2013

Management Board Report on Operations of ING Bank Śląski S.A. Capital Group in H1 2013

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RESULTS OF ING BANK ŚLĄSKI S.A. CAPITAL GROUP IN H1 2013 – SUMMARY

CLIENTS BASE GROWTH

In June 2013, the Bank serviced **over 3.3 million clients**, including:

- 3,067.8 thousand individual clients
  (up by 71.7 thousand from the 2012 yearend),
- 248.5 thousand entrepreneurs
  (up by 9.1 thousand throughout 6 months of 2013)
- 31.1 thousand corporate clients
  (up by 1.8 thousand from December 2012)

NEW ATTRACTIVE FINANCIAL SOLUTIONS UNDER SIMPLE AND FAIR PRODUCT OFFER

1. New offer dedicated to retail clients:
   - Lending products campaigns: cash loans (Superquick Cash Loan) and mortgage loans
   - Special offers **Welcome Rate** and **Bonus Open Savings Account**
   - **Smart Saver** – mechanism facilitating saving
2. New solutions for corporate clients:
   - **Loans with de minimis guarantees**
   - **ING Accounting** – accounting and payroll services for mid-sized and mid-corporate companies
   - **ING CardsOnLine –** application supporting companies in managing business payment cards
   - Special offer **More than a Term Deposit**

MAINTAINING HIGH SERVICE QUALITY

- **421 branches** with self-banking zones
- **118 retail branches in the new standard**
- **1,115 devices for cash self-service**, including 721 CDMs
- **Mobile Banking:**
  - *ING BankMobile* – application for retail clients was downloaded over 200 thousand times from January 2012 to June 2013
  - *ING BusinessMobile* – new application for corporate clients was downloaded over 8.6 thousand times from January till the end of June 2013
- **75% of credit applications were placed via internet by corporate clients** in June 2013

EFFICIENT EXECUTION OF ORGANIC GROWTH STRATEGY AND MARKET POSITION IMPROVEMENT

1. **Improved position of the Bank Group on the lending market**[1]
   - **PLN 48.8 billion loans and other client receivables** → PLN 2.5 billion growth in H1 2013 → **credit market share growth by 0.1 p.p.**
   - **PLN 17.6 billion retail loans** → six-month increase by PLN 1.1 billion (including mortgage loans by PLN 0.7 billion) → **fourth** market position in **mortgage loans sale**
   - **PLN 31.2 billion corporate credit receivables** → up by PLN 1.5 billion from 2012 yearend
2. **Strengthening position on retail deposits market**
   - **PLN 62.1 billion deposits** → PLN 4.3 billion growth in H1 2013 - including retail deposits growth by PLN 3.0 billion (7.8%) and corporate deposits growth by PLN 1.3 billion (6.8%) → **market share up by 0.3 p.p.** versus December 2012

TRANSLATION OF BUSINESS PERFORMANCE INTO FINANCIAL FIGURES

- **PLN 476.6 million net profit – up by 9%** versus H1 2012
- **PLN 1,655.6 million income – up by 1%** from H1 2012
- **Impairment Losses and Provisions down by 35%** against H1 2012
- Ratios: ROA = 1.1%, ROE = 11.2%,
- Cost to income ratio – 56.6%
- **Solvency ratio – 15.83%**
- **Loan to Deposit** ratio – **72.2%**

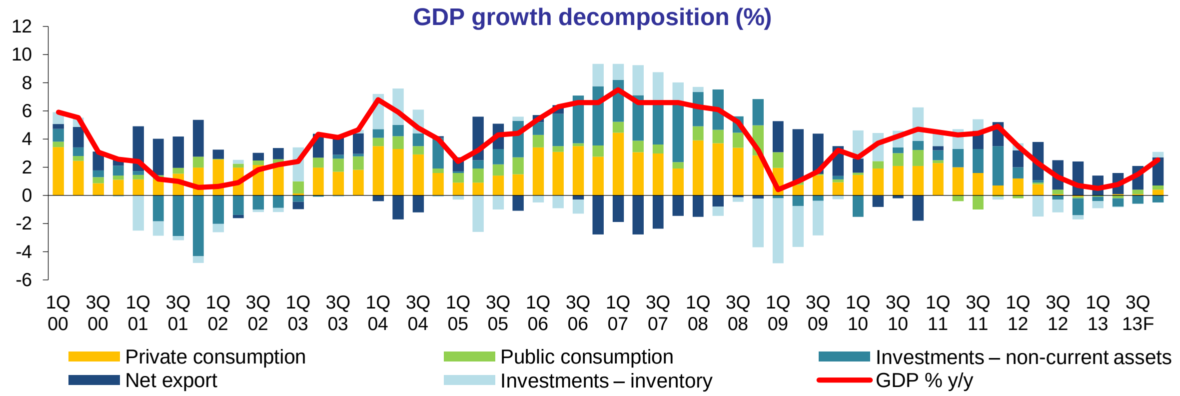
[1] Credit and deposit volumes on the basis of management information

