



ING Bank Śląski S.A. Group

Quarterly consolidated report
for the 3 quarter 2016

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SELECTED FINANCIAL DATA FROM FINANCIAL STATEMENTS

Selected financial data

	3Q 2016	3Q 2016 YTD	3Q 2015	3Q 2015 YTD
Net interest income	784.9	2 143.9	644.6	1 807.7
Net commission income	269.3	781.3	248.9	762.4
Result on basic activities	1 074.5	3 202.5	937.1	2 824.5
Result before tax	433.6	1 295.9	395.3	1 136.2
Net profit attributable to shareholders of ING Bank Śląski S.A.	332.0	998.1	315.7	921.3
Earnings per ordinary share (PLN)	2.55	7.67	2.43	7.08

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Loans and other receivables to customers (net) excluding Eurobonds	76 554.7	74 398.9	68 681.0	67 631.6	64 416.0
Liabilities to customers	92 304.6	93 483.3	87 818.5	83 825.9	80 750.6
Total assets	116 550.0	115 639.7	108 893.1	112 180.7	105 318.9
Equity attributable to shareholders of ING Bank Śląski S.A.	10 976.7	10 810.1	10 677.9	10 301.8	9 556.1
Initial capital	130.1	130.1	130.1	130.1	130.1

Key effectiveness ratios

	30 Sep 2016	30 Jun 2016	30 Sep 2015	30 Jun 2015
C/I - Cost/Income ratio (%)	48.1	48.2	53.4	52.9
ROA - Return on assets (%)	1.1	1.1	1.1	1.1
ROE - Return on equity (%)	11.3	11.4	11.4	11.2
NIM - net interest margin (%)	2.57	2.50	2.43	2.47
L/D - Loans-to-deposits ratio (%)	82.9	79.6	80.7	79.8
Total capital ratio (%)	14.8	14.6	13.7	13.7

Explanations:

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

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

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

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

L/D - Loans-to-deposits ratio – loans and receivables to customers (net) excluding Eurobonds to liabilities due to customers.

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

Interim condensed consolidated income statement

		3 Q 2016	3 Q 2016 YTD	3 Q 2015	3 Q 2015 YTD
	Note	the period from 01 Jul 2016 to 30 Sep 2016	the period from 01 Jan 2016 to 30 Sep 2016	the period from 01 Jul 2015 to 30 Sep 2015	the period from 01 Jan 2015 to 30 Sep 2015
Net interest income	7.1	784.9	2 143.9	644.6	1 807.7
Net commission income	7.2	269.3	781.3	248.9	762.4
Net income on financial instruments at fair value through profit or loss and FX result	7.3	16.4	44.5	19.5	62.2
Net income on investments	7.4	4.0	229.3	23.2	164.7
Net income on hedge accounting	7.5	0.2	-1.9	2.6	17.3
Net income on other basic activities	7.6	-0.3	5.4	-1.7	10.2
Net income on basic activities		1 074.5	3 202.5	937.1	2 824.5
General and administrative expenses	7.7	515.5	1 541.5	509.8	1 507.7
Impairment losses and provisions for off-balance sheet liabilities	7.8	49.7	162.1	32.0	180.6
Tax on certain financial institutions		75.7	203.0	0.0	0.0
Gross profit (loss)		433.6	1 295.9	395.3	1 136.2
Income tax	7.9	101.6	297.8	79.6	214.8
Net profit (loss)		332.0	998.1	315.7	921.4
- attributable to shareholders of ING Bank Śląski S.A.		332.0	998.1	315.7	921.3
- attributable to non-controlling interests		0.0	0.0	0.0	0.1
Net profit (loss) attributable to shareholders of ING Bank Śląski S.A.		332.0	998.1	315.7	921.3
Weighted average number of ordinary shares		130 100 000	130 100 000	130 100 000	130 100 000
Earnings per ordinary share (PLN)		2.55	7.67	2.43	7.08

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

Interim condensed consolidated statement of comprehensive income

		3 Q 2016	3 Q 2016 YTD	3 Q 2015	3 Q 2015 YTD
		the period from 01 Jul 2016 to 30 Sep 2016	the period from 01 Jan 2016 to 30 Sep 2016	the period from 01 Jul 2015 to 30 Sep 2015	the period from 01 Jan 2015 to 30 Sep 2015
Net profit for the period		332.0	998.1	315.7	921.4
Total other comprehensive income, including:		-165.7	-141.2	429.8	-554.3
Items which can be reclassified to income statement		-163.4	-138.7	429.6	-551.8
Items which will not be reclassified to income statement		-2.3	-2.5	0.2	-2.5
Net comprehensive income for the reporting period		166.3	856.9	745.5	367.1
- attributable to owners of ING Bank Śląski S.A.		166.3	856.9	745.5	367.0
- attributable to non-controlling interests		0.0	0.0	0.0	0.1

Interim Condensed Consolidated Income statement and Interim Condensed Consolidated Statement of Comprehensive Income shall be analyzed together with the notes to interim condensed consolidated financial statements being the integral part thereof

Interim condensed consolidated statement of financial position

	Note	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Assets						
Cash in hand and balances with the Central Bank		1 299.1	1 286.6	3 589.7	3 940.7	2 864.7
Loans and other receivables to other banks	7.10	1 192.7	1 285.4	1 014.6	3 325.7	2 315.4
Financial assets at fair value through profit or loss	7.11	1 617.3	1 847.3	1 127.1	2 769.2	1 755.6
Valuation of derivatives		1 124.9	1 320.5	1 990.9	1 947.2	1 949.8
Investments	7.12	27 344.0	27 761.0	23 478.8	24 310.3	24 267.6
Derivative hedge instruments		2 138.9	2 389.6	2 454.8	2 521.2	2 036.6
Loans and other receivables to customers	7.13, 7.14	80 377.4	78 308.6	72 519.6	71 425.2	68 127.2
Receivables from customers under repo transactions		19.8	0.0	1 354.4	553.6	491.3
Non-financial assets	7.15	1 025.0	1 032.5	1 070.5	1 022.6	1 005.4
Assets held for sale		41.2	41.2	38.4	44.1	156.0
Tax assets		77.5	76.9	59.6	55.8	65.9
Other assets		292.2	290.1	194.7	265.1	283.4
Total assets		116 550.0	115 639.7	108 893.1	112 180.7	105 318.9
Liabilities						
Liabilities to other banks	7.16	7 032.5	5 082.3	3 913.5	10 917.1	8 493.0
Financial liabilities at fair value through profit or loss	7.17	598.6	299.3	629.4	934.1	412.1
Valuation of derivatives		1 101.9	1 336.9	2 002.7	2 037.4	2 062.7
Derivative hedge instruments		1 614.3	1 730.1	1 830.9	1 842.8	1 900.5
Liabilities to customers	7.18	92 304.6	93 483.3	87 818.5	83 825.9	80 750.6
Liabilities to customers under repo transactions		0.0	9.1	47.5	4.1	4.5
Liabilities under issue of debt securities		871.9	866.3	866.3	872.0	866.3
Subordinated liabilities		648.1	665.2	0.0	0.0	0.0
Provisions	7.19	79.8	82.0	67.2	70.3	69.5
Tax liabilities		146.8	181.4	156.8	122.9	10.2
Other liabilities		1 172.5	1 091.2	879.8	1 249.7	1 190.8
Total liabilities		105 571.0	104 827.1	98 212.6	101 876.3	95 760.2
Equity						
Share capital		130.1	130.1	130.1	130.1	130.1
Supplementary capital - issuance of shares over nominal value		956.3	956.3	956.3	956.3	956.3
Revaluation reserve		1 341.8	1 508.0	1 485.0	1 316.9	888.3
Retained earnings		8 548.5	8 215.7	8 106.5	7 898.5	7 581.4
Equity attributable to shareholders of ING Bank Śląski S.A.		10 976.7	10 810.1	10 677.9	10 301.8	9 556.1
Non-controlling interests		2.3	2.5	2.6	2.6	2.6
Total equity		10 979.0	10 812.6	10 680.5	10 304.4	9 558.7
Total equity and liabilities		116 550.0	115 639.7	108 893.1	112 180.7	105 318.9
Carrying amount		10 976.7	10 810.1	10 677.9	10 301.8	9 556.1
Number of shares		130 100 000	130 100 000	130 100 000	130 100 000	130 100 000
Carrying amount per share (PLN)		84.37	83.09	82.07	79.18	73.45

Interim Condensed Consolidated Statement of Financial Position shall be analyzed together with the notes to interim condensed consolidated financial statements being the integral part thereof.

Interim condensed consolidated statement of changes in equity

3 Q 2016 YTD

the period from 01 Jan 2016 to 30 Sep 2016

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve	Retained earnings	Non-controlling interests	Total equity
Opening balance of equity	130.1	956.3	1 485.0	8 106.5	2.6	10 680.5
Net result for the current period	-	-	-	998.1	-	998.1
Other net comprehensive income, including:	0.0	0.0	-143.2	2.2	-0.2	-141.2
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	24.1	-	-	24.1
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-181.3	-	-	-181.3
Amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the held-to-maturity portfolio	-	-	-24.1	-	-	-24.1
effective part of cash flow hedging relationship	-	-	42.6	-	-	42.6
revaluation of non-current assets	-	-	-3.0	-	-0.2	-3.2
disposal of non-current assets	-	-	-1.5	2.2	-	0.7
Other changes in equity, including:	0.0	0.0	0.0	-558.3	-0.1	-558.4
valuation of share-based payments	-	-	-	1.1	-	1.1
profit distribution with dividend payout allocation	-	-	-	-559.4	-0.1	-559.5
Closing balance of equity	130.1	956.3	1 341.8	8 548.5	2.3	10 979.0

year 2015

the period from 01 Jan 2015 to 31 Dec 2015

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

Interim condensed consolidated statement of changes in equity - continued

3 Q 2015 YTD

the period from 01 Jan 2015 to 30 Sep 2015

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve	Retained earnings	Non-controlling interests	Total equity
Opening balance of equity	130.1	956.3	1 874.3	7 493.3	2.6	10 456.6
Net result for the current period	-	-	-	921.3	0.1	921.4
Other net comprehensive income, including:	0.0	0.0	-557.4	3.1	0.0	-554.3
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	-169.8	-	-	-169.8
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-47.1	-	-	-47.1
Amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the held-to-maturity portfolio	-	-	-20.3	-	-	-20.3
effective part of cash flow hedging relationship	-	-	-314.6	-	-	-314.6
revaluation of non-current assets	-	-	-3.8	1.4	-	-2.4
disposal of non-current assets	-	-	-1.8	1.7	-	-0.1
Other changes in equity, including:	0.0	0.0	0.0	-519.2	-0.1	-519.3
valuation of share-based payments	-	-	-	1.2	-	1.2
profit distribution with dividend payout allocation	-	-	-	-520.4	-0.1	-520.5
Closing balance of equity	130.1	956.3	1 316.9	7 898.5	2.6	10 304.4

Interim Condensed Consolidated Statement of Changes in Equity shall be analyzed together with the notes to interim condensed consolidated financial statements being the integral part thereof.

