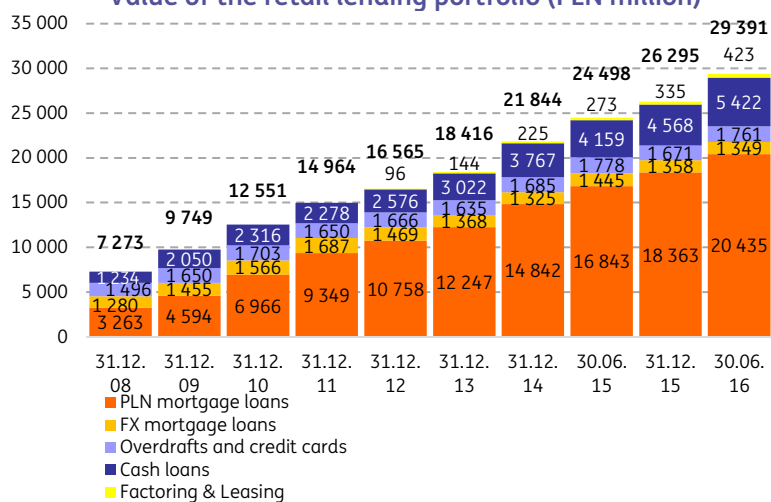


Change H1 2016		Change y/y	
thousand	%	thousand	%
117	4.2%	242	9.0%
11	3.5%	23	7.6%
106	4.3%	220	9.2%

Lending¹¹

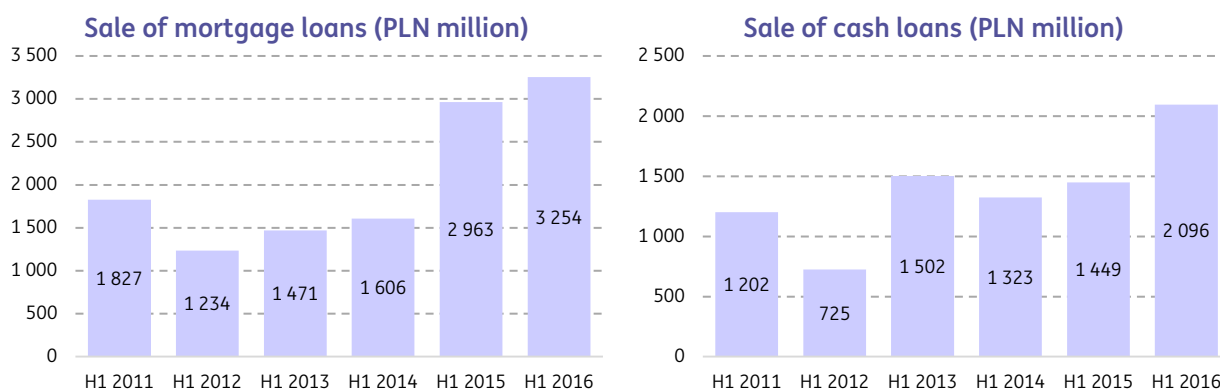
As at the end of June 2016, credit receivables from retail customers totalled PLN 29.4 billion. In H1 2016, the Bank's credit exposure towards retail clients went up by PLN 3.1 billion, i.e. nearly 12%. The Bank increased its share in the credit receivables from households market to 4.8% versus 4.1% in June 2015).

Value of the retail lending portfolio (PLN million)



Change H1 2016		Change y/y	
PLN million	%	PLN million	%
3,096	11.8%	4,893	20.0%
88	26.3%	150	55.0%
854	18.7%	1,263	30.4%
90	5.4%	-17	-1.0%
-9	-0.6%	-96	-6.6%
2,072	11.3%	3,592	21.3%

¹¹Due to the availability of more detailed product-related information, the description is made based on the data from the management information system.



In H1 2016, compared to H1 2015, the Bank increased the sale of mortgage loans by nearly PLN 300 million, i.e. 10%. According to the data published by the Polish Bank Association, in H1 2016, ING Bank Śląski S.A. was second on the market with a 15.7% share in the sales of housing loans for private individuals.

The growing cash loan balance results from the intensified Bank operations as regards the offer and sales. In H1 2016, approximately 125 thousand loans totalling PLN 2.1 billion were granted. It indicates sales growth by 45% as compared with H1 2015.

Bank cards

For many years now, ING Bank Śląski S.A. has been one of the main payment card issuers in Poland; the same goes for contactless cards. We were the first bank in Poland and one of the first banks in the world to introduce withdrawals from ATM with the use of a contactless card. As at the end of June 2016, ING Bank Śląski S.A. had the network of over 800 NFC-enabled machines. NFC-enabled ATMs support processing of the fastest in Poland (lasting up to 20 seconds) withdrawals which are convenient and safe.

In February 2016, ING Bank Śląski S.A. implemented a modern system for debit card servicing (Visiona), which, among others, applies improved security and card data protection standards and which will also enable the implementation of new products and services regarding payment.

In June 2016, ING Bank Śląski S.A. equipped some of its ATMs with voice communication and Braille signs, as well as headphones, which is great facility for the blind and the near-blind. Using the headphones and pre-recorded voice instructions they can withdraw money easier. Depending on their needs, they can also adjust volume. Additionally, the ATMs were also equipped with Braille signs like "card" where the card reader is located and "confirmation" by the receipt printer. The ATM can be used not only to withdraw money, but also to change PIN and activate the card.

By the end of June 2016, ING Bank Śląski S.A. issued 3.0 million payment cards to its retail clients, where 2.4 million accounted for contactless cards (Zbliżak paypass sticker included) whereas in December 2015 Bank retail clients held 2.3 million cards of this type.

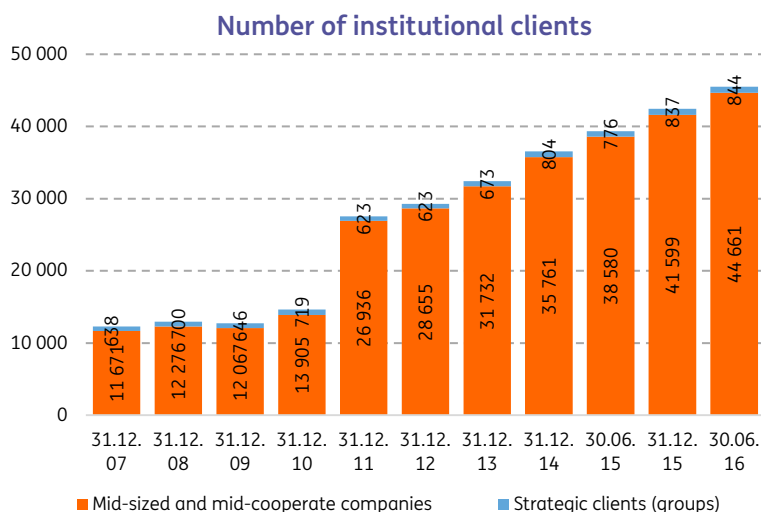
2. Corporate banking

Number of clients

In June 2016, 45.4 thousand corporate clients used the ING Bank Śląski S.A. services, and this included:

- 44.7 thousand mid-sized companies and mid-corporates, and
- 768 strategic clients (holdings).

During H1 2016, the Bank entered into relationships with 5.4 thousand new corporate clients, whereby the number of companies tended to by the Bank went up by 3.0 thousand from the 2015 yearend.



Product offer and modifications introduced

When corporate clients choose their bank, they take into account not only reputation of a stable and trustworthy institution but also high quality of the offer, matching their specific needs. Constant enhancements to the offer, process streamlining and distribution channels' improvement are an inherent element of the Bank's operations.

Accounts and clearings

ING Bank Śląski S.A. offers companies a path-breaking and comprehensive array of cash transaction processing solutions. The Bank continues to develop its network of electronic depositories which as at the end of H1 2016 was formed of 135 machines. The number of clients using light depositories is growing gradually. These are machines installed at the client's premises which make transactions more convenient and safer. As at the end of June 2016, there were 36 of them. Moreover, ING Bank Śląski S.A. provided additional mini and micro CDMs, i.e. small devices installed in the company's registered office which make it possible to place open deposits. All CDMs can be used 24/7 and deposits are booked into the selected accounts as soon as they are made (on-line mode).

The Bank continued to increase the number of available fee collection machines. These are special automatic tills where clients can pay administration fees conveniently, efficiently and quickly. By the end of June 2016, ING Bank Śląski S.A. provided its corporate clients with 16 fee collection machines.

Moreover, a new process of online opening of ING Direct Business was implemented at the of June 2016, which followed the introduction in July 2015 of the possibility to use ING Direct Business package via the ING Business Centre. This means that clients interested in the offer can now open the account themselves by submitting the application available on the Bank's website. The application makes it possible for the clients registered in the National Court Register and sole proprietors to open the account online. There are no paper documents in that process. The Bank acquired already over 1,000 new clients in this way.

Within further digitalisation of business processes, the Bank has provided its biggest institutional clients with a digital workflow of business documents for transaction banking, allowing for the use of an electronic signature. This speeds up the exchange of agreements and forms and eliminates paper documents.

Cards

The end of April 2016 saw changes in the processing of debit card applications, personalisation of business pre-paid cards and individual deposit identification cards for corporate clients. The biggest change consists in the departing from taking the card user's signature in the Personal Data Form for the Card User. In the new process, it is enough for the client applying for the debit card in the ING Business system to attach a complete Simplified Personal Data Form to the electronically submitted application. In 2016, a further redevelopment of the payment card application process is planned. The target process assumes that for each card type the client will have the possibility to provide their personal data directly in the system and the attachment of additional documents to the application will not be necessary.

ING Bank Śląski S.A. ranked first in the TotalMoney ranking outstripping 12 other banks with a business account offer. The study was conducted for an offer for businesses having full accounting, generating earnings of approximately PLN 12 million per annum, and using the account actively, i.e. making domestic and foreign transfers as well as deposits and withdrawals.

Loans

In H1 2016, ING Bank Śląski S.A. continued to automate its lending processes. These actions bring notable benefits visible in the systematic increase in the share of electronic credit applications filed through the ING Direct Business Credit and ING BusinessOnLine in the total number of credit applications filed by businesses. As at the end of H1 2015, the share settled at 92%.

Since its launch in 2014, the ING Monitoring app used to monitor the client's fulfilment of liabilities under credit agreements with the Bank and watch the Client's economic and financial standing has been constantly improved. In H1 2016, a series of pre-planned modifications and improvements was introduced and to large extent these were proposed by the users. Extension of the ING Monitoring app over local government units is one of the examples.

As for the servicing of EU programmes, calls for proposals for project funding under the 2014-2020 Financial Perspective were held. The calls were opened by several implementing institutions, like: the National Centre for Research and Development, BGK, or the Silesian Centre for Entrepreneurship. As part of those programmes, Bank clients submitted proposals for funding wherewith credit agreements or commitment letters to enter into such agreements with ING Bank Śląski S.A. were enclosed. In Q2 2016, the lists of beneficiaries under the Smart Growth Operational Programme – Commercialisation of the Research were published. ING Bank Śląski S.A. clients are among them. Among subsidies granted by BGK (in form of technological bonus commitment letters), 28 businesses submitted proposals with the Bank's commitment letters. This accounts for approx. 15% of all beneficiaries. Additionally, seven applicants were assessed positively, however they were put on a standby list because the subsidy funds were scarce. Apart from the technological credit implemented by BGK, the list of beneficiaries of under the Commercialisation of the Research call for proposals was announced by the Polish Agency for Enterprise Development.

As far as the cooperation between ING Lease Sp. z o.o. and the European Investment Bank (EIB) is concerned, Q1 2016 saw a continuation of the servicing of three tranches of bonds held by the Bank and constituting a collateral for the financial contract between the ING Lease Sp. z o.o. and EIB. In Q2 2016, another agreement for financial pledge on bonds totalling EUR 60 million was signed.

ING Bank Śląski S.A. continues a project on acquiring electronic data on clients from external sources to the Bank's systems, among other from the National Court Register and from the Central Registration and Information on Business. The objective of the project is to automate the way data are obtained at given stages of the credit process, so as to streamline and improve its effectiveness and safety.

The Easy Lending project's objective is to devise and implement a new credit process for smaller credit exposures that would be based on a new assessment of clients' creditworthiness and the automation of the majority of process tasks. Since the beginning of 2015 up to March 2016, a pilot programme of the prescoring process directed towards the Corporate Sales Network clients was carried out within this project. Within it, 354 cash loans totalling PLN 64.2 million were granted. At the same time, works on the automation of the prescoring process and other releases under the project are underway. It is planned that the automation will take place in Q3 2016.

Trade finance

Compared with H1 2015, in H1 2016 we see a 2% increase in the number of guarantees issued, a 12% increase in the number of opened letters of credit and a 142% shoot up in the number of purchased invoices (mainly thanks to Vendor Finance).

Our clients appreciate Vendor Finance. This is confirmed by the growing number of purchased invoices and vendors joining the programme. As at the end of June, the number of clients (beneficiaries) using this innovative solution exceeded 400. Compared with H2 2015, the last half year also saw a shoot up in the number of transactions by 109%, and in the number of financed receivables by 84%. This solution was awarded in June by the WPROST weekly. ING Bank Śląski S. A. also received the first prize – Portfel Roku Tygodnika Wprost. In the last quarter we made it possible, among other things, to finance receivables also to counterparties not registered on the platform. As a result, our clients yield additional liquidity.