I. MACROECONOMIC SITUATION OF POLISH BANKING SECTOR GROWTH IN H1 2013

1. Major Trends in Polish Economy

Gross Domestic Product

Most probably, H1 2013 saw the lowest point of the current economic cycle. In Q1, the Poland's GDP growth was 0.5% y/y against 0.7% in Q4 2012 and the Q2 result is expected to be slightly better at 0.8% y/y. Domestic demand continued to be weak and has been falling y/y since Q2 2012; in the current economic slowdown we, therefore, experience the longest period of domestic demand falls since at least mid-90's of the 20th century. Slowdown in investments, mainly public after EURO 2012 but also private ones due to a continuing low economic growth in the Eurozone also had its impact. The private consumption growth rate remained exceptionally low too – in Q1 2013 private consumption did not rise at all. GDP growth was accomplished owing to a positive contribution of net export and even though it was largely due to the import shrinkage, monthly exports in H1 started to indicate a potential economic recovery.



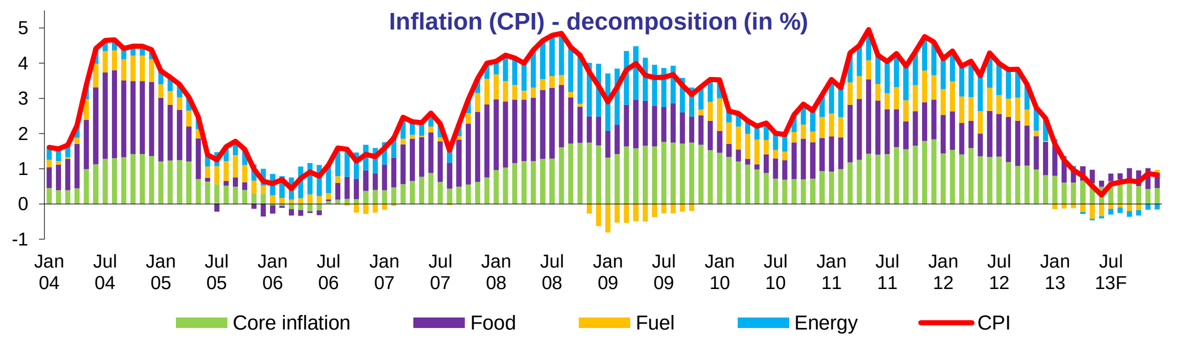
Labour Market and Payroll

As a result of the economic growth stabilisation at low level, the unemployment further increased and in May 2013 it settled at 13.5% against 12.6% a year earlier. Employment in the corporate sector was down by 1% y/y still in April 2013, but in the two subsequent months it went down by 0.8% only which may be treated as a sign of labour market stabilisation.

In H1 2013, the wages growth rate in the corporate sector was 2.1% y/y on average and even though it is a low level for the Polish conditions, it should be interpreted in the light of the incredibly fast falling inflation. As a result, throughout the entire Q2, despite the further employment drop, the real wages fund in the corporate sector managed to slightly grow year on year.

