ING Bank Śląski S.A. Group

Semi-annual consolidated report for the period of 6 months ending on 30 June 2019

Interim condensed consolidated financial statements (PLN million)

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Interim condensed consolidated financial statements (PLN million)

SELECTED FINANCIAL DATA FROM FINANCIAL STATEMENTS

Selected financial data

	2 quarter 2019 the period from 01 Apr 2019 to 30 Jun 2019	1 half year 2019 the period from 01 Jan 2019 to 30 Jun 2019	2 quarter 2018 the period from 01 Apr 2018 to 30 Jun 2018	1 half year 2018 the period from 01 Jan 2018 to 30 Jun 2018
Net interest income	1 047.7	2 058.2	920.0	1 803.0
Net commission income	359.2	686.7	339.6	657.7
Result on basic activities	1 451.3	2 837.7	1 310.2	2 567.1
Result before tax	627.0	1 065.9	490.4	936.7
Net profit attributable to shareholders of ING Bank Śląski S.A.	470.3	795.7	372.7	694.9
Earnings per ordinary share (PLN)	3.61	6.12	2.86	5.34

	as of 30 Jun 2019	as of 31 Dec 2018	as of 30 Jun 2018
Loans and other receivables to customers (net)	110 509.9	103 125.8	94 724.3
Liabilities to customers	122 992.0	117 682.5	109 174.1
Total assets	150 609.8	141 589.6	130 758.6
Equity attributable to shareholders of ING Bank Śląski S.A.	14 236.6	13 336.3	11 889.5
Share capital	130.1	130.1	130.1

Key effectiveness ratios

	as of 30 Jun 2019	as of 31 Dec 2018	as of 30 Jun 2018
C/I - Cost/Income ratio (%)	45.9	44.5	46.1
ROA - Return on assets (%)	1.2	1.2	1.2
ROE - Return on equity (%)	12.5	12.5	12.3
NIM - net interest margin (%)	2.94	2.93	2.93
L/D - Loans-to-deposits ratio (%)	89.9	87.6	86.8
Total capital ratio (%)	15.05	15.60	15.24

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 (PLN million)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF ING BANK ŚLĄSKI S.A. GROUP

Interim condensed consolidated income statement

	note	2 quarter 2019 the period from 01 Apr 2019 to Jun 2019	1 half year 2019 the period from 01 Jan 2019 to 30 Jun 2019	2 quarter 2018 the period from 01 Apr 2018 to Jun 2018	1 half year 2018 the period from 01 Jan 2018 to 30 Jun 2018
Interest income, including:		1 308.6	2 562.0	1 150.2	2 248.3
Interest income calculated using effective interest rate method		1 307.5	2 559.8	1 148.8	2 245.6
Other interest income		1.1	2.2	1.4	2.7
Interest expenses		260.9	503.8	230.2	445.3
Net interest income	8.1	**1 047.7**	**2 058.2**	**920.0**	**1 803.0**
Commission income		449.3	858.6	418.2	803.2
Commission expenses		90.1	171.9	78.6	145.5
Net commission income	8.2	**359.2**	**686.7**	**339.6**	**657.7**
Net income on financial instruments at fair value through profit or loss and FX result	8.3	25.1	56.5	24.4	42.4
Net income on the sale of securities measured at amortised cost	8.4	0.0	0.0	-0.1	1.0
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	8.4	16.4	32.2	18.3	50.5
Net income on hedge accounting	8.5	-0.9	-2.1	2.0	4.2
Net income on other basic activities		3.8	6.2	6.0	8.3
Net income on basic activities		**1 451.3**	**2 837.7**	**1 310.2**	**2 567.1**
General and administrative expenses	8.6	581.1	1 302.2	555.0	1 183.3
Impairment for expected losses	8.7	135.9	260.9	173.7	268.5
including profit on sale of receivables		0.0	9.8	0.0	1.1
Tax on certain financial institutions		107.2	208.5	91.1	178.6
Share of profit (loss) of associates accounted for using the equity method		-0.1	-0.2	0.0	0.0
Gross profit		**627.0**	**1 065.9**	**490.4**	**936.7**
Income tax		156.7	270.2	117.7	241.8
Net profit attributable to shareholders of ING Bank Śląski S.A.		**470.3**	**795.7**	**372.7**	**694.9**
Net profit (loss) attributable to shareholders of ING Bank Śląski S.A.		**470.3**	**795.7**	**372.7**	**694.9**
Weighted average number of ordinary shares		130 100 000	130 100 000	130 100 000	130 100 000
Earnings per ordinary share (PLN)		3.61	6.12	2.86	5.34

No material operations were discontinued during the 1 half year 2019 and 1 half year 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 financial statements (PLN million)

Interim condensed consolidated statement of comprehensive income

	2 quarter 2019 the period from 01 Apr 2019 to Jun 2019	**1 half year 2019** the period from 01 Jan 2019 to 30 Jun 2019	**2 quarter 2018** the period from 01 Apr 2018 to Jun 2018	**1 half year 2018** the period from 01 Jan 2018 to 30 Jun 2018
Net profit for the period	**470.3**	**795.7**	**372.7**	**694.9**
Total other comprehensive income, including:	**337.3**	**559.8**	**-126.0**	**63.7**
Items which can be reclassified to income statement, including:	**325.9**	**524.5**	**-126.8**	**62.9**
debt instruments measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	101.4	5.3	-41.9	15.7
debt instruments measured at fair value through other comprehensive income – reclassification to the financial result due to sale	-22.8	-20.4	-9.6	-28.7
cash flow hedging – gains/losses on revaluation carried through equity	348.0	737.2	-13.0	233.4
cash flow hedging – reclassification to profit or loss	-100.7	-197.6	-62.3	-157.5
Items which will not be reclassified to income statement, including:	**11.4**	**35.3**	**0.8**	**0.8**
equity instruments measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	11.4	35.3	0.8	0.8
Net comprehensive income for the reporting period, including:	**807.6**	**1 355.5**	**246.7**	**758.6**
attributable to owners of ING Bank Śląski S.A.	807.6	1 355.5	246.7	758.6

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 financial statements (PLN million)

Interim condensed consolidated statement of financial position

	note	as of **30 Jan 2019**	as of **31 Dec 2018**	as of **30 Jan 2018**
Assets				
Cash in hand and balances with the Central Bank		2 293.5	1 237.4	1 781.5
Loans and other receivables to other banks	8.8	694.3	776.5	951.8
Financial assets held for trading	8.9	2 497.6	1 711.6	2 034.0
Derivative hedge instruments		869.0	909.6	880.2
Investment securities	8.10	31 315.3	31 937.3	28 677.0
Loans and other receivables to customers	8.11	110 509.9	103 125.8	94 724.3
Investments in associates measured at equity method		0.7	1.0	1.3
Property, plant and equipment	8.13	937.8	556.1	526.8
Intangible assets		420.7	439.2	430.0
Assets held for sale		20.7	10.9	16.2
Deferred tax assets		419.8	398.2	335.2
Other assets		630.5	486.0	400.3
Total assets		**150 609.8**	**141 589.6**	**130 758.6**
Liabilities				
Liabilities to other banks	8.14	7 359.2	5 195.8	4 882.0
Financial liabilities at fair value through profit or loss	8.15	1 261.2	1 464.3	1 281.7
Derivative hedge instruments		505.1	611.8	677.7
Liabilities to customers	8.16	122 992.0	117 682.5	109 174.1
Liabilities under issue of debt securities		300.2	300.3	300.2
Subordinated liabilities		1 065.0	1 076.9	655.6
Provisions	8.17	158.7	152.4	125.1
Current income tax liabilities		212.3	280.3	68.3
Other liabilities	8.18	2 519.5	1 489.0	1 704.4
Total liabilities		**136 373.2**	**128 253.3**	**118 869.1**
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		1 729.2	1 169.7	557.0
Retained earnings		11 421.0	11 080.2	10 246.1
Equity attributable to shareholders of ING Bank Śląski S.A.		**14 236.6**	**13 336.3**	**11 889.5**
Non-controlling interests		0.0	0.0	0.0
Total equity		**14 236.6**	**13 336.3**	**11 889.5**
Total equity and liabilities		**150 609.8**	**141 589.6**	**130 758.6**
Carrying amount		14 236.6	13 336.3	11 889.5
Number of shares		130 100 000	130 100 000	130 100 000
Carrying amount per share (PLN)		109.43	102.51	91.39

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 financial statements (PLN million)

Interim condensed consolidated statement of changes in equity

1 half year 2019
the period from 01 Jan 2019 to 30 Jun 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	-	-	-	795.7	**795.7**
Other net comprehensive income, including:	**0.0**	**0.0**	**559.5**	**0.3**	**559.8**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	40.6	-	40.6
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	-20.4	-	-20.4
cash flow hedging – gains/losses on revaluation carried through equity	-	-	737.2	-	737.2
cash flow hedging – reclassification to profit or loss	-	-	-197.6	-	-197.6
disposal of non-current assets	-	-	-0.3	0.3	0.0
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**-455.2**	**-455.2**
valuation of share-based payments	-	-	-	0.2	0.2
profit distribution with dividend payout allocation	-	-	-	-455.4	-455.4
Closing balance of equity	**130.1**	**956.3**	**1 729.2**	**11 421.0**	**14 236.6**

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**

Interim condensed consolidated financial statements (PLN million)

1 half year 2018
the period from 01 Jan 2018 to 30 Jun 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	-	-	-	694.9	**694.9**
Other net comprehensive income, including:	**0.0**	**0.0**	**62.7**	**1.0**	**63.7**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	16.5	-	16.5
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	-28.7	-	-28.7
cash flow hedging – gains/losses on revaluation carried through equity	-	-	233.4	-	233.4
cash flow hedging – reclassification to profit or loss	-	-	-157.5	-	-157.5
disposal of non-current assets	-	-	-1.0	1.0	0.0
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**-416.0**	**-416.0**
valuation of share-based payments	-	-	-	0.2	0.2
dividends paid	-	-	-	-416.2	-416.2
Closing balance of equity	**130.1**	**956.3**	**557.0**	**10 246.1**	**11 889.5**

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 financial statements (PLN million)

Interim condensed consolidated cash flow statement

	1 H 2019 the period from 01 Jan 2019 to 30 Jun 2019	1 H 2018 the period from 01 Jan 2018 to 30 Jun 2018
Net profit (loss)	**795.7**	**694.9**
Adjustments	**628.0**	**-3 351.1**
Share of profit (loss) of associates accounted for using the equity method	0.2	-
Depreciation and amortisation	139.4	88.5
Interest accrued (from the income statement)	-2 058.2	-1 803.3
Interest paid	-486.1	-436.2
Interest received	2 468.9	2 159.2
Dividends received	-7.0	-0.8
Gains (losses) on investing activities	0.3	-1.0
Income tax (from the income statement)	270.2	241.8
Income tax paid from the income statement	-359.9	-431.7
Change in provisions	6.3	16.3
Change in loans and other receivables to other banks	37.1	396.5
Change in financial assets held for trading	-786.1	-719.2
Change in investment securities	880.2	-3 677.3
Change in hedge derivatives	474.0	141.4
Change in loans and other receivables to customers	-7 307.0	-3 956.8
Change in property, plant and equipment due to lease recognising	66.0	n/a
Change in other assets	-91.6	15.0
Change in liabilities to other banks	1 750.3	585.8
Change in liabilities at fair value through profit or loss	-202.7	-431.0
Change in liabilities to customers	5 302.1	4 670.0
Change in other liabilities	531.7	-208.3
Net cash flow from operating activities	**1 423.7**	**-2 656.2**
Purchase of property plant and equipment	-72.7	-42.0
Disposal of property plant and equipment	0.8	0.1
Purchase of intangible assets	-38.1	-37.0
Disposal of assets held for sale	10.6	3.4
Purchase of equity instruments measured at fair value through other comprehensive income	0.0	-1.2
Purchase of debt securities measured at amortized cost	-223.2	0.0
Disposal of debt securities measured at amortized cost	0.0	1 055.8
Dividends received	7.0	0.8
Net cash flow from investing activities	**-315.6**	**979.9**
Long-term loans received	873.0	709.0
Long-term loans repaid	-454.6	-516.7
Interest on long-term loans repaid	-12.0	-11.0
Interests from issued debt securities	-3.8	-3.8
Leasing liabilities repaid	-45.7	0.0
Dividends paid	-455.4	-416.2
Net cash flow from financing activities	**-98.5**	**-238.7**
Effect of exchange rate changes on cash and cash equivalents	43.8	133.8
Net increase/decrease in cash and cash equivalents	**1 009.6**	**-1 915.0**
Opening balance of cash and cash equivalents	**1 956.4**	**4 598.2**
Closing balance of cash and cash equivalents	**2 966.0**	**2 683.2**

