



# ING Bank Śląski S.A.

**Opinion and Report**

**of the Independent Auditor**

**Financial Year ended 31 December 2016**

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

## **OPINION OF THE INDEPENDENT AUDITOR**

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

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

We have audited the accompanying separate financial statements of ING Bank Śląski S.A., with its registered office in Katowice, Sokolska 34 ("the Bank"), which comprise the separate statement of financial position as at 31 December 2016, the separate statement of profit and loss, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

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

Management of the Bank is responsible for the preparation, on the basis of properly maintained accounting records, of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union and with other applicable regulations. Management of the Bank is also responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2016, item 1047 with amendments) ("the Accounting Act"), management of the Bank and members of the Supervisory Board are required to ensure that the financial statements are in compliance with the requirements set forth in the Accounting Act.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with section 7 of the Accounting Act and International Standards on Auditing as adopted by the resolution dated 10 February 2015 of the National Council of Certified Auditors as National Standards on Assurance. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the accompanying separate financial statements of ING Bank Śląski S.A.:

- give a true and fair view of the unconsolidated financial position of the Bank as at 31 December 2016 and of its unconsolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and
- comply, in all material respects, with the applicable regulations and the provisions of the Bank's articles of association that apply to Bank's separate financial statements; and
- have been prepared from accounting records that, in all material respects, have been properly maintained.

### **Specific Comments on Other Legal and Regulatory Requirements**

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

Management of the Bank is responsible for the report on the Bank's activities.

Our opinion on the separate financial statements does not cover the report on the Bank's activities.

As required by the Accounting Act, and the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent of information required by the laws of a non-member state (Official Journal from 2014, item 133 with amendments) (the "Decree") we report that the accompanying report on the Bank's activities includes the information required by Art. 49 of the Accounting Act and the Decree and the information is consistent, in all material respects, with the separate financial statements. Furthermore, based on our knowledge about the Bank and its environment obtained in the audit, we have not identified material misstatements in the report on the Bank's activities.

As required by the Accounting Act and the Decree we report that the statement of corporate governance, which is a separate part of the report on the Bank's activities, includes the information required by paragraph 91 subparagraph 5 point 4 letter a, b, j and k of the Decree. Furthermore we report that the information identified in paragraph 91 subparagraph 5 point 4 letter c, d, e, f, h and i of the Decree included in the statement of corporate governance, in all material respects:

- has been prepared in accordance with the applicable regulations; and
- is consistent with the information contained in the separate financial statements.

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

*Signed on the Polish original*

.....  
Ewa Józwik  
Key Certified Auditor  
Registration No. 11154  
Limited Liability Partner with power of attorney

*Signed on the Polish original*

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

2 March 2017



# ING Bank Śląski S.A.

**Report on the audit  
of the separate financial statements  
Financial Year ended 31 December 2016**



## **ING Bank Śląski S.A.**

The report on the audit of the separate financial statements  
for the financial year ended 31 December 2016

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## **1. General**

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

#### **1.1.1. Bank name**

ING Bank Śląski S.A.

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

Katowice, ul. Sokolska 34

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

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

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

The Management Board is responsible for management of the Bank.

As at 31 December 2016, the Management Board of the Bank was comprised of the following members:

- Brunon Bartkiewicz – President of the Management Board,
- Mirosław Boda – Vice President of the Management Board,
- Michał Bolesławski – Vice President of the Management Board,
- Joanna Erdman – Vice President of the Management Board,
- Marcin Giżycki – Vice President of the Management Board,
- Justyna Kesler – Vice President of the Management Board,
- Patrick Roesink – Vice President of the Management Board.

On 4 March 2016 Mrs. Małgorzata Kołakowska resigned from the position of the President of the Management Board effective 31 March 2016.

According to the resolution of the Supervisory Board dated 4 March 2016 Mr. Brunon Bartkiewicz was appointed to the position of the President of the Management Board subject to the required consent of the Financial Supervision Authority. On 19 April 2016 Financial Supervision Authority approved Mr. Brunon Bartkiewicz for this position.

On 30 April 2016 Mr. Ignacio Juliá Vilar resigned from the position of the Vice President of the Management Board effective 1 May 2016.

According to the resolution of the Supervisory Board dated 27 June 2016 Mr. Marcin Giżycki was appointed to the position of the Vice President of the Management Board effective 1 August 2016.



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

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

Name and surname: Ewa Józwik  
Registration number: 11154

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

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

KPMG Audyty Spółka z ograniczoną odpowiedzialnością sp.k. is entered into the register of audit firms, maintained by the National Council of Certified Auditors, under number 3546.

