

ING Bank Śląski S.A. Group

Quarterly consolidated report
for the 1 quarter 2019

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SELECTED FINANCIAL DATA FROM FINANCIAL STATEMENTS

Selected financial data

	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019	1 quarter 2018 the period from 01 Jan 2018 to 31 Mar 2018
Net interest income	1 010.5	883.0
Net commission income	327.5	318.1
Result on basic activities	1 386.4	1 256.9
Result before tax	438.9	446.3
Net profit attributable to shareholders of ING Bank Śląski S.A.	325.4	322.2
Earnings per ordinary share (PLN)	2.50	2.48

	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
Loans and other receivables to customers (net)	107 387.4	103 125.8	90 290.5
Liabilities to customers	120 414.0	117 682.5	104 662.1
Total assets	145 687.0	141 589.6	127 310.3
Equity attributable to shareholders of ING Bank Śląski S.A.	13 428.9	13 336.3	12 058.9
Share capital	130.1	130.1	130.1

Key effectiveness ratios

	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
C/I - Cost/Income ratio (%)	52.0	44.5	50.0
ROA - Return on assets (%)	1.1	1.2	1.2
ROE - Return on equity (%)	12.2	12.5	12.4
NIM - net interest margin (%)	2.94	2.93	2.94
L/D - Loans-to-deposits ratio (%)	89.2	87.6	86.3
Total capital ratio (%)	15.82	15.60	16.05

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 FINANCIAL STATEMENTS OF ING BANK ŚLĄSKI S.A. GROUP

Interim condensed consolidated income statement

	note	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019	1 quarter 2018 the period from 01 Jan 2018 to 31 Mar 2018
Interest income, including:		1 253.4	1 098.1
Interest income calculated using effective interest rate method		1 252.3	1 096.8
Other interest income		1.1	1.3
Interest expenses		242.9	215.1
Net interest income	7.1	1 010.5	883.0
Commission income		409.3	385.0
Commission expenses		81.8	66.9
Net commission income	7.2	327.5	318.1
Net income on financial instruments at fair value through profit or loss and FX result	7.3	31.4	18.0
Net income on the sale of securities measured at amortised cost	7.4	0.0	1.1
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	7.4	15.8	32.2
Net income on hedge accounting	7.5	-1.2	2.2
Net income on other basic activities		2.4	2.3
Net income on basic activities		1 386.4	1 256.9
General and administrative expenses	7.6	721.1	628.3
Impairment for expected losses	7.7	125.0	94.8
including profit on sale of receivables		9.8	1.1
Tax on certain financial institutions		101.3	87.5
Share of profit (loss) of associates accounted for using the equity method		-0.1	0.0
Gross profit		438.9	446.3
Income tax		113.5	124.1
Net profit attributable to shareholders of ING Bank Śląski S.A.		325.4	322.2
Net profit (loss) attributable to shareholders of ING Bank Śląski S.A.		325.4	322.2
Weighted average number of ordinary shares		130 100 000	130 100 000
Earnings per ordinary share (PLN)		2.50	2.48

No material operations were discontinued during the 1 quarter 2019 and 1 quarter 2018.

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

Interim condensed consolidated income statement shall be read in conjunction with the notes to interim condensed consolidated financial statements being the integral part thereof.

Interim condensed consolidated statement of comprehensive income

	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019	1 quarter 2018 the period from 01 Jan 2018 to 31 Mar 2018
Net profit for the period	325.4	322.2
Total other comprehensive income, including:	222.5	189.7
Items which can be reclassified to income statement, including:	198.6	189.7
debt instruments measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-96.1	57.6
debt instruments measured at fair value through other comprehensive income – reclassification to the financial result due to sale	2.4	-19.1
cash flow hedging – gains/losses on revaluation carried through equity	389.2	246.4
cash flow hedging – reclassification to profit or loss	-96.9	-95.2
Items which will not be reclassified to income statement, including:	23.9	0.0
equity instruments measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	23.9	0.0
Net comprehensive income for the reporting period, including:	547.9	511.9
attributable to owners of ING Bank Śląski S.A.	547.9	511.9

Interim condensed consolidated statement of comprehensive income shall be read in conjunction with the notes to interim condensed consolidated financial statements being the integral part thereof.

Interim condensed consolidated statement of financial position

	note	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
Assets				
Cash in hand and balances with the Central Bank		1 760.3	1 237.4	2 042.4
Loans and other receivables to other banks	7.8	987.9	776.5	2 017.4
Financial assets held for trading	7.9	2 203.9	1 711.6	1 263.6
Derivative hedge instruments		929.3	909.6	960.6
Investment securities	7.10	29 977.3	31 937.3	29 135.7
Loans and other receivables to customers	7.11	107 387.4	103 125.8	90 290.5
Investments in associates measured at equity method		0.9	1.0	1.3
Property, plant and equipment	7.13	1 004.3	556.1	538.1
Intangible assets		433.5	439.2	427.5
Assets held for sale		12.1	10.9	10.9
Current tax assets		0.0	0.0	1.8
Deferred tax assets		431.7	398.2	274.6
Other assets		558.4	486.0	345.9
Total assets		145 687.0	141 589.6	127 310.3
Liabilities				
Liabilities to other banks	7.14	5 004.3	5 195.8	6 288.8
Financial liabilities at fair value through profit or loss	7.15	1 299.5	1 464.3	1 044.9
Derivative hedge instruments		727.4	611.8	622.6
Liabilities to customers	7.16	120 414.0	117 682.5	104 662.1
Liabilities under issue of debt securities		302.2	300.3	302.2
Subordinated liabilities		1 077.2	1 076.9	632.4
Provisions	7.17	152.2	152.4	115.6
Current income tax liabilities		345.4	280.3	244.8
Other liabilities		2 935.9	1 489.0	1 338.0
Total liabilities		132 258.1	128 253.3	115 251.4
Equity				
Share capital		130.1	130.1	130.1
Supplementary capital - issuance of shares over nominal value		956.3	956.3	956.3
Accumulated other comprehensive income		1 392.2	1 169.7	684.0
Retained earnings		10 950.3	11 080.2	10 288.5
Equity attributable to shareholders of ING Bank Śląski S.A.		13 428.9	13 336.3	12 058.9
Non-controlling interests		0.0	0.0	0.0
Total equity		13 428.9	13 336.3	12 058.9
Total equity and liabilities		145 687.0	141 589.6	127 310.3
Carrying amount		13 428.9	13 336.3	12 058.9
Number of shares		130 100 000	130 100 000	130 100 000
Carrying amount per share (PLN)		103.22	102.51	92.69

Interim condensed consolidated statement of financial position shall be read in conjunction with the notes to interim condensed consolidated financial statements being the integral part thereof.

Interim condensed consolidated statement of changes in equity

1 quarter 2019

the period from 01 Jan 2019 to 31 Mar 2019

	Share capital	Supplementary capital - issuance of shares over nominal value	Cumulative other comprehensive income	Retained earnings	Total equity
Opening balance of equity	130.1	956.3	1 169.7	11 080.2	13 336.3
Net result for the current period	-	-	-	325.4	325.4
Other net comprehensive income, including:	0.0	0.0	222.5	0.0	222.5
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	-72.2	-	-72.2
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	2.4	-	2.4
cash flow hedging – gains/losses on revaluation carried through equity	-	-	389.2	-	389.2
cash flow hedging – reclassification to profit or loss	-	-	-96.9	-	-96.9
Other changes in equity, including:	0.0	0.0	0.0	-455.3	-455.3
valuation of share-based payments	-	-	-	0.1	0.1
profit distribution with dividend payout allocation	-	-	-	-455.4	-455.4
Closing balance of equity	130.1	956.3	1 392.2	10 950.3	13 428.9

4 quarters 2018 YTD

the period from 01 Jan 2018 to 31 Dec 2018

	Share capital	Supplementary capital - issuance of shares over nominal value	Cumulative other comprehensive income	Retained earnings	Total equity
Opening balance of equity	130.1	956.3	493.2	10 215.2	11 794.8
the impact of changes to the accounting principles in connection with the implementation of IFRS 9	0.0	0.0	1.1	-249.0	-247.9
Opening balance of equity adjusted for changes to the accounting principles	130.1	956.3	494.3	9 966.2	11 546.9
Net result for the current period	-	-	-	1 525.9	1 525.9
Other net comprehensive income, including:	0.0	0.0	675.4	4.0	679.4
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	18.4	-	18.4
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	-31.8	-	-31.8
cash flow hedging – gains/losses on revaluation carried through equity	-	-	1 033.1	-	1 033.1
cash flow hedging – reclassification to profit or loss	-	-	-339.4	-	-339.4
disposal of non-current assets	-	-	-4.0	4.0	0.0
actuarial gains/losses	-	-	-0.9	-	-0.9
Other changes in equity, including:	0.0	0.0	0.0	-415.9	-415.9
valuation of share-based payments	-	-	-	0.3	0.3
dividends paid	-	-	-	-416.2	-416.2
Closing balance of equity	130.1	956.3	1 169.7	11 080.2	13 336.3

1 quarter 2018
 the period from 01 Jan 2018 to 31 Mar 2018

	Share capital	Supplementary capital - issuance of shares over nominal value	Cumulative other comprehensive income	Retained earnings	Total equity
Opening balance of equity	130.1	956.3	493.2	10 215.2	11 794.8
the impact of changes to the accounting principles in connection with the implementation of IFRS 9	0.0	0.0	1.1	-249.0	-247.9
Opening balance of equity adjusted for changes to the accounting principles	130.1	956.3	494.3	9 966.2	11 546.9
Net result for the current period	-	-	-	322.2	322.2
Other net comprehensive income, including:	0.0	0.0	189.7	0.0	189.7
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	57.6	-	57.6
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	-19.1	-	-19.1
cash flow hedging – gains/losses on revaluation carried through equity	-	-	246.4	-	246.4
cash flow hedging – reclassification to profit or loss	-	-	-95.2	-	-95.2
Other changes in equity, including:	0.0	0.0	0.0	0.1	0.1
valuation of share-based payments	-	-	-	0.1	0.1
Closing balance of equity	130.1	956.3	684.0	10 288.5	12 058.9

Interim condensed consolidated statement of changes in equity shall be read in conjunction with the notes to interim condensed consolidated financial statements being the integral part thereof.

Interim condensed consolidated cash flow statement

	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019	1 quarter 2018 the period from 01 Jan 2018 to 31 Mar 2018
Net profit (loss)	325.4	322.2
Adjustments	1 903.0	-1 236.0
Share of profit (loss) of associates accounted for using the equity method	0.1	0.0
Depreciation and amortisation	71.3	43.7
Interest accrued (from the income statement)	-1 010.5	-880.9
Interest paid	-235.2	-210.1
Interest received	1 507.7	956.2
Gains (losses) on investing activities	-0.1	0.6
Income tax (from the income statement)	113.5	124.1
Income tax paid from the income statement	-81.9	-78.7
Change in provisions	-0.2	6.8
Change in loans and other receivables to other banks	-194.9	94.9
Change in financial assets held for trading	-492.8	-50.8
Change in debt securities measured at fair value through other comprehensive income	2 165.0	-2 957.0
Change in hedge derivatives	388.2	81.2
Change in loans and other receivables to customers	-4 567.9	452.6
Change in other assets	-96.9	63.5
Change in liabilities to other banks	774.3	2 124.8
Change in liabilities at fair value through profit or loss	-164.4	-667.9
Change in liabilities to customers	2 727.6	157.0
Change in other liabilities	1 000.1	-597.6
Net cash flow from operating activities	2 228.4	-913.8
Purchase of property plant and equipment	-476.3	-15.5
Disposal of property plant and equipment	0.2	0.0
Purchase of intangible assets	-14.1	-14.3
Purchase of debt securities measured at amortized cost	0.2	0.0
Net cash flow from investing activities	-713.4	-29.8
Long-term loans received	502.6	378.7
Long-term loans repaid	-1 464.6	-321.3
Interest on long-term loans repaid	-14.5	-5.7
Net cash flow from financing activities	-976.5	51.7
Effect of exchange rate changes on cash and cash equivalents	136.7	-63.5
Net increase/decrease in cash and cash equivalents	538.5	-891.9
Opening balance of cash and cash equivalents	1 956.4	4 598.2
Closing balance of cash and cash equivalents	2 494.9	3 706.3

Interim condensed consolidated cash flow statement shall be read in conjunction 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

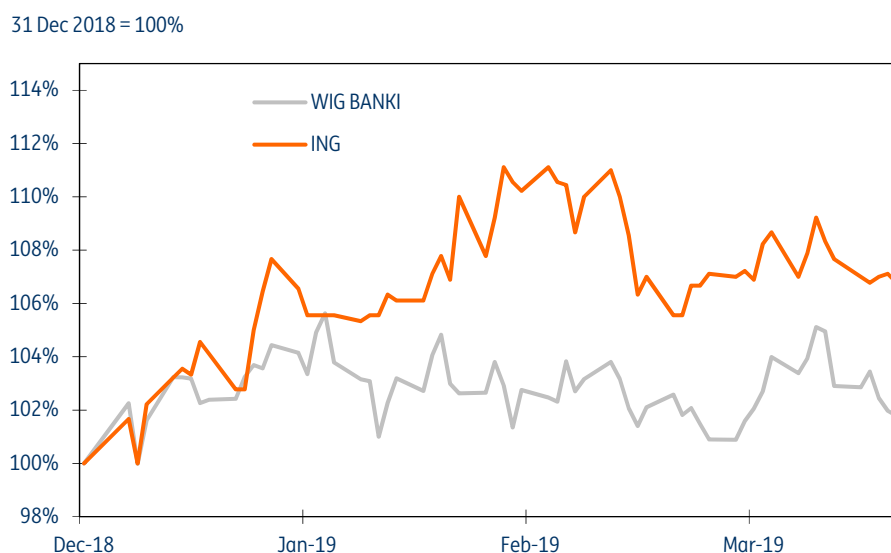
ING Bank Śląski S.A. ("Parent company", "parent entity", "Bank") with the registered office in Katowice, Sokolska Str. 34, was entered into the Entrepreneurs Register with the National Court Register maintained by the Commercial Division of the District Court in Katowice under the number KRS 5459. The parent entity statistical number is REGON 271514909, and the tax 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 to 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 in the domestic and foreign financial markets. Additionally, through subsidiaries the Group conducts leasing and factoring activity, 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 business of the parent entity and Group members is indefinite.