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

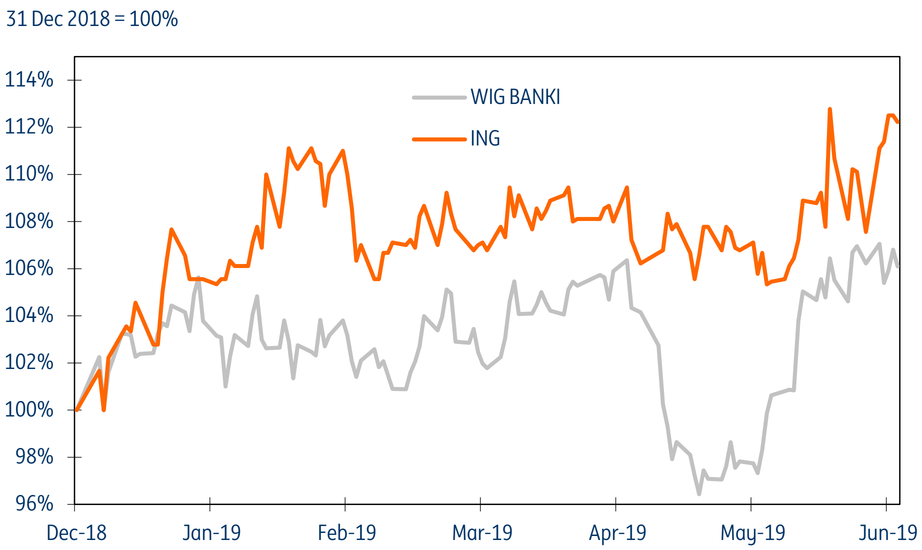
ING Bank Śląski S.A. ("Parent company", "parent entity", "Bank") with the registered office in Katowice, Sokolska Str. 34, was entered into the Entrepreneurs Register with the National Court Register maintained by the Commercial Division of the District Court in Katowice under the number KRS 5459.The 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 Polish zloty 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 30 June 2019, the share price of ING Bank Śląski S.A. was PLN 202.0, whereas as of 30 June 2018 was at the level of PLN 179.0. In the 6 months of 2019, the price of ING Bank Śląski S.A. shares was as follows:



Interim condensed consolidated financial statements (PLN million)

1.4. ING Bank Śląski S.A. Group.

ING Bank Śląski S.A. is the parent company of the ING Bank Śląski S.A. Group ("Capital Group", "Group"). As at 30 June 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. On July 23, 2019 the Polish Financial Supervision Authority (PFSA) has issued a decision on the absence of grounds for objection against the above purchase of shares. After finalising the transaction, NN TFI will be an associate of the Bank. The Bank will use the equity method to account for its share in the company. Transaction settlement will be included in 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 30 June 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	10,792,367	8.30

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

As at 30 June 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 30 July 2019.

2. Significant events in 1 half year 2019

- *Appointment of a Vice-President of the Bank Management Board*

On 24 June 2019 the Supervisory Board appointed Mr Sławomir Soszyński as the Vice-President of the Management Board, effective as of 1 October 2019.

- *Bonds series INGBS191219*

On 19 June 2019, due to commencing new, tenth coupon period and setting a new WIBOR rate for six-month deposits per the coupon period, the interest was changed for bonds series INGBS191219 of the total nominal value of PLN 300.000.000,00, issued by the Bank on 19 December 2014, under the *Own Debt Securities Issuance Programme of ING Bank Śląski S.A.* The bonds interest for the subsequent coupon period is 2.54% per annum. The next coupon date falls on 19 December 2019. The other rights under the said bonds remain unchanged.

- *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 1 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.

- *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 requirement[1] + 1.5%,
- minimum Tier 1 (T1) at the level of 6.0% + combined buffer requirement[1] + 1.5%,
- minimum total capital ratio (TCR) at the level of 8.0% + combined buffer requirement[1] + 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 5 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 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

- *Polish Financial Supervision Authority decision on the absence of grounds for objection against the planned acquisition of 45% of shares of NN Investment Partners TFI S.A. by a Bank subsidiary*

On July 23, 2019 the PFSA has issued a decision on the absence of grounds for objection against the intention of ING Investment Holding (Polska) S.A., a Bank subsidiary, and of ING Groep N.V., an original parent entity of ING Investment Holding (Polska) S.A. and the Bank, to acquire 45% of shares of NN Investment Partners TFI S.A.

As a result of issue of the above decision by the PFSA; i.e. satisfaction of the key condition precedent foreseen in the Purchase Agreement, the Bank expect the transaction to be closed in Q3 2019.

4. Compliance with International Financial Reporting Standards

These interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for the 1 half year 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 30 June 2019 as well as in accordance with the Ordinance of Finance Minister of 29 March 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 December 2018 approved by the General Meeting on 29 March 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 January 2019 to 30 June 2019 and interim condensed consolidated statement of financial position as of 30 June 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 IFRS 16 replacing IAS 17 *Leasing*. The changes refer to recognition, measurement, presentation and disclosure of leases (for detailed description of changes refer to the subsequent part if the financial statements, point 4.1.*1 Impact of IFRS 16 Leasing implementation on the financial statements*). The Group decided to apply the modified retrospective approach to its lease contracts and did 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 January 2019 or afterwards, i.e.:

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Change	Impact on the Group statements
IAS 19 'Plan amendment, curtailment or settlement'	Application of the changes does not have 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 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. *Impact of IFRS 16 Leasing implementation on the financial statements* while the description of adopted accounting principles – in point 5. *Significant accounting principles*
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 half year 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 on the 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 applied 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.

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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
other assets	0.7
Recognising a lease liability:	**488.7**
real estate lease	472.5
car lease	15.5
other assets	0.7
Prepayments	**-2.4**

	as of 31 Dec 2018	impact of IFRS 16 implementation	as of 1 Jan 2019
Assets			
Property, plant and equipment	556.1	486.3	1 042.4
including a right-of-use asset	0.0	486.3	486.3
Total assets	**141 589.6**	**486.3**	**142 075,.9**
Liabilities			
Other liabilities, including:	1 489.0	486.3	1 975.3
lease liability	0.0	488.7	488.7
prepayments	2.4	-2.4	0.0
Total liabilities	**128 253.3**	**486.3**	**128 739.6**
Total equity attributable to shareholders of ING Bank Śląski S.A.	**13 336.3**	**0.0**	**13 336.3**
Total equity and liabilities	**141 589.,6**	**486.3**	**142 075.9**

The table below contains a reconciliation of difference between operating lease commitments disclosed applying IAS 17 at the date 31 December 2018 and lease liabilities as at 1 January 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 IAS 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		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 of the Group were discontinued during the 1 half year 2019 and 1 half year 2018.

4.4. Financial statements scope and currency

These interim condensed consolidated financial statements of the Group for the 1 half year 2019 comprise the Bank and its subsidiaries and associates. These interim condensed consolidated financial statements have been prepared 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 January 2018 to 30 June 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 January 2018 to 31 December 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 December 2018 and 30 June 2018. Interim condensed consolidated income statements, interim condensed consolidated statement of comprehensive income and notes to the interim condensed consolidated income statements include data for the Q2 2019 (period from 1 April 2019 to 30 June 2019) as well as comparative data for the Q2 2018 (period from 1 April 2018 to 30 June 2018).

5. Accounting estimates

The development of financial statements in accordance with IFRS requires from the Group the use of estimates and assumptions that affect the amounts reported in the financial statements and notes thereto.

Estimates and assumptions applied to the presentation of value of assets, liabilities, income and costs are made on the basis of historical data available and other factors considered to be relevant in given circumstances. The assumptions applied for the future and available data sources are the base for making estimates regarding the carrying amount of assets and liabilities, which cannot be determined explicitly on the basis of other sources. The estimates reflect the reasons for/ sources of uncertainties as at the balance sheet date. The actual results may differ from estimates.

The estimates and assumptions are reviewed on an on-going basis. Adjustments to estimates are recognized in the period when the estimate was changed provided that the adjustment applies to this period alone or in the period when the estimate was changed and in the following periods, should the adjustment impact both the current and future periods.

- *Write-offs for expected credit losses*

Methodology and assumptions used to estimate write-offs for expected credit losses from financial assets that are measured at amortized cost or at fair value through other comprehensive income with respect to both the amount and the moments of future cash flows are regularly reviewed and updated as necessary. In line with the methodology adopted by the Group, changes in the level of impairment losses on expected credit losses are affected, among others, by changes in estimates of the macroeconomic indicators used. In addition, as indicated in Note 16, as part of the regular impairment validation process, in the first half of 2019, the assumptions regarding significant credit risk (SICR) for the SME portfolio were updated, as well as the cure rate parameter in the LGD model for the retail mortgage portfolio.

- *Valuation of equity instruments*

In the first half of 2019, the Group made changes in estimates with respect to valuation of equity instruments measured at fair value through other comprehensive income, as described in Note 8.19 *Fair value*.

6. 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 January 2018 and ended 31 December 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 there are presented the amendments made in 1 half year 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 January 2019.

Group as a leasee

Principles applicable before 1 January 2019

The Group was a party to lease contracts, under which it took 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 were transferred, subject of such lease agreement was recognized as a non-current asset, and a liability was recognized in the amount equal to the present value of minimum lease payments as of the date of commencement of the lease.
Lease payments were 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 were recognized directly in the income statement.
Non-current assets subject the finance lease contract were depreciated/amortized in the manner defined for the Bank's non-current assets. However, if it was uncertain whether the ownership of an asset has been transferred, then non-current assets used pursuant to finance lease contracts were depreciated/amortized over the shorter of two: the expected useful life or the lease term.
Lease payments for contracts which did not qualify as finance lease agreements were recognized as costs in the income statement using the straight-line method throughout the lease term and were 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 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.

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).

7. 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 January 2019 to 30 June 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 half year 2018 and in the current statements. They are as follows:

a) 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 the sale of securities measured at amortised cost,* currently in *Interest income*,

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b) changed manner of presenting commission income and expenses on payment and credit cards; in the previous periods it was presented net in *Commission Income*.

	1 H 2018 the period from 1 Jan.2018 to 30 Jun 2018			
	in consolidated financial statements for 1 H 2018 (approved data)	change a)	change b)	in consolidated financial statements for 1 H 2019 (comparable data)
Interest income	2 248.6	-0.3		2 248.3
Interest expenses	445.3			445.3
Net interest income	**1 803.3**	**-0.3**		**1 803.0**
Commission income	732.3		70.9	803.2
Commission expenses	74.6		70.9	145.5
Net commission income	**657.7**		**0.0**	**657.7**
Net income on financial instruments at fair value through profit or loss and FX result	42.4			42.4
Net income on the sale of securities measured at amortised cost	0.7	0.3		1.0
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	50.5			50.5
Net income on hedge accounting	4.2			4.2
Net income on other basic activities	8.3			8.3
Net income on basic activities	2 567.1			2 567.1
General and administrative expenses	1 183.3			1 183.3
Impairment for expected losses	268.5			268.5
Tax on certain financial institutions	178.6			178.6
Gross profit (loss)	936.7			936.7
Income tax	241.8			241.8
Net profit (loss) - attributable to shareholders of ING Bank Śląski S.A.	**694.9**			**694.9**

In terms of the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement, the Group continues to present the data adopted in the annual consolidated financial statements for the year 2018. Therefore, the data presented in these statements for previous periods were adjusted to comparability.