Interim condensed consolidated cash flow statement

	3 Q 2016 YTD the period from 01 Jan 2016 to 30 Sep 2016	3 Q 2015 YTD the period from 01 Jan 2015 to 30 Sep 2015
Net profit (loss)	998.1	921.3
Adjustments	-2 281.6	-107.5
Profit (loss) attributable to non-controlling interests	0.0	0.1
Depreciation and amortisation	133.9	132.0
Interest accrued (from the income statement)	-2 143.9	-1 807.7
Interest paid	-759.9	-894.8
Interest received	2 913.7	2 761.5
Dividends received	-5.4	-87.6
Gains (losses) on investing activities	1.0	-1.0
Income tax (from the income statement)	297.8	214.8
Income tax paid	-325.7	-354.2
Change in provisions	12.6	-4.5
Change in loans and other receivables to other banks	108.4	-791.1
Change in financial assets at fair value through profit or loss	-491.4	-910.2
Change in available-for-sale financial assets	-2 267.9	-1 120.8
Change in valuation of derivatives	-34.8	-19.1
Change in hedge derivatives	141.9	-42.0
Change in loans and other receivables from customers	-6 610.9	-10 869.5
Change in other assets	-101.9	46.5
Change in liabilities to other banks	2 141.8	5 117.5
Change in liabilities at fair value through profit or loss	-30.8	16.7
Change in liabilities to customers	4 452.8	8 168.4
Change in other liabilities	287.1	337.5
Net cash flow from operating activities	-1 283.5	813.8
Purchase of property plant and equipment	-46.7	-86.0
Disposal of property plant and equipment	6.2	9.4
Purchase of intangible assets	-68.5	-81.2
Disposal of assets held for sale	10.8	12.6
Purchase of held-to-maturity financial assets	-1 741.3	-597.5
Interest received from held-to-maturity financial assets	52.8	0.0
Dividends received	5.4	87.6
Net cash flow from investing activities	-1 781.3	-655.1
Long-term loans received	2 087.8	29.7
Long-term loans repaid	-442.1	-333.9
Interest on long-term loans repaid	-13.8	-19.6
Interest on debt securities issued	-11.4	-12.5
Dividends paid	-559.5	-520.5
Net cash flow from financing activities	1 061.0	-856.8
Effect of exchange rate changes on cash and cash equivalents	1.4	-10.1
Net increase/decrease in cash and cash equivalents	-2 003.8	-698.1
Opening balance of cash and cash equivalents	4 411.9	6 311.1
Closing balance of cash and cash equivalents	2 408.1	5 613.0

Interim Condensed Consolidated Cash Flow Statement shall be analyzed together with the notes to interim condensed consolidated financial statements being the integral part thereof.

Additional information

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

1.1. Key Bank data

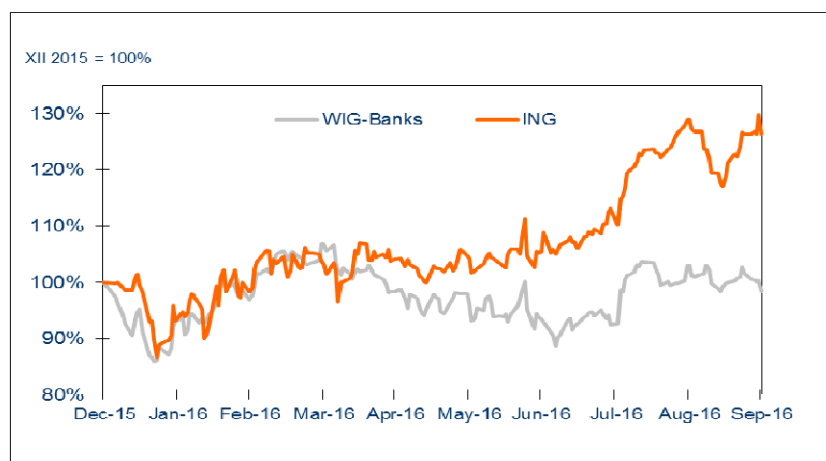
ING Bank Śląski S.A. ("Parent company", "Parent entity", "Bank") with the headquarters in Katowice, Sokolska Str. 34, was entered into the entrepreneurs National Court Register managed by the Commercial Department of the Regional Court in Katowice under the reference number KRS 5459. The parent entity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

1.2. Scope and duration of operations

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

1.3. Initial capital, share capital

The initial capital of ING Bank Śląski S.A. is PLN 130,100,000 and is divided in 130,100,000 ordinary bearer shares with a par value of PLN 1.00 each. Shares of the Bank are quoted on the Warsaw Stock Exchange (sector: banks). As of 30 September 2016, the share price of ING Bank Śląski S.A. was PLN 148.0, whereas during the same period last year it was at the level of PLN 119.2. In the 9 months of 2016, the price of ING Bank Śląski S.A. shares was as follows:



1.4. ING Bank Śląski S.A. Group

ING Bank Śląski S.A. is the parent company of the ING Bank Śląski S.A. Group (“Capital Group”, “Group”). As at 30 September 2016, the composition of ING Bank Śląski S.A. Group was the following:

Name	Type of activity	Registered office	% of the Group share in equity	% of the Group share in the General Meeting votes	Recognition in the Group Financial Statements
ING ABL Polska S.A.	financial holding	Katowice	100	100	full consolidation
ING Commercial Finance S.A.*	factoring services	Warszawa	100	100	full consolidation
ING Lease (Polska) Sp. z o.o.**	leasing services	Warszawa	100	100	full consolidation
ING Usługi dla Biznesu S.A.	accountancy services, payroll services	Katowice	100	100	full consolidation
Nowe Usługi S.A.	research and development of new market opportunities	Katowice	100	100	full consolidation
Solver Sp. z o.o.	holiday and training courses organisation	Katowice	88.93	88.93	full consolidation

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

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

In H1 2016, the Bank subsidiary ING Securities S.A. was divided. As a result, the brokerage services provided until then via ING Securities S.A. and ING Bank Śląski S.A. were integrated within one entity (ING Bank Śląski S.A.). The services other than brokerage services which had been provided by ING Securities S.A. were transferred to Nowe Usługi S.A., a member of the ING Bank Śląski S.A. Group. Since ING Securities had been a fully-consolidated subsidiary until the merger with the Bank, the consolidation had no impact on the Group’s consolidated financial statements.

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

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 30 September 2016 held 75% share in the initial capital of ING Bank Śląski and 75% shares in the total number of votes at the General Meeting of Shareholders. ING Bank NV belongs to the Capital Group, herein referred to as ING Group.

As at the date 30 September 2016, the shareholders owning 5% and more votes at the General Shareholders Meeting of ING Bank Śląski Spółka Akcyjna were:

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

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

As at 30 September 2016, neither Management Board nor Supervisory Board members held shares of ING Bank Śląski S.A. So was the situation also at the date of rendering the financial statements for the previous reporting period into the public domain

1.7. Approval of financial statements

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

These interim condensed consolidated financial statements have been approved by the Bank Management Board on 2 November 2016.

2. Significant events in 3 quarter 2016

2.1. Capital buffer of other systemically-important institution

On 19 August 2016, the Bank received the decision of the Financial Stability Committee of 10 August 2016, issued upon request of the Polish Financial Supervision Authority, under the Act on macroprudential supervision over the financial system and crisis management in the financial system.

Pursuant to the said decision, the Financial Stability Committee expressed a positive opinion on identification of the Bank by the PFSA as other systemically-important institution and on imposing on the Bank by the PFSA (on a consolidated basis and stand-alone basis) a buffer of other systemically-important institution equal to 0.50% of the total risk exposure, calculated pursuant to Article 92 section 3 of EU Regulation No. 575/2013.

On 10 October 2016, the Bank received a decision of the Polish Financial Supervision Authority on identification of the Bank as other systemically-important institution and on imposing on the Bank, on a stand-alone and consolidated basis, a buffer of other systemically-important institution equal to 0.50% of the total risk exposure calculated as at 31 December 2015, pursuant to Article 92 section 3 of EU Regulation No. 575/2013. Pursuant to Article 39 section 4 of the Act on macroprudential supervision over the financial system and crisis management in the financial system of 05 August 2015, the PFSA's decision is immediately enforceable.

2.2. ING Bank Śląski S.A. Dividend Policy

On 15 September 2016, the Supervisory Board approved the ING Bank Śląski S.A. Dividend Policy as recommended by the Bank Management Board. The Policy provides for:

- a long-term stable process of dividend payout in adherence to the rules of prudent management and any and all regulatory requirements which the Bank shall comply with,
- the option to pay dividend from the capital surplus over the minimum capital adequacy ratios and over the minimum Tier 1 capital ratio of 13.25% set for the Bank by the Polish Financial Supervision Authority for dividend payout purposes.

When determining the recommended dividend payout amount, the Bank Management Board will review in particular:

- the current financial standing of the Bank and Bank Group, including limitations in case of generating financial loss or low profitability (low ROA/ROE),
- the assumptions of the Bank's and Bank Group's management strategy, including risk management strategy,
- PFSA's stance on the banks' dividend policy, and
- the limitations under Article 56 of the Act on macroprudential supervision over the financial system and crisis management in the financial system of 05 August 2015.

2.3. Sale of non-performing receivables portfolio

On 27 July 2016, the Bank entered into an agreement on the sale of the portfolio of non-performing loans, unsecured loans in particular, with BEST I Niestandardowy Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty (Non-Standard Closed-End Securitization Investment Fund) with its registered office in Gdynia. The total amount of the receivables sold

under the agreement was PLN 139.7 million (that includes a principal amount, interest and other costs as per the day the agreement was signed on). The final sale price of the portfolio was established at PLN 14.8 million. As a consequence of the aforesaid agreement, the Bank decreased its portfolio of non-performing loans by PLN 84.7 million. The positive impact of the transaction on the Bank's result before tax was PLN 13.8 million, including a PLN 10.1 million decrease in risk costs.

2.4. Rating update by Moody's

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

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

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

3. Significant events after the balance sheet date

3.1. Decision of the Polish Financial Supervision Authority

On 10 October 2016, the Bank received a decision of the Polish Financial Supervision Authority on identification of the Bank as other systemically-important institution; for further information see Chapter 2.1.

3.2. Bank Guarantee Fund's resolution on mandatory contribution from the guaranteed deposits fund

On 28 October 2016, the Bank received from the Bank Guarantee Fund ("BGF") BGF Management Board Resolution No. 308/DGD/2016 concerning payout of guaranteed funds to the depositors of Bank Spółdzielczy in Nadarzyn and a notice to make a contribution of PLN 12.2 million by 2 November 2016 to BGF for the payout of guaranteed funds under the deposits accumulated in Bank Spółdzielczy in Nadarzyn. The amount of the contribution increased the Bank's cost in Q4 2016.

4. Compliance with International Financial Reporting Standards

These interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for the 3 quarter 2016 were prepared under the IAS 34 *Interim Financial Reporting* (International Accounting Standards) in a version approved by the European Commission effective as at the reporting date, that is 30 September 2016 as well as in accordance with the Ordinance of Finance Minister of 19 February 2009 on current and interim information submitted by issuers of securities (Journal of Laws of 2009, no. 33, item 259) with subsequent amendments.

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

Interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated cash flow statement for the period from 1 January 2016 to 30 September 2016, and interim condensed consolidated statement of financial position as at 30 September 2016 together with comparable data were prepared according to the same principles of accounting for each period.

4.1. Going-concern

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

4.2. Discontinued operations

No material operations were discontinued during the 3 quarters 2016 and 3 quarters 2015.

4.3. Financial statements scope and currency

These interim condensed consolidated financial statements of the Group for the 3 quarter 2016 comprise the Bank and its subsidiaries. These interim condensed consolidated financial statements have been developed in Polish zloties ("PLN"). Unless provided for otherwise, all values were given rounded up to PLN million. Therefore, some totals and individual notes can be inconsistent in mathematical terms.

4.4. Comparable data and verification by the chartered auditor

The comparative data cover the period from 1 January 2015 to 30 September 2015 for the interim condensed consolidated income statement; the interim condensed consolidated statement of comprehensive income and the interim condensed consolidated cash flow statement, additionally for the period from 1 January 2015 to 31 December 2015 for the interim condensed consolidated statement of changes in equity; and in the case of the interim condensed consolidated statement of financial position data as of 30 June 2016, 31 December 2015, 30 September 2015 and 30 June 2015. Interim condensed consolidated income statements, interim condensed consolidated statement of comprehensive income and notes to the interim condensed consolidated income statements include data for the Q3 2016 (period from 1 July 2016 to 30 September 2016) as well as comparative data for the Q3 2015 (period from 1 July 2015 to 30 September 2015).

4.5. Changes to accounting standards

In these interim condensed consolidated financial statements, the same accounting standards have been applied as in the case of the annual consolidated financial statements for the year 2015 (Annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2015 to 31 December 2015) as well as the standards and interpretations adopted by the European Union, effective for annual periods starting on or after 1 January 2016 presented in the Group's interim condensed consolidated financial statements for H1 2016 and the amendment approved by the European Union in Q3 2016:

Amendment	Impact on the Group statements
IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	Amendment implementation has no impact on the financial statements of the Group.