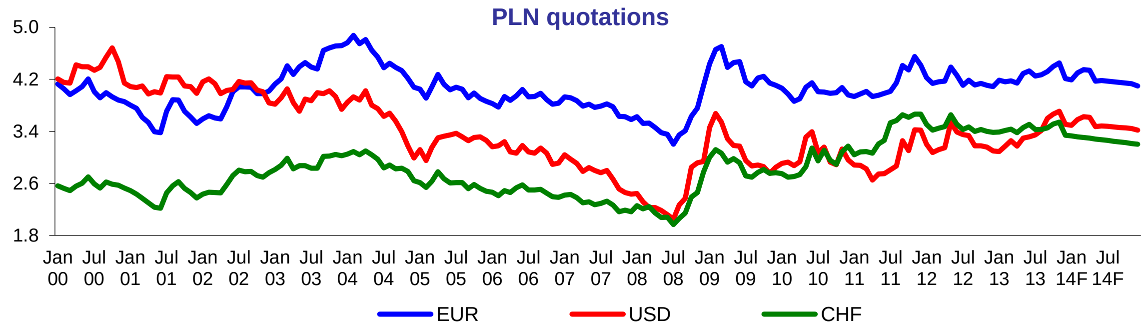
Inflation

In December 2012, the annual inflation was still at 2.4% (MPC target was 2.5%) but by June 2013 it reached 0.2% y/y – the lowest level for the last 24 years at least (since political transformation). The annual average inflation that in 2012 was 3.7%, in 2013 may be only 0.8% y/y and only in H1 it settled at 0.9%.



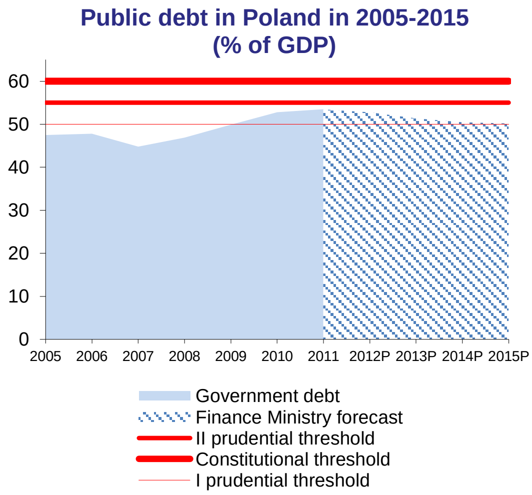
Impact of Global Financial Markets on Polish Economy

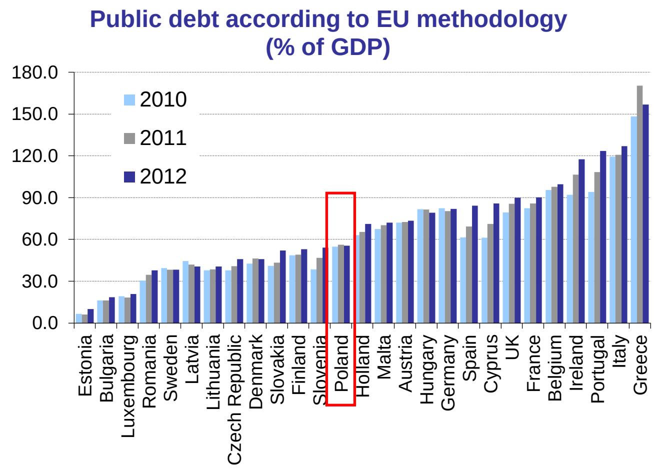
The Japan's announcement of the aggressive economy stimulus plan by additional printing of money revived the demand for Polish bonds at the beginning of Q2. However, when the US Federal Reserve started to signal the intention to stifle the quantitative easing programme, the profitability of American bonds went up, which heavily impacted debt prices on emerging markets and weakened their currencies, Polish zloty included.



State Budget

In August 2013, central budget will be revised by PLN 16 billion (corresponding to approx. 1% of GDP). According to the government, the income shortage is at PLN 24 billion. The government spending cuts will total PLN 8 billion to bridge the gap. The consent to the higher deficit requires elimination of the first prudential threshold for the debt (deficit to income ratio cannot be higher than the one in the previous year) and such a decision was taken in July – the first threshold was suspended due to the announced revision and structuring of the next year's budget. This change will be coupled with the amendment to the Public Finance Act introducing a permanent expenditure rule recommended by the European Commission while the other prudential thresholds (55% and 60% of debt to GDP) will remain unchanged.