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8. Supplementary notes to interim condensed consolidated financial statements

8.1. Net interest income

	2 quarter 2019 the period from 01 Apr 2019 to Jun 2019	1 half year 2019 the period from 01 Jan 2019 to 30 Jun 2019	2 quarter 2018 the period from 01 Apr 2018 to Jun 2018	1 half year 2018 the period from 01 Jan 2018 to 30 Jun 2018
Interest income, including:	**1 308.6**	**2 562.0**	**1 150.2**	**2 248.3**
Interest income calculated using effective interest rate method, including:	**1 307.5**	**2 559.8**	**1 148.8**	**2 245.6**
interest on loans and receivables to other banks measured at amortised cost	10.2	19.9	7.9	17.4
interest on loans and receivables to customers measured at amortised cost	1 130.5	2 203.6	966.7	1 885.2
interest on securities measured at amortised cost	64.3	127.6	74.7	144.3
interest on securities measured at fair value through other comprehensive income	102.5	208.7	99.5	198.7
Other interest income, including:	**1.1**	**2.2**	**1.4**	**2.7**
interest on loans and receivables to other banks measured at fair value through profit or loss	1.1	2.2	1.4	2.7
Interest expense, including:	**260.9**	**503.8**	**230.2**	**445.3**
interest on deposits from other banks	15.6	30.7	14.5	24.7
interest on deposits from customers	237.6	457.8	210.6	410.7
interest on issue of debt securities	1.9	3.8	1.9	3.8
interest on subordinated liabilities	4.2	8.3	3.2	6.1
interest on lease liabilities*	1.6	3.2	0.0	0.0
Net interest income	**1 047.7**	**2 058.2**	**920.0**	**1 803.0**

*) 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 did 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*.

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8.2. Net commission income

	2 quarter 2019 the period from 01 Apr 2019 to 30 Jun 2019	1 half year 2019 the period from 01 Jan 2019 to 30 Jun 2019	2 quarter 2018 the period from 01 Apr 2018 to 30 Jun 2018	1 half year 2018 the period from 01 Jan 2018 to 30 Jun 2018
Commission income, including:				
transaction margin on currency exchange transactions	96.0	186.9	91.6	176.0
account maintenance	73.7	144.2	72.6	142.8
lending	79.7	161.0	74.4	151.8
payment and credit cards*	101.7	174.8	82.5	142.0
participation units distribution	18.5	34.5	26.0	51.8
insurance product offering	33.1	62.9	26.6	50.1
factoring and lease agreements	11.2	27.8	15.3	28.1
brokerage activity	4.7	10.5	5.0	10.5
fiduciary and custodian	7.4	14.2	7.1	14.4
foreign commercial business	9.5	18.5	8.6	16.7
other	13.8	23.3	8.5	19.0
Total commission income	**449.3**	**858.6**	**418.2**	**803.2**
Commission expenses	**90.1**	**171.9**	**78.6**	**145.5**
including payment and credit cards*	46.3	87.7	36.7	70.9
Net commission income	**359.2**	**686.7**	**339.6**	**657.7**

*) 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.*

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

	2 quarter 2019 the period from 01 Apr 2019 to 30 Jun 2019	1 half year 2019 the period from 01 Jan 2019 to 30 Jun 2019	2 quarter 2018 the period from 01 Apr 2018 to 30 Jun 2018	1 half year 2018 the period from 01 Jan 2018 to 30 Jun 2018
FX result and net income on interest rate derivatives, including:	12.9	28.0	7.7	16.0
FX result	7.2	-22.6	84.9	104.0
currency derivatives	5.7	50.6	-77.2	-88.0
Net income on interest rate derivatives	1.5	12.4	14.1	15.5
Net income on debt instruments held for trading	10.7	16.1	2.5	10.8
Result on measurement of loans to customers which are measured at fair value through profit or loss	0.0	0.0	0.1	0.1
Net income on financial instruments at fair value through profit or loss and FX result	**25.1**	**56.5**	**24.4**	**42.4**

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

	2 quarter 2019 the period from 01 Apr 2019 to 30 Jun 2019	1 half year 2019 the period from 01 Jan 2019 to 30 Jun 2019	2 quarter 2018 the period from 01 Apr 2018 to 30 Jun 2018	1 half year 2018 the period from 01 Jan 2018 to 30 Jun 2018
Net income on the sale of securities measured at amortised cost	0.0	0.0	-0.1	1.0
Net income on sale of securities measured at fair value through other comprehensive income and dividend income, including:	16.4	32.2	18.3	50.5
sale of debt securities	9.4	25.2	12.0	44.2
dividend income	7.0	7.0	6.3	6.3
Total	**16.4**	**32.2**	**18.2**	**51.5**

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.*

8.5. Net income on hedge accounting

	2 quarter 2019 the period from 01 Apr 2019 to 30 Jun 2019	1 half year 2019 the period from 01 Jan 2019 to 30 Jun 2019	2 quarter 2018 the period from 01 Apr 2018 to 30 Jun 2018	1 half year 2018 the period from 01 Jan 2018 to 30 Jun 2018
Fair value hedge accounting for securities:	**3.1**	**5.4**	**2.8**	**5.1**
valuation of the hedged transaction	21.6	51.8	-14.9	38.4
valuation of the hedging transaction	-18.5	-46.4	17.7	-33.3
Cash flow hedge accounting:	**-4.0**	**-7.5**	**-0.8**	**-0.9**
ineffectiveness under cash flow hedges	-4.0	-7.5	-0.8	-0.9
Net income on hedge accounting	**-0.9**	**-2.1**	**2.0**	**4.2**

8.6. General and administrative expenses

	2 quarter 2019 the period from 01 Apr 2019 to 30 Jun 2019	1 half year 2019 the period from 01 Jan 2019 to 30 Jun 2019	2 quarter 2018 the period from 01 Apr 2018 to 30 Jun 2018	1 half year 2018 the period from 01 Jan 2018 to 30 Jun 2018
Personnel expenses	292.7	579.1	286.0	561.4
Other general and administrative expenses, including:	288.4	723.1	269.0	621.9
cost of marketing and promotion	28.4	58.1	26.0	55.5
depreciation and amortisation	67.8	139.1	44.8	88.5
including right-of-use asset amortisation*	24.1	47.3	0.0	0.0
obligatory Bank Guarantee Fund payments	17.8	166.6	27.0	111.3
IT costs	55.5	113.8	45.4	112.9
maintenance, refurbishment and rental of buildings*	n/a	n/a	47.6	94.8
costs of buildings maintenance*	24.3	50.3	n/a	n/a
costs of short-term leasing and low-value assets leasing*	5.4	12.0	n/a	n/a
other	89.2	183.2	78.2	158.9
Total	**581.1**	**1 302.2**	**555.0**	**1 183.3**

*) 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. As a result of implementation, long-term rental costs were allocated to depreciation and interest expenses, while short-term rental costs were transferred to the line: Costs of short-term leasing and low-value assets leasing. The costs of buildings maintenance show the costs associated with the maintenance and administration of real estate and non-leasing elements, not included in the calculation of leasing liabilities, including VAT.

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8.6.1. Headcount

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

	as of **30 Jun 2019**	as of **31 Dec 2018**	as of **30 Jun 2018**
FTEs	8 119.3	8 033.6	8 026.3
Individuals	8 170	8 086	8 075

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

	as of **30 Jun 2019**	as of **31 Dec 2018**	as of **30 Jun 2018**
FTEs	7 693.1	7 615.7	7 629.8
Individuals	7 740	7 665	7 676

8.7. Impairment for expected losses

	2 quarter 2019 the period from 01 Apr 2019 to 30 Jun 2019	**1 half year 2019** the period from 01 Jan 2019 to 30 Jun 2019	**2 quarter 2018** the period from 01 Apr 2018 to 30 Jun 2018	**1 half year 2018** the period from 01 Jan 2018 to 30 Jun 2018
corporate banking	67.6	146.5	70.4	127.7
retail banking	68.3	114.4	103.3	140.8
Total	**135.9**	**260.9**	**173.7**	**268.5**

8.8. Loans and other receivables to other banks

	as of **30 Jun 2019**	as of **31 Dec 2018**	as of **30 Jun 2018**
Current accounts	184.6	378.4	284.4
Interbank deposits	5.1	5.0	257.0
Loans and advances	234.8	52.6	50.1
Placed call deposits	269.8	340.6	360.3
Total (gross)	**694.4**	**776.6**	**951.8**
Impairment for expected losses, including:	-0.1	-0.1	0.0
concerning loans and advances	-0.1	-0.1	0.0
Total (net)	**694.3**	**776.5**	**951.8**

8.9. Financial assets held for trading

	as of **30 Jun 2019**	as of **31 Dec 2018**	as of **30 Jun 2018**
Valuation of derivatives	**555.1**	**509.7**	**677.1**
Other financial assets held for trading, including:	**1 942.5**	**1 201.9**	**1 356.9**
debt securities:	1 711.1	1 201.9	1 356.9
Treasury bonds	1 692.5	1 183.0	1 335.3
European Investment Bank bonds	18.6	18.9	21.6
repo transactions	231.4	0.0	0.0
Total	**2 497.6**	**1 711.6**	**2 034.0**

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8.10. Investment securities

	as of 30 Jun 2019	as of 31 Dec 2018	as of 30 Jun 2018
Measured at fair value through other comprehensive income (FVOCI), including:	**19 165.4**	**20 077.3**	**16 532.7**
debt securities, including:	19 038.6	19 994.0	16 455.3
treasury bonds	16 589.4	17 670.4	14 575.5
treasury bonds in EUR	983.7	903.0	637.3
European Investment Bank bonds	1 015.2	985.6	805.3
Austrian government bonds	450.3	435.0	437.2
equity instruments	126.8	83.3	77.4
Measured at amortised cost, including:	**12 149.9**	**11 860.0**	**12 144.3**
debt securities, including:	12 149.9	11 860.0	12 144.3
treasury bonds	5 961.9	5 936.7	5 934.7
treasury bonds in EUR	3 257.3	3 143.7	3 092.8
BGK bonds	524.6	512.9	1 519.7
European Investment Bank bonds	2 253.1	2 266.7	1 597.1
NBP bills	153.0	0.0	0.0
Total	**31 315.3**	**31 937.3**	**28 677.0**

8.11. Loans and receivables to customers

	as of 30 Jun 2019	as of 31 Dec 2018	as of 30 Jun 2018
Measured at amortised cost	110 316.4	102 907.4	94 475.3
Measured at fair value through profit or loss	193.5	218.4	249.0
Total (net)	**110 509.9**	**103 125.8**	**94 724.3**

Interim condensed consolidated financial statements (PLN million)

Loans and other receivables measured at amortised cost

	as of 30 Jun 2019			as of 31 Dec 2018			as of 30 Jun 2018		
	gross	impairment	**net**	gross	impairment	**net**	gross	impairment	**net**
Portfolio of loans, including:	**111 280.0**	**-2 422.8**	**108 857.2**	**104 226.8**	**-2 270.0**	**101 956.8**	**95 902.3**	**-2 236.0**	**93 666.3**
households	53 434.3	-1 224.2	52 210.1	48 631.3	-1 105.6	47 525.7	44 811.2	-1 103.8	43 707.4
business entities	54 600.8	-1 198.5	53 402.3	52 388.2	-1 164.3	51 223.9	48 533.7	-1 131.6	47 402.1
the government and self-government institutions' sector	3 244.9	-0.1	3 244.8	3 207.3	-0.1	3 207.2	2 557.4	-0.6	2 556.8
Total, including:	**111 280.0**	**-2 422.8**	**108 857.2**	**104 226.8**	**-2 270.0**	**101 956.8**	**95 902.3**	**-2 236.0**	**93 666.3**
Corporate banking segment	**61 291.6**	**-1 295.9**	**59 995.7**	**58 863.5**	**-1 261.5**	**57 602.0**	**54 179.2**	**-1 211.6**	**52 967.6**
loans in the current account	11 668.4	-441.1	11 227.3	10 782.9	-460.1	10 322.8	10 393.2	-406.2	9 987.0
term loans and advances	34 155.9	-767.5	33 388.4	33 243.9	-726.6	32 517.3	30 441.6	-740.2	29 701.4
leasing receivables	7 961.1	-52.0	7 909.1	7 165.0	-46.9	7 118.1	6 481.1	-42.6	6 438.5
factoring receivables	5 168.4	-35.0	5 133.4	4 861.9	-27.4	4 834.5	4 773.9	-22.3	4 751.6
corporate and municipal debt securities	2 337.8	-0.3	2 337.5	2 809.8	-0.5	2 809.3	2 089.4	-0.3	2 089.1
Retail banking segment	**49 988.4**	**-1 126.9**	**48 861.5**	**45 363.3**	**-1 008.5**	**44 354.8**	**41 723.1**	**-1 024.4**	**40 698.7**
mortgages*	36 464.6	-200.1	36 264.5	33 371.7	-224.9	33 146.8	30 540.9	-245.5	30 295.4
loans in the current account	1 421.9	-114.6	1 307.3	1 329.2	-105.8	1 223.4	1 403.4	-104.0	1 299.4
leasing receivables	1 174.0	-5.2	1 168.8	979.1	-3.6	975.5	811.2	-3.4	807.8
other loans and advances	10 927.9	-807.0	10 120.9	9 683.3	-674.2	9 009.1	8 967.6	-671.5	8 296.1
Other receivables, including:	**1 459.2**	**0.0**	**1 459.2**	**950.6**	**0.0**	**950.6**	**809.0**	**0.0**	**809.0**
call deposits placed as collateral	1 081.1	0.0	1 081.1	733.0	0.0	733.0	651.7	0.0	651.7
other receivables	378.1	0.0	378.1	217.6	0.0	217.6	157.3	0.0	157.3
Total	**112 739.2**	**-2 422.8**	**110 316.4**	**105 177.4**	**-2 270.0**	**102 907.4**	**96 711.3**	**-2 236.0**	**94 475.3**

*) The position of *Mortgage* includes i.a. loans to individuals in CHF. The gross value of these loans as at June 30, 2019 amounted to PLN 941.4 million (as at December 31, 2018 and as at June 30, 2018 PLN 981.4 million and PLN 1,013.4 million, respectively).