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

In Q3 2016, the following amendment of the accounting standards was published:

Amendment (EU application date in parentheses)	Impact on the Group statements
IFRS 4 "Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (the accounting year starting on 01 January 2018 or later)	The amendment will not impact the financial statements of the Group.

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

5. Material accounting principles

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

The amendments made in Q3 2016 to the description of the accounting principles applied by the Group were of editorial and specifying nature and were aimed at enhancing the quality of the said description and at making it more transparent.

6. Comparability of financial data

Amendments to the Statement of Financial Position

When compared with the interim consolidated financial statements for previous periods, in the Interim Condensed Consolidated Financial Statements for the period from 01 January 2016 to 30 September 2016, the Group moved valuation of employee incentive programmes to the item *Retained earnings* in the statement of financial position. The Group is of the opinion that by dint of the said amendment the statement of financial position became more transparent. The amendment did not impact the balance sheet totals of the reporting periods.

The below table show individual items of the consolidated statement of financial position as per amounts disclosed in the in the interim condensed consolidated financial statements for the Q3 2015 and in the current statements.

EQUITY	Financial statements for 2015 as of 31 Dec 2015 (approved data)	Financial statements for Q3 2015 as of 30 Sep 2015 (approved data)	change		Financial statements for Q3 2016 (comparable data)	
			as of	as of	as of	as of
			31 Dec 2015	30 Sep 2015	31 Dec 2015	30 Sep 2015
Revaluation of share-based payments	49.4	49.4	-49.4	-49.4	-	-
Retained earnings	8 057.1	7 849.1	49.4	49.4	8 106.5	7 898.5

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

7. Supplementary notes to interim condensed consolidated financial statements

7.1. Net interest income

	3 Q 2016	3 Q 2016 YTD	3 Q 2015	3 Q 2015 YTD
	the period from 01Jul2016 to 30 Sep 2016	the period from 01Jan2016 to 30 Sep 2016	the period from 01Jul2015 to 30 Sep 2015	the period from 01Jan2015 to 30 Sep 2015
Interest income				
Interest on loans and receivables to other banks	12.7	38.9	17.1	48.4
Interest on loans and receivables to customers	800.2	2 305.5	736.8	2 111.0
Interest on repo transactions concluded with customers	2.3	8.3	1.2	5.8
Interest on financial assets held for trading	4.0	12.4	6.1	20.4
Interest on available-for-sale financial assets	134.7	383.3	138.6	436.8
Interest on financial assets held to maturity	37.6	95.0	21.4	52.8
Net interest income on derivatives	19.0	63.3	7.3	18.3
Total interest income	1 010.5	2 906.7	928.5	2 693.5
Interest expense				
Interest on deposits from other banks	15.2	31.6	19.5	50.9
Interest on deposits from customers	201.1	705.4	258.4	815.4
Interest on repo transactions made with customers	0.1	0.2	0.1	0.3
Interest on issue of debt securities	5.6	16.9	5.7	18.0
Interest on financial liabilities held for trading	0.3	0.7	0.2	1.2
Interest on subordinated liabilities	3.3	8.0	0.0	0.0
Total interest expense	225.6	762.8	283.9	885.8
Net interest income	784.9	2 143.9	644.6	1 807.7
NIM -net interest margin- cumulative (annualized) *	2.57%		2.43%	
NIM -net interest margin- quarterly **	2.77%		2.48%	

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

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

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

7.2. Net commission income

	3 Q 2016	3 Q 2016 YTD	3 Q 2015	3 Q 2015 YTD
	the period from 01Jul2016 to 30 Sep 2016	the period from 01Jan2016 to 30 Sep 2016	the period from 01Jul2015 to 30 Sep 2015	the period from 01Jan2015 to 30 Sep 2015
Commission income				
transaction margin on currency exchange transactions	72.1	203.6	69.6	214.5
account maintenance fees	63.1	187.7	61.8	183.8
lending commissions	60.4	183.2	54.0	169.6
payment and credit cards fees	34.6	88.5	15.0	45.3
participation units distribution fees	22.1	65.8	26.1	75.5
factoring and lease agreements commissions	11.1	31.1	7.9	24.2
insurance product offering commissions	8.2	32.2	15.3	48.9
brokerage activity fees	7.6	24.4	9.3	30.8
foreign commercial business	6.3	17.5	5.1	14.6
fiduciary and custodian fees	6.1	18.5	6.0	20.7
other	11.5	30.9	9.7	20.2
Total commission income	303.1	883.4	279.8	848.1
Total commission expenses	33.8	102.1	30.9	85.7
Net commission income	269.3	781.3	248.9	762.4
Share of the net commission income in Group revenue*	25.1%	24.4%	26.6%	27.0%

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

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

	3 Q 2016	3 Q 2016 YTD	3 Q 2015	3 Q 2015 YTD
	the period from 01Jul2016 to 30 Sep 2016	the period from 01Jan2016 to 30 Sep 2016	the period from 01Jul2015 to 30 Sep 2015	the period from 01Jan2015 to 30 Sep 2015
Net income on financial assets and liabilities held for trading, including:	-52.0	114.2	3.4	28.6
Net income on debt instruments	6.3	18.5	-3.1	-1.2
Net income on derivatives, including:	-58.3	95.7	6.5	29.8
- currency derivatives	-57.3	96.7	-1.5	0.3
- interest rate derivatives	-1.0	-1.0	8.0	29.4
- securities derivatives	0.0	0.0	0.0	0.1
FX result	68.4	-69.7	16.1	33.6
Net income on financial instruments at fair value through profit or loss and FX result	16.4	44.5	19.5	62.2

7.4. Net income on investments

	3 Q 2016	3 Q 2016 YTD	3 Q 2015	3 Q 2015 YTD
	the period from 01Jul2016 to 30 Sep 2016	the period from 01Jan2016 to 30 Sep 2016	the period from 01Jul2015 to 30 Sep 2015	the period from 01Jan2015 to 30 Sep 2015
Net income on equity instruments	0.0	189.6	23.1	23.1
Net income on debt instruments	3.9	34.2	0.0	54.0
Dividend income	0.1	5.5	0.1	87.6
Net income on investments	4.0	229.3	23.2	164.7

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

The dividend income amount in Q1-Q3 2015 data encompasses PLN 82.1 million worth of the 2014 dividend received from ING Powszechnie Towarzystwo Emerytalne S.A.

7.5. Net income on hedge accounting

	3 Q 2016	3 Q 2016 YTD	3 Q 2015	3 Q 2015 YTD
	the period from 01Jul2016 to 30 Sep 2016	the period from 01Jan2016 to 30 Sep 2016	the period from 01Jul2015 to 30 Sep 2015	the period from 01Jan2015 to 30 Sep 2015
Fair value hedge accounting for securities:	0.9	-1.1	2.9	17.4
valuation of the hedged transaction	-82.1	-50.9	22.2	-89.3
valuation of the hedging transaction	83.0	49.8	-19.3	106.7
Cash flow hedge accounting:	-0.7	-0.8	-0.3	-0.1
ineffectiveness under cash flow hedges	-0.7	-0.8	-0.3	-0.1
Net income on hedge accounting	0.2	-1.9	2.6	17.3

7.6. Net income on other basic activities

	3 Q 2016	3 Q 2016 YTD	3 Q 2015	3 Q 2015 YTD
	the period from 01Jul2016 to 30 Sep 2016	the period from 01Jan2016 to 30 Sep 2016	the period from 01Jul2015 to 30 Sep 2015	the period from 01Jan2015 to 30 Sep 2015
Net income on the investment properties	1.1	4.1	0.9	4.7
Other	-1.4	1.3	-2.6	5.5
Total	-0.3	5.4	-1.7	10.2

7.7. General and administrative expenses

	3 Q 2016	3 Q 2016 YTD	3 Q 2015	3 Q 2015 YTD
	the period from 01Jul2016 to 30 Sep 2016	the period from 01Jan2016 to 30 Sep 2016	the period from 01Jul2015 to 30 Sep 2015	the period from 01Jan2015 to 30 Sep 2015
Personnel expenses	259.8	762.6	243.8	719.7
Other general and administrative expenses, including:	255.7	778.9	266.0	788.0
cost of marketing and promotion	19.3	69.4	32.2	93.2
depreciation and amortisation	46.1	133.9	46.8	132.0
Bank Guarantee Fund payments	33.4	97.9	26.1	78.3
Total	515.5	1 541.5	509.8	1 507.7

7.7.1. Headcount

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

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
FTEs	8 119.4	8 148.2	8 133.7	8 164.4	8 162.0
Individuals	8 168	8 200	8 189	8 224	8 228

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

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
FTEs	7 765.0	7 780.0	7 686.3	7 720.3	7 707.7
Individuals	7 810	7 828	7 728	7 766	7 759

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

	3 Q 2016	3 Q 2016 YTD	3 Q 2015	3 Q 2015 YTD
	the period from 01Jul2016 to 30 Sep 2016	the period from 01Jan2016 to 30 Sep 2016	the period from 01Jul2015 to 30 Sep 2015	the period from 01Jan2015 to 30 Sep 2015
Impairment losses on loans and other receivables	183.9	721.3	323.3	802.6
Reversed impairment losses on loans and other receivables	-134.2	-559.2	-291.3	-622.0
Net impairment losses and provisions for off-balance sheet liabilities	49.7	162.1	32.0	180.6
<i>Including:</i>				
corporate banking	28.2	99.7	24.2	115.4
retail banking	21.5	62.4	7.8	65.2

7.9. Income tax

	3 Q 2016	3 Q 2016 YTD	3 Q 2015	3 Q 2015 YTD
	the period from 01Jul2016 to 30 Sep 2016	the period from 01Jan2016 to 30 Sep 2016	the period from 01Jul2015 to 30 Sep 2015	the period from 01Jan2015 to 30 Sep 2015
Profit before tax	433.60	1 295.90	395.30	1 136.20
Income tax	101.60	297.80	79.60	214.80
Net profit	332.00	998.10	315.70	921.40
Effective tax rate	23.4%	23.0%	20.1%	18.9%

The difference in the effective tax rate in 2016 was influenced by the bank tax (PLN 203.0 million) and a prudential fee to BGF (PLN 31.4 million).

7.10. Loans and other receivables to other banks

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Current accounts	947.2	957.8	820.7	1 165.8	774.2
Interbank deposits	161.5	223.0	59.4	603.1	403.4
Loans and advances	55.5	55.1	81.7	70.7	68.8
Factoring receivables	28.9	49.9	51.4	7.4	9.8
Reverse repo transactions	0.0	0.0	0.0	1 467.2	1 038.0
Other	0.0	0.0	1.5	13.1	21.2
Total (gross)	1 193.1	1 285.8	1 014.7	3 327.3	2 315.4
Impairment losses, including:	-0.4	-0.4	-0.1	-1.6	0.0
concerning loans and advances	-0.4	-0.4	-0.1	-1.6	0.0
Total (net)	1 192.7	1 285.4	1 014.6	3 325.7	2 315.4

7.11. Financial assets at fair value through profit or loss

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Financial assets held for trading, including:	1 617.3	1 847.3	1 127.1	2 769.2	1 755.6
debt instruments	1 617.3	1 847.3	964.3	2 411.8	1 740.5
transactions with the buy-back commitment	0.0	0.0	162.8	357.4	15.1
Total, including:	1 617.3	1 847.3	1 127.1	2 769.2	1 755.6
Treasury bonds and Treasury bills	1 607.5	1 847.3	964.3	2 411.8	1 740.5
European Investment Bank bonds	9.8	0.0	0.0	0.0	0.0

7.12. Investments

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Available-for-sale financial assets, including:	22 794.1	23 401.8	20 678.1	21 977.1	22 540.7
debt instruments, including:	22 749.5	23 360.3	20 494.9	21 971.8	22 527.0
- fair value hedge-hedged items	14 058.8	12 987.1	3 515.5	3 496.0	3 034.4
equity instruments	44.6	41.5	183.2	5.3	13.7
Financial assets held to maturity, including:	4 549.9	4 359.2	2 800.7	2 333.2	1 726.9
debt instruments	4 549.9	4 359.2	2 800.7	2 333.2	1 726.9
Total, including:	27 344.0	27 761.0	23 478.8	24 310.3	24 267.6
Treasury bonds and Treasury bills	24 586.8	25 311.3	20 620.6	21 056.9	20 026.1
European Investment Bank bonds	505.7	199.7	0.0	0.0	0.0

In the amounts shown as at 31 December 2015 under the *Available-for-sale financial assets – equity instruments* item, PLN 177.9 million represented the fair value of Visa Europe Limited's shares. In June 2016, the shares were divested and the Group received *inter alia* Visa Inc.'s preferred stock under the sale transaction settlement. In the amount shown as at 30 September 2016 and as at 30 June 2016, the fair values of received Visa Inc.'s shares were PLN 39.2 million and PLN 36.1 million respectively.