The recently introduced by the Bank e-guarantee was positively advised by the Ministry of Finance which confirmed that it meets all formal requirements under the legislation on bank guarantee. First e-guarantees were issued and they were welcomed by the beneficiaries.

Aleo

In H1 2016, through its subsidiary ING Usługi dla Biznesu, the Bank continued the actions aimed at development of an innovative online services formula for its clients being Aleo users.

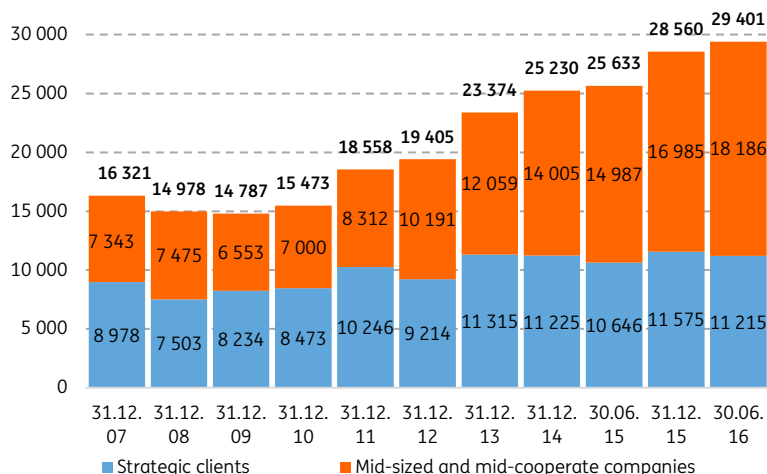
The number of registered Aleo users exceed 53 thousand. There were payable bundles of services introduced- core features are available free of charge while payable services cover advanced functionalities for more demanding users. In response to the incremental mobile traffic, clients may use the Aleo platform on mobile devices better. The vendor finance service provided is a key and intensively developed element of the Bank offering. This product, offered only since 2015, is characterised by high growth pace: number of active funding contracts during H1 tripled and the number of all contracts concluded exceeded 400.

Deposits and settlements ¹²

As at the end of June 2016, the funds deposited by corporate clients at the Bank totalled PLN 29.4 billion, thus the Bank had an 8%-share in the institutional client deposits market (an increase by 0.3 p.p. compared to 2015 yearend).

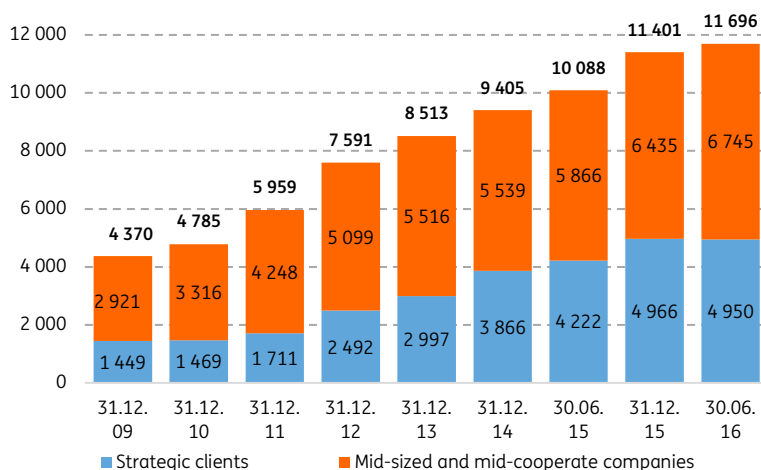
¹²Due to availability of more detailed product- and client-related information, the description is made based on the data from the management information system.

Value of corporate client deposits (PLN million)



Change H1 2016		Change y/y	
PLN million	%	PLN million	%
841	2.9%	3,768	14.7%
1,201	7.1%	3,199	21.3%
-360	-3.1%	569	5.3%

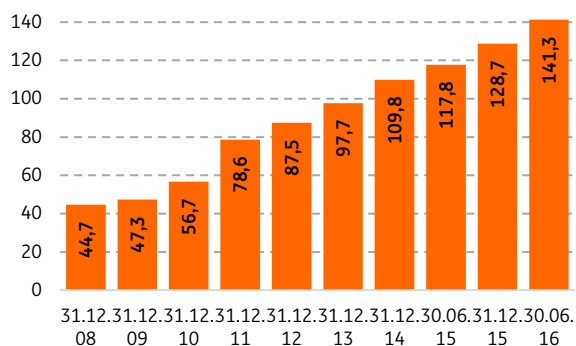
Volume of corporate client current accounts (PLN million)



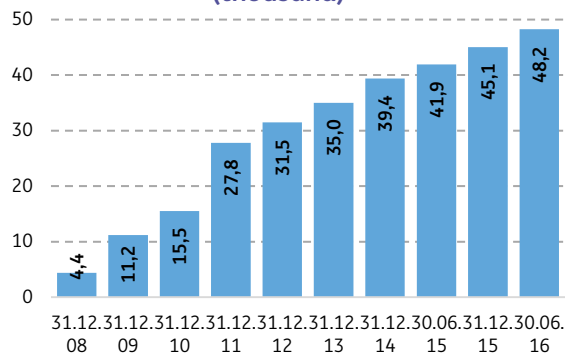
Change H1 2016		Change y/y	
PLN million	%	PLN million	%
294	2.6%	1 608	15.9%
310	4.8%	879	15.0%
-16	-0.3%	729	17.3%

In June 2016, ING Bank Śląski S.A. maintained 141.3 thousand (PLN and FX) corporate client current accounts, up by 9.8% from December 2015. The vast majority of clients with current accounts at ING Bank Śląski S.A. use the ING BusinessOnLine electronic banking system to interact with the Bank. In June 2016, the system was used by nearly 48 thousand companies.

Number of corporate client current accounts (thousand)



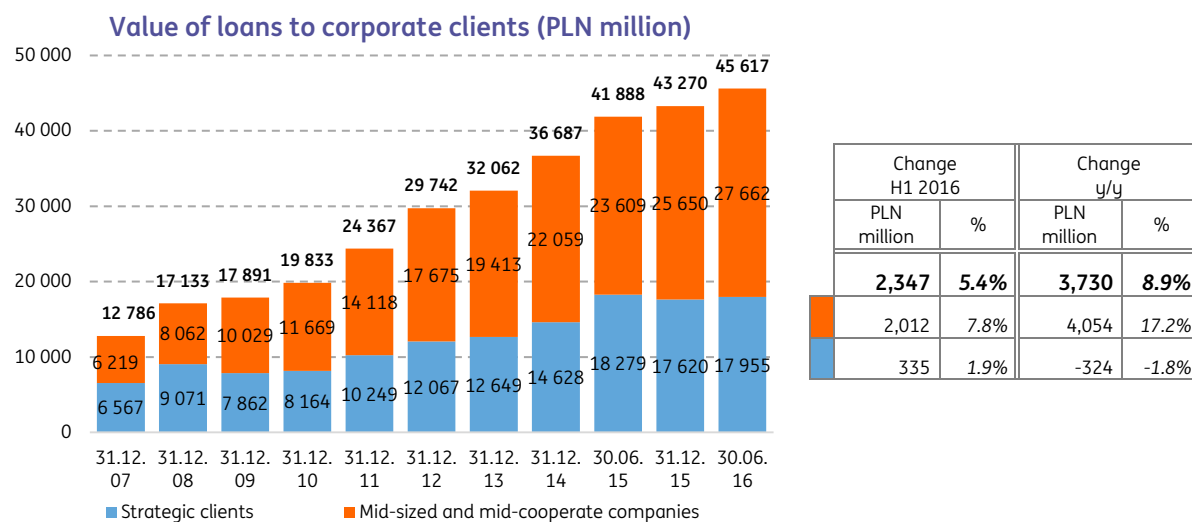
Number of clients of ING BusinessOnLine (thousand)*



* In the case of holdings, individual holding members are recognised separately. Additionally, it covers some part of retail clients (housing communities), as the corporate segment provides them with operational service.

Lending¹³

As at the end of H1 2016, corporate client funding granted by the ING Bank Śląski S.A. Group totalled nearly PLN 45,6 billion. Throughout H1 2016, the said amount went up by nearly PLN 4 billion (8.9%). The Bank is estimated to have held 10.5% of the institutional credit market share in June 2016 (versus 9.9% at the end of H1 2015).



3. Money markets and capital markets

The operations of ING Bank Śląski S.A. in the area of financial markets in H1 2016 covered adaptation to the changes in the market and in the regulatory environment, process streamlining and organisational changes.

The Bank provided its clients with the FX buy/sell orders debiting the transactional limit on the FX Trader Platform (so far only to the account balance). Monthly volume of transactions on the FX Trader platform in ING BusinessOnLine has been constantly growing. In March 2016, the average monthly volume of such transactions on the FX Trader platform in ING BusinessOnLine has exceeded 15,000 for the very first time, and in June 2016 – 16,000. The average number of clients who concluded at least 1 transaction per month totalled 3,470.

As at the end of June 2016, ING Bank Śląski S.A. serviced securities trading of 88 issuers being corporates, banks and municipalities for the total amount of PLN 11.8 billion. The face value of debt securities of corporate issuers (banks and local government units excluded) issued through the agency of ING Bank Śląski S.A. totalled, between January and June 2016, PLN 4.1 billion, including PLN 2.6 billion under short-term securities issue. This enabled the Bank to rank third in the corporate debt securities market in June 2016 (with the share of 11.8% calculated as per the value of corporate securities in trading) and third in the short-term securities market (with the share of 13.3% calculated as per the value of corporate securities in trading).

As regards sales of structured products in the Polish market for H1 2016, the Bank kept its strong position among top 4 companies with the share in sale of approx. 8%. The Bank was also awarded in the Structured Retail Products sector rating (summary for Q1 2016) the vendor of the bestselling products.

¹³Due to availability of more detailed product- and client-related information, the description is made based on the data from the management information system.

A team of ING economists ranked third in the macroeconomic outlook competition by Reuters. The review covers 2015 and outlook of 6 indicators most significant for the financial markets, including interest rate and inflation, and both domestic and foreign banks participate in it.

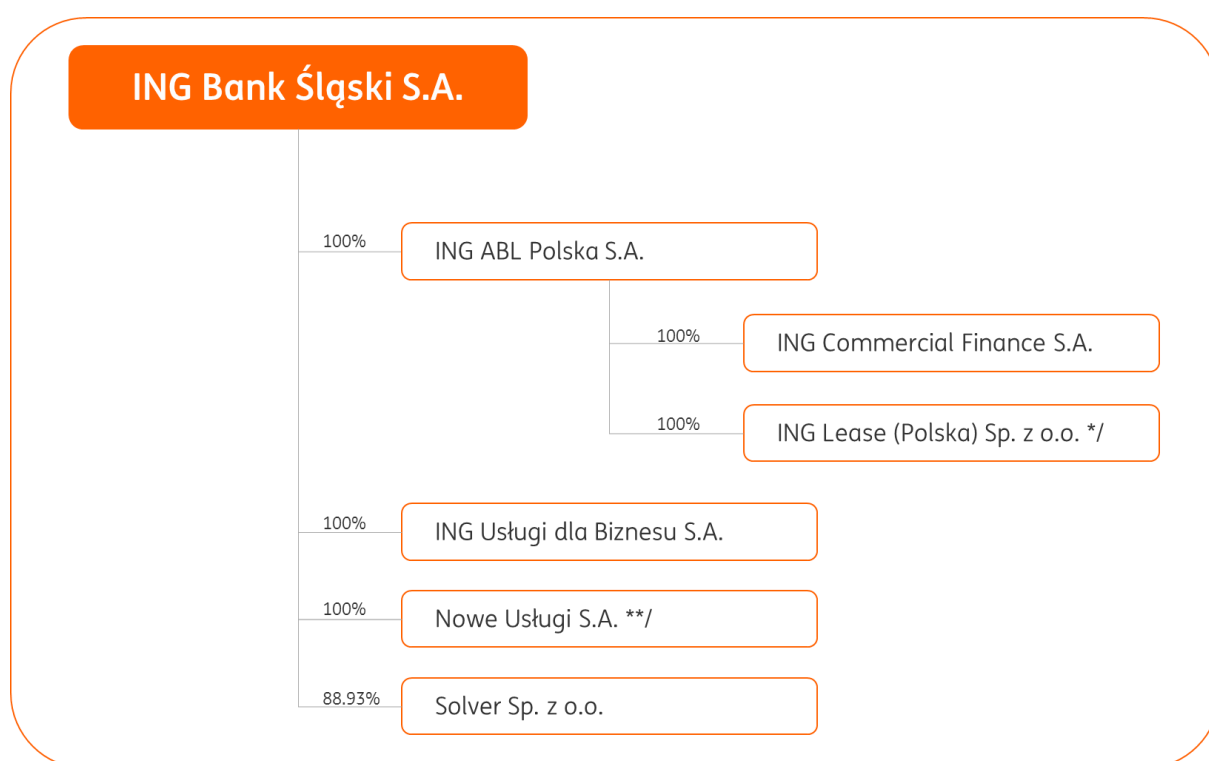
IV. Business operations of ING Bank Śląski S.A. Group key companies

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

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

In H1 2016, there was a change in the Group structure. On 31 May 2016, ING Securities S.A. was divided through transfer of all assets of that company onto ING Bank Śląski S.A. (brokerage operations) and Nowe Usługi S.A. (other activities). In January 2016, ING Bank Śląski S.A. obtained the licence of the Polish Financial Supervision Authority to conduct brokerage activity in its full range.