1.3. Share capital

The share capital of ING Bank Śląski S.A. is PLN 130,100,000 and is divided in 130,100,000 ordinary bearer shares of a par value of PLN 1.00 each. Bank's shares are quoted on the Warsaw Stock Exchange (sector: banks). As of 31 March 2019, the share price of ING Bank Śląski S.A. was PLN 192.2, whereas as of 31 March 2018 was at the level of PLN 196.8. In the 3 months of 2019, the price of ING Bank Śląski S.A. shares was as follows:



1.4. ING Bank Śląski S.A. Group.

ING Bank Śląski S.A. is the parent company of the ING Bank Śląski S.A. Group (“Capital Group”, “Group”). As at 31 March 2019, 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 Investment Holding (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.	education and promotion for the financial market and TURBO Certificates	Katowice	100	100	full consolidation
Solver Sp. Z o.o.	holiday and training courses organisation	Katowice	100	100	full consolidation
ING Bank Hipoteczny S.A.	banking services	Katowice	100	100	full consolidation
Twisto Polska Sp. Z o.o	services in the area of information and computer technologies	Warszawa	20	20	equity method consolidation

*) ING Bank Śląski S.A. has an indirect share in the company via ING Investment Holding (Polska) S.A.

**) ING Bank Śląski S.A. has an indirect share in the company via ING Investment Holding (Polska) S.A. The ING Lease (Polska) Sp. z o.o Group incorporates 9 special-purpose vehicles wherein ING Lease Polska Sp. z o.o holds 100% of shares.

On 18 December 2018, ING Bank Śląski S.A. together with its subsidiary, ING Investment Holding (Polska) S.A., signed with NN Investment Partners International Holdings B.V. a preliminary purchase agreement whereunder ING Investment Holding (Polska) S.A. undertakes to purchase 94,500 shares of NN IP TFI S.A. („NN TFI”), representing a 45%-stake in NN TFI share capital and 45% of the total number of votes at the General Meeting of NN TFI. The Bank shall give notice regarding the Transaction closing and the final price in a relevant current report. In line with the Purchase Agreement, the key condition precedent to the Transaction closing is the absence of the Polish Financial Supervision Authority’s objection. After finalising the transaction, NN TFI will be an affiliate for the Bank. The Bank will use the equity method to price its share in the company. The Bank expects the Transaction to be closed in Q2 or Q3 2019.

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

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 31 March 2019 held 75% share in the share capital of ING Bank Śląski S.A. and 75% shares in the total number of votes at the General Meeting. ING Bank NV belongs to the Group, herein referred to as ING Group.

According to the list of shareholders authorised to participate in the Ordinary General Meeting of ING Bank Śląski S.A. (“OGM”) convoked on 29 March 2019 the following entities were entitled to 5 per cent or more of votes at the OGM of the Issuer:

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 Santander	10,730,000	8.24

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

As at 31 March 2019, 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 2018 to 31 December 2018 were approved by the General Meeting on 29 March 2019.

These interim condensed consolidated financial statements have been approved by the Bank Management Board on 7 May 2019.

2. Significant events in 1 quarter 2019

- General Meeting of ING Bank Śląski S.A.

On 29 March 2019, the General Meeting of ING Bank Śląski S.A. was held, during which the following resolutions were passed:

- on approval of the 2018 annual financial statements (separate and consolidated financial statements),
- on approval the Management Board Report on Operations of ING Bank Śląski S.A. Group covering the Report on Operations of ING Bank Śląski S.A. in 2018, including the Report on Observance of Corporate Governance Principles,
- on acknowledgement of 2018 reports of the Bank Supervisory Board and assessment of the Bank's remuneration policy,
- on acknowledgement of the fulfilment of duties of the Management Board and Supervisory Board Members for 2018,
- on distribution of 2018 profit and past-year loss coverage,
- on 2018 dividend payout,
- on amendments to the *Charter of ING Bank Śląski Spółka Akcyjna*,
- on appointing the Supervisory Board Member for a new term of office,
- on the collective suitability assessment of the Supervisory Board,
- on the amendments to the Supervisory Board Members Remuneration Policy.

- Dividend policy update approval by the Supervisory Board of ING Bank Śląski S.A.

On 1 March 2019 the Supervisory Board approved the updated ING Bank Śląski S.A. Dividend Policy ("Policy").

The Policy has been updated following the published stance of the Polish Financial Supervision Authority ("PFSA") on the dividend policy at banks in the following manner:

- the Policy has been tailored to the stance of the PFSA in that the specification of minimum capital ratios (common equity Tier 1, Tier 1 ratio and total capital ratio) was waived for the regulatory formula due to the volatile systemic risk buffer and countercyclical capital buffer; and
- the Policy provisions have been appended with the condition concerning the Bank's sensitivity to an adverse macroeconomic scenario.

ING Bank Śląski S.A. endorses 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 Dividend Policy endorses the option to pay dividend from the capital surplus over the minimum capital adequacy ratios and over the minimum capital ratios set for the Bank by the PFSA for dividend payout purposes:

- minimum common equity Tier 1 (CET1) at the level of 4,5% + combined buffer requirement¹ + 1,5%,
- minimum Tier 1 (T1) at the level of 6% + combined buffer requirement¹ + 1,5%,
- minimum total capital ratio (TCR) at the level of 8% + combined buffer requirement¹ + 1,5%.

where ^[1] combined buffer requirement binding in the year of dividend payout from the profit of the previous year.

When determining the recommended dividend payout amount to the General Meeting, the Bank Management Board review in particular the following terms and conditions:

- the current financial standing of the Bank and the Bank Group, including limitations in the case of sustaining financial loss or low profitability (low ROA/ROE),
- Bank's and Bank Group's assumptions of the management strategy and risk management strategy,
- Polish Financial Supervision Authority's stance on the banks' dividend policy, including – within capital criteria – the sensitivity of the Bank to unfavourable macroeconomic scenario (ST parameter),
- 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,
- the need to adjust profits of the present period or unapproved annual profits recognised as own funds with foreseeable dividends, according to art 26 of the Regulation EU 575/2013.

- Sale of non-performing receivables portfolio

On 31 January 2019 the Group concluded an agreement on the sale of corporate receivables from the impaired portfolio. As a result of the transaction, the gross portfolio of irregular receivables decreased by PLN 135.1 million. The positive impact of the transaction on the Group's result before tax amounted to PLN 9.8 million.

- Polish Financial Supervision Authority's approval of the subordinated loan amount recognition under Tier 2 capital

On 30 January 2019, the Polish Financial Supervision Authority's approval to recognise, in the Bank's Tier 2 capital, the funds available under the subordinated loan received from ING Bank N.V. in the amount of EUR 100 million.

- Polish Financial Supervision Authority notice of the individual add-on ST used in the dividend policy

On 18 January 2019 ING Bank Śląski has received a letter from the Polish Financial Supervision Authority ("PFSA") on the criteria for the dividend policy of commercial banks in 2019. In their letter, the PFSA communicated the individual add-on ST for the Bank to be taken account of in the event of dividend payout of over 75% of earned net profit.

The add-on ST measures the Bank's sensitivity to an adverse macroeconomic scenario. It is defined as the difference between the total capital ratio ("TCR") in the baseline scenario and TCR in the stress scenario as at the 2020 yearend, considering supervisory adjustments. Due to the assumption of stable balance sheet, applicable to this year; i.e., banks' inability to respond to negative developments in their external landscape, the ST indicator was reduced by the conservation buffer in place since 1 January 2019; i.e. 2.5 p.p.

As a result of analyses made during the stress tests conducted by the PFSA Office, the individual add-on ST for ING Bank Śląski S.A. was set, upon reduced by the conservation buffer, at 3.34%.

- Polish Financial Supervision Authority's approval of operations commencement by ING Bank Hipoteczny S.A

On 2 January 2019 ING Bank Śląski has obtained information that the Polish Financial Supervision Authority ("PFSA") approved operations commencement by ING Bank Hipoteczny S.A., a Bank subsidiary.

In their decision the PFSA stated that ING Bank Hipoteczny S.A. satisfied all the requirements set out in Article 36.3 of the Banking Law Act.

3. Significant events after the balance sheet date

- Amount of annual contribution to the banks' resolution fund

On 16 April 2019, the Bank was advised of the amount of annual contribution for the banks' resolution fund for 2019. It is PLN 131,2 million, including the adjustment of the contribution made in 2018. The entire contribution was recognised in costs for the first quarter of 2019 and is presented in the income statement, item: *General and administrative expenses*.

- Moody's affirms ratings

On 1 April 2019 the rating agency Moody's Investors Service („Moody's") affirmed the ING Bank Śląski ratings:

- 1) Long-Term Deposits rating: „A2”;
- 2) Short-Term Deposits rating: „P-1”;
- 3) Baseline Credit Assessment (BCA): baa2;
- 4) Adjusted Baseline Credit Assessment (Adjusted BCA): baa1;
- 5) Counterparty Risk Assessment (CR Assessment) long-/short-term: A1 (cr) / P-1 (cr);
- 6) Counterparty Risk Rating (CR Rating) long-/short-term: A1 / P1.

At the same time, the agency maintained the "Stable" perspective for the long-term deposit rating.

ING Bank Śląski's ratings are supported by Poland's Macro Profile of "Strong-" and reflect the Bank's:

- 1) good quality, though unseasoned, loan book with very limited exposure to foreign-currency retail mortgages,
- 2) adequate, albeit declining capital ratio, and
- 3) comfortable funding and liquidity profiles.

Moody's rating for ING Bank Śląski S.A. has not been commissioned and is assigned pursuant to publicly available data.

Detailed information on ratings given to Bank by rating agencies are described in item 16.1 *Ratings*.

4. Compliance with International Financial Reporting Standards

These interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for the 1 quarter 2019 were prepared under the IAS 34 Interim Financial Reporting (International Accounting Standards) in a version approved by the European Commission effective as at the reporting date, that is 31 March 2019 as well as in accordance with the Ordinance of Finance Minister of 29 Mar 2018 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws of 2018, no. 33, item 757).

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 Dec 2018 approved by the General Meeting on 29 April 2019.

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 Jan 2019 to 31 Mar 2019 and interim condensed consolidated statement of financial position as of 31 Mar 2019, together with comparable data were prepared according to the same principles of accounting for each period except for the changes resulting from the implementation of MSSF 16 replacing MSR 17 *Leasing*. The changes refer to recognition, measurement, presentation and disclosure of leases (for detailed description of changes refer to the subsequent part of the financial statements, point 4.1.1 *Impact of IFRS 16 Leasing implementation for financial statements*). The Group decided to apply the modified retrospective approach to its lease contracts and does not restate comparative data.

4.1. Changes in accounting standards

In these interim condensed consolidated financial statements, the same accounting standards have been applied as in the case of annual consolidated financial statements for the year 2018 (Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Capital Group for the period started 1 Jan 2018 and ended 31 Dec 2018) and the standards and interpretations adopted by the European Union and applicable to the annual periods starting 1 Jan 2019 or afterwards, i.e.:

Change	Impact on the Group statements
IAS 19 'Plan amendment, curtailment or settlement'	Application of the changes does not have a material impact on the financial statements of the Group.
IAS 28 Long-term Interests in Associates and Joint Ventures	Application of the changes does not have a material impact on the financial statements of the Group.
IFRS 16 Leasing	The application of the new standard has an impact on recognition, presentation, measurement and disclosures of the assets that are subject of the operational lease in the Group financial statement, acting as lessee. The implementation of the new standard had impact on the balance sheet total assets of the Group, nevertheless had no material impact on the financial results of the Group. More information on impact of implementation of the new standard is presented in point 4.1.1. <i>Impact of IFRS 16 Leasing implementation for financial statements</i> while the description of adopted accounting principles – in point 5. <i>Significant accounting principles</i>
IFRS 9 Prepayment Features with Negative Compensation	Application of the changes does not have an impact on the financial statements of the Group.
IFRIC 23 Uncertainty over Income Tax Treatments	Application of the changes does not have an impact on the financial statements of the Group.
Changes resulting from the review of IFRS implemented as part of the 2015-2017 cycle (published in December 2017). Related to IFRS 3, IFRS 11, IAS 12 i IAS 23.	Application of the changes does not have an 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 2018 Group Annual Consolidated Financial Statements. In 1 quarter 2019 no changes to the accounting standards were published.

In view of the ongoing process of IFRS introduction in the EU and the business run by the Group, as at the approval date hereof, 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 Group.

4.1.1. Impact of IFRS 16 *Leasing* implementation for financial statements

IFRS 16 Leases was published by the International Accounting Standards Board in January 2016 and approved for application by the European Union in October 2017. IFRS 16 supersedes IAS 17 Leases

and concerns the recognition, measurement, presentation and disclosure of leases. The key changes apply to the lessee.

The Group chose not to go for the early application of the standard, and therefore it applies the IFRS 16 for the first time for reporting period starting on 1 January 2019. The Group applied the modified retrospective approach to its lease contracts. Consequently, the Group did not restate comparative information.

At the date of initial application of the standard, the Group made a full analysis of the contracts to assess whether a contract is a lease contract or whether it contains a lease, and decided to separate lease elements from non-lease elements. The Group does not apply the provisions of the standard to the lease of intangible assets. The Group acts as a lessee in the real estate lease contracts (including contracts on the perpetual usufruct right to land), car leases, IT infrastructure leases and office equipment leases.

The new regulation implements uniform rules for the lessee to record lease contracts, while accounting for the exemptions included in the standard. As a consequence, it is necessary to recognise the right-of-use asset and the lease liability.

On 1 January 2019 the Group recognised the right-of-use asset at the amount equal to the lease liability, adjusted to account for any prepayments or lease payments accrued in relation to that lease contract, as recognised in the statement of financial position immediately before the date of initial application.

Upon the first application of the new regulation, the Group measured the lease liability at an amount equal to the present value of the other lease payments, discounted by the application of the lessee's incremental borrowing rate on the date of initial application.

The Group applied the lessee's incremental borrowing rate to set the present value of lease payments for all lease contracts. The Group defined the interest rate implicit in lease as the total of the interest rate of swaps and the internal transfer price, upon accounting for the currencies in which the lease contracts are denominated and the contracts maturity dates.