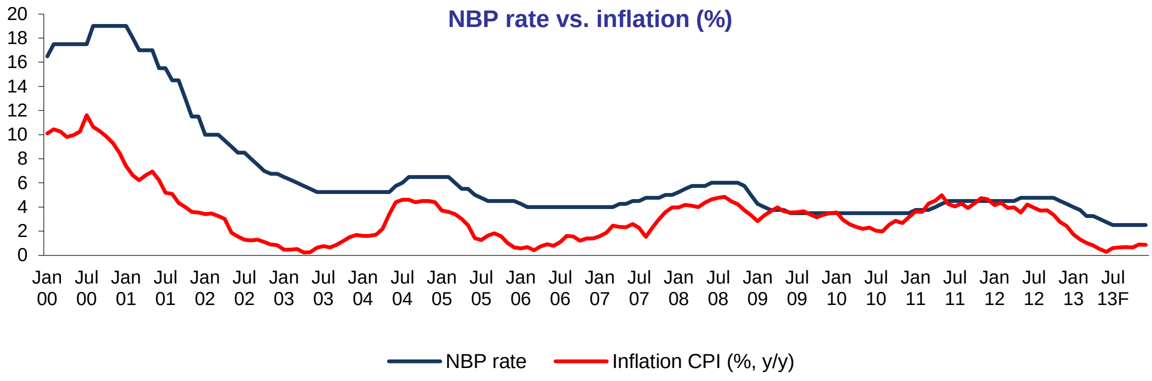


2. Monetary Policy

In H1 2012, the Monetary Policy Council continued monetary policy easing by cutting interest rates by 150 bp. In July, along with the further decrease of 25 bp, it communicated the end of interest rate cuts and announced that the rates would remain unchanged at least by the end of 2013.

As a result, after the MPC session in July, the interest rates were as follows:

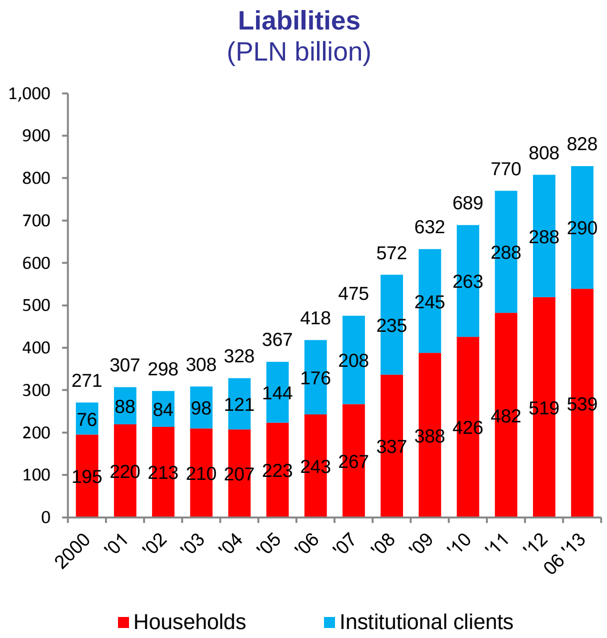
- reference rate – 2.50%,
- rediscount rate – 2.75%,
- lombard rate – 4.00%,
- deposit rate – 1.00%.

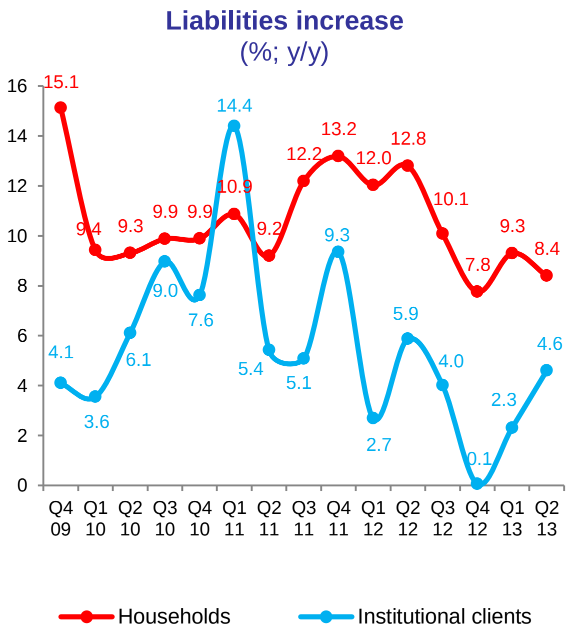


3. Banking Sector[2]

The situation as regards the development of the main monetary categories was as follows:

- Household liabilities reported a relatively slow growth and as at the end of June 2013 they amounted to PLN 538.7 billion, up by 3.7% from the end of 2012. When compared year to year (versus the end of June 2012), they went up by 8.4%. April and May 2013 saw a decline in household deposits. Lower and lower interest rates caused investors to move some of their assets to mutual funds. In June 2013, the trend was stopped, the fact that can be attributed to capital market downturn.
- In June 2013, liabilities due to institutional clients[3] amounted to PLN 289.8 billion, up by 0.5% from the 2012 yearend. The volume which in effect did not change from the 2012 yearend can be attributed to higher liabilities towards local government institutions and enterprises (PLN +4.9 billion and PLN +1.2 billion, respectively), which, in turn, compensated for a drop in liabilities towards non-monetary financial institutions (down by PLN 5.5 billion). Liabilities towards institutional clients grew by 4.6% year on year.



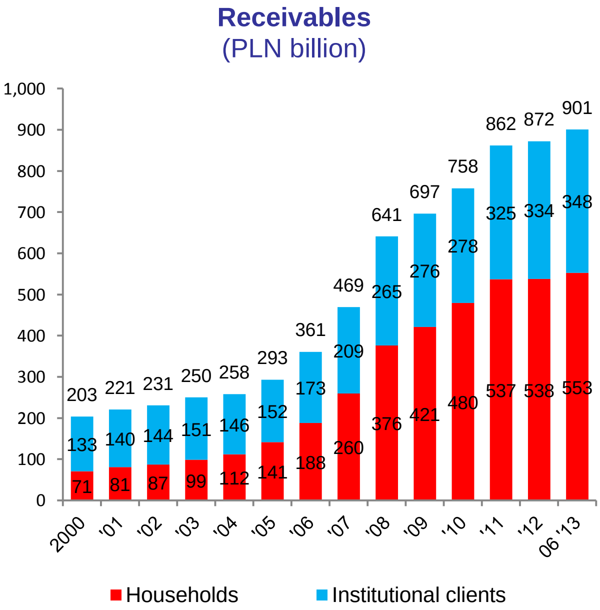


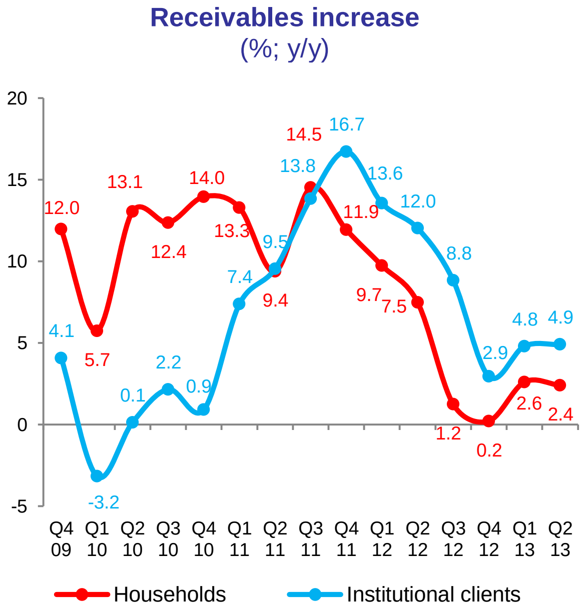
- In June 2013, household receivables settled at PLN 553.0 billion, up by 2.8% from December 2012. Both consumer credits and housing loans saw a low growth rate. Housing loans, which constituted the main part of the banks' credit exposure towards households, grew

[2] The amounts discussed are for receivables and liabilities of monetary financial institutions from/ towards other domestic industries. Source: National Bank of Poland, file NALEZ_ZOBOW_MIF.xls – June 2013.
[3] Total for the following classes of entities: non-monetary financial institutions, enterprises, non-commercial institutions for households, local government institutions and social insurance funds.

in nominal terms by 3.3%, arriving at PLN 334.4 billion. Upon elimination of Polish zloty depreciation impact, the growth of housing loans portfolio can be estimated at 1.1%. As the Polish Bank Association's preliminary data show, by the end of June 2013, banks extended housing loans totalling PLN 17.6 billion (PLN 20.9 billion during H1 2012). PLN loans accounted for almost 99% of the sales total. The volume of consumer credits grew by 0.6% from the 2012 yearend. The low growth of household loans is the consequence of debt aversion under the challenging macroeconomic conditions (unemployment growth). The change of T Recommendation may translate into the better results of the consumer credit segment as comeback of some cash loans from the non-regulated sector (lending companies) to banks is among the expected liberalisation effects. Household receivables grew by 2.4% year on year.