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Quality of loan portfolio

	as of 30 Jun 2019			as of 31 Dec 2018			as of 30 Jun 2018		
	gross	impairment	**net**	gross	impairment	**net**	gross	impairment	**net**
Corporate banking	**61 291.6**	**-1 295.9**	**59 995.7**	**58 863.5**	**-1 261.5**	**57 602.0**	**54 179.2**	**-1 211.6**	**52 967.6**
assets in stage 1	54 654.1	-63.6	54 590.5	51 733.2	-56.0	51 677.2	47 295.4	-66.4	47 229.0
assets in stage 2	4 306.6	-54.3	4 252.3	5 038.9	-62.8	4 976.1	4 870.4	-69.2	4 801.2
assets in stage 3	2 330.9	-1 178.0	1 152.9	2 091.4	-1 142.7	948.7	2 013.4	-1 076.0	937.4
Retail banking	**49 988.4**	**-1 126.9**	**48 861.5**	**45 363.3**	**-1 008.5**	**44 354.8**	**41 723.1**	**-1 024.4**	**40 698.7**
assets in stage 1	43 043.5	-67.7	42 975.8	38 633.0	-58.2	38 574.8	35 539.4	-67.7	35 471.7
assets in stage 2	5 965.1	-340.9	5 624.2	5 916.7	-362.0	5 554.7	5 324.2	-314.4	5 009.8
assets in stage 3	979.8	-718.3	261.5	813.6	-588.3	225.3	859.5	-642.3	217.2
Total loan portfolio	**111 280.0**	**-2 422.8**	**108 857.2**	**104 226.8**	**-2 270.0**	**101 956.8**	**95 902.3**	**-2 236.0**	**93 666.3**

Additionally, the Group identifies POCI financial assets whose fair value as at 1 January 2018 and carrying amount as at 30 June 2019 are 0. This group covers exposures under impaired receivables purchased in connection with the takeover of Bieszczadzka SKOK in 2017.

Interim condensed consolidated financial statements (PLN million)

Changes in impairment for expected losses

	1 H 2019 the period from 01 Jan 2019 to 30 Jun 2019				1 H 2018 the period from 01 Jan 2018 to 30 Jun 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:	**17.1**	**-29.6**	**165.3**	**152.8**	**11.6**	**33.6**	**145.9**	**191.1**
impairments for granted loans during the period	42.7	0.0	0.0	**42.7**	49.2	0.0	0.0	**49.2**
transfer to stage 1	9.9	-76.5	-3.4	**-70.0**	9.9	-70.2	-3.3	**-63.6**
transfer to stage 2	-15.5	137.2	-20.4	**101.3**	-16.9	150.9	-19.9	**114.1**
transfer to stage 3	-3.1	-46.0	309.7	**260.6**	-2.6	-34.6	232.6	**195.4**
changed provisioning under expected losses	-16.8	-44.3	-11.6	**-72.7**	-29.8	-12.7	22.6	**-19.9**
derecognition from the balance sheet (write-downs, sale)	0.0	0.0	-123.6	**-123.6**	0.0	0.0	-95.1	**-95.1**
calculation and write-off of effective interest	0.0	0.0	20.1	**20.1**	0.0	0.0	8.2	**8.2**
other	-0.1	0.0	-5.5	**-5.6**	1.8	0.2	0.8	**2.8**
Closing balance of impairment	**131.3**	**395.2**	**1 896.3**	**2 422.8**	**134.1**	**383.6**	**1 718.3**	**2 236.0**

8.12. Debt securities

	as of **30 Jun 2019**	as of **31 Dec 2018**	as of **30 Jun 2018**
Debt securities held for trading	1 711.1	1 201.9	1 356.9
Debt securities measured at fair value through other comprehensive income	19 038.6	19 994.0	16 455.3
Debt securities measured at amortised cost in the investment securities portfolio	11 996.9	11 860.0	12 144.3
Debt securities measured at amortised cost in the loans and other receivables to customers portfolio	2 337.5	2 809.3	2 089.1
Total	**35 084.1**	**35 865.2**	**32 045.6**

8.13. Property, plant and equipment

	as of **30 Jun 2019**	as of **31 Dec 2018**	as of **30 Jun 2018**
Right-of-use assets*	420.3	n/a	n/a
Real estate and leasehold improvements	316.7	334.0	325.9
Computer hardware	100.4	104.0	73.7
Other property, plant and equipment	73.0	86.0	102.0
Construction in progress	27.4	32.1	25.2
Total	**937.8**	**556.1**	**526.8**

*) 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 did not restate comparative data.

Interim condensed consolidated financial statements (PLN million)

8.14. Liabilities to other banks

	as of 30 Jun 2019	as of 31 Dec 2018	as of 30 Jun 2018
Current accounts	1 123.2	324.0	226.5
Interbank deposits	2 026.3	876.1	724.0
Loans received*	3 616.1	3 388.2	3 273.0
Call deposits received	584.6	592.1	624.7
Other	9.0	15.4	33.8
Total	**7 359.2**	**5 195.8**	**4 882.0**

*) The financing of the long-term leasing contracts in EUR ("the matched funding") received by the subsidiary ING Lease Polska Sp. z o.o. from ING Bank NV and other banks not related to the Group is presented in item Loans received.

8.15. Financial liabilities at fair value through profit or loss

	as of 30 Jun 2019	as of 31 Dec 2018	as of 30 Jun 2018
Valuation of derivatives	**613.1**	**578.1**	**817.3**
Other financial liabilities at fair value through profit or loss, including:	**648.1**	**886.2**	**464.4**
book short position in trading securities	416.6	886.2	464.4
financial liabilities held for trading, including:	231.5	0.0	0.0
repo transactions	231.5	0.0	0.0
Total	**1 261.2**	**1 464.3**	**1 281.7**

8.16. Liabilities to customers

	as of 30 Jun 2019	as of 31 Dec 2018	as of 30 Jun 2018
Deposits, including:	**121 131.2**	**115 908.0**	**107 467.7**
households	84 558.1	78 255.5	72 253.5
business entities	33 211.0	35 735.0	33 446.9
the government and self-government institutions' sector	3 362.1	1 917.5	1 767.3
Total (gross), including:	**121 131.2**	**115 908.0**	**107 467.7**
Corporate banking	**39 134.3**	**37 589.9**	**35 119.2**
current accounts	23 584.6	25 478.6	23 521.5
savings accounts	10 214.6	9 969.3	9 157.1
term deposits	5 335.1	2 142.0	2 440.6
Retail banking	**81 996.9**	**78 318.1**	**72 348.5**
current accounts	19 470.8	18 051.2	16 013.5
savings accounts	59 916.4	57 948.1	53 784.8
term deposits	2 609.7	2 318.8	2 550.2
Other liabilities, including:	**1 860.8**	**1 774.5**	**1 706.4**
liabilities under cash collateral	399.9	329.5	299.0
other liabilities	1 460.9	1 445.0	1 407.4
Total	**122 992.0**	**117 682.5**	**109 174.1**

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8.17. Provisions

	as of 30 Jun 2019	as of 31 Dec 2018	as of 30 Jun 2018
Provision for off-balance sheet liabilities	78.4	78.5	60.0
Provision for retirement benefits	42.4	41.4	39.8
Provision for disputes	37.9	32.5	25.3
Total	**158.7**	**152.4**	**125.1**

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

8.18. Other liabilities

	as of 30 Jun 2019	as of 31 Dec 2018	as of 30 Jun 2018
Accruals, including:	**337.3**	**401.9**	**351.9**
due to employee benefits, including:	168.8	260.3	181.5
variable remuneration programme	47.1	65.1	50.1
due to commissions	163.2	131.8	158.0
other	5.3	9.8	12.5
Other liabilities, including:	**2 182.2**	**1 087.1**	**1 352.5**
lease liability	424.6	n/a	n/a
interbank settlements	984.0	522.8	789.5
settlements with suppliers	281.8	271.1	223.1
public and legal settlements	84.8	79.1	76.0
other	406.9	214.1	263.9
Total	**2 519.5**	**1 489.0**	**1 704.4**

8.19. Fair value

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

Interim condensed consolidated financial statements (PLN million)

as of **30 Jun 2019**

	Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	**20 749.7**	**1 424.1**	**320.3**	**22 494.1**
Valuation of derivatives	**0.0**	**555.1**	**0.0**	**555.1**
Financial assets held for trading, including:	**1 711.1**	**0.0**	**0.0**	**1 711.1**
debt securities, including:	1 711.1	0.0	0.0	1 711.1
treasury bonds	1 692.5	0.0	0.0	1 692.5
European Investment Bank bonds	18.6	0.0	0.0	18.6
Derivative hedge instruments	**0.0**	**869.0**	**0.0**	**869.0**
Financial assets measured at fair value through other comprehensive income, including:	**19 038.6**	**0.0**	**126.8**	**19 165.4**
debt securities, including:	19 038.6	0.0	0.0	19 038.6
treasury bonds	16 589.4	0.0	0.0	16 589.4
treasury bonds in EUR	983.7	0.0	0.0	983.7
European Investment Bank bonds	1 015.2	0.0	0.0	1 015.2
Austrian Government bonds	450.3	0.0	0.0	450.3
equity instruments	0.0	0.0	126.8	126.8
Loans and other liabilities measured at fair value through profit or loss	**0.0**	**0.0**	**193.5**	**193.5**
Financial liabilities, including:	**416.6**	**1 118.2**	**0.0**	**1 534.8**
Valuation of derivatives	**0.0**	**613.1**	**0.0**	**613.1**
Other financial liabilities measured at fair value through profit or loss, including:	**416.6**	**0.0**	**0.0**	**416.6**
book short position in trading securities	416.6	0.0	0.0	416.6
Derivative hedge instruments	**0.0**	**505.1**	**0.0**	**505.1**

Interim condensed consolidated financial statements (PLN million)

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 half year 2019 the measurement techniques for Stages 1 and 2 did not change. The financial assets classified to measurement stage 3 as at 30 Jun 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 30 June 2019.

In 1 half year 2019 the revaluation of the equity instruments classified to measurement level 3 recognised in the comprehensive income totalled PLN 35.3 million (including deferred tax). 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.