7.13. Loans and other receivables to customers

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Customer loan portfolio, including:	77 888.3	75 810.8	70 046.9	69 046.5	65 943.7
Loans and advances	65 486.5	63 743.5	58 563.8	58 058.7	55 607.0
Leasing receivables	5 555.7	5 492.9	4 922.1	4 828.0	4 655.2
Factoring receivables	4 286.0	4 047.3	3 402.0	3 151.4	2 836.4
Corporate and municipal bonds	2 560.1	2 527.1	3 159.0	3 008.4	2 845.1
Other receivables, including:	3 944.0	3 978.6	4 019.6	3 884.6	3 846.1
T-eurobonds	3 822.7	3 909.7	3 838.6	3 793.6	3 711.2
Other	121.3	68.9	181.0	91.0	134.9
Total loans and receivables to customers (gross)	81 832.3	79 789.4	74 066.5	72 931.1	69 789.8
Impairment losses (with IBNR), including:	-1 454.9	-1 480.8	-1 546.9	-1 505.9	-1 662.6
concerning customer loan portfolio, including:	-1 453.7	-1 479.6	-1 545.9	-1 504.9	-1 661.7
concerning loans and advances	-1 384.6	-1 409.9	-1 390.7	-1 376.6	-1 542.1
concerning leasing receivables	-46.4	-48.8	-39.4	-38.4	-43.6
concerning factoring receivables	-21.3	-19.8	-12.3	-12.0	-14.0
concerning debt securities (corporate and municipal bonds)	-1.4	-1.1	-103.5	-77.9	-62.0
concerning other receivables, including:	-1.2	-1.2	-1.0	-1.0	-0.9
concerning T-eurobonds	-0.7	-0.7	-0.5	-0.5	-0.4
other	-0.5	-0.5	-0.5	-0.5	-0.5
Total loans and receivables to customers (net), including:	80 377.4	78 308.6	72 519.6	71 425.2	68 127.2
to entities from the financial sector other than banks	2 065.4	2 335.8	2 510.0	2 017.2	2 197.4
to entities from the non-financial sector	70 845.1	68 319.4	62 285.6	61 918.4	58 468.7
to entities from the government and self-government institutions' sector	7 466.9	7 653.4	7 724.0	7 489.6	7 461.1

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

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Loans and advances, including:	1 563.5	1 866.0	1 936.1	1 921.3	2 070.2
- in the current account	258.4	392.5	157.3	164.1	219.9
- term ones	1 305.1	1 473.5	1 778.8	1 757.2	1 850.3
Leasing receivables	0.6	0.4	0.7	11.0	0.8
Factoring receivables	0.5	20.4	21.1	7.5	4.0
Debt securities (notes)	386.5	386.5	384.5	0.0	0.0
Other receivables	115.2	63.1	168.3	78.0	123.3
Total (gross)	2 066.3	2 336.4	2 510.7	2 017.8	2 198.3
Impairment losses (including IBNR), including:	-0.9	-0.6	-0.7	-0.6	-0.9
- concerning loans and advances	-0.8	-0.5	-0.6	-0.6	-0.9
- concerning debt securities	-0.1	-0.1	-0.1	0.0	0.0
Total (net)	2 065.4	2 335.8	2 510.0	2 017.2	2 197.4

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

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Business entities, including:	39 999.4	38 686.9	35 998.3	36 599.2	34 327.2
Loans and advances, including:	30 118.1	29 117.7	26 884.8	27 429.3	25 748.7
- in the current account	7 765.9	7 844.8	6 999.9	7 564.3	7 085.4
- term ones	22 352.2	21 272.9	19 884.9	19 865.0	18 663.3
Leasing receivables	4 772.5	4 759.6	4 319.5	4 270.7	4 154.8
Factoring receivables	4 163.4	3 916.7	3 279.8	3 047.7	2 733.3
Debt securities (corporate bonds i notes)	939.8	887.6	1 502.0	1 839.0	1 679.3
Other receivables	5.6	5.3	12.2	12.5	11.1
Households, including:	32 297.8	31 110.9	27 832.0	26 823.0	25 801.7
Loans and advances, including:	31 464.6	30 328.1	27 173.5	26 218.8	25 241.8
- in the current account	1 792.9	1 767.0	1 632.9	1 682.6	1 670.4
- term ones	29 671.7	28 561.1	25 540.6	24 536.2	23 571.4
Leasing receivables	782.6	732.9	601.9	546.3	499.6
Factoring receivables	50.1	49.4	56.1	57.4	59.8
Other receivables	0.5	0.5	0.5	0.5	0.5
Total (gross)	72 297.2	69 797.8	63 830.3	63 422.2	60 128.9
Impairment losses (including IBNR), including:	-1 452.1	-1 478.4	-1 544.7	-1 503.8	-1 660.2
Business entities, including:	-935.7	-918.1	-989.3	-957.0	-1 015.3
Concerning loans and advances	-869.3	-851.3	-836.1	-831.0	-896.9
Concerning leasing receivables	-44.9	-46.9	-37.9	-36.4	-42.7
Concerning factoring receivables	-20.6	-19.2	-12.2	-11.9	-13.9
Concerning debt securities	-0.9	-0.7	-103.1	-77.7	-61.8
Households, including:	-516.4	-560.3	-555.4	-546.8	-644.9
concerning loans and advances	-513.7	-557.3	-553.3	-544.2	-643.4
concerning leasing receivables	-1.5	-1.9	-1.5	-2.0	-0.9
concerning factoring receivables	-0.7	-0.6	-0.1	-0.1	-0.1
concerning other receivables	-0.5	-0.5	-0.5	-0.5	-0.5
Total (net)	70 845.1	68 319.4	62 285.6	61 918.4	58 468.7

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

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Loans and advances, including:	2 340.3	2 431.7	2 569.4	2 489.3	2 546.3
- in the current account	110.5	103.8	6.8	77.6	76.4
- term ones	2 229.8	2 327.9	2 562.6	2 411.7	2 469.9
Factoring receivables	72.0	60.8	45.0	38.8	39.3
Debt securities (municipal bonds)	1 233.8	1 253.0	1 272.5	1 169.4	1 165.8
T-eurobonds	3 822.7	3 909.7	3 838.6	3 793.6	3 711.2
Total (gross)	7 468.8	7 655.2	7 725.5	7 491.1	7 462.6
Impairment losses (including IBNR), including:	-1.9	-1.8	-1.5	-1.5	-1.5
concerning loans and advances	-0.8	-0.8	-0.7	-0.8	-0.9
concerning debt securities (municipal bonds)	-0.4	-0.3	-0.3	-0.2	-0.2
concerning T-eurobonds	-0.7	-0.7	-0.5	-0.5	-0.4
Total (net)	7 466.9	7 653.4	7 724.0	7 489.6	7 461.1

Portfolio of loans and receivables by client segment

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Gross value, including:	77 888.3	75 810.8	70 046.9	69 046.5	65 943.7
Corporate banking segment, including:	47 306.5	46 247.6	43 593.4	43 494.5	41 302.2
- loans and advances	35 364.5	34 604.2	32 445.9	32 805.3	31 239.0
- leasing receivables	5 096.0	5 069.1	4 586.7	4 529.7	4 382.2
- factoring receivables	4 285.9	4 047.2	3 401.8	3 151.1	2 835.9
- corporate and municipal debt securities	2 560.1	2 527.1	3 159.0	3 008.4	2 845.1
Retail banking segment, including:	30 581.8	29 563.2	26 453.5	25 552.0	24 641.5
- mortgages	23 059.0	22 383.0	20 294.5	19 572.4	18 822.0
- other loans and advances	7 522.8	7 180.2	6 159.0	5 979.6	5 819.5
Impairment loss of value (including IBNR), including:	-1 453.7	-1 479.6	-1 545.9	-1 504.9	-1 661.7
Corporate banking segment, including:	-994.1	-972.6	-1 030.0	-990.3	-1 035.7
- loans and advances	-926.0	-882.0	-875.5	-862.8	-914.3
- leasing receivables	-45.7	-69.6	-38.6	-37.6	-44.4
- factoring receivables	-21.0	-19.9	-12.4	-12.0	-15.0
- corporate and municipal debt securities	-1.4	-1.1	-103.5	-77.9	-62.0
Retail banking segment, including:	-459.6	-507.0	-515.9	-514.6	-626.0
- mortgages	-151.5	-148.3	-197.1	-206.0	-199.5
- other loans and advances	-308.1	-358.7	-318.8	-308.6	-426.5
Net value, including:	76 434.6	74 331.2	68 501.0	67 541.6	64 282.0
Corporate banking segment, including:	46 312.4	45 275.0	42 563.4	42 504.2	40 266.5
- loans and advances	34 438.5	33 722.2	31 570.4	31 942.5	30 324.7
- leasing receivables	5 050.3	4 999.5	4 548.1	4 492.1	4 337.8
- factoring receivables	4 264.9	4 027.3	3 389.4	3 139.1	2 820.9
- corporate and municipal debt securities	2 558.7	2 526.0	3 055.5	2 930.5	2 783.1
Retail banking segment, including:	30 122.2	29 056.2	25 937.6	25 037.4	24 015.5
- mortgages	22 907.5	22 234.7	20 097.4	19 366.4	18 622.5
- other loans and advances	7 214.7	6 821.5	5 840.2	5 671.0	5 393.0

7.14. Quality of customer loan portfolio

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Corporate banking segment					
Gross value, including:	47 306.5	46 247.6	43 593.4	43 494.5	41 302.2
unimpaired	45 644.6	44 581.7	41 867.2	41 800.2	39 415.7
impaired	1 661.9	1 665.9	1 726.2	1 694.3	1 886.5
Impairment losses and provisions, including:	1 024.6	1 005.3	1 056.1	1 004.8	1 049.5
unimpaired	68.5	78.0	79.2	85.9	72.1
impaired	925.6	894.6	950.8	904.4	963.6
provisions for off-balance sheet liabilities	30.5	32.7	26.1	14.5	13.8
Share of impaired portfolio	3.5%	3.6%	4.0%	3.9%	4.6%
Impaired portfolio coverage ratio	55.7%	53.7%	55.1%	53.4%	51.1%
Retail banking segment					
Gross value, including:	30 581.8	29 563.2	26 453.5	25 552.0	24 641.5
unimpaired	30 084.0	29 018.1	25 911.3	25 032.9	24 009.8
impaired	497.8	545.1	542.2	519.1	631.7
Impairment losses and provisions, including:	468.3	515.8	515.9	514.7	626.1
unimpaired	104.1	99.7	101.7	106.5	101.5
impaired	355.5	407.3	414.2	408.1	524.5
provisions for off-balance sheet liabilities	8.7	8.8	0.0	0.1	0.1
Share of impaired portfolio	1.6%	1.8%	2.0%	2.0%	2.6%
Impaired portfolio coverage ratio	71.4%	74.7%	76.4%	78.6%	83.0%
Total gross value	77 888.3	75 810.8	70 046.9	69 046.5	65 943.7
Total impairment losses and provisions, including:	1 492.9	1 521.1	1 572.0	1 519.5	1 675.6
unimpaired	172.6	177.7	180.9	192.4	173.6
impaired	1 281.1	1 301.9	1 365.0	1 312.5	1 488.1
provisions for off-balance sheet liabilities	39.2	41.5	26.1	14.6	13.9
Total coverage ratio	1.9%	2.0%	2.2%	2.2%	2.5%
Share of impaired portfolio	2.8%	2.9%	3.2%	3.2%	3.8%
Impaired portfolio coverage ratio	59.3%	58.9%	60.2%	59.3%	59.1%