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

The separate financial statements for the financial year ended 31 December 2015 were audited by KPMG Audyty Spółka z ograniczoną odpowiedzialnością sp.k. and received an unmodified opinion.

The separate financial statements were approved at the General Meeting on 31 March 2016 where it was resolved to distribute the net profit for the prior financial year of PLN 1,232,599,764.45 as follows:

- PLN 623,169,764.45 to reserve capital,
- PLN 50,000,000.00 to Bank's general risk fund,
- PLN 559,430,000.00 to be paid as a dividend.

The separate financial statements were submitted to the Registration Court on 5 April 2016.

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

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

The separate financial statements were audited in accordance with the engagement letter dated 13 June 2016, concluded on the basis of the resolution of the Supervisory Board dated 27 November 2015 on the appointment of the auditor.

We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2016, item 1047 with amendments) ("the Accounting Act") and International Standards on Auditing as adopted by the resolution dated 10 February 2015 of the National Council of Certified Auditors as National Standards on Assurance.

We audited the separate financial statements at the Bank during the period from 3 October 2016 to 2 March 2017.

In accordance with Article 111a paragraph 3 of the Banking Act dated 29 August 1997 (Official Journal from 2016, item 1988 with amendments) ("Banking Act") our responsibility was to audit financial information, described in Article 111a paragraph 2 of the Banking Act presented in the





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report on the Bank's activities. The audit was performed in accordance with the scope presented in the paragraph "Auditor's responsibility" of the opinion of the independent auditor.

Management of the Bank is responsible for the preparation, on the basis of properly maintained accounting records, of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations. Management of the Bank is also responsible for the report on the Bank's activities.

Our responsibility is to express an opinion and to prepare a report on the audit of the separate financial statements based on our audit.

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

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

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

The Key Certified Auditor and the Audit Firm are independent of the Bank in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants' as adopted by the resolution of National Council of Certified Auditors dated 13 June 2011 ("IESBA Code") and the impartiality and independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2016, item 1000) and have fulfilled other ethical responsibilities in accordance with these regulations and the IESBA Code.



**ING Bank Śląski S.A.**

The report on the audit of the separate financial statements  
for the financial year ended 31 December 2016

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## 2. Financial analysis of the Bank

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

#### 2.1.1. Separate statement of financial position

ASSETS	31.12.2016	% of total	31.12.2015	% of total
	PLN mln	assets	PLN mln	assets
Cash in hand and balances with the Central Bank	1,825.0	1.6	3,589.7	3.4
Loans and receivables to other banks	1,113.4	1.0	1,013.1	1.0
Financial assets measured at fair value through profit or loss	2,826.8	2.5	1,127.1	1.1
Valuation of derivatives	1,117.1	1.0	1,990.9	1.9
Investments	25,721.3	22.7	23,478.7	22.1
Derivative hedge instruments	1,338.6	1.2	2,454.8	2.3
Loans and receivables to customers	78,038.0	68.7	69,633.4	65.6
Receivables from customers due to repo transactions	-	-	1,354.4	1.3
Investments in controlled entities	239.2	0.2	269.3	0.2
Non-financial assets	991.2	0.9	1,036.1	1.0
Assets held for sale	31.8	-	38.4	0.0
Tax assets	154.2	0.1	-	-
Other assets	132.8	0.1	120.0	0.1
<b>TOTAL ASSETS</b>	<b>113,529.4</b>	<b>100.0</b>	<b>106,105.9</b>	<b>100.0</b>
EQUITY AND LIABILITIES	31.12.2016	% of total	31.12.2015	% of total
	PLN mln	equity and liabilities	PLN mln	equity and liabilities
<b>Liabilities</b>				
Liabilities due to other banks	2,019.9	1.8	1,855.4	1.8
Financial liabilities measured at fair value through profit and loss	474.8	0.4	629.4	0.6
Valuation of derivatives	1,116.0	1.0	2,002.8	1.9
Derivative hedge instruments	1,468.1	1.3	1,830.9	1.7
Liabilities due to customers	95,168.4	83.8	87,383.7	82.4
Liabilities due to customers under repo transactions	-	-	47.5	-
Liabilities under issue of debt securities	866.4	0.8	866.3	0.8
Subordinated debt	664.9	0.6	-	-
Provisions	71.2	0.1	63.8	0.1
Tax liabilities	119.6	0.1	153.7	0.1
Other liabilities	1,265.2	1.1	787.2	0.7
<b>Total liabilities</b>	<b>103,234.5</b>	<b>91.0</b>	<b>95,620.7</b>	<b>90.1</b>
<b>Equity</b>				
Share capital	130.1	0.1	130.1	0.1
Supplementary capital - issuance of shares over nominal value	956.3	0.8	956.3	0.9
Revaluation reserve	576.8	0.5	1,474.1	1.4
Retained earnings	8,631.7	7.6	7,924.7	7.5
<b>Total equity</b>	<b>10,294.9</b>	<b>9.0</b>	<b>10,485.2</b>	<b>9.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>113,529.4</b>	<b>100.0</b>	<b>106,105.9</b>	<b>100.0</b>
Book value of equity	10,294.9		10,485.2	
Number of shares	130,100,000		130,100,000	
Book value of equity per share (in PLN)	79.13		80.59	