The lease term is determined upon accounting for the extension and shortening options available in the lease contracts, if the use of the option is probable. In the case of open-end lease contracts with a termination option available for both parties to the contract, the Group evaluated whether or not there were any material costs relating to the termination of the agreement. The open-end contracts held by the Group are primarily the real estate lease contracts. If there were no material costs, the notice period available to both parties to the contract was set as the lease term. When the costs of terminating the contract were material, the Group assumed that the lease term was 4 years. The term adopted results from the strategy relating to the physical presence in a given location, ensuring flexibility and business effectiveness while accounting for the customer expectations and preferences.

The Group applied the simplified approach envisaged for short-term leases (including lease contracts with a lease term ending 12 months after the date of initial application of the standard) and the leases of low-value assets. In that case, the Group recognises the systematic lease payments in profit or loss. A contract may be classified as a short-term contract if the contract term is 12 months or less. Assets may be classified as low-value assets if the acquisition price of a new asset is under EUR 5,000.

The impact of IFRS 16 on the consolidated financial statements as at 1 January 2019 is presented in the specification below.

Recognising a right-of-use asset:	486.3
real estate lease	470.1
car lease	15.5
others assets	0.7
Recognising a lease liability:	486.3
real estate lease	472.5
car lease	15.5
others assets	0.7
prepayments	-2.4

	as of 31 Dec 2018	impact of MSSF 16 implementation	as of 1 Jan 2019
Assets			
Property, plant and equipment	1 004.3	486.3	1 490.6
including a right-of-use asset	0.0	486.3	486.3
Total assets	145 687.0	486.3	146 173.3
Liabilities			
Other liabilities, including:	2 935.9	486.3	3 422.2
lease liability	0.0	488.7	488.7
prepayments	2.4	-2.4	0.0
Total liabilities	132 258.1	486.3	132 744.4
Total equity attributable to shareholders of ING Bank Śląski S.A.	13 428.9	0.0	13 428.9
Total equity and liabilities	145 687.0	486.3	146 173.3

The table below contains a reconciliation of difference between operating lease commitments disclosed applying IAS 17 at the date 31 Dec 2018 and lease liabilities as at 01 Jan 2019 i.e. at the date of initial application of IFRS 16.

	31 Dec 2018	opening balance adjustments	1 Jan 2019
Future rental commitments under MSR 17	493.9		
opening balance adjustments in connection with the implementation of IFRS 16, including:		-5.2	
(-) discounting effect using leasee's incremental borrowing rate as at 1 Jan 2019		-54.1	
(-) recognition exemption for short-term leases		-8.8	
(-) non-lease components of a contract		-50.6	
(+)/(-) extension and termination options reasonably certain to be exercised		108.8	
(-) other		-0.5	
Lease liability under IFRS 16			488.7

4.2. 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.

4.3. Discontinued operations

No material operations were discontinued during the 1 quarter 2019 and 1 quarter 2018.

4.4. Financial statements scope and currency

These interim condensed consolidated financial statements of the Group for the 1 quarter 2019 comprise the Bank and its subsidiaries and associates. 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.

4.5. Comparative data

The comparative data cover the period from 1 Jan 2018 to 31 Mar 2018 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 Jan 2018 to 31 Dec 2018 for the interim condensed consolidated statement of changes in equity and in the case of the interim condensed consolidated statement of financial position data as of 31 Dec 2018 and 31 Mar 2018.

5. Significant accounting principles

The detailed accounting principles were presented in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for the Period Started 1 Jan 2018 and Ended 31 Dec 2018, published on 1 March 2019 and available on the website of ING Bank Śląski S.A. (www.ingbank.pl)

In addition, with respect to interim financial statements, the Group applies the principle of recognizing the financial result income tax charges based on the best estimate of the weighted average annual income tax rate expected by the Group in the full financial year.

Below presented are the amendments made in 1 quarter 2019 to the description of the accounting principles applied by the Group. Changes to the principles concern IFRS 16. Further to the Group's decision not to restate the comparable data due to the effective entry of IFRS 16, the significant IFRS 16-related accounting principles were so presented as to show the principles applicable both before and after 1 Jan 2018

Group as a lessee

Principles applicable before 1 January 2019

The Group is also a party to lease contracts, under which it takes another party's non-current assets or intangible assets for an agreed period for paid use or other benefits.

In case of lease contracts, under which essentially all risks and rewards resulting from ownership of the leased assets are transferred, subject of such lease agreement is recognized as a non-current asset, and a liability is recognized in the amount equal to the present value of minimum lease payments as of the date of commencement of the lease.

Lease payments are divided into financial costs and reduction of the balance of the liability in such way as to reach the fixed rate of interest on the outstanding liability. Financial costs are recognized directly in the income statement.

Non-current assets subject the finance lease contract are depreciated/amortized in the manner defined for the Bank's non-current assets. However, if it is uncertain whether the ownership of an asset has been transferred, then non-current assets used pursuant to finance lease contracts are depreciated/amortized over the shorter of two: the expected useful life or the lease term.

Lease payments for contracts which do not qualify as finance lease agreements are recognized as costs in the income statement using the straight-line method throughout the lease term.

and are shown in the General and administrative expenses, in the item: Overheads, further split into Material and leasing costs.

Principles applicable as of 1 January 2019

The Group is also a party to lease agreements under which it receives the right to control the use of an identified asset for a given period in exchange for remuneration. The Group applies the provisions of IFRS 16 to the records of all lease agreements with the exception of lease agreements for intangible assets and exemptions provided for in the standard and described below. The Group identifies lease and non-lease elements in concluded agreement.

Non-lease payments under agreements are recognized as costs in the income statement using the straight-line method throughout the lease term. Lease payments are recorded in accordance with the below described rules.

On the date when the lease commences, the Group recognizes right-of-use assets and lease liability. The initial valuation of the lease liability is determined by the Group in the amount of the present value of future lease payments. To determine the discounted value of lease payments, the Group applies the lease interest rate, and if the rate is not readily available, the Group applies the marginal interest rate. The Group determines the lease interest rate as the total of the interest rate on swaps and the internal transfer price, including currencies of lease agreements and their maturities. After the commencement of the lease, the carrying amount of the liability:

- is increased by accrued lease interest which is recognized in the income statement as interest expenses,
- is reduced by the lease payments made,
- is updated as a result of revaluation, change of lease or change of in principle fixed lease payments.

On the date when the lease commences, the Group recognizes right-of-use assets at cost based on the amount of the initial lease liability valuation. The cost of a right-of-use asset item also includes:

- lease payments made at the commencement date or before the lease commencement date, less the lease incentives received,
- initial direct costs incurred by the lessee,
- costs to be borne by the lessee in connection with restoring the asset to its original condition.

The right of use is subject to amortisation during the lease term and is reduced by impairment losses. The revaluation of the right to use during the lease term occurs as a result of the lease liability revaluation.

The identification of future lease payments requires the determination of the lease term. When determining the lease period, the Group takes into account the irrevocable lease term, including the terms for which the lease can be extended and the terms in which lease can be terminated. As of the lease agreement commencement date, the Group assesses whether it can be assumed with sufficient certainty that the Group will take advantage of the option to renew the lease or whether it will decide not to terminate the lease. In order to carry out the assessment, the Group considers all relevant facts and circumstances that create an economic incentive to take or not to take advantage of these options. The Group reviews the lease term in order to reassess material events or circumstances that may affect the estimated lease term duration. Lease ceases to be enforceable when both the lessee and the lessor have the right to terminate the lease without the need to obtain the other party's consent, which results in the minor penalty in the worst case. For lease open-ended agreements with an option of mutual termination and potentially high costs associated with the agreement termination, the Group estimates the lease term.

The Group applies the exemption to:

- short-term lease – the agreement may be classified as a short-term agreement, if the agreement term does not exceed 12 months, and there is no purchase option for the leased object,
- leases where the leased object is of low value – assets can be classified as low-value assets if the gross price of the purchase of a new asset does not exceed EUR 5,000 and the leased object is not and will not be subject to sublease.

Lease payments under abovementioned agreements are recognized by the Group as costs in the income statement systemically throughout the lease term.

Grupa korzysta ze zwolnienia dla:

- leasingów krótkoterminowych - umowa może być zaklasyfikowana jako umowa krótkoterminowa, jeżeli okres trwania umowy nie przekracza 12 miesięcy, a w stosunku do przedmiotu umowy nie jest przewidziana opcja zakupu,
- leasingów, w których przedmiot umowy ma niską wartość- aktywa mogą być zaklasyfikowane jako aktywa o niskiej wartości, jeżeli cena brutto nabycia nowego składnika nie przekracza kwoty 5 000 EUR, a przedmiot umowy nie jest i nie będzie oddany w subleasing.

Opłaty leasingowe z tytułu powyżej wskazanych kontraktów Grupa ujmuje jako koszty w rachunku zysków i strat w sposób systematyczny przez okres trwania leasingu.

In the interim condensed consolidated financial statements the right-of-use asset were presented in the consolidated statement of financial position in the item *Property, plant and equipment* while lease liability in the item *Other liabilities*. The costs incurred by the Group are presented in the consolidated income statement under *Interest expenses* (interest on lease liabilities) and *General and administrative expenses* (amortisation of the right of use and other costs related to leased assets).

6. Comparability of financial data

When compared with the interim consolidated financial statements for previous periods, in the interim condensed consolidated financial statements for the period from 1 Jan 2019 to 31 Mar 2019, the Group amended the manner of presentation of individual items of the consolidated income statement which – in the Group's opinion - enhanced the transparency and informative value of the consolidated financial statements. The changes required a restatement of the comparable data; they did not, however, impact on the level of the financial result presented.

The table below highlights the individual items of the consolidated income statement as they were presented in the interim consolidated financial statements for 1 quarter 2018 and in the current statements. They are as follows:

- a) changed manner of presenting interest on securities and derivatives held for trading; in the previous periods they were presented in *Interest income/expenses*, currently in the *Net income on financial instruments at fair value through profit or loss and FX result*,
- b) changed manner of presenting the amortisation of fair value adjustment for exposures, which were excluded from fair value hedge strategy; in the previous periods it was presented in *Net income on hedge accounting*, currently in *Interest income*,
- c) changed manner of presenting commission income and expenses on payment and credit cards; in the previous periods it was presented net in *Commission Income*.

1quarter 2018 the period from 1 Jan.2018 to 31 Mar 2018					
	in consolidated financial statements for 1q 2018 (approved data)	change a)	change b)	change c)	in consolidated financial statements for 1q 2019 (comparable data)
Interest income	1 096.4	15.6	-13.9		1 098.1
Interest expenses	215.5	-0.4			215.1
Net interest income	880.9	16.0	-13.9	0.0	883.0
Commission income	350.8			34.2	385.0
Commission expenses	32.7			34.2	66.9
Net commission income	318.1	0.0	0.0	0.0	318.1
Net income on financial instruments at fair value through profit or loss and FX result	34.0	-16.0			18.0
Net income on the sale of securities measured at amortised cost	5.4		-4.3		1.1
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	32.2				32.2
Net income on hedge accounting	-16.0		18.2		2.2
Net income on other basic activities	2.3				2.3
Net income on basic activities	1 256.9	0.0	0.0	0.0	1 256.9
General and administrative expenses	628.3			0.0	628.3
Impairment for expected losses	94.8				94.8
Tax on certain financial institutions	87.5				87.5
Gross profit (loss)	446.3	0.0	0.0	0.0	446.3
Income tax	124.1				124.1
Net profit (loss) - attributable to shareholders of ING Bank Śląski S.A.	322.2	0.0	0.0	0.0	322.2

7. Supplementary notes to interim condensed consolidated financial statements

7.1. Net interest income

	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019	1 quarter 2018 the period from 01 Jan 2018 to 31 Mar 2018
Interest income, including:	1 253.4	1 098.1
Interest income calculated using effective interest rate method, including:	1 252.3	1 096.8
interest on loans and receivables to other banks measured at amortised cost	9.7	9.5
interest on loans and receivables to customers measured at amortised cost	1 073.1	918.5
interest on securities measured at amortised cost	63.3	69.6
interest on securities measured at fair value through other comprehensive income	106.2	99.2
Other interest income, including:	1.1	1.3
interest on loans and receivables to other banks measured at fair value through profit or loss	1.1	1.3
Interest expense, including:	242.9	215.1
interest on deposits from other banks	15.1	10.2
interest on deposits from customers	220.2	200.1
interest on issue of debt securities	1.9	1.9
interest on subordinated liabilities	4.1	2.9
interest on lease liabilities*	1.6	n/a
Net interest income	1 010.5	883.0

*) Starting on 1 January 2019 the Group implemented the new standard IFRS 16 *Leasing*. As described in point 4. *Compliance with International Financial Reporting Standards* the Group decided to apply the modified retrospective approach to its lease contracts and does not restate comparative data.

In these interim condensed consolidated financial statements the Group changed manner of presenting some items of the consolidated income statement, which required a restatement of the comparable data. More information on this subject is included in point 6. *Comparability of financial data*.

7.2. Net commission income

	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019	1 quarter 2018 the period from 01 Jan 2018 to 31 Mar 2018
Commission income, including:		
transaction margin on currency exchange transactions	90.9	84.4
account maintenance	70.5	70.2
lending	81.3	77.4
payment and credit cards*	73.1	59.5
participation units distribution	16.0	25.8
insurance product offering	29.8	23.5
factoring and lease agreements	16.6	12.8
brokerage activity	5.8	5.5
fiduciary and custodian	6.8	7.3
foreign commercial business	9.0	8.1
other	9.5	10.5
Total commission income	409.3	385.0
Commission expenses	81.8	66.9
including payment and credit cards*	41.4	34.2
Net commission income	327.5	318.1

*) When compared with the interim consolidated financial statements for previous periods the Group changed manner of presenting commission income and expenses on payment and credit cards. More information on this subject is included in point 6. *Comparability of financial data.*

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

	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019	1 quarter 2018 the period from 01 Jan 2018 to 31 Mar 2018
FX result and net income on interest rate derivatives, including:	15.1	8.3
FX result	-29.8	19.1
currency derivatives	44.9	-10.8
Net income on interest rate derivatives	10.9	1.4
Net income on debt instruments held for trading	5.4	8.3
Result on measurement of loans to customers which are measured at fair value through profit or loss	0.0	0.0
Net income on financial instruments at fair value through profit or loss and FX result	31.4	18.0

In these interim condensed consolidated financial statements the Group changed manner of presenting some items of the consolidated income statement, which required a restatement of the comparable data. More information on this subject is included in point 6. *Comparability of financial data.*

7.4. Net income on the sale of securities and dividend income

	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019	1 quarter 2018 the period from 01 Jan 2018 to 31 Mar 2018
Net income on the sale of securities measured at amortised cost	0.0	1.1
Net income on sale of securities measured at fair value through other comprehensive income and dividend income, including:	15.8	32.2
sale of debt securities	15.8	32.2
Total	15.8	32.2

In these interim condensed consolidated financial statements the Group changed manner of presenting some items of the consolidated income statement, which required a restatement of the comparable data. More information on this subject is included in point 6. *Comparability of financial data*.