As at 30 June 2016, the composition of the ING Bank Śląski S.A. Group was the following:



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

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

ING Lease (Polska) Sp. z o.o. has been operating in the market since 1996. It offers all basic types of lease (operating, financial and sale-and-leaseback) and a cash loan which can be used to finance both movables (being passenger cars and light-duty vehicles up to 3.5 tonnes, machinery and equipment, technological lines, commercial vehicles, medical and IT equipment) and immovables (office buildings, commercial facilities and logistics centres). Company services are targeted at all market segments: large, medium and small enterprises as well as clients from the micro-enterprises segment.

As at the end of June 2016, receivables from clients of ING Lease went up to PLN 6.36 billion (up by 12.4% from the end of June 2015). The latest available data of the Polish Leasing Association (as at

31 December 2015) read that the company has the third biggest portfolio of receivables of all leasing companies in Poland. Further, the Polish Leasing Association data as the end of June 2016 rank the company seventh among the leasing companies in Poland in terms of the amount of active leasing agreements and assets provided in Q2 2016 (market share estimated at 5.4%).

Modified offering and processes allowed the company to continue its dynamic growth in the movables lease area (vehicles as well as machinery and equipment) and remain among the leaders in the immovables lease market at the same time. By focusing on process modifications enabling effective transaction service, the company was able to dynamically expand its portfolio and the number of clients handled (up by approx. 40% from the end of H1 2015), while increasing the number of employees only slightly. Courtesy of vendor programmes with vendors of end-to-end and up-to-the-minute IT solutions for business, and notably of those targeting corporate clients, ING Lease stays the leader in the IT equipment lease segment.

3. ING Commercial Finance Polska S.A.

With the turnover of PLN 11.5 billion, H1 2016 proved all-time high 6 months for ING Commercial Finance. The turnover was up by 33% from H1 2015 compared to 18% growth for factors being members of the Polish Factors Association. Such excellent result allowed the company to consolidate its position of the factoring market leader in Poland and increase its market share to 15.7%. As at the end of June 2016, ING Commercial Finance had 100 staff members and 12 sales points.

The total number of invoices bought back by ING Commercial Finance in H1 2016 was 760 thousand, or up by 21% from H1 2015. The total number of clients handled by ING Commercial Finance as at the end of H1 2016 was 1,349 or 206 clients more from the end of H1 2015 (+18% y/y). In turnover, clients from food (18%), electronics (12%), chemical (11%) and metal (8%) industries prevail.

4. ING Usługi dla Biznesu S.A.

In H1 2016, ING Usługi dla Biznesu S.A. continued its actions to increase the number of active users of the Aleo purchase platform and provide them with sourcing support. New users are always welcomed in collaboration with the Corporate Sales Network of ING Bank Śląski S.A. In that way and with the use of the internet facility, the number of registered businesses went over 53 thousand. Aleo Platform began to offer its services in the freemium model as well. The primary functionality continues to be offered for free, but more advanced features are available under paid bundles. In response to the incremental mobile traffic, Aleo was enhanced with the option to use it on mobile devices. The vendor finance service provided by ING Bank Śląski S.A. is yet another key and intensively developed element of the Aleo product offer. The number of active funding contracts tripled in H1 2016.

As part of the ING Accounting service, actions focused mainly on the increase of customer service effectiveness and the cooperation with the Corporate Sales Network of ING Bank Śląski S.A. as regards distribution of accountancy and payroll services. ING Accounting geared acquisition towards more profitable businesses (PLN 12-25 thousand a year).

5. Nowe Usługi S.A.

Nowe Usługi S.A. company was incorporated in May 2014. The company was not operative until the end of May 2016. In consequence of the division of the ING Securities S.A. brokerage house, as of 01 June 2016 the company acquired some of the operations of the brokerage house.

For the time being, the objects of Nowe Usługi S.A. comprise capital market-related educational and marketing activities. As far as educational activities are concerned, the company runs the edukacijieldowa.pl. portal. It is a website introducing investment and stock exchange aspects, both

to debuting and fully-fledged investors. The company holds on-line training courses which are given by experienced analysts of the brokerage office of ING Bank Śląski S.A. They are available for every person investing or planning to invest. Marketing activity is pursued for financial instruments being ING Turbo certificates issued by ING Bank N.V. and quoted on the Warsaw Stock Exchange. As part of that activity, the company operates an ING Turbo help-line, manages an ingturbo.pl website and conducts marketing campaigns.

6. Solver Sp. z o.o.

Solver Sp. z o.o. runs business being:

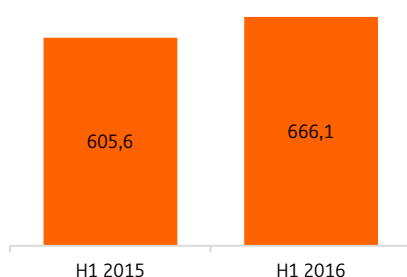
- holding the Smile Stays for children from the poorest regions of Poland as part of charity operations of the ING for Children Foundation. The activity is carried out in the Regle Training and Recreational Centre in Wisła;
- arranging holiday for employees and their families as well as for pensioners of ING Bank Śląski S.A. This activity is carried out in the Pan Tadeusz Training and Recreational Centre in Krynica;
- renting space to ING Bank Śląski S.A. at the commercial edifice in Katowice at ul. Mickiewicza 3 and 3a. In implementation of the Supervisory Board's decision, in April 2016 a preliminary building sale agreement was signed. Transaction is to be closed in November 2016;
- managing hotel rooms at ul. Limanowskiego in Warsaw; and
- renting 8 residential premises at the building in Katowice at ul. Klimczoka 4.

V. Financial standing of ING Bank Śląski S.A. Group in H1 2016

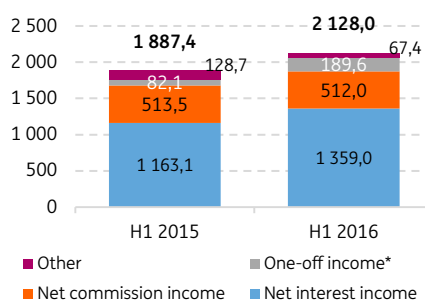
1. Profit before tax and net profit

When compared with last year, in H1 2016, the ING Bank Śląski S.A. Group recorded a substantially higher financial result. Operating income grew by 12.7% versus H1 2015; net profit went up by 10.0%.

Net profit of ING Bank Śląski Group
(PLN million)



Operating income by category
(PLN million)

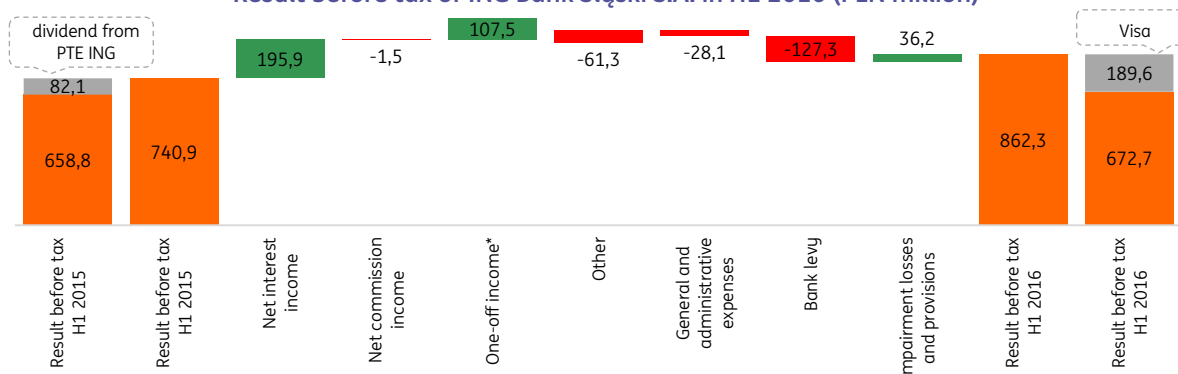


Change y/y	
PLN million	%
240.6	12.7%
-61.3	-47.6%
107.5	130.9%
-1.5	-0.3%
195.9	16.8%

* PLN 82.1 million dividend from PTE ING in Q2 2015 and PLN 189.6 million income from Visa transactions in Q2 2016

The factors which impacted the result before tax most, when compared with the same period last year, are given on the below chart:

Result before tax of ING Bank Śląski S.A. in H1 2016 (PLN million)



* PLN 82.1 million dividend from PTE ING in Q2 2015 and PLN 189.6 million income from Visa transactions in Q2 2016

Basic consolidated income statement figures in analytical terms

	H1 2016	H1 2015	Change H1 2016/ H1 2015	
	PLN million	PLN million	PLN million	%
Net interest income	1,359.0	1,163.1	195.9	16.8
Net commission income	512.0	513.5	-1.5	-0.3
One-off income*	189.6	82.1	107.5	130.9%
Other income	67.4	128.7	-61.3	-47.6
Income total	2,128.0	1,887.4	240.6	12.7
General and administrative expenses	1,026.0	997.9	28.1	2.8
Impairment losses and provisions	112.4	148.6	-36.2	-24.4
Bank levy	127.3	0.0	127.3	-
Financial result before tax	862.3	740.9	121.4	16.4
Income tax	196.2	135.2	61.0	45.1
Net result attributable to non-controlling shareholders	0.0	0.1	-0.1	-100.0
Net financial result	666.1	605.6	60.5	10.0
Adjusted net financial result*	512.6	523.5	-10.9	-2.1%

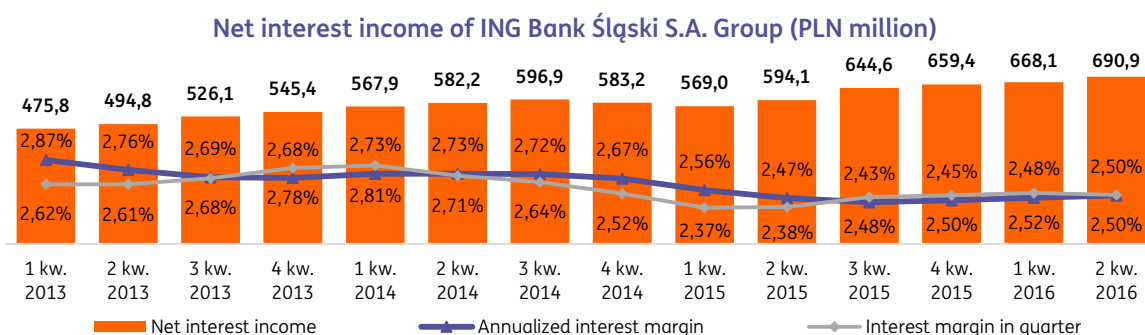
* PLN 82.1 million dividend from PTE ING in Q2 2015 and PLN 189.6 million financial result before tax and PLN 153.5 million net financial result from Visa transactions in Q2 2015

Total income of the ING Bank Śląski S.A. Group attributable to shareholders of the parent entity (including, apart from net profit, other items of income and expenses recognised in equity) was PLN 690.6 million in H1 2016 versus PLN -378.4 million in H1 2015. The considerably higher amount of total income is primarily the consequence of the increased capital items, that is pricing of cash flow hedging instruments and available-for-sale financial assets.

2. Net interest income

Despite a considerable decline in interest rates in H1 2015, in H1 2016 the net interest income of ING Bank Śląski S.A. was 16.8% over H1 2015. This is the result of significantly higher business volumes (the lending portfolio augmented by almost PLN 10 billion, or by 15% at that time) and tailoring of the deposit offer to market conditions.

Despite low interest rates, the Bank's interest margin went up by 3 basis points compared with H1 2015.



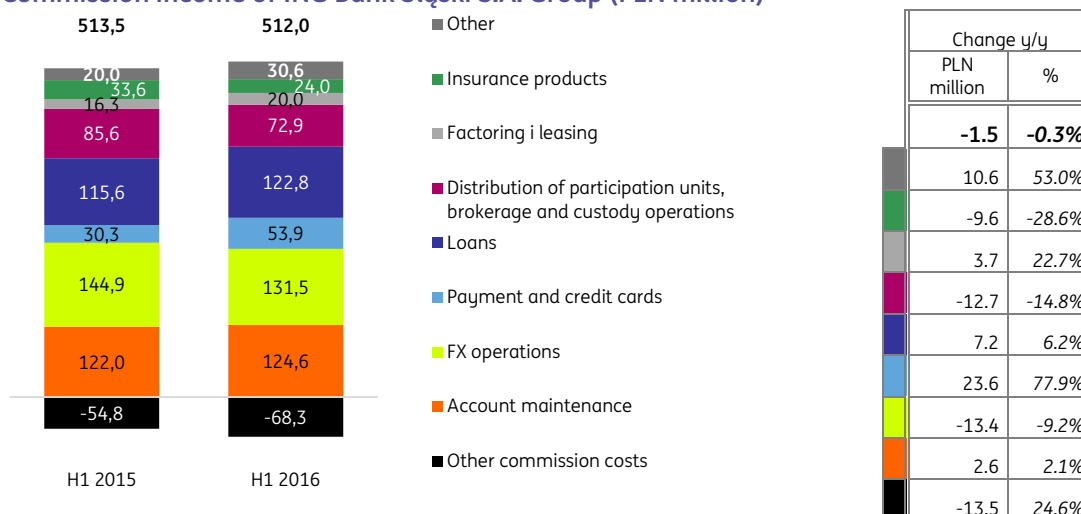
3. Non-interest income

Net income on fees and commissions represented the major part of non-interest income of the ING



Bank Śląski S.A. Group. In H1 2016, it totalled PLN 512.0 million and – despite a considerably higher volume of transactions and number of clients serviced – it was PLN 1.5 million (or 0.3%) lower than in H1 2015.