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**2.1.2. Separate statement of profit and loss**

	<b>1.01.2016 - 31.12.2016</b>	<b>1.01.2015 - 31.12.2015</b>
	<b>PLN mln</b>	<b>PLN mln</b>
Interest income	3,778.5	3,483.6
Interest expense	953.5	1,140.1
<b>Net interest income</b>	<b>2,825.0</b>	<b>2,343.5</b>
Commission income	1,146.6	1,055.9
Commission expense	131.5	104.6
<b>Net commission income</b>	<b>1,015.1</b>	<b>951.3</b>
Net income on financial instruments measured at fair value through profit and loss and FX result	55.7	81.9
Net income on investments	245.3	245.5
Net income on hedge accounting	(2.6)	22.9
Net income on other basic activities	(2.5)	(1.4)
<b>Result on core activities</b>	<b>4,136.0</b>	<b>3,643.7</b>
General and administrative expenses	2,009.7	2,035.0
Impairment losses and provisions for off-balance sheet liabilities	268.5	212.8
Tax on certain financial institutions	280.2	-
<b>Profit before income tax</b>	<b>1,577.6</b>	<b>1,395.9</b>
Income tax expense	368.9	255.9
<b>Net profit</b>	<b>1,208.7</b>	<b>1,140.0</b>
Weighted average number of shares	130,100,000	130,100,000
Profit per share (in PLN)	9.29	8.76



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**2.1.3. Separate statement of comprehensive income**

	1.01.2016 - 31.12.2016	1.01.2015 - 31.12.2015
	PLN mln	PLN mln
<b>Net profit for the period</b>	<b>1,208.7</b>	<b>1,140.0</b>
<b>Total other comprehensive income, including:</b>	<b>(895.9)</b>	<b>(383.4)</b>
<b>Items which can be reclassified to income statement, including:</b>	<b>(898.1)</b>	<b>(379.9)</b>
Gains on remeasurement of available-for-sale financial assets	(76.2)	13.4
Reclassification to the financial result as a result of sale of available-for-sale financial assets	(183.7)	(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	(32.2)	(28.4)
Effective part of cash flow hedging instruments revaluation	(606.0)	(317.7)
<b>Items which will not be reclassified to income statement, including:</b>	<b>2.2</b>	<b>(3.5)</b>
Revaluation of non-current assets	0.6	(3.7)
Disposal of non-current assets	-	0.7
Actuarial profits/losses	1.6	(0.5)
<b>Net comprehensive income for the reporting period</b>	<b>312.8</b>	<b>756.6</b>



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## 2.2. Selected financial ratios

	2016	2015	2014
Total assets (PLN mln)	113,529.4	106,105.9	96,742.4
Gross profit (PLN mln)	1,577.6	1,395.9	1,335.9
Net profit (PLN mln)	1,208.7	1,140.0	1,067.9
Shareholders' equity (PLN mln)	10,294.9	10,485.2	10,247.8
Return on Equity*	11.63%	11.00%	11.50%
Return on Assets**	1.10%	1.12%	1.18%
Cost to income ratio***	48.59%	55.85%	53.46%
Total Capital ratio	16.60%	15.07%	15.52%
Loan to deposit ratio****	82.00%	79.69%	76.94%
Loan Portfolio Coverage ratio*****	1.67%	2.02%	2.72%

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

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

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

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

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



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### **3. Detailed report**

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

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

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

#### **3.2. Compliance with banking regulations**

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

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

Registration No. 3546

ul. Inflancka 4A

00-189 Warsaw

*Signed on the Polish original*

.....

Ewa Józwik

Key Certified Auditor

Registration No. 11154

Limited Liability Partner with power of attorney

*Signed on the Polish original*

.....

Stacy Ligas

Member of the Management Board of

KPMG Audyt Sp. z o.o., entity which is

the General Partner of KPMG Audyt

Spółka z ograniczoną

odpowiedzialnością sp.k.

2 March 2017