7.5. Net income on hedge accounting

	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019	1 quarter 2018 the period from 01 Jan 2018 to 31 Mar 2018
Fair value hedge accounting for securities:	2.3	2.3
valuation of the hedged transaction	30.2	53.3
valuation of the hedging transaction	-27.9	-51.0
Cash flow hedge accounting:	-3.5	-0.1
ineffectiveness under cash flow hedges	-3.5	-0.1
Net income on hedge accounting	-1.2	2.2

In these interim condensed consolidated financial statements the Group changed manner of presenting some items of the consolidated income statement, which required a restatement of the comparable data. More information on this subject is included in point 6. *Comparability of financial data*.

7.6. General and administrative expenses

	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019	1 quarter 2018 the period from 01 Jan 2018 to 31 Mar 2018
Personnel expenses	286.4	275.4
Other general and administrative expenses, including:	434.7	352.9
cost of marketing and promotion	29.7	29.5
depreciation and amortisation	71.3	43.7
including right-of-use asset amortisation	23.2	n/a
obligatory Bank Guarantee Fund payments	148.8	84.3
IT costs	59.1	67.5
maintenance, refurbishment and rental of buildings	30.8	47.2
other	95.0	80.7
Total	721.1	628.3

7.6.1. Headcount

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

	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
FTEs	8 063.1	8 033.6	8 033.0
Individuals	8 115	8 086	8 082

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

	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
FTEs	7 643.6	7 615.7	7 655.4
Individuals	7 692	7 665	7 701

7.7. Impairment for expected losses

	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019	1 quarter 2018 the period from 01 Jan 2018 to 31 Mar 2018
corporate banking	78.9	57.3
retail banking	46.1	37.5
Total	125.0	94.8

7.8. Loans and other receivables to other banks

	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
Current accounts	433.9	378.4	1 066.5
Interbank deposits	5.1	5.0	185.0
Loans and advances	328.5	52.6	353.4
Placed call deposits	300.6	340.6	412.5
Total (gross)	1 068.1	776.6	2 017.4
Impairment for expected losses, including:			
concerning loans and advances	-0.1	-0.1	0.0
Total (net)	1 068.0	776.5	2 017.4

7.9. Financial assets held for trading

	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
Valuation of derivatives	693.4	509.7	647.7
Other financial assets held for trading, including:	1 510.5	1 201.9	615.9
debt securities:			
Treasury bonds	1 491.7	1 183.0	590.5
European Investment Bank bonds	18.8	18.9	5.5
repo transactions	0.0	0.0	19.9
Total	2 203.9	1 711.6	1 263.6

7.10. Investment securities

	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
Measured at fair value through other comprehensive income (FVOCI), including:	17 782.0	20 077.3	17 011.2
debt securities, including:	17 669.2	19 994.0	16 935.8
treasury bonds	15 259.6	17 670.4	15 232.2
treasury bonds in EUR	969.5	903.0	481.1
European Investment Bank bonds	992.1	985.6	803.8
Austrian government bonds	448.0	435.0	418.7
equity instruments	112.8	83.3	75.4
Measured at amortised cost, including:	12 195.3	11 860.0	12 124.5
debt securities, including:	12 195.3	11 860.0	12 124.5
treasury bonds	5 972.9	5 936.7	5 944.7
treasury bonds in EUR	3 335.2	3 143.7	3 360.6
BGK bonds	518.7	512.9	1 499.2
European Investment Bank bonds	2 268.5	2 266.7	1 320.0
NBP bills	100.0	0.0	0.0
Total	29 977.3	31 937.3	29 135.7

7.11. Loans and receivables to customers

	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
Measured at amortised cost	107 181.3	102 907.4	90 028.2
Measured at fair value through profit or loss	206.1	218.4	262.3
Total (net)	107 387.4	103 125.8	90 290.5

Loans and other receivables measured at amortised cost

	as of 31 Mar 2019			as of 31 Dec 2018			as of 31 Mar 2018		
	gross	impairment	net	gross	impairment	net	gross	impairment	net
Portfolio of loans, including:	108 238.7	-2 284.4	105 954.3	104 226.8	-2 270.0	101 956.8	91 367.2	-2 086.2	89 281.0
households	50 644.9	-1 151.9	49 493.0	48 631.3	-1 105.6	47 525.7	42 477.4	-1 004.4	41 473.0
business entities	54 460.5	-1 132.2	53 328.3	52 388.2	-1 164.3	51 223.9	46 239.5	-1 080.3	45 159.2
the government and self-government institutions' sector	3 133.3	-0.3	3 133.0	3 207.3	-0.1	3 207.2	2 650.3	-1.5	2 648.8
Total, including:	108 238.7	-2 284.4	105 954.3	104 226.8	-2 270.0	101 956.8	91 367.2	-2 086.2	89 281.0
Corporate banking segment	60 917.5	-1 227.1	59 690.4	58 863.5	-1 261.5	57 602.0	51 942.5	-1 157.5	50 785.0
loans in the current account	11 488.8	-414.2	11 074.6	10 782.9	-460.1	10 322.8	10 622.5	-390.4	10 232.1
term loans and advances	34 291.8	-734.4	33 557.4	33 243.9	-726.6	32 517.3	28 311.8	-702.5	27 609.3
leasing receivables	7 591.9	-51.5	7 540.4	7 165.0	-46.9	7 118.1	6 116.6	-42.3	6 074.3
factoring receivables	5 033.9	-26.5	5 007.4	4 861.9	-27.4	4 834.5	4 583.8	-21.2	4 562.6
corporate and municipal debt securities	2 511.1	-0.5	2 510.6	2 809.8	-0.5	2 809.3	2 307.8	-1.1	2 306.7
Retail banking segment	47 321.2	-1 057.3	46 263.9	45 363.3	-1 008.5	44 354.8	39 424.7	-928.7	38 496.0
mortgages	34 589.5	-227.8	34 361.7	33 371.7	-224.9	33 146.8	28 892.1	-231.0	28 661.1
loans in the current account	1 386.4	-105.9	1 280.5	1 329.2	-105.8	1 223.4	1 394.2	-98.8	1 295.4
leasing receivables	1 081.7	-4.0	1 077.7	979.1	-3.6	975.5	753.0	-2.3	750.7
other loans and advances	10 263.6	-719.6	9 544.0	9 683.3	-674.2	9 009.1	8 385.4	-596.6	7 788.8
Other receivables, including:	1 227.0	0.0	1 227.0	950.6	0.0	950.6	747.2	0.0	747.2
complex call deposits	1 029.7	0.0	1 029.7	733.0	0.0	733.0	603.0	0.0	603.0
other receivables	197.3	0.0	197.3	217.6	0.0	217.6	144.2	0.0	144.2
Total	109 465.7	-2 284.4	107 181.3	105 177.4	-2 270.0	102 907.4	92 114.4	-2 086.2	90 028.2

Quality of loan portfolio

	as of 31 Mar 2019			as of 31 Dec 2018			as of 31 Mar 2018		
	gross	impairment	net	gross	impairment	net	gross	impairment	net
Corporate banking	60 917.5	-1 227.1	59 690.4	58 863.5	-1 261.5	57 602.0	51 942.5	-1 157.5	50 785.0
assets in stage 1	53 770.7	-54.2	53 716.5	51 733.2	-56.0	51 677.2	45 083.8	-53.2	45 030.6
assets in stage 2	4 963.6	-64.0	4 899.6	5 038.9	-62.8	4 976.1	4 904.2	-58.4	4 845.8
assets in stage 3	2 183.2	-1 108.9	1 074.3	2 091.4	-1 142.7	948.7	1 954.5	-1 045.9	908.6
Retail banking	47 321.2	-1 057.3	46 263.9	45 363.3	-1 008.5	44 354.8	39 424.7	-928.7	38 496.0
assets in stage 1	40 682.7	-64.1	40 618.6	38 633.0	-58.2	38 574.8	33 565.2	-57.4	33 507.8
assets in stage 2	5 751.2	-342.9	5 408.3	5 916.7	-362.0	5 554.7	5 072.9	-285.1	4 787.8
assets in stage 3	887.3	-650.3	237.0	813.6	-588.3	225.3	786.6	-586.2	200.4
Total loan portfolio	108 238.7	-2 284.4	105 954.3	104 226.8	-2 270.0	101 956.8	91 367.2	-2 086.2	89 281.0

Additionally, the Group identifies POCI financial assets whose fair value as at 1 January 2018 and carrying amount as at 31 March 2019 are 0. This group covers exposures under impaired receivables purchased in connection with the takeover of Bieszczadzka SKOK in 2017 and exposures that arisen due to restructuring resulting in re-recognition of the assets item in the statement of financial position.

Changes in impairment for expected losses

	1 quarter 2019				1 quarter 2018			
	the period from 01 Jan 2019 to 31 Mar 2019				the period from 01 Jan 2018 to 31 Mar 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance of impairment	114.2	424.8	1 731.0	2 270.0	242.2	0.0	1 424.6	1 666.8
the impact of changes to the accounting principles in connection with the implementation of IFRS 9	-	-	-	0.0	-119.7	350.0	147.8	378.1
Impairment loss at the beginning of the period adjusted for changes to the accounting principles	114.2	424.8	1 731.0	2 270.0	122.5	350.0	1 572.4	2 044.9
Changes in the period, including:	4.1	-17.9	28.2	14.4	-11.9	-6.5	59.7	41.3
impairments for granted loans during the period	21.6	0.0	0.0	21.6	18.0	0.0	0.0	18.0
transfer to stage 1	8.0	-57.0	-1.7	-50.7	5.8	-36.7	-1.1	-32.0
transfer to stage 2	-10.3	85.2	-10.3	64.6	-9.5	74.6	-8.4	56.7
transfer to stage 3	-0.9	-32.0	145.1	112.2	-1.0	-20.8	120.8	99.0
changed provisioning under expected losses	-14.3	-14.3	11.2	-17.4	-25.3	-23.7	13.3	-35.7
derecognition from the balance sheet (write-downs, sale)	0.0	0.0	-133.7	-133.7	0.0	0.0	-74.4	-74.4
calculation and write-off of effective interest	0.0	0.0	18.2	18.2	0.0	0.0	9.9	9.9
other	0.0	0.2	-0.6	-0.4	0.1	0.1	-0.4	-0.2
Closing balance of impairment	118.3	406.9	1 759.2	2 284.4	110.6	343.5	1 632.1	2 086.2

7.12. Debt securities

	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
Debt securities held for trading	1 510.5	1 201.9	596.0
Debt securities measured at fair value through other comprehensive income	17 669.3	19 994.0	16 935.8
Debt securities measured at amortised cost in the investment securities portfolio	12 095.2	11 860.0	12 124.5
Debt securities measured at amortised cost in the loans and other receivables to customers portfolio	2 510.6	2 809.3	2 306.7
Total	33 785.6	35 865.2	31 963.0

7.13. Property, plant and equipment

	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
Right-of-use assets*	471.3	n/a	n/a
Real estate and leasehold improvements	325.6	334.0	339.4
Computer hardware	104.9	104.0	78.9
Other property, plant and equipment	78.8	86.0	112.1
Construction in progress	23.7	32.1	7.7
Total	1 004.3	556.1	538.1

*) Starting on 1 January 2019 the Group implemented the new standard IFRS 16 *Leasing*. As described in point 4. *Compliance with International Financial Reporting Standards* the Group decided to apply the modified retrospective approach to its lease contracts and does not restate comparative data.

7.14. Liabilities to other banks

	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
Current accounts	248.7	324.0	329.9
Interbank deposits	574.2	876.1	1 309.9
Loans received*	3 543.4	3 388.2	3 160.2
Repo transactions	0.0	0.0	832.8
Margin call	611.4	592.1	627.3
Other	26.6	15.4	28.7
Total	5 004.3	5 195.8	6 288.8

*) 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 and other banks not related to the Group is presented in item Loans received.

7.15. Financial liabilities at fair value through profit or loss

	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
Valuation of derivatives	711.4	578.1	819.0
Other financial liabilities at fair value through profit or loss, including:	588.1	886.2	225.9
book short position in trading securities	588.1	886.2	225.9
Total	1 299.5	1 464.3	1 044.9

7.16. Liabilities to customers

	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
Deposits, including:	118 653.1	115 908.0	102 782.3
households	80 732.7	78 255.5	71 264.8
business entities	35 548.5	35 735.0	29 779.0
the government and self-government institutions' sector	2 371.9	1 917.5	1 738.5
Total (gross), including:	118 653.1	115 908.0	102 782.3
Corporate banking	37 839.6	37 589.9	31 670.6
current accounts	23 366.8	25 478.6	20 619.8
savings accounts	10 412.6	9 969.3	8 826.7
term deposits	4 060.2	2 142.0	2 224.1
Retail banking	80 813.5	78 318.1	71 111.7
current accounts	18 414.8	18 051.2	15 061.2
savings accounts	60 041.0	57 948.1	53 369.8
term deposits	2 357.7	2 318.8	2 680.7
Other liabilities, including:	1 760.9	1 774.5	1 879.8
liabilities under cash collateral	404.0	329.5	317.8
other liabilities	1 356.9	1 445.0	1 562.0
Total	120 414.0	117 682.5	104 662.1

7.17. Provisions

	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
Provision for off-balance sheet liabilities	75.5	78.5	53.7
Provision for retirement benefits	41.7	41.4	39.6
Provision for disputes	35.0	32.5	22.3
Total	152.2	152.4	115.6

*) For further information on provisions for litigations, see item 12. *Settlements due to disputable cases* hereof.