Interim condensed consolidated financial statements (PLN million)

Change in financial assets classified to measurement level 3

	1 H 2019 the period from 01 Jan 2019 to 30 Jun 2019		1 H 2018 the period from 01 Jan 2018 to 30 Jun 2018	
	Equity instruments measured at fair value through other comprehensive income	**Loans and other liabilities**	**Equity instruments measured at fair value through other comprehensive income**	**Loans and other liabilities**
Opening balance	**83.3**	**218.4**	**5.3**	**0.0**
the impact of changes to the accounting principles in connection with the implementation of IFRS 9	-	-	70.2	278.7
Opening balance adjusted for changes to the accounting principles	**83.3**	**218.4**	**75.5**	**278.7**
Increases, including:	**43.5**	**0.1**	**0.8**	**0.1**
valuation carried through other comprehensive income*	43.5	0.0	0.8	0.0
valuation carried through profit or loss **	0.0	0.1	0.0	0.1
purchase of shares	0.0	0.0	1.2	0.0
Decreases, including:	**0.0**	**-25.0**	**-0.2**	**-29.8**
repayment of loans	0.0	-25.0	0.0	-29.8
sale of shares	0.0	0.0	-0.2	0.0
Closing balance	**126.8**	**193.5**	**77.3**	**249.0**

*) Item *Equity instruments measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity.*

**) Item: *Net income on financial instruments at fair value through profit or loss and FX result.*

Interim condensed consolidated financial statements (PLN million)

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

as of **30 Jun 2019**

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	**125 957.2**	**2 293.5**	**13 061.3**	**111 206.6**	**126 561.4**
Cash in hand and balances with the Central Bank	2 293.5	2 293.5	-	-	**2 293.5**
Loans and receivables to other banks	694.3	-	694.3	-	**694.3**
Investment securities measured at amortised cost	12 149.9	-	12 367.0	-	**12 367.0**
Loans and receivables to customers measured at amortised cost	110 316.4	-	-	110 703.5	**110 703.5**
Investments in associates measured at equity method	0.7	-	-	0.7	**0.7**
Other assets	502.4	-	-	502.4	**502.4**
Financial liabilities, including:	**132 140.0**	**0.0**	**7 359.2**	**124 828.1**	**132 187.3**
Liabilities due to other banks	7 359.2	-	7 359.2	-	**7 359.2**
Liabilities due to customers	122 992.0	-	-	122 992.9	**122 992.9**
Liabilities under issue of debt securities	300.2	-	-	300.4	**300.4**
Subordinated liabilities	1 065.0	-	-	1 111.2	**1 111.2**
Leasing liabilities (presented in *Other liabilities*)	423.6	-	-	423.6	**423.6**

as of **31 Dec 2018**

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	TOTAL
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**

Interim condensed consolidated financial statements (PLN million)

8.20. Total capital ratio

	as of 30 Jun 2019	as of 31 Dec 2018	as of 30 Jun 2018
Own funds			
A. Own equity in the statement of financial position, including:	**14 236.6**	**13 336.3**	**11 889.5**
A.I. Own equity included in the own funds calculation	12 059.0	11 710.3	10 970.1
A.II. Own equity excluded from own funds calculation	2 177.6	1 626.0	919.4
B. Other elements of own funds (decreases and increases), including:	**768.8**	**236.2**	**245.3**
subordinated debt*	1 063.0	645.0	654.2
goodwill and other intangible assets	-410.8	-435.0	-421.1
AIRB shortfall/surplus of credit risk adjustments to expected losses	-148.8	-185.5	-210.5
adjustment in the transitional period due to adaptation to IFRS 9 requirements**	267.3	215.0	224.5
value adjustments due to the requirements for prudent valuation	-1.9	-3.3	-1.8
Own funds taken into account in total capital ratio calculation (A.I. + B), including:	**12 827.8**	**11 946.5**	**11 215.4**
Core Tier 1 capital	11 764.8	11 301.5	10 561.2
Tier 2 capital	1 063.0	645.0	654.2
Risk weighted assets	**85 260.9**	**76 604.5**	**73 610.0**
for credit risk	74 515.6	67 135.7	64 200.0
for operational risk	8 762.9	7 836.0	7 836.3
other	1 982.4	1 632.8	1 573.7
Total capital requirements	**6 820.9**	**6 128.3**	**5 888.8**
Total capital ratio (TCR)	**15.05%**	**15.60%**	**15.24%**
Minimum required level	13.963%	13.342%	13.327%
Surplus TCR ratio (p.p)	+1.09	+2.26	+1.91
Tier 1 ratio (T1)	**13.80%**	**14.75%**	**14.35%**
Minimum required level	11.963%	11.342%	11.327%
Surplus T1 ratio (p.p)	+1.84	+3.41	+3.02

*) 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 14.75% and the Tier 1 capital ratio at 13.50%.

9. Off-balance sheet items

	as of 30 Jun 2019	as of 31 Dec 2018	as of 30 Jun 2018
Off-balance sheet liabilities granted	34 762.5	34 284.1	33 836.5
Off-balance sheet liabilities received	97 477.4	93 219.1	90 633.3
Off-balance sheet financial instruments	600 053.5	532 491.0	547 979.7
Total off-balance sheet items	**732 293.4**	**659 994.2**	**672 449.5**

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 took place on 6 May 2019.

On 5 April 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 April 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 2019 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 half year 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)

	2 quarter 2019 the period from 01 Apr 2019 to 30 Jun 2019	**1 half year 2019** the period from 01 Jan 2019 to 30 Jun 2019	**2 quarter 2018** the period from 01 Apr 2018 to 30 Jun 2018	**1 half year 2018** the period from 01 Jan 2018 to 30 Jun 2018
Opening balance	**35.0**	**32.5**	**22.3**	**7.0**
provisions recognised	3.1	6.4	3.0	4.3
provisions reversed	0.0	-0.4	0.0	0.0
provisions utilised	0.0	-0.3	0.0	0.0
reclassifications	-0.2	-0.3	0.0	14.0
Closing balance	**37.9**	**37.9**	**25.3**	**25.3**

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, which may violate Art. 23a of the Act on competition and consumer protection. 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.

The Bank responded to the objections and submitted an application for commitment decision, which may include also changing of the modification clauses.

- *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 December 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 OCCP 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 to 28 November 2018.

    Liabilities due to clients resulting from the decisions of OCCP were made until 3 January 2019. On 17 July 2019, the Bank sent to OCCP a report on the implementation of the above commitments.

  - Before the President of the OCCP 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 OCCP in the framework of the above-mentioned proceedings have been implemented. On 18 December 2018, OCCP decided to extend the proceedings..

- *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 December 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 November 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 April 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 November 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 October 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 October 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. Currently proceedings are pending before the Appellate Court, which on October 24, 2018 postponed the hearing without setting the date of the next hearing, and at the same time imposing certain obligations on the plenipotentiaries with regard to submitting statements or documents.

As final decisions have not been taken yet, the amount of the reimbursed fine was not recognised in the income statement. As at 30 June 2019, the Group holds the provision of PLN 14.1 million.

Issues relating to the opinions of the advocate of the Court of Justice of the European Union

- The court cases, including those relating to the CHF-indexed mortgage portfolio, are subject to regular assessment pursuant to the Bank's internal procedures which are in line with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

  As at 30 June 2019, the Bank had PLN 941.4 million worth of retail CHF-indexed mortgage loans (in gross terms), which represents 0.78% of the Bank's share in the FX-mortgage loans of the banking sector. The Bank does not have any loans denominated in CHF.

  As at 30 June 2019, the Bank had 113 pending court cases relating to agreements on PLN-loans indexed to the Swiss franc. The total balance sheet value of the exposures covered by the said proceedings was PLN 35.7 million. In keeping with the accounting policy, as at 30 June 2019, the Bank established provisions for those cases in the total amount of PLN 19.9 million.

  The Bank has not received any class action lawsuit; also, no clause used by the Bank in its agreements has been entered to the Register of Prohibited Clauses.

  In relation to a lawsuit against a Polish bank brought before the Regional Court in Warsaw, in April 2018 the said court asked the Court of Justice of the European Union (hereinafter CJEU) for a preliminary ruling on the unfair terms in consumer contracts and effects of the abusiveness, if any, of the terms of an agreement on a mortgage loan indexed to the Swiss franc.

  The opinion of the Advocate General of the CJEU was published on 14 May 2019. Under the opinion, if the exchange difference clause is found unlawful, the agreement on a loan indexed to CHF may be turned into a loan in the domestic currency based on the LIBOR for CHF or it may be annulled; however, it is for the national court to assess the facts of each specific case and to settle the dispute based on the effective provisions of the national law.

  As at the date of these financial statements, no CJEU verdict in that matter has been announced (it is expected in September 2019); therefore, it is yet to be seen whether or not the CJEU shares the entire opinion of the Advocate General in its verdict.

  According to the Polish Bank Association (hereinafter PBA) there is a material risk that the CJEU will issue a verdict based on the erroneous assumptions concerning the national law which are presented in the opinion of the Advocate General of CJEU. Consequently, in July 2019 the PBA requested the President of the Supreme Court that the Supreme Court analyse the concept of turning the agreement on a loan indexed to CHF into a PLN-loan based on LIBOR, which is expressed in the opinion of the CJEU Advocate General and which is flawed from both the legal- and economic perspective.

  In light of the above, the Bank is of the opinion that the verdicts of national courts in such cases may still vary. That is because the opinion of the Advocate General does not resolve all issues relating to the loans indexed to CHF; it only gives Polish courts general guidelines concerning selected issues relating to the settlement of such cases and ultimately it will be the national courts that will be required to assess the facts of each specific case and settle the dispute based on domestic law. In view of the above, there are currently no premises that would have a material impact on the assessment of the probability of specific verdicts in specific cases which is taken into account by the Bank while establishing provisions in line with IAS 37.

  The Bank will monitor the impact of the CJEU verdict on the conduct of borrowers, the practice and judicial decisions of the Polish courts in those matters and the Bank will assess the probability of expenditure in relation to CHF-indexed mortgages on a regular basis.

- In reference to the request for preliminary ruling made by a Polish court to the CJEU, on 23 May 2019 the Advocate General of CJEU presented his opinion on the right of the consumer to a reduction in the cost of the credit where the consumer has fully or partially made an early repayment of a sum due under a credit agreement.

  The case in question that was subject to the Advocate General's opinion concerned the interpretation of Article 16(1) of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on early repayment. The Advocate General found that the reduction to which the consumer was entitled might concern costs for which the amount did not depend on the duration of the credit agreement. According to the legal opinion held by the Polish Bank Association where the commission is an element of the total cost of the credit and it does not relate to the period by which the duration of the contract was shortened, the commission may not be reduced on a pro-rata basis and it may not be reimbursed to the borrower. As at the date of these financial statements, the CJEU has not given its verdict in that matter.

The interpretation of Article 49 of the Consumer Credit Act concerning the commission charged by the bank for granting said credit in the event of early credit repayment is also being reviewed by the Supreme Court; on 21 March 2019, the Supreme Court received a legal issue presented by the Regional Court in Warsaw in relation to its concerns whether or not, in the event of early repayment of the entire credit before the date set out in the agreement, the duty to reduce the entire credit cost arising from Article 49(1) of the Consumer Credit Act applies only to the costs spread in time or whether it covers only one-off costs, such as commissions. The Supreme Court has not yet taken a position on that matter.

In view of the above described facts and the unknown direction of the judicial decisions to be taken by the Polish courts in matters concerning the settlement of costs related to credits that are repaid early, there are currently no premises that would have a material impact on the assessment of the probability of the expenditure in relation to the commission on account of early repayment, which is taken into account by the Bank while establishing provisions in line with IAS 37.