- Receivables from institutional clients went up by 4.1% during the first six months of 2013 and arrived at PLN 347.9 billion. Receivables from non-monetary financial institutions were the main driver of growth (up by 27.1% from December 2012). Receivables from enterprises rose by 2.5%, while receivables from local governments and social insurance funds dropped by 5.9%. Receivables from non-commercial institutions for households remained stable (+0.2% versus December 2012). The relatively slow lending should be attributed to economic activity drop and poor outlook for economic growth in the coming periods plus limitation of public investments' scale. When compared to December 2012, the higher volumes of loans for enterprises were to some degree effectuated by the PLN/EUR depreciation. Investment loans with a large share of FX receivables reported the top growth (+6.1% y/y). Working capital loans slightly grew (up by 1.5%) from December 2012. Receivables from institutional clients went up by 4.9% from June 2012.





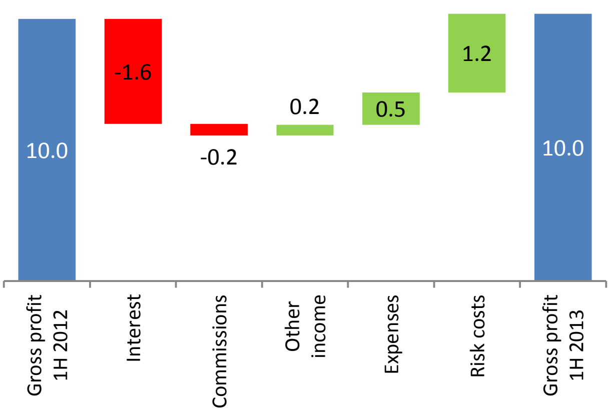
Over H1 2013, domestic banks generated net profit of PLN 8.2 billion (up by 1.9% from the last year)[4]. Sector results were impacted by the following factors:

- A drop in net interest income by 8.9% due to the interest rates decrease. It should be noted that the interest income on loans fell slower (-10.1% y/y) against the interest expenses on deposits (-12.7% y/y).
- A decrease in the net income on fees and commissions (-2.4% y/y) mainly due to lowering interchange fees by card organisations as of January 2013 and poor sales of loans.
- An increase in other income (by 3.0% year on year), due to realisation of profits on sales of securities, among other factors. Some banks decided to sell parts of their portfolios as a result of the continuing high prices of the Polish T-bonds since May 2013.

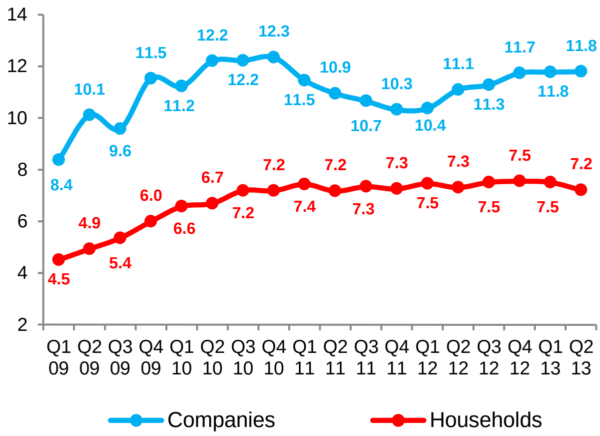
[4] Source: Polish Financial Supervision Authority, Monthly data on the banking sector – June 2013 file.

- A drop in operating expenses by 3.1% – banks, expecting the net interest income and net income on fees and commissions to drop, maintained cost discipline by reducing both personnel expenses (no bonus for employees, for example) and material costs (lower spending on advertising and marketing, for example).
- A slump in negative balance of impairment losses and provisions by 25.7% – contrary to the projections, the quality of lending portfolios remained undeteriorated. As at the end of June, the share of impaired receivables in total receivables from the non-financial sector totalled 8.7%, i.e. it went down by 0.1 p.p. from December 2012.[5]

Gross result[6] of the banking sector from January to June 2013 (PLN billion)



Share of impaired receivables in the banking sector (%)



The quality of the banks' credit exposure to businesses almost did not change – the share of impaired loans as at the end of June was 11.8% against 11.7% in December 2012. In turn, the quality of household loans improved. As at the end of June 2013, the share of impaired receivables was 7.2% (down by 0.2 p.p. from 31 December 2012). In the period discussed, the share of impaired housing loans went up from 2.8% to 3.0%, while the share of non-performing consumer loans fell from 17.3% to 16.1%.