7.18. Fair value

Please find below the breakdown of carrying amounts of financial assets and liabilities into individual categories of valuation levels. In 2019, there were no movements between particular valuation levels.

as of 31 Mar 2019

	Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	20 690.2	1 622.7	318.9	21 121.3
Valuation of derivatives	0.0	693.4	0.0	693.4
Financial assets held for trading, including:	3 021.0	0.0	0.0	1 510.5
debt securities, including:	1 510.5	0.0	0.0	1 510.5
treasury bonds	1 491.7	0.0	0.0	1 491.7
European Investment Bank bonds	18.8	0.0	0.0	18.8
Derivative hedge instruments	0.0	929.3	0.0	929.3
Financial assets measured at fair value through other comprehensive income, including:	17 669.2	0.0	112.8	17 782.0
debt securities, including:	17 669.2	0.0	0.0	17 669.2
treasury bonds	15 259.6	0.0	0.0	15 259.6
treasury bonds in EUR	969.5	0.0	0.0	969.5
European Investment Bank bonds	992.1	0.0	0.0	992.1
Austrian Government bonds	448.0	0.0	0.0	448.0
equity instruments	0.0	0.0	112.8	112.8
Loans and other liabilities measured at fair value through profit or loss	0.0	0.0	206.1	206.1
Financial liabilities, including:	588.1	1 438.8	0.0	2 026.9
Valuation of derivatives	0.0	711.4	0.0	711.4
Other financial liabilities measured at fair value through profit or loss, including:	588.1	0.0	0.0	588.1
book short position in trading securities	588.1	0.0	0.0	588.1
Derivative hedge instruments	0.0	727.4	0.0	727.4

as of 31 Dec 2018

	Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	21 195.9	1 419.3	301.7	22 916.9
Valuation of derivatives	0.0	509.7	0.0	509.7
Financial assets held for trading, including:	1 201.9	0.0	0.0	1 201.9
debt securities, including:	1 201.9	0.0	0.0	1 201.9
treasury bonds	1 183.0	0.0	0.0	1 183.0
European Investment Bank bonds	18.9	0.0	0.0	18.9
Derivative hedge instruments	0.0	909.6	0.0	909.6
Financial assets measured at fair value through other comprehensive income, including:	19 994.0	0.0	83.3	20 077.3
debt securities, including:	19 994.0	0.0	0.0	19 994.0
treasury bonds	17 670.4	0.0	0.0	17 670.4
treasury bonds in EUR	903.0	0.0	0.0	903.0
European Investment Bank bonds	985.6	0.0	0.0	985.6
Austrian Government bonds	435.0	0.0	0.0	435.0
equity instruments	0.0	0.0	83.3	83.3
Loans and other liabilities measured at fair value through profit or loss	0.0	0.0	218.4	218.4
Financial liabilities, including:	886.2	1 189.9	0.0	2 076.1
Valuation of derivatives	0.0	578.1	0.0	578.1
Other financial liabilities measured at fair value through profit or loss, including:	886.2	0.0	0.0	886.2
book short position in trading securities	886.2	0.0	0.0	886.2
Derivative hedge instruments	0.0	611.8	0.0	611.8

In 1 quarter 2019 the measurement techniques for Stages 1 and 2 did not change. The financial assets classified to measurement stage 3 as at 31 March 2019 include unquoted equity instruments and loans which did not meet the SPPI criterion as per IFRS 9.

Fair value measurement of unlisted shares in other companies is based on the dividend discount model. The estimates concerning future dividend payments were prepared on the basis of mid-term profitability forecasts prepared by the management boards of those companies. The discount rate is based on the cost of equity which is estimated according to the CAPM, or the Capital Asset Pricing Model.

Methodology of the fair value measurement of the lending portfolio is based on the discounted cash flow method. In this method, the expected cash flows and individual payment dates discount factors are estimated for each measured contract; the value of the discounted cash flows as at the measurement date is also determined. Pricing models are fed with business parameters for individual contracts and parameters observable by the market such as interest rate curves, liquidity cost and capital cost. The change of the parameters used in the measurement did not have a material impact on the measurement as at 31 March 2019.

In 1 quarter 2019 the revaluation of the equity instruments classified to measurement level 3 recognised in the comprehensive income totalled PLN 23.9 million. The increase in valuation in relation to previous periods was mainly due to updating the input data to the valuation model regarding the cost of capital and financial forecasts.

The measurement impact of the loans classified to measurement level 3 for income statement was insignificant.

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

as of 31 Mar 2019

	Carrying amount	Fair value			TOTAL
		Level 1	Level 2	Level 3	
Financial assets, including:	122 592.7	1 760.3	13 284.7	107 719.7	122 764.7
Cash in hand and balances with the Central Bank	1 760.3	1 760.3	-	-	1 760.3
Loans and receivables to other banks	987.9	-	987.9	-	987.9
Investment securities measured at amortised cost	12 195.3	-	12 296.8	-	12 296.8
Loans and receivables to customers measured at amortised cost	107 181.3	-	-	107 251.8	107 251.8
Investments in associates measured at equity method	0.9	-	-	0.9	0.9
Other assets	467.0	-	-	467.0	467.0
Financial liabilities, including:	126 797.7	0.0	5 004.3	121 843.7	126 848.0
Liabilities due to other banks	5 004.3	-	5 004.3	-	5 004.3
Liabilities due to customers	120 414.0	-	-	120 416.2	120 416.2
Liabilities under issue of debt securities	302.2	-	-	302.5	302.5
Subordinated liabilities	1 077.2	-	-	1 125.0	1 125.0

as of 31 Dec 2018

	Carrying amount	Fair value			TOTAL
		Level 1	Level 2	Level 3	
Financial assets, including:	117 142.4	1 237.4	12 752.5	103 335.2	117 325.1
Cash in hand and balances with the Central Bank	1 237.4	1 237.4	-	-	1 237.4
Loans and receivables to other banks	776.5	-	776.5	-	776.5
Investment securities measured at amortised cost	11 860.0	-	11 976.0	-	11 976.0
Loans and receivables to customers measured at amortised cost	102 907.4	-	-	102 974.1	102 974.1
Investments in associates measured at equity method	1.0	-	-	1.0	1.0
Other assets	360.1	-	-	360.1	360.1
Financial liabilities, including:	124 255.5	0.0	5 195.8	119 104.6	124 300.4
Liabilities due to other banks	5 195.8	-	5 195.8	-	5 195.8
Liabilities due to customers	117 682.5	-	-	117 685.6	117 685.6
Liabilities under issue of debt securities	300.3	-	-	300.7	300.7
Subordinated liabilities	1 076.9	-	-	1 118.3	1 118.3

7.19. Total capital ratio

	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
Own funds			
A. Own equity in the statement of financial position, including:	13 428.9	13 336.3	12 058.9
A.I. Own equity included in the own funds calculation	11 969.1	11 710.3	10 681.6
A.II. Own equity excluded from own funds calculation	1 459.8	1 626.0	1 377.3
B. Other elements of own funds (decreases and increases), including:	762.8	236.2	301.2
subordinated debt*	1 075.0	645.0	631.3
goodwill and other intangible assets	-428.5	-435.0	-418.3
AIRB shortfall/surplus of credit risk adjustments to expected losses	-142.4	-185.5	-136.0
adjustment in the transitional period due to adaptation to IFRS 9 requirements**	259.9	215.0	224.5
value adjustments due to the requirements for prudent valuation	-1.2	-3.3	-0.3
Own funds taken into account in total capital ratio calculation (A.I. + B), including:	12 731.9	11 946.5	10 982.8
Core Tier 1 capital	11 656.9	11 301.5	10 351.5
Tier 2 capital	1 075.0	645.0	631.3
Risk weighted assets	80 471.3	76 604.5	68 443.3
for credit risk	69 940.9	67 135.7	59 232.9
for operational risk	8 762.9	7 836.0	7 836.0
other	1 767.5	1 632.8	1 374.4
Total capital requirements	6 437.7	6 128.3	5 475.5
Total capital ratio (TCR)	15.82%	15.60%	16.05%
Minimum required level	13.963%	13.342%	13.335%
Surplus TCR ratio (p.p)	+1.86	+2.26	+2.72
Tier 1 ratio (T1)	14.49%	14.75%	15.12%
Minimum required level	11.963%	11.342%	11.335%
Surplus T1 ratio (p.p)	+2.53	+3.41	+3.79

*) On 30 January 2019, the Polish Financial Supervision Authority's approval to recognise, in the Bank's Tier 2 capital, the funds available under the subordinated loan received from ING Bank N.V. in the amount of EUR 100 million

***) When calculating the capital ratios, the Group was using the transitional provisions concerning alleviation of the IFRS 9 implementation impact on own funds. If the IFRS 9 implementation impact had been recognised in full, the total capital ratio would have arrived at 15.50% and the Tier 1 capital ratio at 14.16%.

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

- In the view of the economists at ING Bank Śląski S.A., in 2019 the Polish economy will maintain a relatively high growth rate (approx. 4% y/y) despite the deterioration of the economic situation in other eurozone countries. Household expenditure will remain the driving force behind GDP growth. Economists of ING Bank Śląski S.A. estimate their dynamics at 4.5% y/y this year. Consumption is still driven by favourable situation on the labour market and an increase in wages close to 7% y/y. Household income will also be increased by the fiscal stimulus planned for 2019-2020, including i.a. payment of additional pension benefits.
- According to ING Bank Śląski S.A. economists' estimates, investment growth in 2019 will fall from 7.4 to 6.0% y/y. This will be the effect of lower dynamics of public expenditure, which is suggested i.a. by local government expenditure plans. Most likely, the relatively slow pace of private outlays will also continue, due to the uncertainty in the international environment and so will the decline in international trade.
- Domestic export industries in 2018 proved to be resistant to the economic slowdown among Poland's trading partners. Nevertheless, in 2019 the economists of ING Bank Śląski S.A. expect

a decline in exports growth from 6.2% to approx. 5% y/y. This will be the effect of a prolonged downturn in Germany and a drop in export orders reported in the PMI study, for example.

- The slowdown in eurozone economies will most likely also result in a relatively low increase in the prices of products imported to Poland. In the view of the economists at ING Bank Śląski S.A., despite favourable economic situation in Poland, the CPI growth rate in 2019 will not exceed the target of the National Bank of Poland of 2.5% y/y.
- The moderate increase in consumer prices and high uncertainty in the economic environment of Poland indicate that the Monetary Policy Council will not decide to raise interest rates this year. In the view of the economists at ING Bank Śląski S.A., the fiscal stimulus in Poland also excludes further drop of interest rates this year. Further, the use of non-standard tools by the central bank (e.g. as in Hungary) remains unlikely.
- At the end of 2018, the fiscal situation of Poland was very favourable. The public finance sector deficit amounted to only 0.4% of GDP and the structural deficit to 1.2% of GDP. The government decided to use this fiscal space for a number of new expenditures to launch: the expansion of the 500+ programme for each child, the introduction of an additional pension benefit in the amount of PLN 1,100 a year and the reduction of personal income tax. The total cost of this fiscal stimulus will amount to PLN 22 billion in 2019 and PLN 36 billion in 2020.
- Mainly one-off income (transfer fee from the liquidation of open-end pension funds and auctions of rights to CO2 emission and 5G frequency) are to be the source of new expenses' financing. The economists at ING Bank Śląski S.A. predict that this will increase the public finance deficit to 1.7% of GDP in 2019 and 1.2-1.5% of GDP in 2020. This will translate into an increase in Poland's borrowing needs and will stop rating agencies from upgrading their rating, which may put pressure on the yield on Polish debt.

9. Off-balance sheet items

	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
Off-balance sheet liabilities granted	34 290.0	34 284.1	29 553.3
Off-balance sheet liabilities received	100 030.8	93 219.1	83 788.8
Off-balance sheet financial instruments	561 574.1	532 491.0	521 166.8
Total off-balance sheet items	695 894.9	659 994.2	634 508.9

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

None.

11. Dividends paid

On 29 March 2019, the General Meeting passed a resolution regarding dividend payout for 2018, pursuant to which the Bank paid out the dividend for 2018 totalling PLN 455.35 mln (PLN 3.50 gross per share). On 18 April 2019 the shareholders of record became entitled to the dividend payout which will take place on 6 May 2019.

On 5 Apr 2018, the General Meeting passed a resolution regarding dividend payout for 2017, pursuant to which the Bank paid out the dividend for 2017 totalling PLN 416.32 mln (PLN 3.20 gross per share). On 25 Apr 2018 the shareholders of record became entitled to the dividend payout which took place on 10 May 2018.

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.

The value of the proceedings conducted in 2018 concerning liabilities and debt claims did not exceed 10% of the Group's equity. The Group is of the opinion that none of the proceedings conducted in 1 quarter 2019 before court, competent authority for arbitration proceedings or public administration authority, pose a risk to the Group's financial liquidity, individually or in total.

Changes to the litigation reserves (in PLN million)

	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019	1 quarter 2018 the period from 01 Jan 2018 to 31 Mar 2018
Opening balance	32.5	7.0
provisions recognised	3.3	1.2
provisions reversed	-0.4	0.0
provisions utilised	-0.3	0.0
reclassifications	-0.1	14.1
Closing balance	35.0	22.3

Proceedings before the President of the Office of Competition and Consumer Protection (OCCP)

- Proceedings concerning provisions providing for the possibility of changing the standard contract, contract or table of fees and commissions for important reasons (the so-called modification clauses)

On April 1, 2019 The President of OCCP instituted proceedings regarding the recognition of a standard contract as prohibited in the scope of provisions that may be considered as prohibited contractual provisions. The proceedings concern provisions providing for the possibility of changing the standard contract, contract or table of fees and commissions for important reasons (the so-called modification clauses).

The scope of the proceedings refers to the provisions in various general terms of contracts, regulations and contracts concluded with consumers: for cash loans, account debt limit, granting and repayment of loans in a brokerage account, using a credit card - in the version effective from March 7, 2016; for savings and billing accounts and savings accounts - in the version in force from November 9, 2015; for keeping payment accounts - in the version in force from August 6, 2018; for pre-paid cards - in the version effective from January 1, 2016.