Changes in impairment losses on loans and advances

	3 Q 2016	3 Q 2016 YTD	3 Q 2015	3 Q 2015 YTD
	the period from 01Jul2016 to 30 Sep 2016	the period from 01Jan2016 to 30 Sep 2016	the period from 01Jul2015 to 30 Sep 2015	the period from 01Jan2015 to 30 Sep 2015
Opening balance of impairment losses	1 523.6	1 573.6	1 676.9	1 743.8
Changes in the period, including:	-28.2	-78.2	-154.3	-221.2
changes in income statement	49.7	162.1	32.0	180.6
write-offs and decreases under sale of debt claims	-77.4	-250.2	-195.5	-417.1
other	-0.5	9.9	9.2	15.3
Closing balance of impairment losses	1 495.4	1 495.4	1 522.6	1 522.6

7.15. Non-financial assets

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Investment properties	53.2	53.2	53.2	61.0	61.0
Property, plant and equipment	540.0	552.9	597.7	574.2	564.3
Intangible assets	431.8	426.4	419.6	387.4	380.1
Total	1 025.0	1 032.5	1 070.5	1 022.6	1 005.4

7.16. Liabilities to other banks

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Current accounts	1 579.9	1 356.0	1 527.1	2 031.3	1 282.8
Interbank deposits	404.2	772.5	316.5	1 898.3	3 868.3
Repo transactions	2 018.2	0.0	0.0	4 816.0	1 078.2
Loans received*	2 957.0	2 869.9	1 997.0	2 153.3	2 252.6
Other liabilities	73.2	83.9	72.9	18.2	11.1
Total	7 032.5	5 082.3	3 913.5	10 917.1	8 493.0

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

7.17. Financial liabilities at fair value through profit or loss

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Financial liabilities held for trading, including:	0.0	0.0	162.8	315.7	28.9
repo transactions	0.0	0.0	162.8	315.7	28.9
Book short position in trading securities	598.6	299.3	466.6	618.4	383.2
Total	598.6	299.3	629.4	934.1	412.1

7.18. Liabilities to customers

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Deposits	90 785.0	91 728.1	86 463.7	82 585.0	79 505.6
Other liabilities	1 519.6	1 755.2	1 354.8	1 240.9	1 245.0
Total liabilities due to customers, including:	92 304.6	93 483.3	87 818.5	83 825.9	80 750.6
liabilities due to entities from the financial sector other than banks	2 775.5	2 700.1	2 417.3	2 689.7	2 083.7
liabilities due to entities from the non-financial sector	87 572.3	88 521.8	83 769.3	79 348.8	76 942.5
liabilities due to entities from the government and self-government institutions' sector	1 956.8	2 261.4	1 631.9	1 787.4	1 724.4

Liabilities due to entities from the financial sector other than banks

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Deposits, of which:	2 700.8	2 661.1	2 353.8	2 630.9	1 957.9
- current accounts	2 241.3	2 536.2	2 272.3	2 515.6	1 931.9
- term deposit	459.5	124.9	81.5	115.3	26.0
Other liabilities	74.7	39.0	63.5	58.8	125.8
Total	2 775.5	2 700.1	2 417.3	2 689.7	2 083.7

Liabilities due to entities from the non-financial sector

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Business entities, including:	25 975.1	25 447.6	24 792.9	23 347.8	22 162.2
Deposits, including:	24 618.5	23 805.9	23 594.2	22 258.5	21 154.3
- current accounts	13 431.2	12 577.6	13 123.8	12 693.5	11 638.5
- saving accounts	8 271.1	8 774.4	8 000.5	7 254.3	6 793.6
- term deposit	2 916.2	2 453.9	2 469.9	2 310.7	2 722.2
Other liabilities	1 356.6	1 641.7	1 198.7	1 089.3	1 007.9
Households, including:	61 597.2	63 074.2	58 976.4	56 001.0	54 780.3
Deposits, including:	61 521.0	63 008.8	58 896.2	55 918.0	54 687.9
- current accounts	11 259.2	10 769.1	9 875.2	9 043.7	8 702.5
- saving accounts	45 901.4	47 033.5	42 989.9	41 448.3	40 607.5
- term deposit	4 360.4	5 206.2	6 031.1	5 426.0	5 377.9
Other liabilities	76.2	65.4	80.2	83.0	92.4
Total	87 572.3	88 521.8	83 769.3	79 348.8	76 942.5

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

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Deposits, including:	1 944.7	2 252.3	1 619.5	1 777.6	1 705.5
- current accounts	1 747.1	2 091.7	1 530.6	1 657.4	1 549.5
- term deposit	197.6	160.6	88.9	120.2	156.0
Other liabilities	12.1	9.1	12.4	9.8	18.9
Total	1 956.8	2 261.4	1 631.9	1 787.4	1 724.4

7.19. Provisions

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Provision for issues in dispute	1.9	2.1	3.3	20.5	20.4
Provision for off-balance sheet liabilities	39.2	41.5	26.1	14.6	13.9
Provision for retirement benefits	23.0	22.7	22.1	20.8	20.7
Provision for unused holidays	15.7	15.7	15.7	14.4	14.5
Total	79.8	82.0	67.2	70.3	69.5

As at 30 September 2016, the Bank additionally recognised under the *provisions for off-balance sheet liabilities* item provisions for off-balance sheet credit exposures towards clients in the amount of PLN 15.8 million (PLN 16.4 million as at 30 June 2016), which used to be recognised together with the impairment loss and decreased the carrying amount of *Loans and other receivables to customers*. On account of the change insignificance as regards the balance sheet total (approx. 0.01%), the Bank did not adjust the data for previous periods.

7.20. Fair value

Please find below the breakdown of carrying amounts of financial assets and liabilities into individual categories of valuation levels. In 2016, there were no movements between particular valuation levels.

As of 30 Sep 2016

	Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	24 366.8	3 263.8	44.6	27 675.2
Financial assets held for trading, including:	1 617.3	0.0	0.0	1 617.3
- treasury bonds	1 617.3	0.0	0.0	1 617.3
Valuation of derivatives	0.0	1 124.9	0.0	1 124.9
Financial assets available-for sale, including:	22 749.5	0.0	44.6	22 794.1
- treasury bonds	22 749.5	0.0	0.0	22 749.5
- equity instruments	0.0	0.0	44.6	44.6
Derivative hedge instruments	0.0	2 138.9	0.0	2 138.9
Financial liabilities, including:	598.6	2 716.2	0.0	3 314.8
Book short position in trading securities	598.6	0.0	0.0	598.6
Valuation of derivatives	0.0	1 101.9	0.0	1 101.9
Derivative hedge instruments	0.0	1 614.3	0.0	1 614.3

As of 31 Dec 2015

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

As at 31 December 2015, the Group classified to the 3rd valuation level, among other instruments, the shares of Visa Europe Limited whose fair value as at 2015 yearend was PLN 177.9 million. In 2016, the shares were divested and the Group received *inter alia* Visa Inc.'s preferred stock under the sale transaction settlement. The Group also classifies to the 3rd valuation level the shares of VISA Inc. whose fair value as at 30 September 2016 was PLN 39.2 million. Visa Inc. shares are not quoted, but in the future they will be gradually converted into A-series shares (which are quoted). The assumptions adopted for pricing of shares at fair value were defined having regard to such factors as limited capacity to divest shares in the initial period and share conversion conditions (among others, conversion period and rates).

IRS/FRA settled to market

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

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

As of 30 Sep 2016

	Carrying amount	Fair value			TOTAL
		Level 1	Level 2	Level 3	
Assets					
Cash in hand and balances with the Central Bank	1 299.1	-	1 299.1	-	1 299.1
Financial assets held to maturity	4 549.9	4 464.1	-	-	4 464.1
Loans and receivables to other banks	1 192.7	-	1 192.7	-	1 192.7
Loans and receivables to customers	80 377.4	-	3 870.7	74 117.3	77 988.0
Receivables from customers due to repo transactions	19.8	-	19.8	-	19.8
Other assets	64.8	-	-	64.8	64.8
Liabilities					
Liabilities due to other banks	7 032.5	-	7 032.5	-	7 032.5
Liabilities due to customers	92 304.6	-	-	92 304.5	92 304.5
Liabilities under issue of debt securities	871.9	-	866.5	-	866.5
Subordinated liabilities	648.1	-	-	648.1	648.1

As of 31 Dec 2015

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

7.21. Total capital ratio

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Own funds					
A. Own equity in the statement of financial position, including:	10 979.0	10 812.6	10 680.5	10 304.4	9 558.7
A.I. Own equity included in the own funds calculation, including:	9 150.1	8 845.5	8 479.1	8 386.0	8 125.7
share capital and agio	1 086.4	1 086.4	1 086.4	1 086.4	1 086.4
retained earnings	7 874.7	7 566.1	7 237.3	7 235.0	6 928.3
- including financial net result for reporting period	308.5	0.0	305.5	305.5	0.0
revaluation reserve (unrealised losses)	-23.6	-28.3	-73.2	-108.3	-58.8
revaluation reserve (unrealised gains)	212.6	221.3	228.6	172.9	169.8
A.II. Own equity excluded from own funds calculation, including:	1 828.9	1 967.1	2 201.4	1 918.4	1 433.0
revaluation reserve	1 152.8	1 315.0	1 329.6	1 252.3	777.3
retained earnings	673.8	649.6	869.2	663.5	653.1
other	2.3	2.5	2.6	2.6	2.6
B. Other elements of own funds (decreases and increases), including:	82.2	107.1	-559.0	-543.8	-484.3
subordinated debt	646.8	663.8	-	-	-
godwill and other intangible assets	-430.1	-426.1	-421.0	-390.7	-373.0
amount of expected losses according AIRB methodology	-134.5	-130.6	-138.0	-153.1	-111.3
Own funds taken into account in total capital ratio calculation (A.I. + B), including:	9 232.3	8 952.6	7 920.1	7 842.2	7 641.4
Core Tier I capital	8 612.4	8 314.9	7 920.1	7 842.2	7 641.4
Tier II capital	619.9	637.7	0.0	0.0	0.0
Capital requirements					
capital requirements for credit risk	4 249.2	4 194.4	3 935.1	4 039.2	3 927.1
other capital requirements	609.2	597.8	600.1	553.0	533.7
supplement to the overall level of capital requirements	132.6	120.9	75.9	0.0	0.0
Total capital requirements	4 991.0	4 913.1	4 611.1	4 592.2	4 460.8
Total capital ratio	14.8%	14.6%	13.7%	13.7%	13.7%
Tier I ratio	13.8%	13.5%	13.7%	13.7%	13.7%

Starting from January 2016, the Bank's calculation of own funds has included 60% of unrealised profits and 100% of unrealised losses from the valuation of available-for-sale financial assets presented in the revaluation reserve (as per Article 171a of the Banking Law). In 2015, the Bank recognised 40% of unrealised profits and 100% of unrealised valuation losses respectively in the calculation of own funds.

Under Regulation (EU) No. 241/2014 with regard to regulatory technical standards for own funds requirements for institutions and the Polish Financial Supervision Authority's decision of 15 September 2016, the Group recognised the Bank's net profit of PLN 308.5 million for the period from 01 January 2016 to 30 June 2016 in their own funds as at 30 September 2016.

On 23 February 2016, ING Bank Śląski S.A. and ING Bank N.V. with its registered office in Amsterdam entered into a subordinated loan agreement for EUR 150 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.