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 30 June 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	associated entities
		as of **30 Jun 2019**			as of **30 Jun 2018**	
Receivables						
Current accounts	6.6	17.5	-	27.9	11.7	-
Deposits placed	-	-	-	62.0	-	-
Loans	0.9	30.3	-	37.1	47.4	-
Positive valuation of derivatives	61.9	32.9	-	71.3	44.4	-
Other receivables	0.6	1.8	-	5.3	2.2	-
Liabilities						
Deposits received	986.7	36.7	23.2	183.5	46.6	5.9
Loans received	3 420.2	-	-	2 971.1	-	-
Subordinated loan	1 065.0	-	-	655.6	-	-
Loro accounts	31.1	122.9	-	4.6	34.5	-
Negative valuation of derivatives	66.6	30.7	-	83.4	41.9	-
Other liabilities	59.8	1.7	-	40.6	3.2	-
Off-balance-sheet operations						
Off-balance sheet liabilities granted	545.4	586.6	-	502.6	349.9	-
Off-balance sheet liabilities received	852.4	541.4	-	1 377.7	273.3	-
FX transactions	7 824.3	9.1	-	7 411.7	14.8	-
Forward transactions	-	-	-	420.9	-	-
IRS	2 578.5	2 555.5	-	2 999.6	2 575.6	-
Options	2 425.5	34.3	-	2 885.0	42.2	-

		1 H 2019 the period from 1 Jan 2019 to 30 Jun 2019			**1 H 2018** the period from 1 Jan 2018 to 30 Jun 2018	
Income and expenses						
Income, including:	**45.6**	**15.4**	-	**-5.5**	**2.5**	-
interest and commission income/expenses	-12.3	6.1	-	-7.3	1.2	-
income on financial instruments	58.1	5.2	-	-1.6	-1.7	-
net income on other basic activities	-0.2	4.1	-	0.2	3.0	-
General and administrative expenses	28.1	5.6	-	39.5	5.3	-
Outlays for intangible assets	-	0.9	-	1.6	0.1	**-**

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

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

Period	Remuneration	Other benefits*	Total
1 H 2018	4.9	1.1	6.0
1 H 2019	4.9	1.1	6.0

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

Emoluments of Members of the ING Bank Śląski S.A. Management Board for 2019 under the Variable Remuneration Programme have not been awarded yet.

In keeping with the Bank's remuneration system, the Bank Management Board Members may be entitled to the 2019 bonus to be paid out in the years 2020-2027. Accordingly, a reserve was formed for the payment of the 2019 bonus for the Bank Management Board Members, which as at 30 Jun 2019 was PLN 3.1 million, whereas as of 30 June 2018 was at the level of PLN 3.0 million. The Bank Supervisory Board will take the final decision on the bonus amount.

Emoluments paid out to Members of ING Bank Śląski S.A. Management Board (PLN million)

Period	Remuneration	Awards*	Other benefits**	Total
1 H 2018	4.9	6.0	1.1	12.0
1 H 2019	4.9	4.1	1.0	10.0

*) Awards for 1 half year 2018 cover the following items:

- The bonus under the Variable Remuneration Programme: for 2017 non-deferred cash, for 2016 1st tranche of deferred cash, for 2015 2nd tranche of deferred cash and for 2014 3rd tranche of deferred cash;
- Phantom Stocks under the Variable Remuneration Programme: for 2016 retained stock, for 2015 1st tranche of deferred stock, for 2014 2nd tranche of deferred stock and for 2013 3rd tranche of deferred stock.

Awards for 1 half year 2019 cover the following items:

- Bonus under the Variable Remuneration Programme: for 2018 non-deferred cash, for 2016 2nd tranche of deferred cash and for 2015 3rd tranche of deferred cash;
- Phantom Stocks under the Variable Remuneration Programme: for 2017 retained stock, for 2016 1st tranche of deferred stock, for 2015 2nd tranche of deferred stock and for 2014 3rd tranche of deferred stock.

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

The remuneration due and paid out by ING Bank Śląski S.A. in 1 half year 2019 to its Supervisory Board Members totalled PLN 0.4 million.

Emoluments of Members of ING Bank Śląski S.A. Supervisory Board (PLN million)

Period	Remuneration and awards	Other benefits	Total
1 H 2018	0.4	0.0	0.4
1 H 2019	0.4	0.0	0.4

As at 30 June 2019, neither Bank Management Board nor Supervisory Board Members held shares of ING Bank Śląski S.A.

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.

Interim condensed consolidated financial statements (PLN million)

1 half year 2019 the period from 1 Jan 2019 to 30 Jun 2019

	Retail banking segment	Corporate banking segment	TOTAL
Income total	**1 619.7**	**1 218.0**	**2 837.7**
net interest income	1 298.8	759.4	2 058.2
net commission income	267.0	419.7	686.7
commission income	345.4	513.2	858.6
transaction margin on currency exchange transactions	35.4	151.5	186.9
keeping payment accounts	63.4	80.7	144.2
granting credits	29.1	131.9	161.0
payment and credit cards	161.2	13.6	174.8
distribution of participation units	34.5	0.0	34.5
offering insurance products	52.8	10.1	62.9
factoring and leasing services	0.0	27.8	27.8
other commissions	-31.0	97.6	66.6
commission costs	78.4	93.5	171.9
other income/expenses	53.9	38.9	92.8
Expenses total	**786.6**	**515.6**	**1 302.2**
Segment result	**833.1**	**702.4**	**1 535.5**
Impairment for expected losses	114.4	146.5	260.9
Tax on certain financial institutions	89.3	119.2	208.5
Investments in associates measured at equity method	0.0	-0.2	-0.2
Segment profit before tax	**629.4**	**436.5**	**1 065.9**
Income tax	-	-	270.2
Result after tax	-	-	**795.7**
attributable to shareholders of ING Bank Śląski S.A.	-	-	795.7
Allocated equity	5 910.1	8 320.5	14 230.6
ROE - Return on equity (%)*	17.6	8.8	12.5

*) 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.

Interim condensed consolidated financial statements (PLN million)

1 half year 2018 the period from 1 Jan 2018 to 30 Jun 2018

	Retail banking segment	Corporate banking segment	TOTAL
Income total	**1 464.0**	**1 103.1**	**2 567.1**
net interest income	1 150.1	652.9	1 803.0
net commission income	257.5	400.2	657.7
commission income	324.4	478.8	803.2
transaction margin on currency exchange transactions	31.6	144.4	176.0
keeping payment accounts	64.6	78.2	142.8
granting credits	28.4	123.4	151.8
payment and credit cards	130.6	11.43	142.0
distribution of participation units	51.8	0.0	51.8
offering insurance products	43.1	7.0	50.1
factoring and leasing services	0.0	28.1	28.1
other commissions	-25.5	86.2	60.6
commission costs	66.9	78.6	145.5
other income/expenses	56.4	50.0	106.4
Expenses total	**703.8**	**479.5**	**1 183.3**
Segment result	**760.2**	**623.6**	**1 383.8**
Impairment for expected losses	140.8	127.7	268.5
Tax on certain financial institutions	73.7	104.9	178.6
Segment profit before tax	**545.7**	**391.0**	**936.7**
Income tax	-	-	241.8
Result after tax	-	-	**694.9**
attributable to shareholders of ING Bank Śląski S.A.	-	-	694.9
Allocated equity	4 865.2	7 024.3	11 889.5
ROE - Return on equity (%)	17.1	8.8	12.3

Geographical segments

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

16. Risk and capital management

Capital management

In 1 half year 2019, the Group continued actions aimed at implementation of the capital management strategy. In the internal capital adequacy assessment process in Q1 2019, the Group held another Workshops on risk materiality assessment. The result of these workshops were changes that occurred in the area of monitoring units for the types of risk for which this role until the end of 2018 had been performed by the Capital Management Department. The tasks of this department were transferred to other Bank units and the financial result risk were recognized as insignificant risk.

Under risk appetite statement (RAS) regarding the capital adequacy the Group is obliged to maintain in 2019 the following minimum thresholds for capital ratios

- CET1 >= 10,5%
- T1 >= 12,0%
- TCR >= 14,0%

The Group amended the dividend policy in line with the guidelines of the Polish Financial Supervision Authority by resigning from indication of minimum capital ratios' levels and introducing the regulatory formula, due to the variable level of the systemic risk buffer and the countercyclical buffer, and taking into account the premise regarding the Group's sensitivity to stress scenario.

Credit risk

Credit risk management framework

The structure in the area reporting to the Bank Executive Director – Credit Risk Policy, Modelling and Systems was changed as of 1 April 2019.

The area covers units organised as part of the "Centre of Expertise – Credit Risk Policy, Modelling and Systems", which includes the following organisational units:

- Consumer Credit Risk Area,
- Business Credit Risk Area,
- Credit Risk Modelling Area,
- Regulations Expert Team,
- Credit Risk Tech Squad, and
- Support Positions.

The scope of activities of individual organisational units has been described in detail in *"Management Board Report on Operations of ING Bank Śląski S.A. Group in H1 2019"*.

Main changes in the bank's credit policy in the retail- and corporate client segments

Retail Segment

- The Group updated the parameters used for the calculation of credit capacity in the mortgage-, individual clients- and entrepreneurs segments (buffers for the interest rate risk, margins for default interest rates).
- The Group implemented new rules of credit capacity assessment in the mortgage segment that account for:
  - the risk of the borrower's dwindling income during the term of the credit agreement, upon considering the forecast pension income,
  - the maximum age of the borrowers on loan repayment equal to 75 years.
- In the retail client segment, the Group implemented the sales of cash loans as a fixed part of our offer, and in the entrepreneurs segment we added the sale of lending products via the Bank Representatives channel.
- In the retail client segment, the Group restricted the preferential rules of granting loans to clients from the Premium segment.
- The Group tightened up the criteria for the assessment of credit applications in the Entrepreneurs Segment filed by clients acquired via external channels (Intermediaries).
- The Group added a new chapter to the "Credit Risk Reporting Manual" defining the rules of regular analyses of the mortgage portfolio and of the market situation. The analyses refer to the risk of changes in the client's income upon retirement.
- The Group adapted internal regulations to the EBA (European Bank Authority) Guidelines on management of non-performing and forborne exposures (EBA/GL/2018/06 of 31 October 2018) that came into effect as of 30 June 2019.

Corporate Segment

- The Group adapted internal regulations to the EBA (European Bank Authority) Guidelines on management of non-performing and forborne exposures (EBA/GL/2018/06 of 31 October 2018) that came into effect as of 30 June 2019.

- The Group optimised the process of calculating and reporting provisions for anticipated loan losses due to exposures arising from transactions on financial markets and updated the FM methodology.
- In the "Provisioning Rules", the rule of full provision policy towards selected corporate credit exposures has been changed.

Main activities in the modelling area

- As part of the process of managing the risk of the models used in the loan loss provision, or LLP, process:
  - the Group adjusted the threshold for significant increase in credit risk (SICR) for the SME portfolio as a result of findings of the regular review of the expected loss calculations (LLP Committee meetings);
  - the Group adjusted the cure rate parameter in the LGD model for the retail mortgage portfolio following a validation of the model implementation;
  - the Group positively verified the possibility of using the IFRS 9 models in the LLP process during the regular monitoring and back-testing of those models;
- The Group performed the stress tests for credit risk as at 31 December 2018, in line with the internal policy.
- As part of the data structure automation project, the tables for models for the retail segment clients were prepared.
- As part of the new default definition project, a business specification of the default triggers was prepared.

Furthermore, the Group continues to focus on long-term projects aimed at separating, optimising and ensuring effectiveness of various credit- and rating processes, depending on the related risks.

Market risk

In the area of market risk, the Group manages the risk in line with the developed principles, methodologies and approved policies. In H1 2019, the Group introduced a new limit for NPVaR at EUR 180 million and adapted the tool to the latest EBA requirements (document EBA/GL/2018/02).

Funding and liquidity risk

In 1 half year 2019, the Group continued actions aimed at mitigation of funding and liquidity risk in line with the funding and liquidity risk management policy, Bank strategy and regulatory requirements. As regards regulatory requirements – all monitored metrics are within limits. The internal regulations and documents are also subject to systematic review, and the Group continues to improve reporting and modelling processes

Model risk

In 1 half year 2019, the Group continued efforts in the area of model risk management. The models used at the Bank were subject to quarterly reviews and risk assessments, and also to materiality reviews and validation.

During the period, the model risk on an aggregated basis in the group of models classified as medium material was above the tolerance level adopted at the Bank which is 3 models with a higher model risk. The Bank identified five such models. The Bank launched a corrective programme in regard to two of those models and immediately redeveloped them. The economic capital for model risk remained below the limit adopted at the Bank.

The ING Bank Śląski S.A. Model Risk Management Policy was also reviewed and updated.

Operational risk

In 1 half year 2019, the Group continued efforts to ensure compliance with the regulatory requirements and enhance the internal control system. These activities were implemented through:

- Continuation of the structuring and standardization the key controls for individual areas and processes of the Bank.
- Threat monitoring and improvement of security systems and solutions used to protect clients and the Bank itself.
- Constant improvement of the quality of data used, expanding the possibilities of using advanced data analysis methods in the processes of identifying and monitoring threats, as well as automating operational activities related to risk management. Among other things, the Group conducted an analysis of concentration factors in operational risk and defined a number of potential scenarios for internal frauds, together with proposals for monitoring warning flags
- Optimization of the risk quantification methodologies in relation to IT security risk and continuity risk.