According to the President of OCCP, the analysed modified clauses may constitute prohibited contractual provisions due to:

- the possibility of unilaterally changing the general terms and conditions of the agreement as to its essential provisions, as regards contracts enabling the generation of indebtedness on the part of consumers, concluded for a specific period of time,
- general, unspecified nature of the conditions for a unilateral change of the contract, which does not give consumers the possibility to verify them correctly, and in some cases there are no time limits as to the scope of changes,
- no provisions regarding the possibility of continuing a contract concluded for a specific period of time relating to the crediting of consumer needs on the current basis in the event of non-acceptance of unilateral proposals for changes directed by the bank.

- Proceedings regarding the application of practices violating collective consumer interests
 - Before the President of the Office of Competition and Consumer Protection there are the proceedings pending which were initiated ex officio by the Office President on 30 Dec 2015 regarding the application of the practices infringing collective consumer interests by the ING Bank Śląski. The practices consist in: informing the consumers being parties to the payment service agreement or having access to the online banking system about the amendments proposed to the terms and conditions of the payment service agreement during its term solely via electronic messages sent through the internet banking system which is not a durable medium under the Act on Payment Services; failure to include – in the messages sent to consumers regarding unilateral change of contractual terms, made during its term, wherewith certain documents are enclosed (regulations, general terms and conditions, the table of fees and commissions) regarding personal accounts, savings accounts, prepaid cards, credit cards and online banking – material information enabling consumers to establish that the changes made are admissible, i.e. failure to provide the contractual legal basis for the said changes and their triggers (factual circumstances), whereby consumers cannot verify that the changes to the contractual terms made by the Bank during the obligation-based relationship are admissible; informing the consumers of unilateral modification of modification clauses enabling amendment to regulations and general terms and conditions regarding personal accounts, savings accounts, prepaid cards, credit cards and online banking under the circumstances where there were no legal grounds for modifying the contractual terms in that manner during the obligation-based relationship with consumers.

On 8 August 2018, the President of the UOKiK issued a decision obliging to take specific actions. In connection with this decision, the Bank committed in particular to:

- concluding with customers annexes to the agreement accounts or the agreement on the cards issued to the account and make individual settlement of fees and commissions, which entered into force between 1 January 2014 and 1 March 2017 and refunding to the clients the difference in the fee or commission charged resulting from its increase, calculation changes or newly introduced fee or commission charged,
- grant public compensation to clients in the form of exemption from collecting cash withdrawal fees from all ATMs in the country, made with a debit card issued to the account, pre-paid or credit card - from 29 October 2018 to 28 November 2018.

Liabilities due to clients resulting from the decisions of UOKiK were made until 3 January 2019. The Authority also imposed an obligation to submit a report on the implementation of the above commitments.

- Before the President of the UOKiK there are the proceedings pending which were initiated ex officio by the Office President on 9 July 2014 regarding the application of the practices infringing collective consumer interests by the Bank. The practices consist in: making cards replacement during the payment card contract from cards which are not equipped with the contactless function to the contactless cards without changing the content of the contract, derive the legal consequences from Announcement to General terms and conditions of providing by ING Bank Śląski S.A. services as part of maintaining personal accounts and savings accounts for individuals, not provided consumers with information about the opportunities and principles for using payment cards to contactless transactions, spending limits for payment transactions executed by these cards, on paper or on another durable medium, in time before conclusion of the contract All proposals of the bank's liabilities towards UOKiK in the framework of the above-mentioned proceedings have been implemented. On 19 December 2018, UOKiK extended the proceedings until 30 April 2019.

- Proceedings regarding the allegation of practices limiting competition on the market of acquiring services for the payments made with payment cards in Poland

Following the antimonopoly proceedings conducted against ING Bank Śląski S.A. and other banks upon the request of the Polish Trade and Distribution Organization – Employers' Confederation, on 29 Dec 2006, the President of the Office of Competition and Consumer Protection issued a decision stating that the Bank applied the practices limiting competition. The Office of Competition and Consumer Protection deemed as competition limiting the practice whereby various Polish banks, the Bank included, participated in the arrangement limiting competition on the market of acquiring services for clearance of consumer liabilities towards merchants under the payment of goods and services acquired by consumers using payment cards in Poland by setting together the interchange fees charged on the transactions made using the Visa and MasterCard system cards in Poland. In consequence of recognition of the practices limiting competition, the Office of Competition and Consumer Protection imposed fines on banks, the Bank included – of PLN 14,1 million.

The decision was appealed against inter alia by the Bank with the Court of Competition and Consumer Protection. With its judgement of 12 Nov 2008, the Court of Competition and Consumer Protection changed the decision of the Office of Competition and Consumer Protection in that it did not recognise the practice limiting competition. On 22 Apr 2010, the judgement was repealed with the judgement of the Court of Appeal which referred the case for re-review.

With its judgment of 21 Nov 2013, the Court did not change the decision of the Office of Competition and Consumer Protection on the allegation of limiting competition, but reduced the Bank's fine to PLN 403,209. Nonetheless, the judgement of the Court of Competition and Consumer Protection was changed with the judgment of the Court of Appeal of 6 Oct 2015 which ruled to change the judgment of the Court of Competition and Consumer Protection in that all appeals were dismissed in their entirety. Following the ruling, the President's decision became final and binding and in Oct 2015 the Bank paid the fine of PLN 14,1 million as ruled.

The Bank and other banks participating in the proceedings alike lodged a complaint for annulment of the judgment of the Court of Appeal. On 25 Oct 2017, the Supreme Court repealed the judgment of the Court of Appeal and referred the case thereto for re-review. In line with the position of the Office of Competition and Consumer Protection, the fine paid was refunded to the Bank.

The Court of Appeal set the date of another hearing for 24 Oct 2018. As final decisions have not been taken yet, the amount of the reimbursed fine was not recognised in the income statement. As at 31 Mar 2019, the Group holds the provision of PLN 14.1 million.

13. Seasonality or cyclicity of activity

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

14. Transactions with related entities

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 31 Mar 2019 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. The Bank also maintains bank accounts of ING Group entities. 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	associated entities	ING Bank NV	other ING Group entities
	as of 31 Mar 2019			as of 31 Mar 2018	
Receivables					
Current accounts	22.4	3.2	-	38.2	38.0
Deposits placed	-	-	-	35.0	0.0
Loans	30.1	150.5	-	37.3	51.7
Positive valuation of derivatives	75.6	36.9	-	127.1	52.5
Other receivables	1.3	0.4	-	4.9	3.0
Liabilities					
Deposits received	33.1	35.4	1.8	226.1	22.1
Loans received	3 326.1	-	-	2 843.9	0.0
Subordinated loan	1 077.2	-	-	632.4	0.0
Loro accounts	14.9	28.9	-	55.1	43.8
Negative valuation of derivatives	49.6	32.4	-	150.2	47.1
Other liabilities	58.6	2.3	-	64.9	1.8
Off-balance-sheet operations					
Off-balance sheet liabilities granted	548.5	3 017.0	-	492.5	284.1
Off-balance sheet liabilities received	985.3	549.2	-	1 605.9	247.5
FX transactions	8 253.2	57.6	-	8 084.0	42.0
Forward transactions	143.4	-	-	457.5	0.0
IRS	2 619.0	2 616.9	-	3 135.8	2 379.3
Options	2 968.6	36.1	-	2 890.6	42.4
	1 quarter 2019 the period from 1 Jan 2019 to 31 Mar 2019			1 quarter 2018 the period from 1 Jan 2018 to 31 Mar 2018	
Income and expenses					
Income, including:	5.5	7.5	-	2.1	0.5
interest and commission income/expenses	-4.5	0.9	-	-2.2	0.7
income on financial instruments	10.6	5.3	-	4.2	-1.1
net income on other basic activities	-0.6	1.3	-	0.1	0.9
General and administrative expenses	17.8	3.3	-	22.5	2.4
Outlays for non-current assets					
Outlays for property, plant and equipment	-	-	-	-	0.1
Outlays for intangible assets	-	0.9	-	-	-

15. Segment reporting

Segments of operation

The management of Group's activity is conducted within the areas defined in the Group's business model. The Group'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 Group's internal regulations.

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

Retail banking segment

Within the framework of retail banking, the Group 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.

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, 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.

Measurement

The measurement of the segment's assets and liabilities, segment's revenue and costs is based on the accounting standards applied by the Group, 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 Group'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 Group presents segment's interest income reduced by the cost of the interest. In 1 quarter 2019 the Group revised the allocation key for the ALCO's income. The data for previous periods presented herein were made comparable.

1 quarter 2019 the period from 1 Jan 2019 to 31 Mar 2019

	Retail banking segment	Corporate banking segment	TOTAL
Income total	780.9	605.5	1 386.4
net interest income	633.5	377.0	1 010.5
net commission income	109.9	217.6	327.5
other income/expenses	37.5	10.9	48.4
Expenses total	431.6	289.5	721.1
Segment result	349.2	316.1	665.3
Impairment for expected losses	46.1	78.9	125.0
Tax on certain financial institutions	43.0	58.3	101.3
Investments in associates measured at equity method	0.0	-0.1	-0.1
Segment profit before tax	260.1	178.8	438.9
Income tax	-	-	113.5
Result after tax	-	-	325.4
attributable to shareholders of ING Bank Śląski S.A.	-	-	325.4
Allocated equity	5 684.9	7 744.0	13 428.9
ROE - Return on equity (%)*	16.9	8.7	12.2

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

1 quarter 2018 the period from 1 Jan 2018 to 31 Mar 2018

	Retail banking segment	Corporate banking segment	TOTAL
Income total	713.3	543.6	1 256.9
net interest income	562.8	320.2	883.0
net commission income	108.6	209.5	318.1
other income/expenses	41.9	13.9	55.8
Expenses total	372.6	255.7	628.3
Segment result	340.8	287.8	628.6
Impairment for expected losses	37.5	57.3	94.8
Tax on certain financial institutions	35.7	51.8	87.5
Investments in associates measured at equity method	0.0	0.0	0.0
Segment profit before tax	267.6	178.7	446.3
Income tax	-	-	124.1
Result after tax	-	-	322.2
attributable to shareholders of ING Bank Śląski S.A.	-	-	322.2
Allocated equity	5 243.8	6 815.1	12 058.9
ROE - Return on equity (%)	17.5	8.60	12.4

Geographical segments

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

16. Other information

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 press release published on 12 October 2018, Fitch sustained the ratings assigned to the Bank. The Agency emphasised in its press release that the ratings upheld for the Bank reflected a solid business model, conservative approach to credit risk, strong capital position, high quality of assets and profitability as well as a stable funding profile of the Bank.

The full rating assigned to the Bank by Fitch as at 31 March 2019 was as follows:

Rating	Level
Long-term IDR	A
Outlook for sustaining the above rating	Stabilna
Short-term IDR	F1
Viability rating	bbb+
Support rating	1
National Long-Term Rating	AAA (pol)
Outlook for sustaining the above rating	Stabilna
National Short-Term Rating	F1+ (pol)

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. In the press release published on 15 October 2018 Moody's sustained the ratings assigned to the Bank. ING Bank Śląski's ratings are supported by Poland's Macro Profile of "Strong-" and reflect the Bank's:

- good quality, though unseasoned, loan book with very limited exposure to foreign-currency retail mortgages,
- adequate, albeit declining capital ratio, and
- comfortable funding and liquidity profiles.

As at 31 March 2019, the Bank's financial viability rating issued by the Moody's Agency was as follows:

Rating	Level
LT Rating	A2
ST Rating	P-1
Baseline Credit Assessment (BCA)	baa2
Adjusted Baseline Credit Assessment (Adjusted BCA)	baa1
LT rating outlook	Stabilna
Counterparty Risk Rating (CR Rating) long-term/ short-term	A1 / P-1
Counterparty Risk Assessment (CR Assessment) long-term/ short-term	A1 (cr) / P-1 (cr)

On 1 April 2019 the rating agency Moody's Investors Service („Moody's") affirmed the ING Bank Śląski ratings.

16.2. Number of Branches and ATMs, CDMs

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

	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
Number of outlets	334	337	355
Number of ING Express sales points at shopping malls	65	63	64

As at 31 March 2019, clients could use 1.051 machines for cash self-service, including 190 standard ATMs and 861 dual machines.

As at 31 March 2018, there were 1.081 machines for cash self-service, including 199 standard ATMs and 882 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 clients are as follows (the number of clients is not the same as the number of users as one client may represent several users in a given system):

	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
Moje ING, ING BusinessOnLine (in million)	4.2	4.1	3.7
ING BankMobile. Moje ING Mobile* (in million)	3.8	3.6	2.9
HaloŚląski (in million)	2.2	2.2	2.2
ING BusinessMobile (in thousands)	22.1	20.8	17.4

*) The number of downloaded applications

The monthly number of transactions in March 2019 was at the level of 41.1 million, and in the analogical period last year it was 35.9 million.

16.4. Banking cards

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

in thousands	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
debit cards	2 887	2 795	3 096
credit cards	253	254	226
other cards*	151	145	135
Total payment cards. in which:	3 291	3 194	3 458
paywave**	3 135	3 049	2 768
virtual cards	156	145	109

*) including charge and prepaid cards

***) cards: Contactless VISA, Contactless Visa Business, Contactless MasterCard Debit, Visa Zbliżak, Zbliżak, VISA 2016, VISA NFC, Mastercard in EUR, MasterCard Debit in phone, Mastercard in phone Business.