On 10 October 2016, the Bank received a decision of the Polish Financial Supervision Authority on identification of the Bank as other systemically-important institution and on imposing on the Bank, on a stand-alone and consolidated basis, a buffer of other systemically-important institution equal to 0.50% of the total risk exposure calculated as at 31 December 2015, pursuant to Article 92 section 3 of EU Regulation No. 575/2013.

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

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

- In Q2 2016, GDP in Poland stood at 3.1% (y/y). The growth was propelled primarily by public and private consumption (4.4% and 3.3% y/y, respectively), with the latter growing below expectations, despite the 500+ Programme launch. On the other hand, investment projects impeded growth (drop by 4.9% y/y). They slumped due to absence of investment projects co-funded with EU funds and fewer private ventures of bigger companies.
- The ING Bank Śląski S.A. forecasts read that Q3 2016 can bring a slight growth acceleration to 3.2%. It will be fuelled, first and foremost, by higher private consumption and some rebound of private investment projects (as suggested by higher investment plans and higher costs of investment projects approved in the sector of enterprises, among other factors). On the other hand, one will continue to observe a decline in public investment projects, the situation to sustain in the next quarter 2016 as well. As a result, in Q4 2016, GDP will slow down to 3.0%, primarily due to the high base effect (in Q4 2015, GDP stood at 4.3%). Over 2016, GDP will most probably hover around 3.1% y/y, or 0.5 p.p. below 2015.
- In H2 2016, economic growth will be propelled by private consumption first and foremost. In turn, in 2017, besides high consumer spending, one also expects investment projects to go up, due to accelerated absorption of EU funds. At the same time, GDP increase will be flattened by negative net exports.
- NBP interest rates in Poland are most likely to remain stable by the 2017 yearend. The reference rate has been 1.5% since March 2015. The deflation, observed since July 2014 will disappear in Q4 2016. The inflation is expected to reach the minimum value of the NBP target (i.e. 1.5% y/y) in H1 2017. The situation will follow institution of multiple regulations effecting higher regulated prices (energy and water laws) as well as labour market reforms (introduction of the minimum hour rate and higher growth in minimum wage), among other factors. The ING Bank Śląski S.A.'s economists are of the opinion that the Monetary Policy Council will point out a higher probability of interest rate rise. At the same time, their decision to raise rates will be suppressed by the continued accommodative policy of main central banks.
- Good labour market stimulates economic upturn, accompanied by higher wage pressure. In September 2016, the unemployment rate in Poland stood at 8.4% and was 1.3 p.p. lower than last year. ING Bank Śląski S.A.'s economists forecast that the quarters to come will see seasonal upward trend for the unemployment rate to reach 8.7% at the 2016 yearend and approximately 9% over January and February 2017 (10.3% in 2016). Wages are expected to rise by over 4% (y/y) in Poland over the same period.
- In May, the Moody's Investors Service kept the A2 rating of Poland but revised the outlook downward (from stable to negative). The rating of the Fitch Agency did not change (A-, stable outlook) on the other hand. The risk of rating downgrade by one of the leading agencies went

down considerably. Although the threat of banking sector destabilisation abated owing to the Swiss Franc Act and the fiscal situation is seen as stable, still the multiple spending promises threaten the budget and make rating agencies refrain from rating revision.

- In August 2016, the President of the Republic of Poland presented a bill on the principles of reimbursement of certain amounts due under credit facility and cash loan agreements. Should the new law become effective already in 2016, it will have a material impact on the financial standing and performance of the banking sector in Poland.

9. Off-balance sheet items

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Off-balance sheet liabilities granted	27 081.1	26 813.0	24 423.2	24 766.0	23 402.4
Off-balance sheet liabilities received	65 804.8	65 451.2	53 515.3	51 765.2	47 796.6
Off-balance sheet financial instruments	394 457.4	363 427.4	358 574.2	314 013.8	298 250.0
Total off-balance sheet items	487 343.3	455 691.6	436 512.7	390 545.0	369 449.0

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

None.

11. Dividends paid

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

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

12. Settlements due to disputable cases

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

Changes to the litigation reserves (in PLN million)

	3Q 2016 the period from 01 Jul 2016 to 30 Sep 2016	3Q 2016 YTD the period from 01Jan 2016 to 30 Sep 2016	3Q 2015 the period from 01Jul 2015 to 30 Sep 2015	3Q 2015 YTD the period from 01Jan 2015 to 30 Sep 2015
Status at the period beginning	2.1	3.3	20.4	21.5
Establishment of provisions	0.3	0.6	0.0	0.4
Release of provisions	0.0	-1.4	0.0	-0.3
Utilisation of provision	-0.5	-0.6	0.1	-1.1
Status as at the period	1.9	1.9	20.5	20.5

Both as at the end of Q3 2016 and Q3 2015, there were no pending proceedings concerning liabilities or debt claims at ING Bank Śląski S.A. Group whose value or total value would constitute at least 10% of the Bank's equity before any court of law, competent body for the arbitration proceedings or any public administration authority.

13. Seasonality or cyclicality of activity

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

14. Transactions with related entities

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 30 June 2016 held 75% share in the initial capital of ING Bank Śląski and 75% shares in the total number of votes at the General Meeting of Shareholders.

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

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

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

Transactions between related entities (PLN million)

	ING Bank NV	Other ING Group entities	ING Bank NV	Other ING Group entities
	as of 30 Sep 2016		as of 30 Sep 2015	
Receivables				
Nostro accounts	19.3	15.0	16.7	8.3
Deposits placed	21.6	-	112.0	-
Loans	27.3	42.1	28.6	20.9
Positive valuation of derivatives	141.8	203.7	380.4	251.9
Other receivables	7.3	1.5	6.9	0.2
Liabilities				
Deposits received	366.3	50.2	1 147.2	543.4
Loans received	2 665.8	-	1 887.1	-
Subordinated loan	648.1	-	-	-
Loro accounts	22.5	25.7	23.4	11.2
Negative valuation of derivatives	218.0	144.1	351.0	183.2
Other liabilities	67.9	1.4	55.7	6.3
Off-balance-sheet operations				
Off-balance sheet liabilities granted	482.3	227.0	624.0	164.9
Off-balance sheet liabilities received	1 548.0	84.0	2 504.9	86.9
FX transactions	10 268.9	95.3	4 070.3	13.8
Forward transactions	-	-	-	981.6
IRS	5 622.9	3 090.7	11 059.8	3 720.5
Options	2 668.2	351.7	1 613.6	542.8
	3Q 2016 YTD		3Q 2015 YTD	
	the period from 01Jan 2016 to 30 Sep 2016		the period from 01Jan 2015 to 30 Sep 2015	
Income and expenses				
Income, including:	-134.7	15.2	-3.1	40.7
interest and commission income/expenses	-22.3	18.5	-6.9	13.1
income on financial instruments	-112.6	-3.3	3.6	27.2
net income on other basic activities	0.2	-	0.2	0.4
General and administrative expenses	51.7	5.2	39.7	13.0
Outlays for non-current assets				
Outlays for property, plant and equipment	-	0.7	-	-
Outlays for intangible assets	0.9	0.2	0.1	0.1

When compared with the financial statements for previous periods, the Bank adapted comparable data to agree with the changed note presentation. Receivables, liabilities, income and expenses are shown as in the financial statements. In the Bank's opinion, change of the presentation method enhanced the quality of financial statements disclosures.

15. Segmentation of revenue and financial results of the Group

15.1. Segments of operation

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

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

- retail banking segment,
- corporate banking segment.

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

ING Bank Śląski S.A. has separated in organisational terms the operations performed by the Bank Treasury. The Bank Treasury manages short-term and long-term liquidity risk in line with the effective regulations and risk appetite internally set at the Bank, manages interest rate risk and invests surpluses obtained from business lines while maintaining the liquidity buffer in the form of liquid assets. The Bank Treasury's net income on operations is allocated to the business lines considering its support function for the Bank's business lines.

15.1.1. Retail banking segment

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

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

15.1.2. Corporate banking segment

Corporate banking area encompasses as follows:

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

Services to institutional clients encompasses strategic clients, large corporate entities and mid-sized companies. For corporate activity, the Bank provides reporting broken down by leading products covering i.e. loan products (working loans, investment loans), deposit products (current accounts, term deposits and negotiated deposits, savings accounts), financial markets products, trust services, capital market operations conducted by the parent and by ING Securities, products related to leasing and factoring services offered by ING Lease (Polska) Sp. z o.o. and ING Commercial Finance Polska S.A.

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

15.1.3. Measurement

The measurement of the segment's assets and liabilities, segment's revenue and costs is based on the accounting standards applied by the Bank, included in notes describing applied accounting standards.

In particular, both internal and external interest income and costs for individual segments are determined with the use of the transfer price system within the Risk Transfer System (RTS). Transfer prices are defined based on the yield curve for a given currency that is common for assets and liabilities. The transfer price that is determined for the products being assets and liabilities with the same position on the yield curve is identical. The original transfer price – coming from the product measurement regarding the yield curve can be modified and the factors adjusting the transfer price can be the following: a premium for obtainment of long-term liquidity, matching of the Bank's position, a hedging cost for sophisticated products and the pricing policy. Thereafter, based on quotation rates available at news services, yield curves are developed using mathematical equations. Revenue, costs, results, assets and liabilities for a given segment account for elements that are directly attributable to the segment in question, as well as element that may be attributed to that segment based on reasonable premises. The Bank presents segment's interest income reduced by the cost of the interest. In 9 months 2016, the Bank revised the allocation key for the ALCO's income. The data for previous periods presented herein were made comparable.

3Q 2016 YTD

the period from 01 Jan 2016 to 30 Sep 2016

	Retail banking segment	Corporate banking segment	TOTAL
Income total	1 853.2	1 349.3	3 202.5
net interest income	1 342.8	801.1	2 143.9
net commission income	280.6	500.7	781.3
other income/expenses	229.8	47.5	277.3
Expenses total	923.8	617.7	1 541.5
Segment result	929.4	731.6	1 661.0
Impairment losses	62.4	99.7	162.1
Tax on certain financial institutions	73.1	129.9	203.0
Segment profit before tax	793.9	502.0	1 295.9
Income tax	-	-	297.8
Result after tax	-	-	998.1
- attributable to shareholders of ING Bank Śląski S.A.	-	-	998.1
Allocated equity	4 681.7	6 295.0	10 976.7
ROE - Return on equity (%)*	15.6	8.1	11.3

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

3Q 2016

the period from 01 Jul 2016 to 30 Sep 2016

	Retail banking segment	Corporate banking segment	TOTAL
Income total	608.9	465.6	1 074.5
net interest income	509.2	275.7	784.9
net commission income	98.4	170.9	269.3
other income/expenses	1.3	19.0	20.3
Expenses total	317.3	198.2	515.5
Segment result	291.6	267.4	559.0
Impairment losses	21.5	28.2	49.7
Tax on certain financial institutions	27.6	48.1	75.7
Segment profit before tax	242.5	191.1	433.6
Income tax	-	-	101.6
Result after tax	-	-	332.0
- attributable to shareholders of ING Bank Śląski S.A.	-	-	332.0

3Q 2015 YTD
 the period from 01 Jan 2015 to 30 Sep 2015

	Retail banking segment	Corporate banking segment	TOTAL
Income total	1 579.8	1 244.7	2 824.5
net interest income	1 122.4	685.3	1 807.7
net commission income	276.1	486.3	762.4
other income/expenses	181.3	73.1	254.4
Expenses total	927.4	580.3	1 507.7
Segment result	652.4	664.4	1 316.8
Impairment losses	65.2	115.4	180.6
Segment profit before tax	587.2	549.0	1 136.2
Income tax	-	-	214.8
Result after tax	-	-	921.4
- attributable to shareholders of ING Bank Śląski S.A.	-	-	921.3
Allocated equity	4 132.8	6 169.0	10 301.8
ROE - Return on equity (%)*	14.3	9.4	11.4

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

3Q 2015
 the period from 01 Jul 2015 to 30 Sep 2015

	Retail banking segment	Corporate banking segment	TOTAL
Income total	530.6	406.5	937.1
net interest income	404.8	239.8	644.6
net commission income	91.8	157.1	248.9
other income/expenses	34.0	9.6	43.6
Expenses total	312.6	197.2	509.8
Segment result	218.0	209.3	427.3
Impairment losses	7.8	24.2	32.0
Segment profit before tax	210.2	185.1	395.3
Income tax	-	-	79.6
Result after tax	-	-	315.7
- attributable to shareholders of ING Bank Śląski S.A.	-	-	315.7

15.1.4. Geographical segments

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

16. Other informations

16.1. Ratings

Fitch Ratings Ltd.