Due to earmarking a material part of profits from 2012 to capital increase and moderate lending growth, as at the end of June 2013, the solvency ratio of the domestic banking sector was at 15.2% (up by 0.5 p.p. versus the end of 2012 and by 1.6 p.p. versus June 2012).

In H1 2013, the Polish Financial Supervision Authority introduced the following changes to the regulatory requirements:

- D Recommendation concerning management of information technology and security at banks.
- M Recommendation concerning operational risk management at banks.
- Amendment to T Recommendation concerning best practices in retail credit exposures risk management whereunder the rules of granting consumer loans were eased. The amended T Recommendation provides for the possibility of taking a credit decision based on simplified principles of credit capacity assessment, among others.
- Change of the S Recommendation concerning best practices as regards management of mortgage-backed credit exposures, following the solutions adopted in the T Recommendation. The most important modifications of the S Recommendation include: further restriction of FX lending, liberalised approach to DtI ratio and changed approach to LtV ratio which should be determined by bank internal bodies.

[5] Source: NBP, Financial Data for the Banking Sector, naleznosci.xls file – June 2013.
[6] Going concern gross profit.

4. Asset-Based Lending Market

Leasing

The first half of 2013 and the second quarter in particular brought about leasing revival. The assets funded by leasing companies went up by 5.5% from the same period last year, totalling almost PLN 16.0 billion.[7] The movables funded by the leasing sector went up by 2.4% reaching PLN 15.1 billion. Vehicles – both passenger cars and trucks – were the main growth driver in the movables segment. The worth of passenger car purchase funded went up by 9.8% year on year, the fact that can be attributed to fleet modernization – replacement of cars equipped with a cargo partition which were bought on a mass scale in the years 2009-2010. In turn, leasing of trucks went up in anticipation of economic revival in Western Europe in H2 2013 (and increased demand for transportation services) plus the fact of coming into force of the Euro 6 exhaust fumes standard. Since the new, more stringent, exhaust fumes standard will translate into higher prices of trucks, companies sped up their fleet exchange. In consequence, the worth of trucks funded[8] rose by 6.4% year on year. The second largest movables leasing segment being machines and equipment shrank by 2.2% year on year. Construction investment crash caused the worth of leased construction machinery to fall by 29.1% in H1 2013. Further, gradual termination of agricultural funds from the 2007-2013 perspective translated into lower growth rate of agricultural machinery funding (+6.4% y/y against 59.2% in H1 2012). Smaller movables leasing segments: IT hardware and software as well as other transportation means saw drops by 12.8% and 17.4%, respectively.

The real properties leased in H1 2013 went up by 115.2% reaching PLN 0.9 billion. The growth resulted from good standing of commercial real properties and favourable legal changes made in the deregulation act which came into force in 2013. The first half of 2013 saw an increase in funding of office edifices, hotels and business parks. On the contrary, the segment of industrial buildings reported a steep decline (down by 39.6% y/y).

In H2 2013, the leasing market will be most influenced by sustained high demand for funding of passenger cars and trucks. The machines sector will take advantage of the rising replenishment investments, caused by a relatively high utilisation of output capacity and low investment outlays in the years 2009-2012. In turn, gradual termination of agricultural funds from the 2007-2013 Perspective will translate into further constraint on agricultural machinery funding (through cash loans primarily). The positive tendency on the movables market is expected to continue.

Factoring

According to the Polish Factors Association, in H1 2013 its 20 members purchased the receivables for the amount of PLN 44.0 billion, i.e. up by 16.8% as compared to the same period of the previous year. The factoring services market proved impervious to unfavourable economic conditions and continued its growth. Under the conditions of economic downturn, besides liquidity improvement, the other factoring aspect – hedging against counterparty risk – gained on particular significance. The industry is expecting further market growth since the ratio of factoring companies' turnover to GDP in Poland is still lower (just under 7.1%) than in major European markets (9.5%).