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

2019-05-07	Brunon Bartkiewicz President	<i>Signed on the Polish original</i>
2019-05-07	Michał Bolesławski Vice-President	<i>Signed on the Polish original</i>
2019-05-07	Joanna Erdman Vice-President	<i>Signed on the Polish original</i>
2019-05-07	Marcin Giżycki Vice-President	<i>Signed on the Polish original</i>
2019-05-07	Bożena Graczyk Vice-President	<i>Signed on the Polish original</i>
2019-05-07	Patrick Roesink Vice-President	<i>Signed on the Polish original</i>
2019-05-07	Lorenzo Tassan-Bassut Vice-President	<i>Signed on the Polish original</i>

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2019-05-07	Jolanta Alvarado Rodriguez	Director of Accounting Department Chief Accountant	<i>Signed on the Polish original</i>
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ING BANK ŚLĄSKI S.A. INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS

Interim condensed standalone income statement

	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019	1 quarter 2018 the period from 01 Jan 2018 to 31 Mar 2018
Interest income, including:	1 211.8	1 060.5
Interest income calculated using effective interest rate method	1 210.7	1 059.2
Other interest income	1.1	1.3
Interest expenses	242.2	212.9
Net interest income	969.6	847.6
Commission income	391.6	371.2
Commission expenses	84.6	67.7
Net commission income	307.0	303.5
Net income on financial instruments at fair value through profit or loss and FX result	31.8	18.0
Net income on the sale of securities measured at amortised cost	0.0	1.1
Net income on the sale of financial assets measured at fair value through other comprehensive income and dividend income	12.7	32.1
Net income on hedge accounting	-1.2	2.2
Net income on other basic activities	0.4	-0.2
Net income on basic activities	1 320.3	1 204.3
General and administrative expenses	690.9	603.1
Impairment for expected losses	116.6	92.5
including profit on sale of impaired receivables	9.8	1.1
Tax on certain financial institutions	101.3	87.5
Share of profit (loss) of subsidiaries and associates accounted for using the equity method	21.6	19.3
Gross profit	433.1	440.5
Income tax	107.7	118.3
Net profit	325.4	322.2
Weighted average number of ordinary shares	130 100 000	130 100 000
Earnings per ordinary share (PLN)	2.50	2.48

No material operations were discontinued during the 1 quarter 2019 and 1 quarter 2018.

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

Interim condensed standalone income statement shall be read in conjunction with the notes to interim condensed consolidated financial statements being the integral part thereof.

Interim condensed standalone statement of comprehensive income

	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019	1 quarter 2018 the period from 01 Jan 2018 to 31 Mar 2018
Net profit for the period	325.4	322.2
Total other comprehensive income, including:	183.3	189.7
Items which can be reclassified to income statement, including:	159.4	189.7
debt instruments measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-96.1	57.6
debt instruments measured at fair value through other comprehensive income – reclassification to the financial result due to sale	2.4	-19.1
loans measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-39.2	0.0
cash flow hedging – gains/losses on revaluation carried through equity	389.2	246.4
cash flow hedging – reclassification to profit or loss	-96.9	-95.2
Items which will not be reclassified to income statement, including:	23.9	0.0
equity instruments measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	23.9	0.0
Net comprehensive income for the reporting period	508.7	511.9

Interim condensed standalone statement of comprehensive income shall be read in conjunction with the notes to interim condensed consolidated financial statements being the integral part thereof.

Interim condensed standalone statement of financial position

	note	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
Assets				
Cash in hand and balances with the Central Bank		1 760.3	1 237.4	2 042.4
Loans and other receivables to other banks		1 068.0	776.5	2 017.4
Financial assets held for trading		2 203.9	1 711.6	1 263.6
Derivative hedge instruments		929.3	909.6	960.6
Investment securities		29 852.9	31 937.3	29 135.7
Loans and other receivables to customers	4.1	103 046.4	99 125.8	86 506.3
Investments in subsidiaries and associates measured at equity method		1 029.4	634.6	605.5
Property, plant and equipment		979.8	550.4	532.0
Intangible assets		419.0	425.0	413.9
Assets held for sale		12.1	10.9	10.9
Deferred tax assets		236.1	209.0	135.2
Other assets		505.6	183.4	184.1
Total assets		142 042.8	137 711.5	123 807.6
Liabilities				
Liabilities to other banks		1 684.4	1 807.7	3 128.8
Financial liabilities at fair value through profit or loss		1 299.5	1 464.3	1 044.8
Derivative hedge instruments		727.4	611.8	622.6
Liabilities to customers		120 218.3	117 293.8	104 398.3
Liabilities under issue of debt securities		302.2	300.3	302.2
Subordinated liabilities		1 077.2	1 076.9	632.4
Provisions		149.4	149.5	113.6
Current income tax liabilities		336.0	264.5	244.3
Other liabilities		2 858.7	1 406.4	1 261.7
Total liabilities		128 653.1	124 375.2	111 748.7
Equity				
Share capital		130.1	130.1	130.1
Supplementary capital - issuance of shares over nominal value		956.3	956.3	956.3
Accumulated other comprehensive income		1 353.0	1 169.7	684.0
Retained earnings		10 950.3	11 080.2	10 288.5
Total equity		13 389.7	13 336.3	12 058.9
Total equity and liabilities		142 042.8	137 711.5	123 807.6
Carrying amount		13 389.7	13 336.3	12 058.9
Number of shares		130 100 000	130 100 000	130 100 000
Carrying amount per share (PLN)		102.92	102.51	92.69

Interim condensed standalone statement of financial position shall be read in conjunction with the notes to interim condensed consolidated financial statements being the integral part thereof.

Interim condensed standalone statement of changes in equity

1 quarter 2019

the period from 01 Jan 2019 to 31 Mar 2019

	Share capital	Supplementary capital - issuance of shares over nominal value	Cumulative other comprehensive income	Retained earnings	Total equity
Opening balance of equity	130.1	956.3	1 169.7	11 080.2	13 336.3
Net result for the current period	-	-	-	325.4	325.4
Other net comprehensive income, including:	0.0	0.0	183.3	0.0	183.3
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	-111.4	-	-111.4
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	2.4	-	2.4
cash flow hedging – gains/losses on revaluation carried through equity	-	-	389.2	-	389.2
cash flow hedging – reclassification to profit or loss	-	-	-96.9	-	-96.9
Other changes in equity, including:	0.0	0.0	0.0	-455.3	-455.3
valuation of share-based payments	-	-	-	0.1	0.1
profit distribution with dividend payout allocation	-	-	-	-455.4	-455.4
Closing balance of equity	130.1	956.3	1 353.0	10 950.3	13 389.7

4 quarters 2018 YTD

the period from 01 Jan 2018 to 31 Dec 2018

	Share capital	Supplementary capital - issuance of shares over nominal value	Cumulative other comprehensive income	Retained earnings	Total equity
Opening balance of equity	130.1	956.3	493.2	10 215.2	11 794.8
the impact of changes to the accounting principles in connection with the implementation of IFRS 9	0.0	0.0	1.1	-249.0	-247.9
Opening balance of equity adjusted for changes to the accounting principles	130.1	956.3	494.3	9 966.2	11 546.9
Net result for the current period	-	-	-	1 525.9	1 525.9
Other net comprehensive income, including:	0.0	0.0	675.4	4.0	679.4
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	18.4	-	18.4
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	-31.8	-	-31.8
cash flow hedging – gains/losses on revaluation carried through equity	-	-	1 033.1	-	1 033.1
cash flow hedging – reclassification to profit or loss	-	-	-339.4	-	-339.4
disposal of non-current assets	-	-	-4.0	4.0	0.0
actuarial gains/losses	-	-	-0.9	-	-0.9
Other changes in equity, including:	0.0	0.0	0.0	-415.9	-415.9
valuation of share-based payments	-	-	-	0.3	0.3
dividends paid	-	-	-	-416.2	-416.2
Closing balance of equity	130.1	956.3	1 169.7	11 080.2	13 336.3

1 quarter 2018
 the period from 01 Jan 2018 to 31 Mar 2018

	Share capital	Supplementary capital - issuance of shares over nominal value	Cumulative other comprehensive income	Retained earnings	Total equity
Opening balance of equity	130.1	956.3	493.2	10 215.2	11 794.8
the impact of changes to the accounting principles in connection with the implementation of IFRS 9	0.0	0.0	1.1	-249.0	-247.9
Opening balance of equity adjusted for changes to the accounting principles	130.1	956.3	494.3	9 966.2	11 546.9
Net result for the current period	-	-	-	322.2	322.2
Other net comprehensive income, including:	0.0	0.0	189.7	0.0	189.7
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	57.6	-	57.6
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	-19.1	-	-19.1
cash flow hedging – gains/losses on revaluation carried through equity	-	-	246.4	-	246.4
cash flow hedging – reclassification to profit or loss	-	-	-95.2	-	-95.2
Other changes in equity, including:	0.0	0.0	0.0	0.1	0.1
valuation of share-based payments	-	-	-	0.1	0.1
Closing balance of equity	130.1	956.3	684.0	10 288.5	12 058.9

Interim condensed consolidated statement of changes in equity shall be read in conjunction with the notes to interim condensed consolidated financial statements being the integral part thereof.

Interim condensed standalone cash flow statement

	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019	1 quarter 2018 the period from 01 Jan 2018 to 31 Mar 2018
Net profit (loss)	325.4	322.2
Adjustments	1 333.4	-1 062.4
Share of profit (loss) of subsidiaries and associates accounted for using the equity method	21.6	-19.3
Depreciation and amortisation	69.4	43.5
Interest accrued (from the income statement)	-969.6	-845.5
Interest paid	-234.5	-207.8
Interest received	1 465.4	916.8
Gains (losses) on investing activities	0.0	0.6
Income tax (from the income statement)	107.7	118.3
Income tax paid from the income statement	-63.3	-46.7
Change in provisions	-0.1	6.8
Change in loans and other receivables to other banks	-275.2	94.8
Change in financial assets held for trading	-492.8	50.8
Change in debt securities measured at fair value through other comprehensive income	2 250.2	-2 957.0
Change in hedge derivatives	388.2	81.2
Change in loans and other receivables to customers	-4 226.1	498.3
Change in other assets	-347.7	-28.2
Change in liabilities to other banks	-121.4	2 083.9
Change in liabilities at fair value through profit or loss	-164.4	-668.0
Change in liabilities to customers	2 920.5	320.7
Change in other liabilities	1 005.5	-505.6
Net cash flow from operating activities	1 658.8	-740.2
Purchase of property plant and equipment	-475.8	-15.5
Purchase of intangible assets	-13.9	-13.1
Disposal of assets held for sale	0.0	-120.0
Purchase of equity instruments measured at fair value through other comprehensive income	-394.9	0.0
Purchase of debt securities measured at amortized cost	-223.2	0.0
Net cash flow from investing activities	-1 107.8	-148.6
Interest on long-term loans repaid	-12.6	-3.1
Net cash flow from financing activities	-12.6	-3.1
Effect of exchange rate changes on cash and cash equivalents	136.7	-63.5
Net increase/decrease in cash and cash equivalents	538.4	-891.9
Opening balance of cash and cash equivalents	1 956.4	4 598.2
Closing balance of cash and cash equivalents	2 494.8	3 706.3

Interim condensed standalone cash flow statement shall be read in conjunction 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. 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 the 1 quarter 2019 and 1 quarter 2018.

1.3. Compliance with International Financial Reporting Standards

These interim condensed standalone financial statements of the ING Bank Śląski S.A. for the 1 quarter 2019 were prepared under the IAS 34 Interim Financial Reporting (International Accounting Standards) in a version approved by the European Commission effective as at the reporting date, that is 31 March 2019 as well as in accordance with the Ordinance of Finance Minister of 29 Mar 2018 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws of 2018, no. 33, item 757).

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 Group's interim condensed consolidated financial statements for 1 quarter 2019 and the Bank's financial statements for the year ended 31 Dec 2018 approved by the General Meeting on 29 April 2019.

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 Jan 2019 to 31 Mar 2019 and interim condensed standalone statement of financial position as of 31 Mar 2019, together with comparable data were prepared according to the same principles of accounting for each period except for the changes resulting from the implementation of MSSF 16 replacing MSR 17 *Leasing*. The changes refer to recognition, measurement, presentation and disclosure of leases. The Bank decided to apply the modified retrospective approach to its lease contracts and does not restate comparative data.

1.4. Comparative data

The comparative data cover the period from 1 Jan 2018 to 31 Mar 2018 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 Jan 2018 to 31 Dec 2018 for the interim condensed standalone statement of changes in equity and in the case of the interim condensed standalone statement of financial position data as of 31 Dec 2018 and 31 Mar 2018.

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. Approval of financial statements

These interim condensed standalone financial statements have been approved by the Bank Management Board on 7 May 2019.

1.7. Changes in accounting standards

In these interim condensed standalone financial statements, the same accounting standards have been applied as in the case of annual financial statements for the year 2018 (Annual Financial Statements of the ING Bank Śląski S.A. for the period started 1 Jan 2018 and ended 31 Dec 2018) and the standards and interpretations adopted by the European Union and applicable to the annual periods starting 1 Jan 2019 or afterwards

1.7.1. Impact of IFRS 16 *Leasing* implementation for financial statements

The description of IFRS 16 implementation impact for financial statements was included in these interim condensed consolidated financial statements in chapter *Additional information* in the point 4.1.1.

The impact of IFRS 16 on the standalone financial statements as at 1 January 2019 is presented in the specification below.

Recognising a right-of-use asset:	467.0
real estate lease	452.4
car lease	13.9
others assets	0.7
Recognising a lease liability:	467.0
real estate lease	454.7
car lease	13.9
others assets	0.7
prepayments	-2.3

	as of 31 Dec 2018	impact of MSSF 16 implementation	as of 1 Jan 2019
Assets			
Property, plant and equipment	550.4	467.0	1 017.4
including a right-of-use asset	0.0	467.0	467.0
Total assets	137 711.5	467.0	138 178.5
Liabilities			
Other liabilities, including:	1 406.4	467.0	1 873.4
lease liability	0.0	469.3	469.3
prepayments	2.3	-2.3	0.0
Total liabilities	124 377.5	467.0	124 842.2
Total equity attributable to shareholders of ING Bank Śląski S.A.	13 336.3	0.0	13 336.3
Total equity and liabilities	137 713.8	467.0	138 178.5

The table below contains a reconciliation of difference between operating lease commitments disclosed applying IAS 17 at the date 31 Dec 2018 and lease liabilities as at 01 Jan 2019 i.e. at the date of initial application of IFRS 16.

	31 Dec 2018	opening balance adjustments	1 Jan 2019
Future rental commitments under MSR 17	483.5		
opening balance adjustments in connection with the implementation of IFRS 16, including:		-14.2	
(-) discounting effect using leasee's incremental borrowing rate as at 1 Jan 2019		-54.1	
(-) recognition exemption for short-term leases		-8.6	
(-) non-lease components of a contract		-51.6	
(+)/(-) extension and termination options reasonably certain to be exercised		100.1	
Lease liability under IFRS 16			469.3

2. Significant accounting principles

The detailed accounting principles were presented in the Annual Financial Statements of the ING Bank Śląski S.A. for the period started 1 Jan 2018 and ended 31 Dec 2018, published on 1 March 2019 and available on the website of ING Bank Śląski S.A. (www.ingbank.pl).