The Fitch Ratings Ltd. Agency assigns full rating to ING Bank Śląski S.A. under the agreement between the Bank and the Agency. In the 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, the Agency upheld the support rating at 1.

As at 30 September 2016, the Bank had the rating of financial credibility, issued by the Agency:

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

Moody's Investors Service Ltd.

The Moody's Investors Service Ltd. Agency assigns rating to ING Bank Śląski S.A. on the basis of the universally available public information. On 25 July 2016, the Agency in its semi-annual review affirmed the ratings for ING Bank Śląski S.A. The agency stressed in its announcement that the ING Bank Śląski S.A.'s ratings reflected its good financial results, including the quality of its assets above the sector's average and the self-financing nature of the Bank's operations.

As at 30 September 2016, the Bank's financial viability rating issued by the Agency was as follows:

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

16.2. Number of Branches and ATMs, CDMs

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

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Number of outlets	386	391	395	398	399
Number of ING Express sales points at shopping malls	65	66	64	60	59

As at 30 September 2016, Clients could use 1,143 machines for cash self-service, including 214 standard ATMs and 929 dual machines. As at 30 September 2015, there were 976 machines for cash self-service, including 152 standard ATMs, 71 standard CDMs and 753 dual machines.

16.3. Electronic distribution channels

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

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
ING BankOnLine, Moje ING and ING BusinessOnLine (in million)	3.3	3.3	3.2	3.1	3.0
HaloŚląski (in million)	2.2	2.2	2.1	2.0	2.0
ING BankMobile, Moje ING Mobile* (in million)	1.7	1.5	1.2	1.1	1.0
ING BusinessMobile (in thousands)	11.4	10.8	9.5	8.8	7.9

* / Number of downloaded applications

The monthly number of transactions in September 2016 was at the level of 28.8 million, whereas at the end of December 2015 it was 28.9 million and in the analogical period last year it was 25.1 million.

16.4. Banking cards

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

in thousands	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Debit cards	2 818	2 775	2 685	2 636	2 567
Credit cards	217	214	211	210	208
Other cards	105	104	107	103	102
Total payment cards, in which:	3 140	3 093	3 003	2 949	2 877
Paywave ²	2 467	2 428	2 343	2 295	2 233
Virtual cards	46	43	42	42	41

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

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

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

2016-11-02	Brunon Bartkiewicz President	<i>Signed on the Polish original</i>
2016-11-02	Mirosław Boda Vice-President	<i>Signed on the Polish original</i>
2016-11-02	Michał Bolesławski Vice-President	<i>Signed on the Polish original</i>
2016-11-02	Joanna Erdman Vice-President	<i>Signed on the Polish original</i>
2016-11-02	Marcin Giżycki Vice-President	<i>Signed on the Polish original</i>
2016-11-02	Justyna Kesler Vice-President	<i>Signed on the Polish original</i>
2016-11-02	Patrick Roesink Vice-President	<i>Signed on the Polish original</i>

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2016-11-02	Jolanta Alvarado Rodriguez	Director of Accounting Department Chief Accountant	<i>Signed on the Polish original</i>
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Interim condensed standalone income statement

	3 Q 2016	3 Q 2016 YTD	3 Q 2015	3 Q 2015 YTD
	the period from 01 Jul 2016 to 30 Sep 2016	the period from 01 Jan 2016 to 30 Sep 2016	the period from 01 Jul 2015 to 30 Sep 2015	the period from 01 Jan 2015 to 30 Sep 2015
Interest income	973.8	2 799.8	892.0	2 587.9
Interest expenses	222.0	750.8	278.5	869.3
Net interest income	751.8	2 049.0	613.5	1 718.6
Commission income	291.2	838.5	262.8	793.7
Commission expenses	32.9	95.8	27.8	76.4
Net commission income	258.3	742.7	235.0	717.3
Net income on financial instruments at fair value through profit or loss and FX result	16.2	43.0	18.5	59.0
Net income on investments	4.0	242.2	91.9	245.1
Net income on hedge accounting	0.2	-1.9	2.6	17.3
Net income on other basic activities	-1.2	-1.3	-4.0	-4.1
Net income on basic activities	1 029.3	3 073.7	957.5	2 753.2
General and administrative expenses	498.1	1 471.1	480.3	1 415.2
Impairment losses and provisions for off-balance sheet liabilities	49.0	144.4	29.1	166.5
Tax on certain financial institutions	75.7	203.0	0.0	0.0
Gross profit (loss)	406.5	1 255.2	448.1	1 171.5
Income tax	95.6	283.2	87.4	215.0
Net profit (loss)	310.9	972.0	360.7	956.5
Weighted average number of ordinary shares	130 100 000	130 100 000	130 100 000	130 100 000
Earnings per ordinary share (PLN)	2.39	7.47	2.77	7.35

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

Interim condensed standalone statement of comprehensive income

	3 Q 2016	3 Q 2016 YTD	3 Q 2015	3 Q 2015 YTD
	the period from 01 Jul 2016 to 30 Sep 2016	the period from 01 Jan 2016 to 30 Sep 2016	the period from 01 Jul 2015 to 30 Sep 2015	the period from 01 Jan 2015 to 30 Sep 2015
Net profit for the period	310.9	972.0	360.7	956.5
Total other comprehensive income, including:	-163.4	-138.9	430.3	-553.9
Items which can be reclassified to income statement	-163.4	-138.7	430.1	-551.3
Items which will not be reclassified to income statement	0.0	-0.2	0.2	-2.6
Net comprehensive income for the reporting period	147.5	833.1	791.0	402.6

Interim Condensed Standalone Income Statement and Interim Condensed Standalone Statement of Comprehensive income shall be analyzed together with the notes to interim condensed consolidated financial statements being the integral part thereof.

Interim condensed standalone statement of financial position

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Assets					
Cash in hand and balances with the Central Bank	1 299.1	1 286.6	3 589.7	3 940.6	2 864.7
Loans and other receivables to other banks	1 192.7	1 285.4	1 013.1	3 312.6	2 294.2
Financial assets at fair value through profit or loss	1 617.3	1 847.3	1 127.1	2 769.2	1 755.6
Valuation of derivatives	1 124.9	1 320.5	1 990.9	1 947.2	1 949.8
Investments	27 344.0	27 761.0	23 478.7	24 310.2	24 266.8
Derivative hedge instruments	2 138.9	2 389.6	2 454.8	2 521.2	2 036.6
Loans and other receivables to customers	76 534.9	74 377.6	69 633.4	68 563.6	65 260.6
Receivables from customers under repo transactions	19.7	0.0	1 354.4	553.6	491.3
Investments in controlled entities	239.2	239.2	269.3	269.3	269.2
Non-financial assets	1 012.9	1 015.5	1 036.1	989.7	972.1
Assets held for sale	31.0	31.0	38.4	44.1	86.6
Tax assets	0.0	0.0	0.0	0.0	21.7
Other assets	141.9	156.7	120.0	175.8	209.3
Total assets	112 696.5	111 710.4	106 105.9	109 397.1	102 478.5
Liabilities					
Liabilities to other banks	4 075.6	2 212.4	1 855.4	8 759.7	6 231.4
Financial liabilities at fair value through profit or loss	598.6	299.3	629.4	934.1	412.1
Valuation of derivatives	1 101.9	1 336.9	2 002.8	2 037.5	2 062.9
Derivative hedge instruments	1 614.3	1 730.1	1 830.9	1 842.8	1 900.5
Liabilities to customers	91 636.3	92 714.9	87 383.7	83 490.4	80 449.6
Liabilities to customers under repo transactions	0.0	9.1	47.5	4.1	4.5
Liabilities under issue of debt securities	871.9	866.3	866.3	872.0	866.3
Subordinated liabilities	648.1	665.2	0.0	0.0	0.0
Provisions	77.4	79.6	63.8	66.0	65.1
Tax liabilities	145.9	178.2	153.7	123.5	8.4
Other liabilities	1 111.4	950.8	787.2	1 135.9	1 137.7
Total liabilities	101 881.4	101 042.8	95 620.7	99 266.0	93 138.5
Equity					
Share capital	130.1	130.1	130.1	130.1	130.1
Supplementary capital - issuance of shares over nominal value	956.3	956.3	956.3	956.3	956.3
Revaluation reserve	1 333.8	1 497.2	1 474.1	1 305.9	884.3
Retained earnings	8 394.9	8 084.0	7 924.7	7 738.8	7 369.3
Total equity	10 815.1	10 667.6	10 485.2	10 131.1	9 340.0
Total equity and liabilities	112 696.5	111 710.4	106 105.9	109 397.1	102 478.5
Carrying amount	10 815.1	10 667.6	10 485.2	10 131.1	9 340.0
Number of shares	130 100 000	130 100 000	130 100 000	130 100 000	130 100 000
Carrying amount per share (PLN)	83.13	82.00	80.59	77.87	71.79

Interim Condensed Standalone Statement of Financial Position shall be analyzed together with the notes to interim condensed consolidated financial statements being the integral part thereof.

Interim condensed standalone statement of changes in equity

3 Q 2016 YTD

the period from 01 Jan 2016 to 30 Sep 2016

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve	Retained earnings	Total equity
Opening balance of equity	130.1	956.3	1 474.1	7 924.7	10 485.2
Net result for the current period	-	-	-	972.0	972.0
Other net comprehensive income, including:	0.0	0.0	-140.4	1.5	-138.9
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	24.1	-	24.1
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-181.3	-	-181.3
amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the held-to-maturity portfolio	-	-	-24.1	-	-24.1
effective part of cash flow hedging relationship	-	-	42.6	-	42.6
revaluation of non-current assets	-	-	-0.1	-	-0.1
disposal of non-current assets	-	-	-1.6	1.5	-0.1
Other changes in equity, including:	0.0	0.0	0.1	-503.3	-503.2
valuation of share-based payments	-	-	-	1.0	1.0
settlement of subsidiary takeover	-	-	0.1	55.1	55.2
profit distribution with dividend payout allocation	-	-	-	-559.4	-559.4
Closing balance of equity	130.1	956.3	1 333.8	8 394.9	10 815.1

year 2015

the period from 0 Jan 2015 to 31 Dec 2015

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

Interim condensed standalone statement of changes in equity - continued

3 Q 2015 YTD

the period from 01 Jan 2015 to 30 Sep 2015

	Share capital	Supplementary capital - issuance of shares over nominal value	Revaluation reserve	Retained earnings	Total equity
Opening balance of equity	130.1	956.3	1 869.0	7 292.4	10 247.8
Net result for the current period	-	-	-	956.5	956.5
Other net comprehensive income, including:	0.0	0.0	-563.1	9.2	-553.9
gains/losses on revaluation of available-for-sale financial assets carried through equity	-	-	-169.3	-	-169.3
reclassification to the financial result due to sale of available-for-sale financial assets	-	-	-47.1	-	-47.1
amortisation of gains or losses previously recognised in equity concerning securities re-classified from the available-for-sale portfolio to the held-to-maturity portfolio	-	-	-20.3	-	-20.3
effective part of cash flow hedging relationship	-	-	-314.6	-	-314.6
revaluation of non-current assets	-	-	-2.4	-	-2.4
disposal of non-current assets	-	-	-9.4	9.2	-0.2
Other changes in equity, including:	0.0	0.0	0.0	-519.3	-519.3
valuation of share-based payments	-	-	-	1.1	1.1
profit distribution with dividend payout allocation	-	-	-	-520.4	-520.4
Closing balance of equity	130.1	956.3	1 305.9	7 738.8	10 131.1

Interim Condensed Standalone Statement of Changes in Equity shall be analyzed together with the notes to interim condensed consolidated financial statements being the integral part thereof.