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



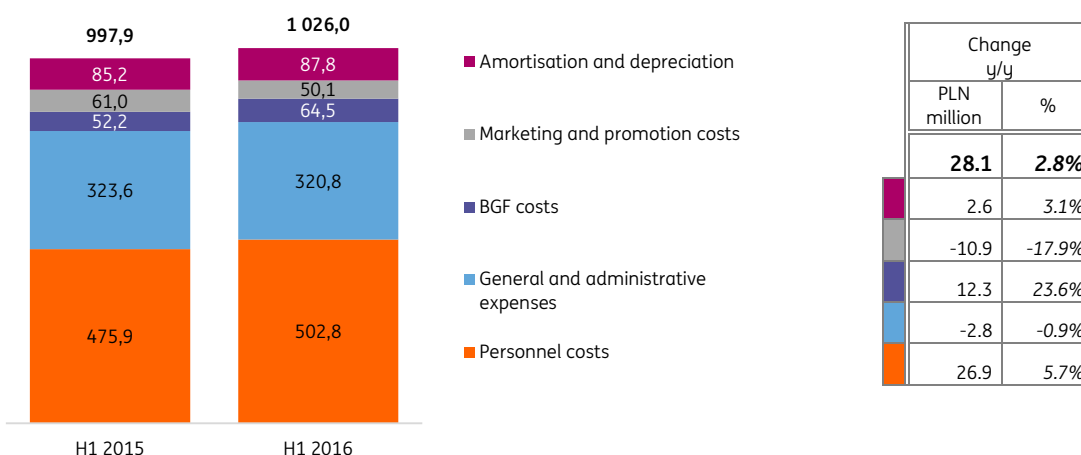
The most significant decrease in the income on fees and commissions was seen on the income on foreign currency translation which dropped by PLN 13.4 million (or 9%) and on the capital market-related income items which fell by PLN 12.7 million (or 15%). In contrast, ING Bank Śląski S.A. saw a strong growth of income on credit and payment cards which rose by PLN 23.6 million (or 78%) following a larger number of cards issued and a bigger volume of card transactions.

In H1 2016, other income of the Bank Group was PLN 46.2 million higher than in the previous year. The said result was primarily driven by the settlement transaction of Visa Europe Limited takeover by VISA Inc., whereby the Bank recognised PLN 189.6 million as income. On the other hand, other income of the Group in H1 2015 was first and foremost driven by the dividend payout by ING PTE in Q2 (PLN 82.1 million).

4. General and administrative expenses

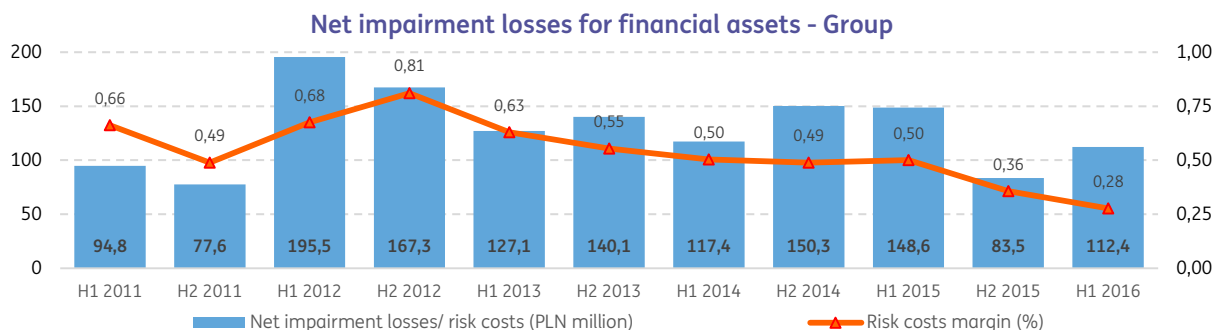
When compared with H1 2015, in H1 2016, the general and administrative expenses were as follows:

Group expenses by category (PLN million)

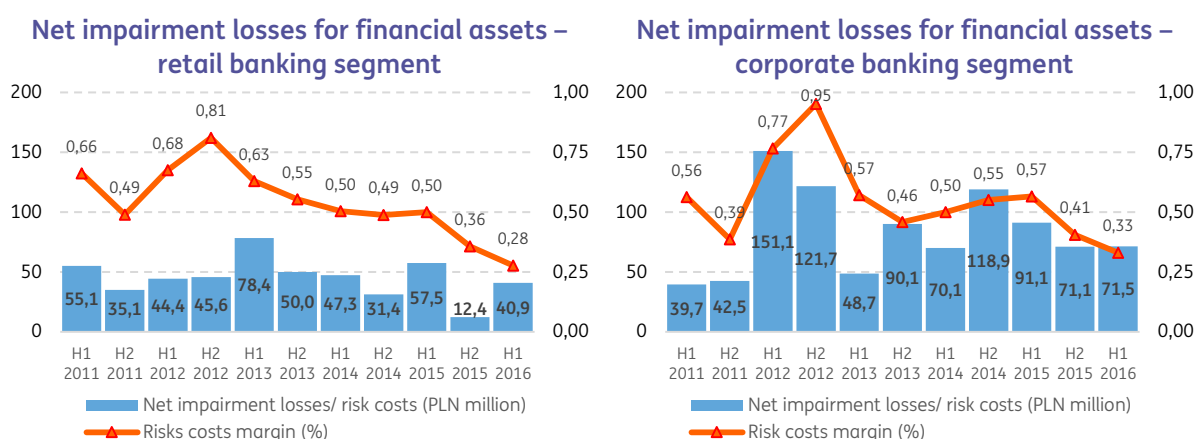


5. Impairment losses and provisions

The Group kept the ratio of risk costs to the lending portfolio at 28 basis points. Lower net provisions made in H1 2016 when compared with past year (down by PLN 36.2 million) were predominantly shaped by the improved lending portfolio quality.



In Q1 2016, the portfolio of retail receivables recognized as impaired loans or written off the Group balance sheet was sold. The transaction had a positive impact (PLN 12.9 million) on risk costs. Further, in Q2 2016, the portfolio of corporate receivables recognized as impaired loans was sold. The transaction had a positive impact (PLN 17.4 million) on risk costs.



6. Tax on certain financial institutions

In H1 2016, the Group withheld the tax on certain financial institutions (the so-called bank levy) of PLN 127.3 million. In keeping with the Act, the tax has been accrued monthly since February 2016.

7. Income tax

In H1 2016, the Group posted the income tax of PLN 196.2 million, which was visibly over the one shown in 2015 (up by PLN 61.0 million). In H1 2016, the effective tax rate was 22.8% versus 18.2% a year ago. Tax rate was higher in 2016 following the tax on certain financial institution which is not tax deductible.

8. Share of individual business segments in the financial result

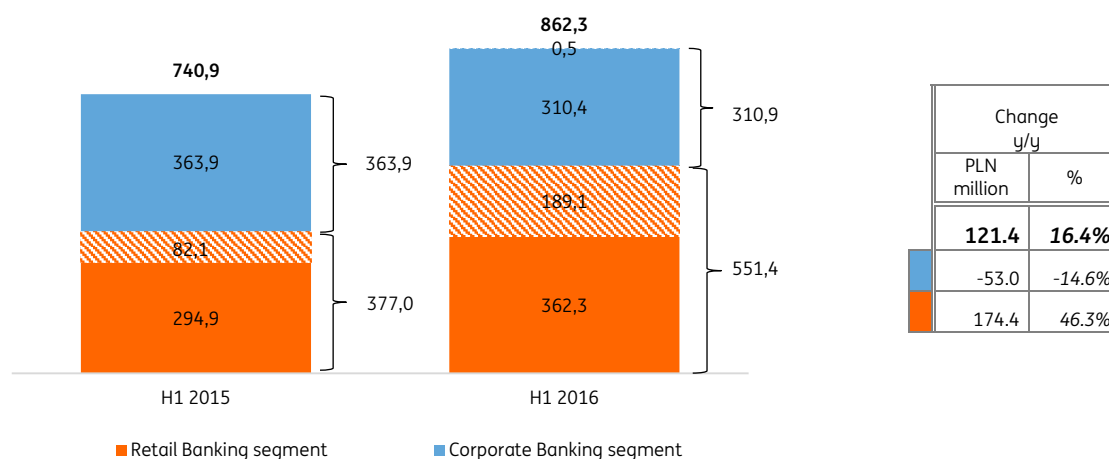
The Bank's business model is structured into two major segments:

- **Retail banking segment**, which encompasses private individuals (mass clients sub-segment and affluent clients sub-segment) and entrepreneurs (small businesses).

- Corporate banking segment, which comprises institutional clients and FM products' operations.

In H1 2016, the Group recorded a rise in the result before tax of the retail segment and a drop of the corporate segment's one.

Result before tax per business segment (PLN million)



The results of the retail banking segment and of the corporate banking segment accounted for 63.9% and 36.1% of the Group's result before tax respectively (in 2015 it was 50.9% and 49.1% respectively).

Result before tax drivers for retail banking segment

	H1 2016	H1 2015	Change H1 2016 /H1 2015	
	PLN million	PLN million	PLN million	%
Net interest income	833.6	717.7	116.0	16.2%
Net commission income	182.2	184.3	-2.2	-1.2%
Other income*	228.5	147.2	81.3	55.2%
Income total	1,244.3	1,049.2	195.1	18.6%
General and administrative expenses	606.5	614.8	-8.3	-1.3
Impairment losses and provisions	40.9	57.5	-16.5	-28.7%
Bank levy	45.4	0.0	45.4	-
Financial result before tax	551.4	377.0	174.4	46.3%
Adjusted financial result before tax*	362.3	294.9	67.4	22.9%

* PLN 82.1 million dividend from PTE ING in Q2 2015 and PLN 189.1 million income from Visa transactions in Q2 2016

Result before tax drivers for corporate banking segment

	H1 2016	H1 2015	Change H1 2016 /H1 2015	
	PLN million	PLN million	PLN million	%
Net interest income	525.4	445.4	79.9	17.9%
Net commission income	329.8	329.2	0.7	0.2%
Other income	28.5	63.6	-35.1	-55.2
Income total	883.7	838.2	45.5	5.4%
General and administrative expenses	419.5	383.1	36.4	9.5%
Impairment losses and provisions	71.5	91.1	-19.7	-21.6%
Bank levy	81.9	0.0	81.9	-
Financial result before tax	310.9	363.9	-53.0	-14.6%
Adjusted financial result before tax*	310.4	363.9	-53.5	-14.7%

*PLN 0.5 million income from Visa transactions in Q2 2016

9. Consolidated statement of financial position

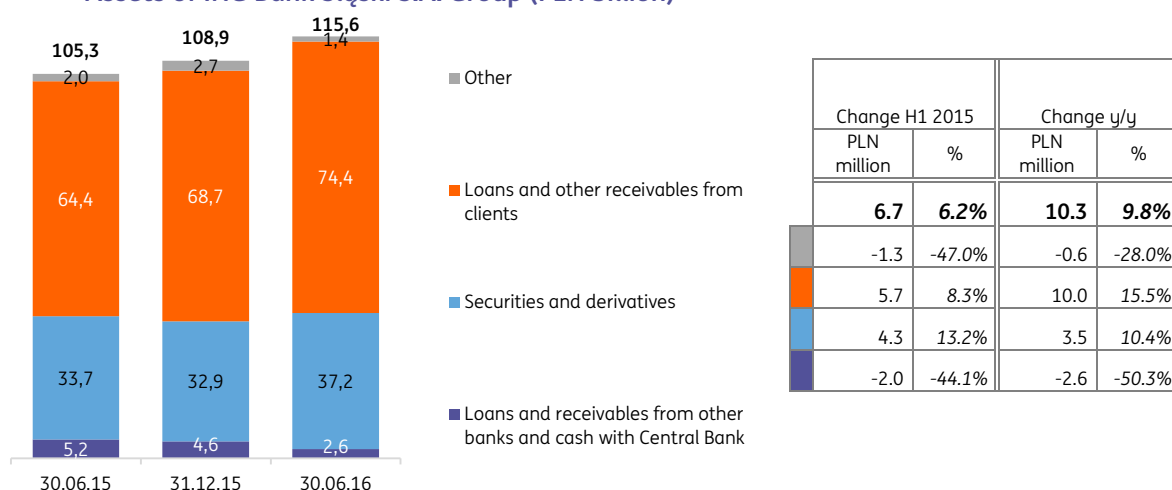
As at 30 June 2016, the balance sheet total of the ING Bank Śląski S.A. Group was PLN 115.6 billion, up by PLN 6.7 billion, or 6.2%, from the end of 2015.