In addition, with respect to interim financial statements, the Bank applies the principle of recognizing the financial result income tax charges based on the best estimate of the weighted average annual income tax rate expected by the Bank in the full financial year.

In 1 quarter 2019 the changes in description of applied accounting principles concerning IFRS 16 were made. This was described in the interim condensed consolidated financial statements, in chapter *Additional information*, in the point 5. *Significant accounting principles*.

3. Comparability of financial data

When compared with the interim standalone financial statements for previous periods, in the interim condensed standalone financial statements for the period from 1 Jan 2019 to 31 Mar 2019, the Bank amended the manner of presentation of individual items of the income statement which – in the Bank's opinion – enhanced the transparency and informative value of the financial statements. The changes required a restatement of the comparable data; they did not, however, impact on the level of the financial result presented.

The table below highlights the individual items of the income statement as they were presented in the interim standalone financial statements for 1 quarter 2018 and in the current statements. They are as follows:

- changed manner of presenting interest on securities and derivatives held for trading; in the previous periods they were presented in *Interest income/expenses*, currently in the *Net income on financial instruments at fair value through profit or loss and FX result*,
- changed manner of presenting the amortisation of fair value adjustment for exposures, which were excluded from fair value hedge strategy; in the previous periods it was presented in *Net income on hedge accounting*, currently in *Interest income*,
- changed manner of presenting commission income and expenses on payment and credit cards; in the previous periods it was presented net in *Commission Income*.

1q 2018 the period from 1 Jan.2018 to 31 Mar 2018					
	in financial statements for 1q 2018 (approved data)	change a)	change b)	change c)	in financial statements for 1q 2019 (comparable data)
Interest income	1 058.8	15.6	-13.9		1 098.1
Interest expenses	213.3	-0.4			215.1
Net interest income	845.5	16.0	-13.9	0.0	883.0
Commission income	337.0			34.2	385.0
Commission expenses	33.5			34.2	66.9
Net commission income	303.5	0.0	0.0	0.0	318.1
Net income on financial instruments at fair value through profit or loss and FX result	34.0	-16.0			18.0
Net income on the sale of securities measured at amortised cost	5.4		-4.3		1.1
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	32.1				32.2
Net income on hedge accounting	-16.0		18.2		2.2
Net income on other basic activities	-0.2				2.3
Net income on basic activities	1 204.3	0.0	0.0	0.0	1 256.9
General and administrative expenses	603.1			0.0	628.3
Impairment for expected losses	92.5				94.8
Tax on certain financial institutions	87.5				87.5
Share of profit (loss) of subsidiaries and associates accounted for using the equity method	19.3				
Gross profit	440.5	0.0	0.0	0.0	446.3
Income tax	118.3				124.1
Net profit	322.2	0.0	0.0	0.0	322.2

4. Supplementary notes to interim condensed consolidated financial statements

4.1. Loans and other receivables to customers

	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
Measured at amortised cost	97 475.2	98 907.4	86 244.0
Measured at fair value through other comprehensive income	5 365.1	-	-
Measured at fair value through profit or loss	206.1	218.4	262.3
Total (net)	103 046.4	99 125.8	86 506.3

Some mortgage loans may be sold to ING Bank Hipoteczny S.A. as part of a so-called pooling. In connection with receipt by ING Bank Hipoteczny S.A. of the consent to start operations in the first quarter of 2019, some of the mortgage loans were designated by the Bank in that quarter for the new business model "hold to collect and sell" and are currently valued at fair value through other comprehensive income.

From the point of view of the consolidated financial statements, loans subject to pooling still meet the criterion of the business model "hold to collect" due to the fact that pooling transactions take place within the Group.

The Bank applies a discounted cash flow model to the valuation of mortgage loans designated to the portfolio measured at fair value. Due to the use in the valuation model of input data which are not based on observable market data, the valuation technique belongs to Level 3.

Loans and other receivables measured at amortised cost

	as of 31 Mar 2019			as of 31 Dec 2018			as of 31 Mar 2018		
	gross	impairment	net	gross	impairment	net	gross	impairment	net
Portfolio of loans, including:	98 364.2	-2 116.0	96 248.2	100 067.6	-2 110.8	97 956.8	87 438.4	-1 941.6	85 496.8
households	43 022.8	-1 142.6	41 880.2	46 917.5	-1 097.8	45 819.7	41 041.0	-999.3	40 041.7
business entities	52 214.6	-973.1	51 241.5	49 949.9	-1 012.9	48 937.0	43 749.5	-940.8	42 808.7
the government and self-government institutions' sector	3 126.8	-0.3	3 126.5	3 200.2	-0.1	3 200.1	2 647.9	-1.5	2 646.4
Total, including:	98 364.2	-2 116.0	96 248.2	100 067.6	-2 110.8	97 956.8	87 438.4	-1 941.6	85 496.8
Corporate banking segment	57 886.7	-1 064.3	56 822.4	55 693.0	-1 106.2	54 586.8	48 770.6	-1 015.3	47 755.3
loans in the current account	14 594.1	-414.2	14 179.9	13 553.7	-460.1	13 093.6	13 073.6	-390.4	12 683.2
term loans and advances	40 781.5	-649.6	40 131.9	39 329.5	-645.6	38 683.9	33 389.3	-623.9	32 765.4
corporate and municipal debt securities	2 511.1	-0.5	2 510.6	2 809.8	-0.5	2 809.3	2 307.7	-1.0	2 306.7
Retail banking segment	40 477.5	-1 051.7	39 425.8	44 374.6	-1 004.6	43 370.0	38 667.8	-926.3	37 741.5
mortgages	28 839.7	-226.5	28 613.2	33 371.7	-224.9	33 146.8	28 892.1	-231.0	28 661.1
loans in the current account	1 386.4	-105.9	1 280.5	1 329.2	-105.8	1 223.4	1 394.3	-98.8	1 295.5
other loans and advances	10 251.4	-719.3	9 532.1	9 673.7	-673.9	8 999.8	8 381.4	-596.5	7 784.9
Other receivables, including:	1 227.0	0.0	1 227.0	950.6	0.0	950.6	747.2	0.0	747.2
complex call deposits	1 029.7	0.0	1 029.7	733.0	0.0	733.0	603.0	0.0	603.0
other receivables	197.3	0.0	197.3	217.6	0.0	217.6	144.2	0.0	144.2
Total	99 591.2	-2 116.0	97 475.2	101 018.2	-2 110.8	98 907.4	88 185.6	-1 941.6	86 244.0

Quality of loan portfolio

	as of 31 Mar 2019			as of 31 Dec 2018			as of 31 Mar 2018		
	gross	impairment	net	gross	impairment	net	gross	impairment	net
Corporate banking	57 886.7	-1 064.3	56 822.4	55 693.0	-1 106.2	54 586.8	48 770.6	-1 015.3	47 755.3
assets in stage 1	52 704.3	-47.5	52 656.8	50 361.4	-49.6	50 311.8	43 648.0	-48.6	43 599.4
assets in stage 2	3 463.1	-52.2	3 410.9	3 643.7	-51.9	3 591.8	3 549.9	-48.7	3 501.2
assets in stage 3	1 719.3	-964.6	754.7	1 687.9	-1 004.7	683.2	1 572.7	-918.0	654.7
Retail banking	40 477.5	-1 051.7	39 425.8	44 374.6	-1 004.6	43 370.0	38 667.8	-926.3	37 741.5
assets in stage 1	34 049.6	-62.4	33 987.2	37 821.8	-57.5	37 764.3	32 924.7	-57.0	32 867.7
assets in stage 2	5 577.0	-341.7	5 235.3	5 773.7	-361.3	5 412.4	4 976.5	-284.5	4 692.0
assets in stage 3	850.9	-647.6	203.3	779.1	-585.8	193.3	766.6	-584.8	181.8
Total loan portfolio	98 364.2	-2 116.0	96 248.2	100 067.6	-2 110.8	97 956.8	87 438.4	-1 941.6	85 496.8

Additionally, the Bank identifies POCI financial assets whose fair value as at 1 January 2018 and carrying amount as at 31 March 2019 are 0. This group covers exposures under impaired receivables purchased in connection with the takeover of Bieszczadzka SKOK in 2017 and exposures that arisen due to restructuring resulting in re-recognition of the assets item in the statement of financial position.

4.2. Total capital ratio

	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
Own funds	12 709.0	11 962.3	11 003.9
Total capital requirements	5 920.6	5 568.4	4 988.6
Total capital ratio	17.17%	17.19%	17.65%
Tier 1 ratio	15.72%	16.26%	16.63%

When calculating the capital ratios, the Bank was using the transitional provisions concerning alleviation of the IFRS 9 implementation impact on own funds. If the IFRS 9 implementation impact had been recognised in full, the total capital ratio would have arrived at 16.82% and the Tier 1 capital ratio at 15.37%.

5. Significant events in 1 quarter 2019

Significant events that occurred in 1 quarter 2019 are described in the interim condensed consolidated financial statement in chapter *Additional information* in item 2. *Significant events in 1 half year 2019*.

6. 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*.

7. Seasonality or cyclicity of activity

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

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

None.

9. Dividends paid

On 29 March 2019, the General Meeting passed a resolution regarding dividend payout for 2018, pursuant to which the Bank paid out the dividend for 2018 totalling PLN 455.35 mln (PLN 3.50 gross per share). On 18 April 2019 the shareholders of record became entitled to the dividend payout which will take place on 6 May 2019.

On 5 Apr 2018, the General Meeting passed a resolution regarding dividend payout for 2017, pursuant to which the Bank paid out the dividend for 2017 totalling PLN 416.32 mln (PLN 3.20 gross per share). On 25 Apr 2018 the shareholders of record became entitled to the dividend payout which took place on 10 May 2018.

10. Acquisitions

In 1 quarter 2019 ING Bank Śląski S.A. did not make any acquisitions, as in 1 quarter 2018.

11. Off-balance sheet items

	as of 31 Mar 2019	as of 31 Dec 2018	as of 31 Mar 2018
Off-balance sheet liabilities granted	33 991.1	31 958.8	28 793.5
Off-balance sheet liabilities received	99 485.3	92 484.3	82 844.7
Off-balance sheet financial instruments	561 574.0	532 491.0	521 166.8
Total off-balance sheet items	695 050.4	656 934.1	632 805.0

12. Transactions with related entities

Transactions between related entities (PLN million)

	ING Bank NV	Other ING Group entities	Subsidiari es	Associate d entities	ING Bank NV	Other ING Group entities	Subsidiaries	
	as of 31 Mar 2019				as of 31 Mar 2018			
Receivables								
Current accounts	22.4	3.2	-	-	38.2	38.0	-	
Deposits placed					35.0	-	-	
Loans	-	113.4	9 383.3	-	-	0.1	7 323.3	
Positive valuation of derivatives	75.6	36.9	2.3	-	127.1	52.5	1.3	
Other receivables	1.3	0.4	304.2	-	4.9	3.0	2.0	
Liabilities								
Deposits received	33.1	35.4	507.9	1.8	226.1	22.1	204.6	
Subordinated loan	1 077.2	-	-	-	632.4	-	-	
Loro accounts	14.9	28.9	1.3	-	55.1	43.8	-	
Negative valuation of derivatives	49.6	32.4	-	-	150.2	47.1	-	
Other liabilities	58.6	2.3	1.8	-	64.9	1.8	1.0	
Off-balance-sheet operations								
Off-balance sheet liabilities granted	470.5	2 955.8	824.0	-	436.1	233.3	2 282.3	
Off-balance sheet liabilities received	440.0	549.2	-	-	661.9	247.5	-	
FX transactions	8 253.2	57.6	-	-	8 084.0	42.0	-	
Forward transactions	143.4	-	-	-	457.5	-	-	
IRS	2 619.0	2 616.9	63.0	-	3 135.8	2 379.3	66.0	
Options	2 968.6	36.1	-	-	2 890.6	42.4	-	
	1 quarter 2019				1 quarter 2018			
	the period from 1 Jan 2019 to 31 Mar 2019				the period from 1 Jan 2018 to 31 Mar 2018			
Income and expenses								
Income, including:	7.0	7.2	47.8	-	4.3	0.1	42.1	
interest and commission income/expenses	-2.9	0.6	49.7	-	0.1	0.3	42.1	
income on financial instruments	10.6	5.3	0.6	-	4.2	-1.1	0.0	
net income on the sale of securities measured at fair value through other comprehensive income	-	-	-3.1	-	-	-	-	
net income on other basic activities	-0.7	1.3	0.6	-	-	0.9	-	
General and administrative expenses	18.1	2.8	-0.5	-	22.1	1.8	0.9	
Outlays for non-current assets	-	0.9	-	-	-	-	-	

In the first quarter of 2019, the Bank sold to ING Bank Hipoteczny S.A. (a subsidiary of the Bank) a portfolio of mortgage-backed housing loans in the amount of PLN 340.1 million. The purchase price was set on an arm's-length basis. The amount due from ING Bank Hipoteczny S.A. concerning deferred payment under this sale transaction in the amount of PLN 331.4 million was recognized as at 31 March 2019 in the Other assets item.

Additionally, in April 2019, the Bank effected another sale of a mortgage-backed housing loans portfolio in the amount of PLN 484.9 million to ING Bank Hipoteczny S.A.

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

2019-05-07 **Brunon Bartkiewicz** Signed on the Polish original
President

2019-05-07 **Michał Bolesławski** Signed on the Polish original
Vice-President

2019-05-07 **Joanna Erdman** Signed on the Polish original
Vice-President

2019-05-07 **Marcin Giżycki** Signed on the Polish original
Vice-President

2019-05-07 **Bożena Graczyk** Signed on the Polish original
Vice-President

2019-05-07 **Patrick Roesink** Signed on the Polish original
Vice-President

2019-05-07 **Lorenzo Tassan-Bassut** Signed on the Polish original
Vice-President

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2019-05-07 **Jolanta Alvarado Rodriguez** Director of Accounting
Department
Chief Accountant Signed on the Polish original