Interim condensed standalone cash flow statement

	3 Q 2016 YTD the period from 01 Jan 2016 to 30 Sep 2016	3 Q 2015 YTD the period from 01 Jan 2015 to 30 Sep 2015
Net profit (loss)	972.0	956.5
Adjustments	-1 289.7	-482.2
Depreciation and amortisation	132.3	128.6
Interest accrued (from the income statement)	-2 049.0	-1 718.6
Interest paid	-747.9	-878.2
Interest received	2 759.0	2 616.3
Dividends received	-18.3	-99.2
Gains (losses) on investing activities	1.9	0.2
Income tax (from the income statement)	283.2	215.0
Income tax paid	-291.0	-340.0
Change in provisions	13.6	-4.3
Change in loans and other receivables to other banks	108.4	-791.2
Change in financial assets at fair value through profit or loss	-491.4	-910.2
Change in available-for-sale financial assets	-2 268.0	-1 120.9
Change in valuation of derivatives	-34.9	-19.3
Change in hedge derivatives	141.9	-42.0
Change in loans and other receivables to customers	-5 606.7	-11 070.9
Change in other assets	50.1	-44.5
Change in liabilities to other banks	2 220.0	5 115.4
Change in liabilities at fair value through profit or loss	-30.8	16.7
Change in liabilities to customers	4 219.4	8 165.8
Change in other liabilities	318.5	299.1
Net cash flow from operating activities	-317.7	474.3
Purchase of property plant and equipment	-46.2	-72.4
Disposal of property plant and equipment	3.0	0.5
Purchase of intangible assets	-66.0	-78.0
Purchase of shares in controlled entities	0.0	-0.1
Disposal of assets held for sale	10.8	12.6
Purchase of held-to-maturity financial assets	-1 741.3	-597.5
Interest received from held-to-maturity financial assets	52.8	0.0
Dividends received	18.3	99.2
Net cash flow from investing activities	-1 768.6	-635.7
Long-term loans received	654.8	0.0
Interest on debt securities issued	-11.4	-12.5
Dividends paid	-559.4	-520.4
Net cash flow from financing activities	84.0	-532.9
Effect of exchange rate changes on cash and cash equivalents	1.4	-10.1
Net increase/decrease in cash and cash equivalents	-2 002.3	-694.3
Opening balance of cash and cash equivalents	4 410.4	6 294.1
Closing balance of cash and cash equivalents	2 408.1	5 599.8

Interim Condensed Standalone Cash Flow Statement shall be analyzed together with the notes to interim condensed consolidated financial statements being the integral part thereof.

Additional information to the interim condensed standalone financial statements

1. Introduction

1.1. Going-concern

These interim condensed standalone financial statements of the ING Bank Śląski S.A. for the period of 9 months ending on 30 September 2016 were prepared on a going-concern basis as regards the foreseeable future, namely as regards the period of minimum 12 months from the balance sheet date. As of the date of approving this statement, the Bank Management Board has not identified any events that could indicate that the continuation of the operations by the Bank is endangered.

1.2. Discontinued operations

No material operations were discontinued during 3 quarters 2016 and 3 quarters 2015.

1.3. Compliance with International Financial Reporting Standards

These interim condensed standalone financial statements of the ING Bank Śląski S.A. for the 3 quarter 2016 were prepared under the IAS 34 *Interim Financial Reporting* (International Accounting Standards) in a version approved by the European Commission effective as at the reporting date, that is 30 September 2016 as well as in accordance with the Ordinance of Finance Minister of 19 February 2009 on current and interim information submitted by issuers of securities (Journal of Laws of 2009, no. 33, item 259) with subsequent amendments.

Presented financial statements have been prepared in a condensed version. The interim condensed financial statements do not provide all data or disclosures required in the annual financial statements and should be interpreted together with the interim condensed consolidated financial statements for the 3 quarter 2016 and the Bank's financial statements for the year ended 31 December 2015 approved by the General Meeting on 31 March 2016.

Interim condensed standalone income statement, interim condensed standalone statement of comprehensive income, interim condensed standalone statement of changes in equity, and interim condensed standalone cash flow statement for the period from 1 January 2016 to 30 September 2016, and interim condensed standalone statement of financial position as at 30 September 2016 together with comparable data were prepared according to the same principles of accounting for each period.

1.4. Comparative data and verification by the chartered auditor

The comparative data cover the period from 1 January 2015 to 30 September 2015 for the interim condensed standalone income statement; the interim condensed standalone statement of comprehensive income and the interim condensed standalone cash flow statement, additionally for the period from 1 January 2015 to 31 December 2015 for the interim condensed standalone statement of changes in equity; and in the case of the interim condensed standalone statement of financial position data as of 30 June 2016, 31 December 2015, 30 September 2015 and 30 June 2015. Interim condensed standalone income statements, interim condensed standalone statement of comprehensive income and notes to the interim condensed standalone income statements include data for the Q3 2016 (period from 1 July 2016 to 30 September

2016) as well as comparative data for the Q3 2015 (period from 1 July 2015 to 30 September 2015).

1.5. Financial statements scope and currency

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

These interim condensed financial statements have been developed in Polish zloties ("PLN"). Unless provided for otherwise, all values were given rounded up to PLN million. Therefore, some totals and individual notes can be inconsistent in mathematical terms.

1.6. Changes to accounting standards

In these interim condensed standalone financial statements the same principles of accounting have been applied as the ones applied for developing the 2015 annual standalone financial statements and the standards and interpretations adopted by the European Union and applicable to the annual periods starting 01 January 2016 or afterwards presented in the interim condensed consolidated financial statements of the Group for H1 2016.

Amendment to standards published in Q3 2016 is described in interim condensed consolidated statements of the ING Bank Śląski S.A. Capital Group for the 3 quarter 2016 enclosed herewith ("interim condensed consolidated financial statements"), in chapter *Additional information* in item 4.5. *Changes to accounting standards*.

1.7. Approval of financial statements

These interim condensed standalone financial statements have been approved by the Bank Management Board on 2 November 2016.

2. Material accounting principles

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

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

2.1. Subsidiaries

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

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

The conditions indicated hereinabove are not deemed fulfilled if the existing rights are of the

protective nature only, i.e. are defined as rights securing Bank's interests related to a given involvement.

Recognition and valuation

The Bank recognises in its financial statements investments in its subsidiaries at the purchase price. The carrying amount of the investment is subject to tests for impairment under IAS 36. Any identified impairment is recognised in the income statement under the item *Impairment losses for financial assets and provisions for off-balance-sheet liabilities*. Dividends being investment income are recognised in the income statement as at the date when the Bank is vested with the right to receive them.

3. Accounting estimates

The most significant accounting estimates made by the Bank are described in the annual financial statements of ING Bank Śląski S.A. for the period from 1 January 2015 to 31 December 2015 published on 29 February 2016 that is available on the Internet site of ING Bank Śląski S.A. (www.ingbank.pl). In 3 quarter 2016, the Bank did not change its estimate development approach.

4. Comparability of financial data

When compared with the interim standalone financial statements for previous periods, in the interim condensed standalone financial statements for the 3 quarter 2016, the Bank moved valuation of employee incentive programmes to the item *Retained earnings* in the statement of financial position, the fact which was described in chapter *Additional information* of the interim condensed consolidated financial statements in item 6. *Comparability of financial data*.

5. Significant events in 3 quarter 2016

Significant events that occurred in 3 quarter 2016 are described in the interim condensed consolidated financial statement in chapter *Additional information* in item 2. *Significant events in 3 quarter 2016*.

6. Seasonality or cyclicity of activity

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

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

None.

8. Dividends paid

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

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

9. Acquisitions

In 3 quarter 2016, the ING Bank Śląski did not make any acquisitions, as in 3 quarter 2015.

10. Off-balance sheet items

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Off-balance sheet liabilities granted	25 769.7	25 854.1	23 453.5	23 206.0	22 365.4
Off-balance sheet liabilities received	64 416.6	64 110.2	51 424.8	49 748.8	45 907.0
Off-balance sheet financial instruments	394 505.9	363 477.2	358 622.2	314 061.5	298 297.3
Total off-balance sheet items	484 692.2	453 441.5	433 500.5	387 016.3	366 569.7

11. Total capital ratio

	as of 30 Sep 2016	as of 30 Jun 2016	as of 31 Dec 2015	as of 30 Sep 2015	as of 30 Jun 2015
Own funds	9 105.9	8 829.6	7 750.1	7 671.5	7 458.3
Total capital requirement	4 392.2	4 338.2	4 115.4	4 182.4	4 082.4
Total capital ratio	16.6%	16.3%	15.1%	14.7%	14.6%
Tier I ratio	15.5%	15.1%	15.1%	14.7%	14.6%

12. Significant events after the balance sheet date

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

13. Transactions with related entities

Transactions between related entities (PLN million)

	ING Bank NV	Other ING Group entities	Subsidiaries	ING Bank NV	Other ING Group entities	Subsidiaries
	as of 30 Sep 2016			as of 30 Sep 2015		
Receivables						
Nostro accounts	19.3	15.0	-	16.7	8.3	-
Deposits placed	21.6	-	-	112.0	-	-
Loans	4.2	0.1	6 066.2	-	6.4	5 489.4
Positive valuation of derivatives	141.8	203.7	4.3	380.4	251.9	0.6
Other receivables	7.1	1.5	1.6	6.5	0.2	0.2
Liabilities						
Deposits received	366.3	50.2	63.7	1 147.2	543.4	303.2
Subordinated loan	648.1	-	-	-	-	-
Loro accounts	22.5	25.7	-	23.4	11.2	-
Negative valuation of derivatives	218.0	144.1	-	351.0	183.2	0.1
Other liabilities	67.9	1.3	0.7	55.6	4.4	-
Off-balance-sheet operations						
Off-balance sheet liabilities granted	374.4	71.0	1 857.7	545.5	119.2	1 045.8
Off-balance sheet liabilities received	332.3	84.0	300.0	576.3	86.9	300.0
FX transactions	10 268.9	95.3	-	4 070.3	13.8	-
Forward transactions	-	-	-	-	981.6	-
IRS	5 622.9	3 090.7	74.1	11 059.8	3 720.5	73.7
Options	2 668.2	351.7	48.5	1 613.6	542.8	47.7
	3Q 2016 YTD the period from 01Jan 2016 to 30 Sep 2016			3Q 2015 YTD the period from 01Jan 2015 to 30 Sep 2015		
Income and expenses						
Income, including:	-121.7	14.3	95.5	15.5	40.6	81.4
interest and commission income/expenses	-9.3	17.6	91.9	11.0	13.0	80.4
income on financial instruments	-112.6	-3.3	3.3	4.3	27.2	0.5
net income on other basic activities	0.2	-	0.3	0.2	0.4	0.5
General and administrative expenses	51.1	3.5	5.2	38.8	10.2	-3.5
Outlays for non-current assets						
Outlays for property, plant and equipment	-	0.7	-	-	-	-
Outlays for intangible assets	0.9	0.2	-	-	-	14.2

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

2016-11-02	Brunon Bartkiewicz President	<i>Signed on the Polish original</i>
2016-11-02	Mirosław Boda Vice-President	<i>Signed on the Polish original</i>
2016-11-02	Michał Bolesławski Vice-President	<i>Signed on the Polish original</i>
2016-11-02	Joanna Erdman Vice-President	<i>Signed on the Polish original</i>
2016-11-02	Marcin Giżycki Vice-President	<i>Signed on the Polish original</i>
2016-11-02	Justyna Kesler Vice-President	<i>Signed on the Polish original</i>
2016-11-02	Patrick Roesink Vice-President	<i>Signed on the Polish original</i>

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2016-11-02	Jolanta Alvarado Rodriguez	Director of Accounting Department Chief Accountant	<i>Signed on the Polish original</i>
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