The size of the Group's balance sheet total as well as the structure of assets and liabilities are determined by the operations of ING Bank Śląski S.A. As at the end of June 2016, the balance sheet total of ING Bank Śląski S.A. was PLN 111.7 billion (96.6% of the Group's balance sheet total) versus PLN 106.1 billion in December last year (up by 5.3%).

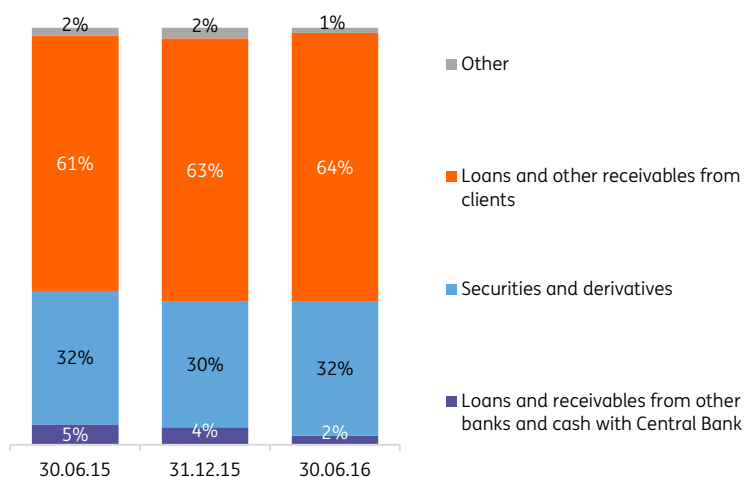
Assets

Loans and other receivables to customers represent the biggest item of ING Bank Śląski S.A. Group's assets. As at 30 June 2016, they accounted for 56% of all Group's assets.

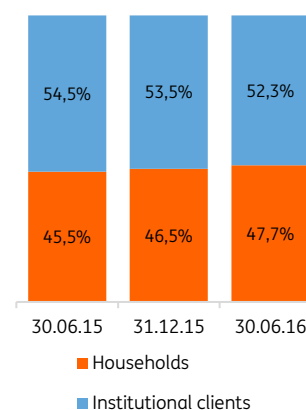
Assets of ING Bank Śląski S.A. Group (PLN billion)



Assets of ING Bank Śląski S.A. Group (%)



Net loans by clients (%)

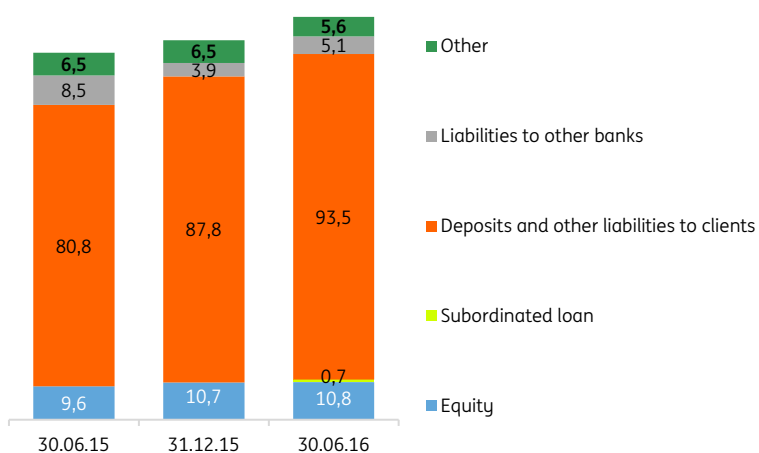


T-bonds (Eurobonds included) and derivatives represented a major item of PLN 37.2 billion (or 32% of assets) in the statement of financial position of the Bank Group. Debt securities composed of investment assets of PLN 27.8 billion (including available-for-sale assets of PLN 23.4 billion) and financial assets held to maturity of PLN 4.4 billion dominated the portfolio.

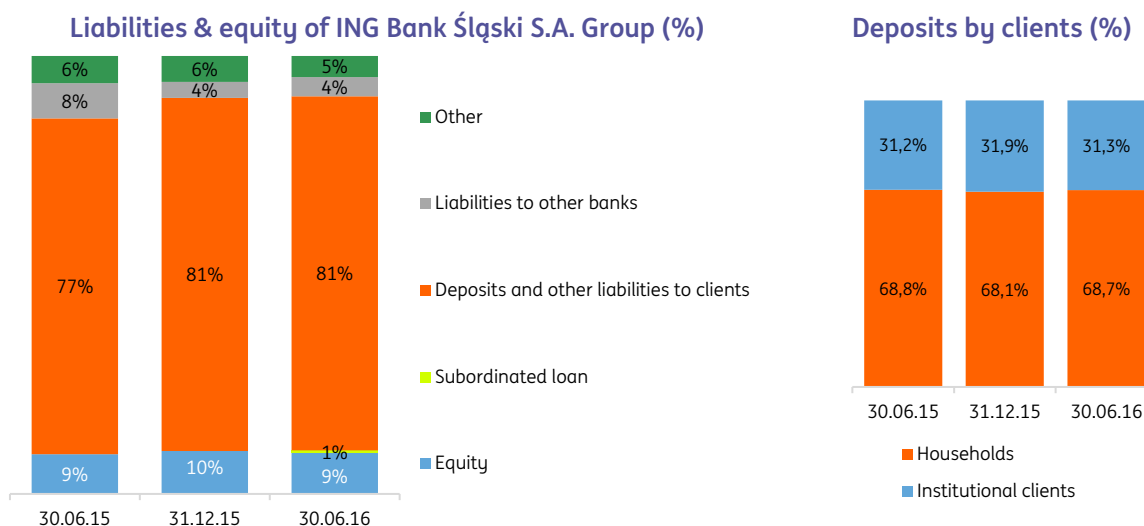
Liabilities & equity

The funds deposited with the Bank by clients constituted the dominant source of funding for the operations of the ING Bank Śląski S.A. Capital Group. In June 2016, the liabilities to customers amounted to PLN 93.5 billion, or 81% of all liabilities & equity.

Liabilities & equity of ING Bank Śląski S.A. Group (PLN billion)



	Change H1 2015		Change y/y	
	PLN million	%	PLN million	%
Other	6.7	6.2%	10.3	9.8%
Liabilities to other banks	-0.9	-13.6%	-0.9	-14.1%
Deposits and other liabilities to clients	1.2	29.9%	-3.4	-40.2%
Subordinated loan	5.7	6.5%	12.7	15.8%
Equity	0.7	-	0.7	-
	0.1	1.2%	1.3	13.1%



Equity was the second most important funding source. As at the end of June 2016, it stood at PLN 10.8 billion and represented 9% of total liabilities.

VI. Management of key risks

1. Credit risk

General information

ING Bank Śląski S.A. manages credit risk end-to-end, based on strategic planning and a consistent system of policies and procedures as well as the risk management tools, including risk identification, measurement and control.

The primary objective of the Bank in the credit risk management process is to warrant stable and effective accomplishment of business goals while keeping credit risk at the acceptable level.

The credit risk management objective is pursued by:

- supporting business initiatives,
- keeping adequate capital requirements for credit risk and provisions,
- adapting business to the changing environment,
- verifying and assessing the adequacy and development of applied procedures, models and other elements of the risk management system on an ongoing basis,
- keeping credit losses at the assumed level, and
- ensuring compliance with the regulatory requirements.

The risk management strategy sets out short-, mid- and long-term goals for the credit risk management area as well as their accomplishment manner. The strategy is defined to warrant optimum development of the lending portfolio while keeping adequate quality and profitability of credit operations and capital allocation. Risk appetite which translates the Bank's strategy into a consistent set of portfolio measures, defined as maximum thresholds for the lending portfolio, is an element of that strategy. The credit risk management strategy is approved by the Supervisory Board. The Supervisory Board also periodically assess the degree of accomplishment of strategic goals by the Bank Management Board.

Lending policy mirrors the market strategy of the Bank. It defines the quality brackets for credit risk acceptance. It is operated based on principles of secure and prudent credit risk management. It is put into practice by the Bank Management Board that established the Credit Policy Committee to take decisions as regards credit risk management on a daily basis.

ING Bank Śląski S.A. defines credit risk as the risk of incurring a financial loss by the Bank due to a debtor's failure to perform their obligations towards the Bank under credit exposure in full and when due or the risk of lowering credit exposure economic value due to deterioration of the debtor's capacity to service their debt as agreed.

Lending-related losses arise in consequence of risk remaining after the Bank's mitigation actions in that regard. In order to keep the losses at or below the level set in the planning documents, the Bank impacts their level using accepted risk limits, risk exposure amounts plus risk hedging instruments and in case the risk materializes by direct actions mitigating the losses.

The credit risk management system used by ING Bank Śląski S.A., including the organisational structure, the lending process framework, the system of internal regulations and the applied tools and models, is verified on an ongoing basis and adapted as needed to ensure that the Bank's strategy, the risk appetite included, is accomplished. This is how the Bank strives for the identification, assessment, measurement, monitoring and management actions taken for the business bearing credit risk to be

adequate and, at the same time, consistent and compliant with the regulatory requirements.

ING Bank Śląski S.A. manages its credit risk with the use of advanced credit risk assessment models. For the corporate credit portfolio, capital requirements are computed using the Advanced Internal Rating-Based Approach (AIRB). Also for the retail portfolio, the Bank aspires to obtain the Polish Financial Supervision Authority's approval of using this method for the mortgage and consumer portfolios. The risk management models applied by the Bank are systematically validated and developed.

The Bank conducts stress tests to:

- assess and measure the impact of adverse (stress) internal and external conditions on the Bank's standing (lending portfolio and capital adequacy included),
- identify significant risk factors through determination of the Bank's sensitivity to changes of certain factors, and
- identify potential threats (possibility to work out hedging strategies).

The Bank actively uses stress tests to manage credit risk on an ongoing basis, inter alia to set the RAS limits and internal limits capping credit risk as well as to define the principles of credit capacity and viability quantification.

ING Bank Śląski S.A. maintains the credit risk management model based on three lines of defence:

- the first line of defence: business units – performing commercial operations on a day-to-day basis in line with the approved internal regulations and risk limits while demonstrating adequate awareness and ownership of the risks taken,
- second line of defence: credit risk function – ensuring – through continuous risk identification and quantification – that actions of business units remain within the approved principles and limits,
- third line of defence: internal audit function – verifying periodically and thoroughly that the actions taken by the first and second lines of defence comply with the regulatory requirements and best banking standards.

Credit decisions are taken following a comprehensive transaction risk analysis – in the proper credit approval track, determined by the transaction complexity and amount. For more automated tracks, transaction risk is analysed on the basis of clearly defined criteria, including behavioural ones, and on the basis of credit limit computed automatically using the algorithm approved by the Credit Policy Committee. All transactions are accepted in line with the explicitly defined credit mandate. The persons taking credit decisions are personally liable for them.

The credit mandates exercised in respect of sale and risk acceptance for individual credit transactions are separated from the activities of the risk policy, modelling and reporting area that shapes the credit policy as well as builds and validates the tools assisting the risk management process.

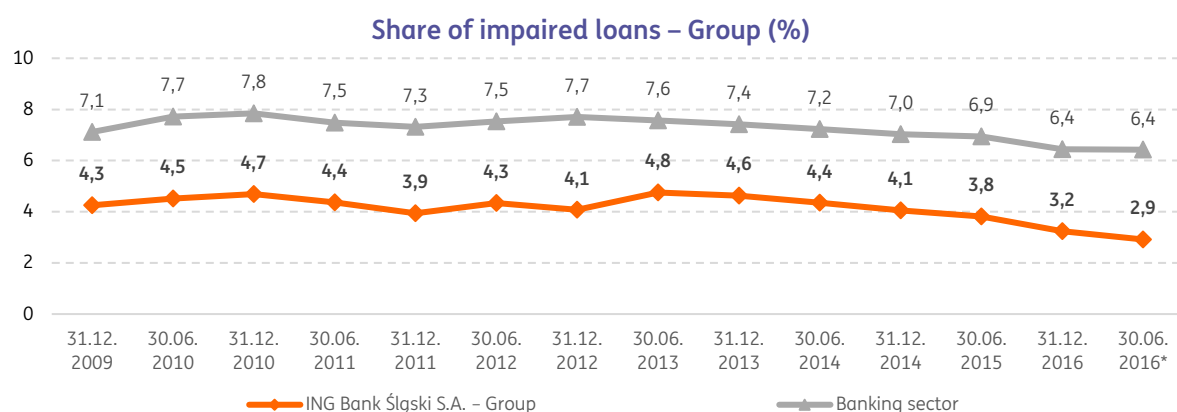
Lending policy and credit risk measurement and monitoring tools

The main changes introduced to the Bank's lending policy in H1 2016 as well as risk measurement and monitoring tools were described in the Interim Consolidated Financial Statements for H1 2016.