Interim condensed consolidated financial statements (PLN million)

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

2019-07-30	**Brunon Bartkiewicz** *President*	*The original Polish document is signed with a qualified electronic signature*
2019-07-30	**Michał Bolesławski** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2019-07-30	**Joanna Erdman** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2019-07-30	**Marcin Giżycki** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2019-07-30	**Bożena Graczyk** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2019-07-30	**Patrick Roesink** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2019-07-30	**Lorenzo Tassan-Bassut** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2019-07-30	**Jolanta Alvarado Rodriguez**	Director of Accounting Department Chief Accountant	*The original Polish document is signed with a qualified electronic signature*

Interim condensed standalone financial statements (PLN million)

ING BANK ŚLĄSKI S.A. INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS

Interim condensed standalone income statement

	2 quarter 2019 the period from 01 Apr 2019 to 30 Jun 2019	1 half year 2019 the period from 01 Jan 2019 to 30 Jun 2019	2 quarter 2018 the period from 01 Apr 2018 to 30 Jun 2018	1 half year 2018 the period from 01 Jan 2018 to 30 Jun 2018
Interest income, including:	1 257.0	2 468.8	1 111.1	2 171.6
Interest income calculated using effective interest rate method	1 255.9	2 466.6	1 109.7	2 168.9
Other interest income	1.1	2.2	1.4	2.7
Interest expenses	260.7	502.9	228.5	441.4
Net interest income	**996.3**	**1 965.9**	**882.6**	**1 730.2**
Commission income	434.8	826.4	401.1	772.3
Commission expenses	92.9	177.5	77.3	145.0
Net commission income	**341.9**	**648.9**	**323.8**	**627.3**
Net income on financial instruments at fair value through profit or loss and FX result	25.2	57.0	24.2	42.2
Net income on the sale of securities measured at amortised cost	0.0	0.0	-0.1	1.0
Net income on the sale of financial assets measured at fair value through other comprehensive income and dividend income	7.2	19.9	18.4	50.5
Net income on hedge accounting	-0.9	-2.1	2.0	4.2
Net income on other basic activities	2.5	2.9	4.1	3.9
Net income on basic activities	**1 372.2**	**2 692.5**	**1 255.0**	**2 459.3**
General and administrative expenses	548.7	1 239.6	531.3	1 134.4
Impairment for expected losses	133.6	250.2	165.7	258.2
including profit on sale of impaired receivables	0.0	9.8	0.0	1.1
Tax on certain financial institutions	107.2	208.5	91.1	178.6
Share of profit (loss) of subsidiaries and associates accounted for using the equity method	36.4	58.0	17.2	36.5
Gross profit	**619.1**	**1 052.2**	**484.1**	**924.6**
Income tax	148.8	256.5	111.4	229.7
Net profit	**470.3**	**795.7**	**372.7**	**694.9**

Weighted average number of ordinary shares	130 100 000	130 100 000	130 100 000	130 100 000
Earnings per ordinary share (PLN)	3.61	6.12	2.86	5.34

No material operations were discontinued during the 1 half year 2019 and 1 half year 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 financial statements (PLN million)

Interim condensed standalone statement of comprehensive income

	2 quarter 2019 the period from 01 Apr 2019 to 30 Jun 2019	1 half year 2019 the period from 01 Jan 2019 to 30 Jun 2019	2 quarter 2018 the period from 01 Apr 2018 to 30 Jun 2018	1 half year 2018 the period from 01 Jan 2018 to 30 Jun 2018
Net profit for the period	**470.3**	**795.7**	**372.7**	**694.9**
Total other comprehensive income, including:	**344.9**	**528.2**	**-126.0**	**63.7**
Items which can be reclassified to income statement, including:	**333.5**	**492.9**	**-126.8**	**62.9**
debt instruments measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	101.4	5.3	-41.9	15.7
debt instruments measured at fair value through other comprehensive income – reclassification to the financial result due to sale	-22.8	-20.4	-9.6	-28.7
loans measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	7.6	-31.6	0.0	0.0
cash flow hedging – gains/losses on revaluation carried through equity	348.0	737.2	-13.0	233.4
cash flow hedging – reclassification to profit or loss	-100.7	-197.6	-62.3	-157.5
Items which will not be reclassified to income statement, including:	**11.4**	**35.3**	**0.8**	**0.8**
equity instruments measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	11.4	35.3	0.8	0.8
Net comprehensive income for the reporting period	**815.2**	**1 323.9**	**246.7**	**758.6**

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 financial statements (PLN million)

Interim condensed standalone statement of financial position

	note	as of 30 Jun 2019	as of 31 Dec 2018	as of 30 Jun 2018
Assets				
Cash in hand and balances with the Central Bank		2 293.5	1 237.4	1 781.5
Loans and other receivables to other banks		2 294.6	776.5	951.8
Financial assets held for trading		2 497.6	1 711.6	2 034.0
Derivative hedge instruments		869.0	909.6	880.2
Investment securities		31 137.6	31 937.3	28 677.0
Loans and other receivables to customers	4.1	105 179.4	99 125.8	90 845.2
Investments in subsidiaries and associates measured at equity method		1 056.4	634.6	612.0
Property, plant and equipment		913.8	550.4	520.8
Intangible assets		401.6	425.0	413.0
Assets held for sale		20.7	10.9	16.2
Deferred tax assets		216.9	209.0	177.9
Other assets		175.9	183.4	198.4
Total assets		**147 057.0**	**137 711.5**	**127 108.0**
Liabilities				
Liabilities to other banks		4 113.3	1 807.7	1 609.3
Financial liabilities at fair value through profit or loss		1 261.2	1 464.3	1 281.7
Derivative hedge instruments		505.1	611.8	677.7
Liabilities to customers		122 797.0	117 293.8	108 877.4
Liabilities under issue of debt securities		300.3	300.3	300.2
Subordinated liabilities		1 065.0	1 076.9	655.6
Provisions		155.9	149.5	123.1
Current income tax liabilities		209.8	264.5	55.7
Other liabilities		2 444.4	1 406.4	1 637.8
Total liabilities		**132 852.0**	**124 375.2**	**115 218.5**
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		1 697.6	1 169.7	557.0
Retained earnings		11 421.0	11 080.2	10 246.1
Total equity		**14 205.0**	**13 336.3**	**11 889.5**
Total equity and liabilities		**147 057.0**	**137 711.5**	**127 108.0**
Carrying amount		14 205.0	13 336.3	11 889.5
Number of shares		130 100 000	130 100 000	130 100 000
Carrying amount per share (PLN)		109.19	102.51	91.39

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 financial statements (PLN million)

Interim condensed standalone statement of changes in equity

1 half year 2019
the period from 01 Jan 2019 to 30 Jun 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	-	-	-	795.7	**795.7**
Other net comprehensive income, including:	**0.0**	**0.0**	**527.9**	**0.3**	**528.2**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	9.0	-	9.0
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	-20.4	-	-20.4
cash flow hedging – gains/losses on revaluation carried through equity	-	-	737.2	-	737.2
cash flow hedging – reclassification to profit or loss	-	-	-197.6	-	-197.6
disposal of non-current assets	-	-	-0.3	0.3	0.0
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**-455.2**	**-455.2**
valuation of share-based payments	-	-	-	0.2	0.2
profit distribution with dividend payout allocation	-	-	-	-455.4	-455.4
Closing balance of equity	**130.1**	**956.3**	**1 697.6**	**11 421.0**	**14 205.0**

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**

Interim condensed standalone financial statements (PLN million)

1 half year 2018
the period from 01 Jan 2018 to 30 Jun 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	-	-	-	694.9	**694.9**
Other net comprehensive income, including:	**0.0**	**0.0**	**62.7**	**1.0**	**63.7**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	16.5	-	16.5
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	-28.7	-	-28.7
cash flow hedging – gains/losses on revaluation carried through equity	-	-	233.4	-	233.4
cash flow hedging – reclassification to profit or loss	-	-	-157.5	-	-157.5
disposal of non-current assets	-	-	-1.0	1.0	0.0
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**-416.0**	**-416.0**
valuation of share-based payments	-	-	-	0.2	0.2
dividends paid	-	-	-	-416.2	-416.2
Closing balance of equity	**130.1**	**956.3**	**557.0**	**10 246.1**	**11 889.5**

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 financial statements (PLN million)

Interim condensed standalone cash flow statement

	1 H 2019 the period from 01 Jan 2019 to 30 Jun 2019	**1 H 2018** the period from 01 Jan 2018 to 30 Jun 2018
Net profit (loss)	**795.7**	**694.9**
Adjustments	**1 259.7**	**-3 050.7**
Share of profit (loss) of subsidiaries and associates accounted for using the equity method	-58.0	-36.5
Depreciation and amortisation	135.5	87.9
Interest accrued (from the income statement)	-1 965.9	-1 730.9
Interest paid	-485.4	-432.1
Interest received	2 378.9	2 081.5
Dividends received	-7.0	-0.8
Gains (losses) on investing activities	0.7	-1.0
Income tax (from the income statement)	256.5	229.7
Income tax paid from the income statement	-319.1	-389.4
Change in provisions	6.4	16.3
Change in loans and other receivables to other banks	-1 776.0	396.4
Change in financial assets held for trading	-786.1	-719.2
Change in investment securities	1 026.3	-3 677.3
Change in hedge derivatives	474.0	141.4
Change in loans and other receivables to customers	-5 980.0	-3 816.6
Change in property, plant and equipment due to lease recognising	65.2	n/a
Change in other assets	137.4	-28.0
Change in liabilities to other banks	2 307.4	564.7
Change in liabilities at fair value through profit or loss	-202.7	-431.0
Change in liabilities to customers	5 495.6	4 800.8
Change in other liabilities	558.6	-106.6
Net cash flow from operating activities	**2 057.9**	**-2 355.8**
Purchase of property plant and equipment	-90.4	-41.6
Disposal of property plant and equipment	0.3	0.1
Purchase of intangible assets	-32.1	-30.4
Purchase of shares in associates	0.0	-120.0
Disposal of assets held for sale	10.6	3.4
Purchase of equity instruments measured at fair value through other comprehensive income	-421.8	-1.2
Purchase of debt securities measured at amortized cost	-223.2	0.0
Disposal of debt securities measured at amortized cost	0.0	1 055.8
Dividends received	7.0	0.8
Net cash flow from investing activities	**-749.6**	**866.9**
Interest on long-term loans repaid	-8.1	-6.1
Interests from issued debt securities	-3.8	-3.8
Leasing liabilities repaid	-44.4	0.0
Dividends paid	-455.4	-416.2
Net cash flow from financing activities	**-511.7**	**-426.1**
Effect of exchange rate changes on cash and cash equivalents	43.8	133.8
Net increase/decrease in cash and cash equivalents	**796.6**	**-1 915.0**
Opening balance of cash and cash equivalents	**1 956.4**	**4 598.2**
Closing balance of cash and cash equivalents	**2 753.0**	**2 683.2**

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 half year 2019 and 1 half year 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 half year 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 30 June 2019 as well as in accordance with the Ordinance of Finance Minister of 29 March 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 half year 2019 and the Bank's financial statements for the year ended 31 December 2018 approved by the General Meeting on 29 March 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 January 2019 to 30 June 2019 and interim condensed standalone statement of financial position as of 30 June 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 IFRS 16 replacing IAS 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 January 2018 to 30 June 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 January 2018 to 31 December 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 December 2018 and 30 June 2018. Interim condensed standalone income statements, interim condensed standalone statement of comprehensive income and notes to the interim condensed standalone income statements include data for the Q2 2019 (period from 1 April 2019 to 30 June 2019) as well as comparative data for the Q2 2018 (period from 1 April 2018 to 30 June 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 30 July 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 January 2018 and ended 31 December 2018) and the standards and interpretations adopted by the European Union and applicable to the annual periods starting 1 January 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:	**469.3**
real estate lease	454.7
car lease	13.9
others assets	0.7
Prepayments	**-2.3**

Interim condensed standalone financial statements (PLN million)

	as of 31 Dec 2018	impact of IFRS 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	**124 375.2**	**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	**137 711.5**	**467.0**	**138 178.5**

The table below contains an reconciliation of difference between operating lease commitments disclosed applying IAS 17 at the date 31 December 2018 and lease liabilities as at 1 January 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 IAS 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 January 2018 and ended 31 December 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 half year 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 January 2019 to 30 June 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 half year 2018 and in the current statements. They are as follows:

Interim condensed standalone financial statements (PLN million)

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 the sale of securities measured at amortised cost*, 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*.