Quality of lending portfolio and provisioning

During H1 2015, the quality of lending portfolio of the Bank Group improved – the share of the impaired portfolio in the entire lending portfolio of the Bank Group went down from 3.2% in December 2015 to 2.9% as at the end of June 2016. Impaired loans were worth PLN 2,211.0 million versus

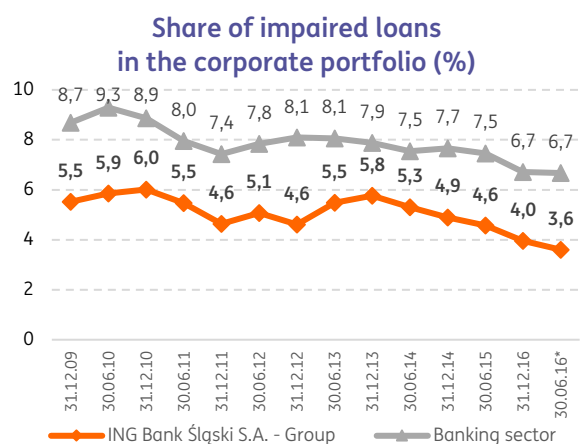
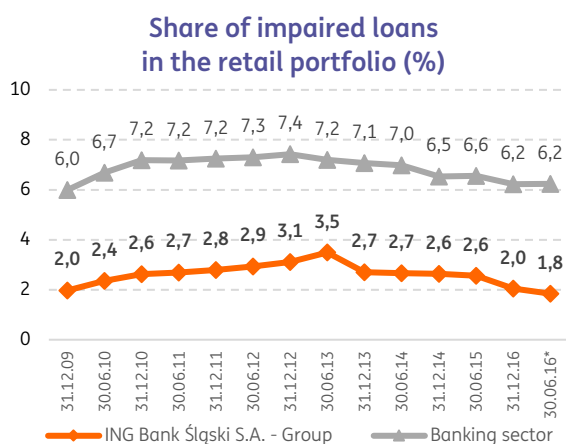
PLN 2,268.4 million as at the end of 2015.



*Market ratios – estimate based on the data published by NBP, data for May 2016.

In H1 2016, the quality of the Bank's portfolio was impacted, apart from the prudent lending policy, by a sale transaction of receivables classified as impaired loans or written off the balance sheet in full. This transaction affected the retail portfolio primarily and contributed to reduction of the impaired loans portfolio by PLN 62.0 million. Furthermore, the Bank made one material sales transaction of impaired exposure in the corporate segment which brought lower Group's the impaired loans portfolio by PLN 305.8 million.

As at the end of H1 2016, the ING Bank Śląski S.A. Group had PLN 1,301.9 million worth of provisions for the impaired lending portfolio. The impaired portfolio provisioning ratio was 58.9%.



*Market ratios – estimate based on the data published by NBP, data for May 2016.

2. Market and liquidity risk management

The changes introduced in H1 2016 to the process of market risk management and risk measurement tools as well as liquidity risk management were described in the Interim Consolidated Financial Statements of ING Bank Śląski S.A. Group for H1 2016.

VaR exposures and limits in H1 2016

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%.

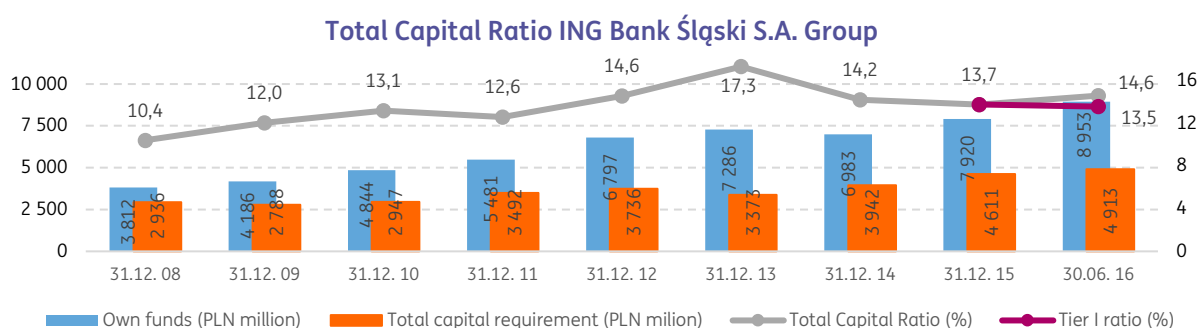
Average utilization of VaR limits for interest rate risk of the banking book (Treasury Department's items) was below 62%.

H1 2016 saw overrun of VaR limits for interest rate of the trading book twice. The limits were exceeded only slightly (by 15% approximately) and cases were eliminated on the following day. Both cases were approved a priori by Chief Risk Officer.

In H1 2016, there were no changes to VaR limits.

3. Capital adequacy

At the end of H1 2016, the Total Capital Ratio stood at 14.6% and the Tier I ratio 13.5%. These values prove a safe position of the Group as regards capitals and further lending growth potential.



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 (in keeping with Article 171a of the Banking Law Act). In 2015, the Bank recognised 40% of unrealised profits and 100% of unrealised valuation losses in the calculation of own funds, respectively.

Further, on 23 February 2016, ING Bank Śląski S.A. concluded with ING Bank N.V. a subordinated loan agreement worth 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. The operation had a positive impact on the total capital ratio as at the end of June 2016.

4. Operational and compliance risk management

The changes adopted in H1 2016 to the process of operational and compliance risk management were described in the Interim Consolidated Financial Statements for H1 2016.

VII. Development of the organisation and infrastructure of ING Bank S.A. Śląski Group in H1 2016

1. IT and Operations

The main focus of IT actions at ING Bank Śląski S.A. is on developing valuable business solutions while keeping high quality, accessibility and the top security standards.

The key tasks performed in H1 2016 include:

- replacement of the debit card service system,
- change of the core online banking system for retail clients from ING BankOnLine to Moje ING,
- rollout of a new mobile banking functionality for retail clients for systems: Android, iOS and Windows,
- launch of a new online banking functionality for corporate and strategic clients (the new solution was made available to over 200 companies within the confines of a pilot programme),
- integration of ING Securities with the Bank and provision of the Brokerage Module in Moje ING,
- betterment of service capacity of Elixir domestic transactions through migration of their service to the Domestic Payments System, and
- IT infrastructure optimization through storage exchange for the mainframe and completion of application migration process to a private cloud of ING Bank Śląski S.A.

There were also many changes implemented in the Operations area to ensure continuous development and streamlining of processes. Among others, the following projects were continued in H1 2016:

- Cash machinery modernisation continued.
- Outsourcing of documents operational processes was launched.
- The application ensuring access to external databases (such as BIK, CEiDG, PESEL and RDO) was developed, whereby architecture was streamlined, service costs curbed and labour consumption trimmed.
- A new domestic payment platform (Elixir platform) was set afloat, whereby the handling time for incoming and outgoing transactions was cut down.
- As part of the Visiona project, the application used to process card transactions (for debit and prepaid cards) was changed.
- A systemic solution was worked out to handle clearings on the Financial Instruments Market of Towarowa Giełda Energii S.A. [Polish Power Exchange] (bank is the clearing member of the Commodity Clearing House, IRGiT S.A.).

2. Development of electronic distribution channels

Online banking

In H1 2016, ING Bank Śląski S.A. further developed its online banking functionality, inter alia as to the following features:

- prescoring offer for lending products,
- further changes driven by the rollout of a new system, Moje ING,
- implementation of the 500+ application,
- implementation of a new process of online banking functionality activation and unblocking, and

- changes to raise the system security level.

The online and mobile banking functionality-related activities aimed at providing clients with new tools facilitating remote use of bank services and enhancing sales options for the bank products across online channels. Providing individual clients with the Moje ING system as the primary online banking system in H1 2016 was among the key innovations in that domain. For individual clients Moje ING became the core transactional system of ING Bank Śląski S.A. thanks to the changed login site which takes users directly to the new online banking functionality. In May 2016, a new extensive marketing campaign was launched to promote the new banking system among clients.

Over 1.5 million bank clients used Moje ING so far.

The works on the rollout of a new Moje ING system for entrepreneurs are in progress. As part of the programme, the Remote Advisory stream is also developed. The solutions to facilitate client communication and enable effective remote advisory service are being worked out.

Mobile banking

In June 2016, ING Bank Śląski S.A. also launched a new mobile application for individual clients – Moje ING mobile. The new smartphone-dedicated mobile application of the Bank is compatible with Android, iOS and Windows 10 Mobile systems. It offers the following features, among others:

- all the Moje ING online banking features can be used in the phone outside of the search browser,
- account balance can be checked fast, before login,
- the manner of login – using a 4-digit PIN has been simplified when compared with the one supported by the ING BankMobile application.

As at the end of June 2016, ING BankMobile for smartphones and ING BankMobile HD for tablets were downloaded 1.48 million times. They are actively used by 815 thousand ING clients.

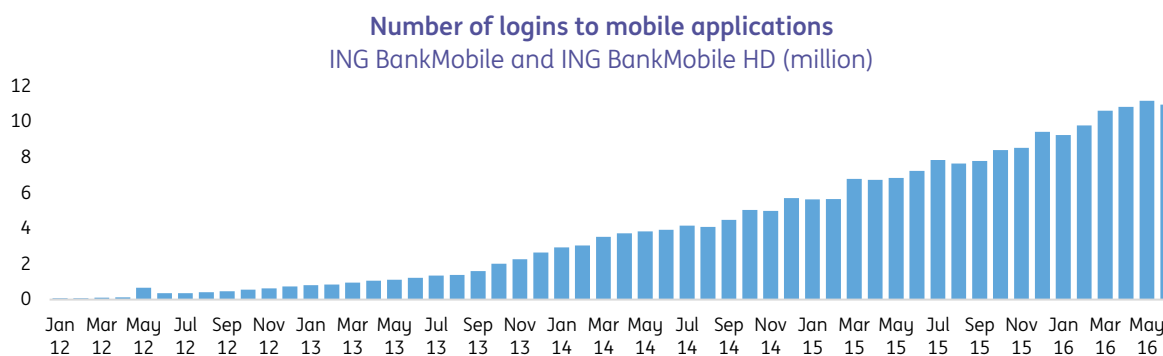
Number of clients of ¹⁴electronic banking systems at ING Bank Śląski S.A.

	30.06.16	31.12.15	31.12.14	31.12.13	31.12.12	31.12.11	31.12.10	31.12.09
ING BankOnLine, ING BusinessOnLine	3,321,663	3,178,500	2,846,079	2,575,708	2,350,269	2,115,325	1,879,525	1,559,504
HaloŚląski	2,237,283	2,083,323	1,819,028	1,605,063	1,433,433	1,285,261	1,072,099	786,008
ING BankMobile*	1,480,376	1,231,376	764,457	364,867	123,269			
ING Business	10,818	9,541	6,703	3,712				

* Number of application downloads

Bank mobile applications – ING BankMobile and ING BankMobile HD – are used more and more often by clients to make day-to-day transactions. Only in June 2016, 11 million logins were recorded (versus 7.2 million in June 2015).

¹⁴The number of clients does not correspond to the number of users, one client can have a few users in a given system.



3. Network of bank branches

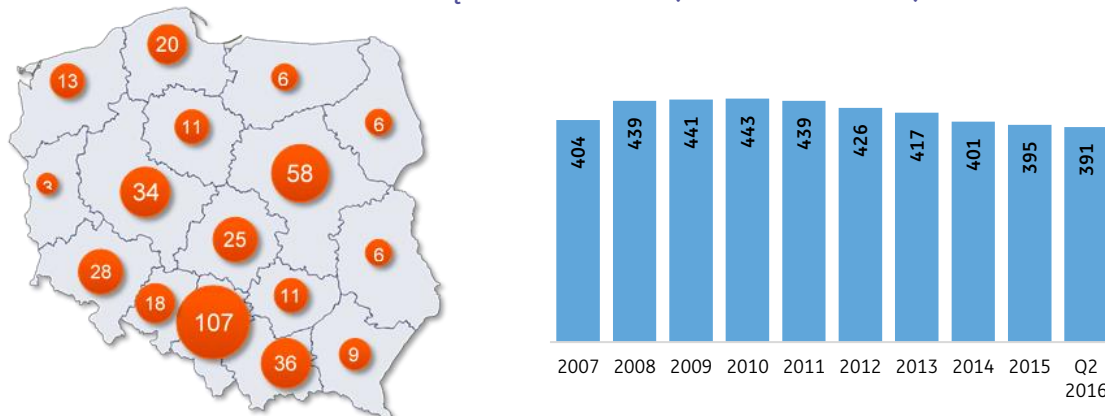
As at the end of H1 2016, ING Bank Śląski S.A. had 391 retail branches (including 108 branches with modern cash service – cash handled at ATMs, CDMs and dual machines only). All our branches have self-banking zones where clients can make both cash withdrawals and deposits on their own. The Bank continues the process of face-lifting retail branches, during which furnishings and fittings are modernized and new functional solutions are introduced.

As at the end of June 2016, the Bank had 247 branches in the new standard. Optimisation works also continue: branches are relocated and consolidated in the locations most appealing to clients in business terms in towns/cities and regions.

As at the end of June 2016, the Bank had 65 sales points deployed in the largest shopping malls in Poland. The net of ING Express points was formed in response to expectations of clients who want their bank to be available anytime and anywhere. This distribution channel is primarily to win new, active clients. Sales points employees offer clients a basic bundle of services – a personal account with a payment card, online and mobile banking functionality and a savings account. The clients interested in other products of our Bank are attended to by the advisor of the Contact Centre Department. Clients are contacted by consultants even within 15 minutes after their visit to the sales point. Since 12 February 2016 sole proprietors may set up a business account at ING Express sales points too.

Corporate clients from mid-sized and mid-corporates segment were serviced at the Bank by 36 corporate branches and 15 corporate banking centres. Almost all of them were operating in the same locations as retail branches. The largest corporate clients were serviced by the Strategic Clients Department located in Warsaw and by its regional office in Katowice.

Network of ING Bank Śląski S.A. branches (as at 30 June 2016)



4. Human resources management

Headcount

As at 30 June 2016, the ING Bank Śląski S.A. Group had 8,200 employees. There were 11 persons (or 0.1%) more over December last year. The main drivers of a slight increase in the Group's headcount were the development of the Bank's Corporate Sales Network and growth of ING Lease (Polska) Sp. z o.o. company.

As at the end of June 2016, ING Bank Śląski S.A. had 7,828 employees, up by 100 persons (or 1.3%) from December 2015. H1 2016 also saw the takeover of ING Securities S.A, whereunder 100 employees were transferred from that company to the Bank under Article 231 of the Labour Code on 01 June 2016.

Headcount at ING Bank Śląski S.A. Group

	30.06.2016		31.12.2015	
	staff members	%	staff members	%
Retail Banking	3,925	50.1	3,892	50.4
Corporate Banking and Financial Markets	1,199	15.3	1,185	15.3
Operations/IT/Services	1,914	24.5	1,887	24.4
Risk/Organisation/Finance/HR	790	10.1	764	9.9
Bank Total	7,828	100.0	7,728	100.0
ING Securities S.A.	-	0.0	100	21.7
ING ABL Polska S.A.	1	0.3	1	0.2
ING Lease (Polska) Sp. z o.o.	185	27.2	173	37.5
ING Commercial Finance Polska S.A.	101	27.2	99	21.3
Solver Sp. z o.o.	32	8.6	33	7.2
ING Usługi dla Biznesu S.A.	50	13.4	55	11.9
Nowe Usługi S.A.	3	0.8	-	0.0
Subsidiaries	372	100.0	461	100.0
ING Bank Śląski S.A. Group	8,200		8,189	

Remuneration policy

In H1 2016, ING Bank Śląski S.A. upheld its remuneration policy, the aim whereof is to effectively support the strategic goals. The assumptions of the policy are to offer marked-to-market, transparent and coherent remuneration to employees.

Once again, the Bank settled the bonuses for employees covered by the Variable remuneration policy of persons holding managerial positions having material impact on the risk profile of ING Bank Śląski S.A. In compliance with the Policy, the variable remuneration is deferred and at least 50% thereof is paid in phantom stock entitling to cash dependent on the value of ING Bank Śląski S.A. shares.

In H1 2016, the non-deferred 2015 bonus and the deferred bonus for 2014, 2013 and 2012 were paid out to the persons holding managerial positions. Thus, the entire 2012 bonus for the persons holding managerial positions was settled.

Variable remuneration policy of persons holding managerial positions having material impact on the risk profile of ING Bank Śląski S.A. is reviewed regularly for changes in laws and regulatory

requirements. In January 2016, its wording was brought into line with the Act on macroprudential supervision over the financial system and crisis management in the financial system of 05 August 2015. The modification covered the manner of determination of the currency exchange rate used to compute the equivalent of euro remuneration in order to discharge the duty to provide the Polish Financial Supervision Authority with the number of persons whose past-year remuneration totalled at least the equivalent of EUR 1,000,000.

During the Ordinary General Meeting held on 31 March 2016:

- the remuneration of the Bank Supervisory Board Members was set. With Resolution No. 27 of the Ordinary General Meeting, the ING Bank Śląski S.A. Supervisory Board Members Remuneration Policy was adopted. The document elaborates the manner of remuneration determination, in particular when Supervisory Board members have a few roles.
- the report on assessment of the remuneration policy at ING Bank Śląski S.A. in 2015 in line with the Principles of Corporate Governance for Supervised Institutions was presented.

Recruitment and employer branding

In H1 2016, ING Bank Śląski S.A. took employer branding activities geared towards professionals and students.

The Bank continued actions dedicated to people entering the labour market (students and graduates), among others:

- Participation in spring job fairs.
- ING Ambassadors Programme (for students representing the Bank at the universities), where teaming up with the students being Bank ambassadors, we organised the professional workshops/ training courses for students. Moreover, the stands promoting the employer were put at the universities. It is already for the tenth time that the Internship with the Lion programme started; it is addressed to students from different majors and specialisations who are planning to work in banking in the future. 51 participants were accepted for the Programme in Poland.
- The ChallengING IT traineeship programme – new programme options were launched: software development and programming whereunder 11 participants were employed. Participants work in the Agile methodology-based system.
- Corporate Readiness Certificate – cooperation with ING Services and IBM under the IT educational programme at two Silesian universities. Meetings with the Lion – experts from the Operations Division ran 17 workshops for students at 9 universities of key significance to us in Poland. The workshops were held to share knowledge and introduce students to a wide array of bank affairs. The meetings were attended by over 860 students.

A vast offer and quality of internships within the HR area conducted at ING Bank Śląski S.A. were appreciated by external research and ranking institutions.

In February 2016, ING Bank Śląski S.A. was honoured for the seventh time with the (2016) Top Employers Poland certificate. The award granted by the Top Employers Institute – an independent international organisation – confirms that ING Bank Śląski S.A. belongs to the group of top employers worldwide. At the same time, ING Bank Śląski S.A. was honoured for the second time with the Top Employers Europe certificate.

Employee development and training courses

In H1 2016, the Bank pursued development actions in correspondence with the strategic goals of the Bank and HR in the domains of leadership, innovativeness as well as acquisition and retention of

excellent employees.

There were 4 areas of focus:

- Fostering corporate culture (including but not limited to the development programme for senior leaders, a multifaceted programme for fledgling managers and persons aspiring to that role, or actions to consolidate the values and behaviours forming the Orange Code).
- Upgrading employees' competences and behaviours (through, above all, training courses on products and sales quality as well as with the use of a wide offer of development actions covering inter alia meetings with inspirers, knowledge sharing and work with coaches or mentors plus consultations and development assignment programmes).
- The specialist and expert knowledge (through, above all, highly specialised training courses, domestic and international sector conferences geared towards field specialists as well as certifications).
- Dedicated development programmes for indicated organisational units or identified audience as a response to strategic challenges, such as: credit process analysis, knowledge sharing or retail sale management.

Apart from in-house development actions, we used external training courses, workshops and conferences. The Bank supports also self-enhancement of professional qualifications by employees, through certification, post-graduate studies or the Polish Bank Association standards. Employee development was supported by on-line tools, the Development Navigator for example.

VIII. Outlook on ING Bank Śląski S.A. operations development

The Preferred Bank strategy is based on three pillars:

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

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

1. Retail banking

In H1 2016, ING Bank Śląski S.A. strived to strengthen its position in the consolidating market environment and become the preferred bank. As in previous years, customer experience improvement and sustainable growth of both savings and loans volumes remained the main areas of focus. Moreover, the Bank paid more attention to the potential created by digitalisation and innovations when it comes to satisfying the client changing needs.

Key principles which actively support the pursuit of strategic goals have proved successful, and therefore remain unchanged: clear and transparent offering with a good quality to price ratio, broad and innovative multichannel distribution network (391 branches, network of IFAs, direct channels: contact centre, electronic and mobile banking), efficient and practical internet processes, strong brand recognition and high performing team.

Main goals for 2016:

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

In order to achieve the abovementioned priorities, ING Bank Śląski S.A. will strive to fully leverage on the potential of the multichannel distribution system and ensure its clients top service quality. Extending the functionality of direct channels, implementing new payment solutions, providing clients with convenient online processes and orienting the branch role towards advisory services will allow the Bank to increase the number of transactions made by clients.

Such a strategy should translate into better sales results and higher deposits and loans balances. A higher cross-sell ratio (sales of insurance and investment products) will additionally result in income increase and diversification. While rising branches' efficiency, increased importance of direct distribution and service channels as well as operations automation will favour cost effectiveness

improvement.

2. Corporate banking

Over the recent years, we have been observing increasingly faster changes in the surrounding environment, largely connected with the development and usage of new technologies. Clients have been changing their habits both as regards communication and their daily errands – either private or business. They expect their needs to be satisfied fast and intuitively, anywhere and anytime, online and via a mobile phone.

Private habits more and more frequently shape the manner in which corporate clients want to use banking services. In order to maintain the competitive edge in that market, the Bank makes necessary modifications in its strategy. In particular, the Bank puts more emphasis on direct distribution channels: online, mobile and phone banking. The purpose is to have a vast majority of client instructions submitted via those channels. The Bank will also aspire to having a substantial portion of client acquisition and product sale made via direct channels.

A number of initiatives that are being implemented currently are to serve as technological and organisational preparations for that change. Among other things, a new approach to client segmentation is being devised; a client service model leveraging on direct service mechanisms will be put in place. Subsequent functions are being gradually launched within the CRM system implemented in 2014 and supporting advisors in the service of the dynamically growing client portfolio.

Online banking is becoming more and more important for contacting clients. The Bank's objective is to make it a universal communication platform and offer through it the biggest number of products and services possible. Now, intensive design works are in progress over preparation and implementation of a new system release for corporate clients, ING Business. It will have the latest usability solutions and will be tailored better to users' changing needs and behaviours and to the devices they use thanks to the RWD technology.

The Bank will expand its offer in the payment service area. In 2016, it will offer clients the payment card acquiring services. With the new service, the Bank will offer payment terminals enabling acceptance of card and mobile payments (Blik, Visa, MasterCard) and sale of additional services like GSM phone top-ups. In the next stages, the Bank plans to expand its offering with acceptance of online payments, a loyalty program and many other features. With this offer, the Bank will cater for business clients from all segments, regardless of their business form and size.

The Bank intends also to strengthen its cooperation with the subsidiaries from the asset-backed funding area (leasing and factoring). The aim is to work out a coherent approach to offering credit, leasing and factoring products in a way that will guarantee transparent communication and optimal customisation of the offer to the needs of specific clients plus will ensure the most effective use of the Group's resources.

IX. Investor information

1. Shareholding structure

ING Bank Śląski S.A. is a subsidiary of ING Bank N.V., which as at 30 June 2016 had a 75% share in the share capital of ING Bank Śląski S.A. and a 75% share in the overall number of votes at the General Meeting. ING Bank N.V. belongs to ING Group, a global financial institution, conducting its business activity in the banking and insurance markets as well as within the area of asset management.

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

In H1 2016, neither the worth of ING Bank Śląski S.A.'s share capital nor the majority shareholder's share in the equity were changed.

Shareholding structure of ING Bank Śląski S.A.

Shareholder name	Number of shares and votes at GM	Share in share capital and in the total votes at GM	Shareholder name	30 June 2016		31 December 2015	
				Number of shares and votes at GM	Share in share capital and in the total votes at GM	Number of shares and votes at GM	Share in share capital and in the total votes at GM
ING Bank N.V.	97,575,000	75.00%	ING Bank N.V.	97,575,000	75.00%	97,575,000	75.00%
Aviva Otwarty Fundusz Emerytalny (Open-End Pension Fund) Aviva BZ WBK ¹⁵	7,870,000	6.05%	Aviva Otwarty Fundusz Emerytalny (Open-End Pension Fund) Aviva BZ WBK ¹⁶	7,601,000	5.84%	7,601,000	5.84%
Other	24,655,000	18.95%	Other	24,924,000	19.16%	24,924,000	19.16%
Total	130,100,000	100.00%		130,100,000	100.00%	130,100,000	100.00%

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

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

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

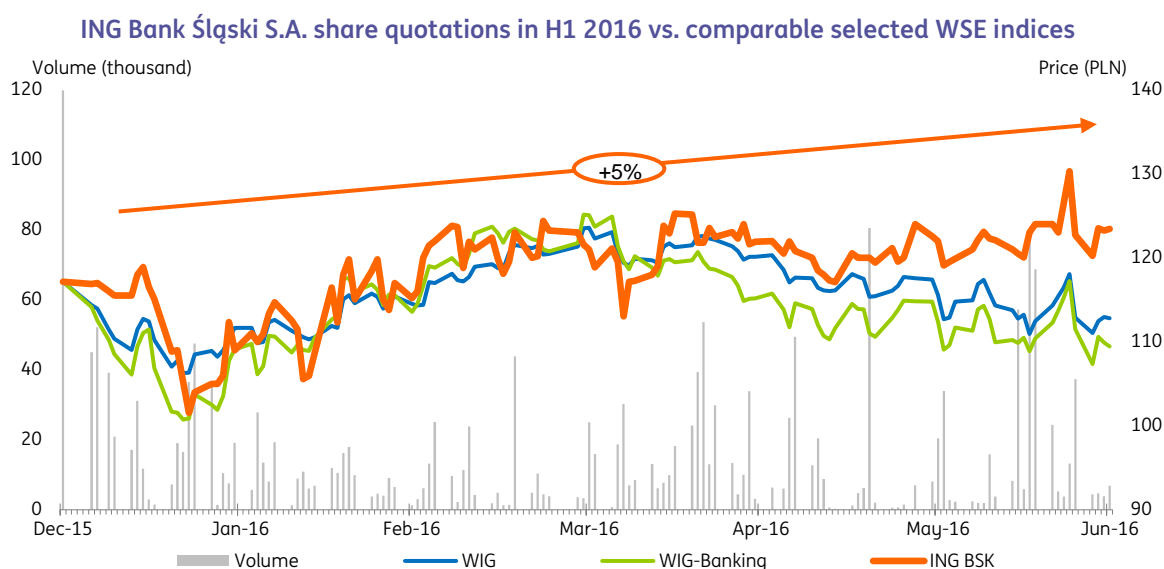
2. ING Bank Śląski S.A. share price

In H1 2016, the price of ING Bank Śląski S.A. shares at the close of the WSE session hovered between PLN 101.55 (as quoted on 21 January) and PLN 130.30 (as during the session on 23 June). On 30 June 2016, the price of ING Bank Śląski S.A. share was 5.4% up from the last quotation date in 2015 (to compare: WIG-Banking sub-index went down by 6.6% at that time).