	1 half year 2018 the period from 1 Jan.2018 to 30 Jun 2018				
	in financial statements for 1 H 2018 (approved data)	change a)	change b)	change c)	in financial statements for 1 H 2019 (comparable data)
Interest income	2 172.3	-0.4	-0.3		2 171.6
Interest expenses	441.4				441.4
Net interest income	**1 730.9**	**-0.4**	**-0.3**		**1 730.2**
Commission income	701.4			70.9	772.3
Commission expenses	74.1			70.9	145.0
Net commission income	**627.3**			**0.0**	**627.3**
Net income on financial instruments at fair value through profit or loss and FX result	41.8	0.4			42.2
Net income on the sale of securities measured at amortised cost	0.7		0.3		1.0
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	50.5				50.5
Net income on hedge accounting	4.2				4.2
Net income on other basic activities	3.9				3.9
Net income on basic activities	**2 459.3**				**2 459.3**
General and administrative expenses	1 134.4				1 134.4
Impairment for expected losses	258.2				258.2
Tax on certain financial institutions	178.6				178.6
Share of profit (loss) of subsidiaries and associates accounted for using the equity method	36.5				36.5
Gross profit	**924.6**				**924.6**
Income tax	229.7				229.7
Net profit	**694.9**				**694.9**

In terms of the statement of comprehensive income, the statement of changes in equity and the cash flow statement, the Bank continues to present the data adopted in the annual consolidated financial statements for the year 2018. Therefore, the data presented in these statements for previous periods were adjusted to comparability.

Interim condensed standalone financial statements (PLN million)

4. Supplementary notes to interim condensed consolidated financial statements

4.1. Loans and other receivables to customers

	as of **30 Jun 2019**	as of **31 Dec 2018**	as of **30 Jun 2018**
Measured at amortised cost	100 753.4	98 907.4	90 596.2
Measured at fair value through other comprehensive income	4 232.6	-	-
Measured at fair value through profit or loss	193.4	218.4	249.0
Total (net)	**105 179.4**	**99 125.8**	**90 845.2**

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. Carrying amount of reclassified loans as at the reclassification date was PLN 5,717.2 million and fair value PLN 5,664.5 million.

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.

Interim condensed standalone financial statements (PLN million)

Loans and other receivables measured at amortised cost

	as of 30 Jun 2019			as of 31 Dec 2018			as of 30 Jun 2018		
	gross	impairment	**net**	gross	impairment	**net**	gross	impairment	**net**
Portfolio of loans, including:	**101 548.2**	**-2 254.0**	**99 294.2**	**100 067.6**	**-2 110.8**	**97 956.8**	**91 873.7**	**-2 086.6**	**89 787.1**
households	45 840.6	-1 212.9	44 627.7	46 917.5	-1 097.8	45 819.7	43 292.1	-1 095.9	42 196.2
business entities	52 470.5	-1 041.0	51 429.5	49 949.9	-1 012.9	48 937.0	46 026.6	-990.2	45 036.4
the government and self-government institutions' sector	3 237.1	-0.1	3 237.0	3 200.2	-0.1	3 200.1	2 555.0	-0.5	2 554.5
Total gross, including:	**101 548.2**	**-2 254.0**	**99 294.2**	**100 067.6**	**-2 110.8**	**97 956.8**	**91 873.7**	**-2 086.6**	**89 787.1**
Corporate banking segment	**58 352.0**	**-1 133.8**	**57 218.2**	**55 693.0**	**-1 106.2**	**54 586.8**	**50 966.4**	**-1 065.7**	**49 900.7**
loans in the current account	14 980.1	-441.1	14 539.0	13 553.7	-460.1	13 093.6	13 052.8	-406.2	12 646.6
term loans and advances	41 034.1	-692.4	40 341.7	39 329.5	-645.6	38 683.9	35 824.2	-659.2	35 165.0
corporate and municipal debt securities	2 337.8	-0.3	2 337.5	2 809.8	-0.5	2 809.3	2 089.4	-0.3	2 089.1
Retail banking segment	**43 196.2**	**-1 120.2**	**42 076.0**	**44 374.6**	**-1 004.6**	**43 370.0**	**40 907.3**	**-1 020.9**	**39 886.4**
mortgages	30 859.4	-198.9	30 660.5	33 371.7	-224.9	33 146.8	30 540.9	-245.5	30 295.4
loans in the current account	1 421.9	-114.6	1 307.3	1 329.2	-105.8	1 223.4	1 403.4	-104.1	1 299.3
other loans and advances	10 914.9	-806.7	10 108.2	9 673.7	-673.9	8 999.8	8 963.0	-671.3	8 291.7
Other receivables, including:	**1 459.2**	**0.0**	**1 459.2**	**950.6**	**0.0**	**950.6**	**809.1**	**0.0**	**809.1**
call deposits placed as collateral	1 081.1	0.0	1 081.1	733.0	0.0	733.0	651.7	0.0	651.7
other receivables	378.1	0.0	378.1	217.6	0.0	217.6	157.4	0.0	157.4
Total	**103 007.4**	**-2 254.0**	**100 753.4**	**101 018.2**	**-2 110.8**	**98 907.4**	**92 682.8**	**-2 086.6**	**90 596.2**

Interim condensed standalone financial statements (PLN million)

Quality of loan portfolio

	as of **30 Jun 2019**			as of **31 Dec 2018**			as of **30 Jun 2018**		
	gross	impairment	**net**	gross	impairment	**net**	gross	impairment	**net**
Corporate banking	**58 352.0**	**-1 133.8**	**57 218.2**	**55 693.0**	**-1 106.2**	**54 586.8**	**50 966.4**	**-1 065.7**	**49 900.7**
assets in stage 1	53 576.8	-54.4	53 522.4	50 361.4	-49.6	50 311.8	45 801.7	-59.5	45 742.2
assets in stage 2	2 888.0	-44.9	2 843.1	3 643.7	-51.9	3 591.8	3 549.4	-60.8	3 488.6
assets in stage 3	1 887.2	-1 034.5	852.7	1 687.9	-1 004.7	683.2	1 615.3	-945.4	669.9
Retail banking	**43 196.2**	**-1 120.2**	**42 076.0**	**44 374.6**	**-1 004.6**	**43 370.0**	**40 907.3**	**-1 020.9**	**39 886.4**
assets in stage 1	36 485.9	-66.2	36 419.7	37 821.8	-57.5	37 764.3	34 873.5	-67.1	34 806.4
assets in stage 2	5 772.5	-339.4	5 433.1	5 773.7	-361.3	5 412.4	5 200.2	-313.8	4 886.4
assets in stage 3	937.8	-714.6	223.2	779.1	-585.8	193.3	833.6	-640.0	193.6
Total loan portfolio	**101 548.2**	**-2 254.0**	**99 294.2**	**100 067.6**	**-2 110.8**	**97 956.8**	**91 873.7**	**-2 086.6**	**89 787.1**

Additionally, the Bank identifies POCI financial assets whose fair value as at 1 January 2018 and carrying amount as at 30 Jun 2019 are 0. This group covers exposures under impaired receivables purchased in connection with the takeover of Bieszczadzka SKOK in 2017.

Interim condensed standalone financial statements (PLN million)

4.2. Total capital ratio

	as of 30 Jun 2019	as of 31 Dec 2018	as of 30 Jun 2018
Own funds	12 812.8	11 962.3	11 221.5
Total capital requirements	6 303.2	5 568.4	5 395.0
Total capital ratio	**16.26%**	**17.19%**	**16.64%**
Tier 1 ratio	**14.91%**	**16.26%**	**15.67%**

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 15.94% and the Tier 1 capital ratio at 14.59%.

5. Significant events in 1 half year 2019

Significant events that occurred in 1 half year 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 took place on 6 May 2019.

On 5 April 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 April 2018 the shareholders of record became entitled to the dividend payout which took place on 10 May 2018.

10. Acquisitions

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

11. Off-balance sheet items

	as of **30 Jun 2019**	as of **31 Dec 2018**	as of **30 Jun 2018**
Off-balance sheet liabilities granted	34 457.3	31 958.8	32 245.0
Off-balance sheet liabilities received	97 070.5	92 484.3	89 678.7
Off-balance sheet financial instruments	600 053.5	532 491.0	547 979.7
Total off-balance sheet items	**731 581.3**	**656 934.1**	**669 903.4**

12. Transactions with related entities

Transactions between related entities (PLN million)

	ING Bank NV	Other ING Group entities	Subsidiaries	Associated entities	ING Bank NV	Other ING Group entities	Subsidiaries
	as of **30 Jun 2019**				as of **30 Jun 2018**		
Receivables							
Current accounts	6.6	17.5	-	-	27.9	11.7	-
Deposits placed	-	-	-	-	62.0	-	-
Loans	-	0.1	11 556.2	-	-	0.1	7 742.5
Positive valuation of derivatives	61.9	32.9	2.8	-	71.3	44.4	1.7
Other receivables	0.6	1.8	2.0	-	5.3	2.2	11.6
Liabilities							
Deposits received	986.7	36.7	633.8	23.2	183.5	46.6	196.5
Subordinated loan	1 065.0	-	-	-	655.6	-	-
Loro accounts	31.1	122.9	1.6	-	4.6	34.5	-
Negative valuation of derivatives	66.6	30.7	-	-	83.4	41.9	-
Other liabilities	59.8	1.7	14.0	-	40.6	3.2	2.0
Off-balance-sheet operations							
Off-balance sheet liabilities granted	469.1	527.9	3 411.1	-	443.8	255.7	1 863.1
Off-balance sheet liabilities received	445.6	541.4	6 450.0	-	423.1	273.3	-
FX transactions	7 824.3	9.1	-	-	7 411.7	14.8	-
Forward transactions	-	-	42.8	-	420.9	-	-
IRS	2 578.5	2 555.5	61.1	-	2 999.6	2 575.6	67.3
Options	2 425.5	34.3	-	-	2 885.0	42.2	-
	1 H 2019 the period from 1 Jan 2019 to 30 Jun 2019				**1 H 2018** the period from 1 Jan 2018 to 30 Jun 2018		
Income and expenses							
Income. including:	**48.9**	**10.4**	**95.2**	**-**	**-1.4**	**1.7**	**86.8**
interest and commission income/expenses	-8.9	5.5	105.1	-	-3.0	0.4	86.4
income on financial instruments	58.1	5.2	1.3	-	1.6	-1.7	0.4
net income on the sale of securities measured at fair value through other comprehensive income	0.0	0.0	-12.3	-	0.0	0.0	0.0
net income on other basic activities	-0.3	-0.3	1.1	-	0.0	3.0	0.0
General and administrative expenses	28.6	4.2	-0.9	-	37.9	4.2	3.8
Outlays for non-current assets	0	0.9	-	-	-	-	-

In the first half year of 2019, the Bank made three sales transactions to ING Bank Hipoteczny S.A. (a subsidiary of the Bank) of the portfolio of mortgage-backed housing loans in the total amount of PLN 1 358.7 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 these sale transactions in the amount of PLN 609.6 million was recognized as at 30 June 2019 in the *Loans and other receivables to other banks* item.

Additionally, in July 2019, the Bank effected two other sales transactions of a mortgage-backed housing loans portfolio in the total amount of PLN 763.6 million to ING Bank Hipoteczny S.A.

Interim condensed standalone financial statements (PLN million)

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

2019-07-30	**Brunon Bartkiewicz** *President*	*The original Polish document is signed with a qualified electronic signature*
2019-07-30	**Michał Bolesławski** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2019-07-30	**Joanna Erdman** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2019-07-30	**Marcin Giżycki** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2019-07-30	**Bożena Graczyk** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2019-07-30	**Patrick Roesink** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2019-07-30	**Lorenzo Tassan-Bassut** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2019-07-30	**Jolanta Alvarado Rodriguez**	Director of Accounting Department Chief Accountant	*The original Polish document is signed with a qualified electronic signature*