As at the end of June 2016, the Bank's market value was PLN 16.1 billion, while its book value amounted to PLN 10.8 billion.

¹⁵Based on the list of shareholders registered at the Ordinary General Meeting of ING Bank Śląski S.A. on 31 March 2016.

¹⁶Based on the list of shareholders registered at the Ordinary General Meeting of ING Bank Śląski S.A. on 31 March 2015.



3. Ratings

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

Fitch Ratings Ltd. assigns a full rating to ING Bank Śląski S.A. under the agreement between the Bank and the Agency. In Fitch's announcement of 20 April 2016, the Agency upgraded the Long-Term Issuer Default Rating (Long-Term IDR) for ING Bank Śląski S.A. from A- to A. The rating outlook is stable. The upgrade is the result of the same rating action taken towards ING Bank N.V. which is the Bank's dominant shareholder. Additionally, Fitch upheld the support rating at 1.

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

Fitch Ratings Ltd.	
Long-term IDR	A
Outlook for sustaining the above rating	Stable
Short-term IDR	F1
Viability rating	bbb+
Support rating	1

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

The Moody's Investors Service Ltd. Agency on the other hand, assigns a rating to ING Bank Śląski S.A. on the basis of public information. In H1 2016, Moody's did not change the ratings of ING Bank Śląski S.A. as compared with 2015 yearend. The ratings were last updated in July 2016.

As at the Financial Statements' publication date, the Bank's financial viability ratings assigned by the Agency were as follows:



Moody's Investors Service Ltd.	
LT Rating	A3
ST Rating	P-2
Baseline Credit Assessment (BCA)	baa3
Adjusted Baseline Credit Assessment (Adjusted BCA)	baa2
Outlook	Stable
Counterparty Risk Assessment (CR Assessment) long-term/ short-term	A2 / P-1

4. Investor relations

ING Bank Śląski S.A. strives after the highest standards of capital market communications. The Bank pays particular attention to reliable and transparent information and to equal treatment of all stakeholders as well as observes all the laws regarding disclosure duties of listed companies. Important financial and business information in the form of financial reports, current reports, investor presentations and editable files with key company data are presented to the broad capital market. The Investor Relations Bureau is responsible for investor and share analyst communications.

In H1 2016, the representatives of the Bank Management Board and the Investor Relations Bureau held many meetings with investors and participated in key investor conferences in the banking sector.

In H1 2016, two conferences were held at the Bank's Head Office presenting financial and business results for Q4 2015 and Q1 2016. Each time, approximately 30 representatives of brokerage houses and investors attend such a conference.

In H1 2016, the Bank continued to develop the channels of communication with stakeholders, including the basic tool, that is its webpage: <http://en.ingbank.pl/company-profile/investor-relations>. The webpage contains vital information including, among other things, quotations of ING BSK shares on the WSE, company shareholding structure, General Meetings or ratings. Also the current, interim and annual reports, results presentations, Excel sheets with key financial and business information as well as recordings from teleconferences are published on the webpage. Owing to the RWD technology used, it is now adjusted to mobile devices – tablets and smartphones.

ING Bank Śląski S.A. is one of the companies that are watched and analysed by the market. As at the end of June 2016, analysts representing 15 domestic and foreign financial institutions published reports and recommendations for the Bank's shares.

5. Dividend payout

Following the decision of the Ordinary General Meeting of 31 March 2016, on 05 May 2016 the Bank paid out the dividend for 2015 totalling PLN 559.4 million, that is PLN 4.30 gross for one share. 20 April 2016 was the record date.

6. Changes to the Statutory Authorities of ING Bank Śląski S.A.

Supervisory Board

On 04 March 2016, Ms. Małgorzata Kołakowska tendered her resignation as the President of the Bank Management Board, effective as of 31 March 2016. The reason for resignation was the assumption of the position of Global Head of Network, Wholesale Banking at ING Group as of 01 April 2016. Also on 04 March 2016, Mr Brunon Bartkiewicz, Deputy Chairman of the Supervisory Board, tendered resignation from his capacity as Member of the Supervisory Board, with immediate effect, in connection with his running for the position of the Bank Management Board President.

On 24 March 2016, Mr. Diederik van Wassenauer tendered his resignation from his capacity as Member of the Supervisory Board, effective as of 31 March 2016.

On 31 March 2016, the General Meeting appointed Supervisory Board Members Ms Małgorzata Kołakowska (as of 01 April 2016) and Mr Christopher Steane (as of 31 March 2016). Furthermore, during the meeting on 31 March 2016, the Bank Supervisory Board appointed Mr Roland Boekhout Deputy Chairman of the Supervisory Board.

As at 30 June 2016, the Supervisory Board of ING Bank Śląski S.A. operated in the following composition:

- Mr Antoni Reczek Chairman, Independent Member,
- Mr Roland Boekhout Deputy Chairman,
- Mr Aleksander Galos Secretary, Independent Member,
- Mr Ad Kas Member,
- Ms Małgorzata Kołakowska Member,
- Mr Aleksander Kutela Member, Independent Member,
- Mr Christopher Steane Member.

Bank Management Board

On 04 March 2016, Mr Ignacio Juliá Vilar tendered resignation from his capacity as Bank Management Board Vice-President, effective as of 30 April 2016, due to the planned assumption of the positions of Chief Innovation Officer and Head of Retail Segment at ING Group as of 01 May 2016.

Following the resignation of Ms Małgorzata Kołakowska from her capacity as Bank Management Board President, on 04 March 2016, the Supervisory Board appointed Mr Brunon Bartkiewicz to the position of Bank Management Board President, provided the required approval of the Polish Financial Supervision Authority was obtained. On 19 April 2016, the Polish Financial Supervision Authority approved the appointment of Mr Brunon Bartkiewicz as the Bank Management Board President.

As a result of the aforementioned changes, as at 30 June 2016 the Bank Management Board composition and the division of competence among the Management Board Members were as follows:

Scope of responsibilities of Bank Management Board Members (as at 30 June 2016)

- | | |
|-------------------------|---|
| ● Mr Brunon Bartkiewicz | President of the Bank Management Board in charge of some units reporting directly to the Bank Management Board (including: Management Board Bureau, Press Office, Internal Audit Department, Legal Department, Compliance Department, Antifraud Department, Data Protection Officer position and HR units) |
| ● Mr Mirosław Boda | Vice-President of the Bank Management Board in charge of the Finance Division and the Treasury Department |
| ● Mr Michał Bolesławski | Vice-President of the Bank Management Board in charge of the Corporate Sales Network Division and the Retail Banking Division |
| ● Ms Joanna Erdman | Vice-President of the Bank Management Board in charge of the Brokerage Office Division, Strategic Customers Division and the Financial Markets Division |
| ● Ms Justyna Kesler | Vice-President of the Bank Management Board in charge of the Operations Division, Services Division and IT Division, Project Management Department, IT Security Department, ING Hub Services Department and the position of the Bank Management Board Representative for the Environmental Management System |
| ● Mr Patrick Roesink | Vice-President of the Bank Management Board in charge of the Risk Division, the Credit Risk Inspection Department and the Model Validation Department |

At the session 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.

Scope of responsibilities of Bank Management Board Members (as at 01 August 2016)

● Mr Brunon Bartkiewicz	President of the Bank Management Board in charge of some units reporting directly to the Bank Management Board (including: Management Board Bureau, Press Office, Internal Audit Department, Legal Department, Compliance Department, Antifraud Department, Data Protection Officer position and HR units)
● Mr Mirosław Boda	Vice-President of the Bank Management Board in charge of the Finance Division and the Treasury Department
● Mr Michał Bolesławski	Vice-President of the Bank Management Board in charge of the Corporate Sales Network Division
● Ms Joanna Erdman	Vice-President of the Bank Management Board in charge of the Strategic Customers Division and the Financial Markets Division
● Mr Marcin Giżycki	Vice-President of the Bank Management Board in charge of the Retail Banking Division and the Brokerage Office Division
● Ms Justyna Kesler	Vice-President of the Bank Management Board in charge of the Operations Division, Services Division and IT Division, Project Management Department, IT Security Department, ING Hub Services Department and the position of the Bank Management Board Representative for the Environmental Management System
● Mr Patrick Roesink	Vice-President of the Bank Management Board in charge of the Risk Division, the Credit Risk Inspection Department and the Model Validation Department

7. Remuneration of Members of Management Board and Supervisory Board of ING Bank Śląski S.A.

Emoluments due to Members of ING Bank Śląski S.A. Management Board for H1 2016 (PLN million)

Period	Remuneration	Other benefits*	Total
H1 2016	4.4	1.2	5.6
H1 2015	4.4	1.0	5.4

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

Emoluments of Members of the ING Bank Śląski S.A. Management Board for 2016 under the Variable Remuneration Programme have not been awarded yet.

Following the remuneration system in place at the Bank, the Bank Management Board Members may be entitled to the 2016 bonus to be paid out in the years 2017-2021. Accordingly, a reserve was formed for the 2016 cash bonus for the Bank Management Board Members, which as at 30 June 2016 was PLN 3.2 million. The Bank Supervisory Board will take the final decision on the bonus amount.

**Emoluments paid to Management Board Members of ING Bank Śląski S.A. in H1 2016
(PLN million)**

Period	Remuneration	Awards*	Other benefits**	Total
H1 2016	4.4	6.2	1.2	11.8
H1 2015	4.4	6.7	1.9	13.0

* Awards for H1 2016 cover the following items:

- Bonus under the Variable Remuneration Programme: for 2015 non-deferred cash, for 2014 1st tranche of deferred cash, for 2013 2nd tranche of deferred cash and for 2012 3rd tranche of deferred cash,
- Phantom Stocks under the Variable Remuneration Programme: for 2014 retained, for 2013 1st tranche deferred and for 2012 2nd tranche deferred,
- Awards for H1 2015 cover the following items:
- Bonus under the Variable Remuneration Programme: for 2014 non-deferred cash, for 2013 1st tranche of deferred cash and for 2012 2nd tranche of deferred cash,
- Phantom Stocks under the Variable Remuneration Programme: for 2013 retained and for 2012 1st tranche deferred,
- 2011-deferred bonus.

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

The total remuneration due and paid out by ING Bank Śląski S.A. in H1 2016 to its Supervisory Board Members amounted to PLN 0.3 million.

**Remuneration of Members of the Supervisory Board of ING Bank Śląski S.A. in H1 2016
(PLN million)**

Period	Remuneration and awards	Other benefits	Total
H1 2016	0.3	0.0	0.3
H1 2015	0.3	0.0	0.3

As at 30 June 2016, neither Bank Management Board nor Supervisory Board Members held shares of ING Bank Śląski S.A.

8. Selection of chartered auditor

On 27 November 2015, the Bank Supervisory Board selected KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in Warsaw as the entity authorised to audit the financial statements of ING Bank Śląski S.A. and the ING Bank Śląski S.A. Group for the period of 2016-2017.

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

X. ING Bank Śląski S.A. Management Board statements

1. Truthfulness and fairness of statements

To the best knowledge of the Bank Management Board, the financial data for H1 2016 and the comparable data presented in the interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group were prepared, in all material aspects, in accordance with the effective accounting principles and present fairly, accurately and transparently all the information on the property and financial situation of the Bank Group and its financial result. The Management Board report being part of this document is a true presentation of the development, achievements and situation (including a description of key risk types) of the Bank Group in H1 2016.

2. Corporate governance

The Principles of Corporate Governance applied by the ING Bank Śląski S.A. Group are described in the Management Board Report on Operations for 2015.

3. Selection of entity authorised to audit financial statements

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

4. Additional information

Agreements concluded

The Bank Management Board declare that as at 30 June 2016 ING Bank Śląski S.A. did not have any:

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

As at 30 June 2016, the Bank had PLN 866.3 million worth of contractual liabilities under the issued own bonds.

Enforcement proceedings

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

The liabilities or debt claims under the proceedings in progress in H1 2016 did not exceed 10% of the Bank's equity.

The Bank is of the opinion that the individual proceedings that were in progress in H1 2016 and that were heard before any court of justice or arbitration, or before any public administration authority as well as all the proceedings in total do not pose a threat to the financial liquidity of the Bank.

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

Brunon Bartkiewicz

President of the Bank Management Board
(signed on the Polish original)

Mirostaw Boda

Vice-President of the Bank Management Board
(signed on the Polish original)

Michał Bolesławski

Vice-President of the Bank Management Board
(signed on the Polish original)

Joanna Erdman

Vice-President of the Bank Management Board
(signed on the Polish original)

Marcin Giżycki

Vice-President of the Bank Management Board
(signed on the Polish original)

Justyna Kesler

Vice-President of the Bank Management Board
(signed on the Polish original)

Patrick Roesink

Vice-President of the Bank Management Board
(signed on the Polish original)

02 August 2016