5. Capital Market

Warsaw Stock Exchange

The first half of 2013 was unfavourable for investors on the Warsaw Stock Exchange. The main WSE index – WIG recorded falls from the beginning of the year and it grew between the end of April and mid-June, followed by a significant share price reduction when WIG within a couple of days lost 9.3%. As a result, on 28 June 2013, WIG was at 43,667.37, down by 5.7% from the end of 2012. Mainly the biggest and most liquid WSE-listed companies contributed to this fall. WIG20 index lost 13.1% over 6 months. Smaller WSE-listed companies were resistant to poor economic conditions. mWIG40 index increased against the end of 2012 by 8.8% and sWIG80 index by 12.2%.

The top return on investment was earned by the investors having in their portfolios the shares of companies from the chemical industry, – sub-index of this sector gained 18.5% by the end of 2012 – the construction sector (with yield of +9.5%) and the media one (+8.3%). The sector sub-indexes saw the biggest drops in the power industry (-14.4%), food industry (-15.4%), telecommunications industry (-27.9%) and in the primary sector (-36.0%).

[7] Source: Polish Leasing Association.
[8] Trucks including tractor units and semitrailers/ trailers.

WIG and WIG20 in H1 2013

The share sale in June 2013 was due, among other factors, to the announcement of the more restrictive monetary policy in the United States. It made foreign investors to realise the yields faster and sent a downturn signal to the majority of risky markets. Global slump on the metals market due to disappointing data on the Chinese economic situation did not go unnoticed either, which led to major falls of domestic companies from the primary sector and KGHM in particular (the company has a very big share in WIG20). Finally, the falls may be attributed to the announcement of radical changes in the second pillar of the pension system, aimed at significant constraint of operations of the open-end pension funds owned by the biggest WSE investors.

At the end of June 2013, the value of domestic companies listed on the Warsaw Stock Exchange amounted to PLN 514.7 billion, down by 1.7% from December 2012. Despite poor economic situation, in terms of the number of IPOs WSE remained second in Europe only after the London Stock Exchange. According to the quarterly PwC IPO Watch Europe reports, there were 31 IPOs on WSE in H1 2013. In H1 2013, Warsaw IPOs totalled EUR 102 million. This makes WSE number seven in Europe in terms of the value of public offerings[9]. The majority of IPOs took place on the NewConnect market – 27, while the main floor saw 4 companies debut.

In H1 2013, there was a growth in trading on the main floor (PLN 132.2 billion), up by 28.8% from H1 2012. The value of shares traded on the main floor totalled PLN 111.8 billion, up by 15.1% from the same period last year. In turn, trading in equities of high-potential companies on the alternative market – NewConnect went down to PLN 496.5 million, down by 35.8% from H1 2012. The Catalyst debt instruments market developed fast, both in terms of the number of listed instruments and the value of trading (PLN 3.0 billion in H1 2013 against PLN 1.9 billion in H1 2012). As at the end of June 2013, the issues on the Catalyst market (corporate bonds, municipal bonds and mortgage bonds) totalled PLN 56.4 billion versus PLN 46.5 billion a year earlier (up by 21.5%).

The performance of the forwards and futures market and the options market on the WSE was uneven. The number of open positions on index forwards and futures at the end of June 2013 was 104.6 thousand, up by 6.3% against the previous year. The trading volume in index forwards and futures was 4.3 million deals, against 5.1 million in H1 2012, i.e. down by 14.5%. The trading volume in options in turn grew from 297.7 thousand in H1 2012 to 408.9 thousand deals (+37.3% y/y). FX forwards and futures recorded the fastest growth, both in terms of the number of open positions (+136.0% versus June 2012) and trading volume (+370.7% versus H1 2012).

[9] Source: PwC, IPO Watch Europe, Q1-2 2013 Reports.

Mutual Funds

The first half of 2013 ended with the increase of funds accumulated in domestic mutual fund companies. The net assets of those funds went up by PLN 20.4 billion from December 2012 and reached a record-breaking level of PLN 166.2 billion. Year on year, the mutual funds' assets went up by PLN 36.9 billion, or 28.6%. The increase of funds accumulated in mutual funds in H1 2013 (approx. PLN 16.3 billion) was due to the surplus of deposits over withdrawals. The asset management impact was less significant due to bear domestic debt and stock markets. The WIG broad market index and IROS Treasury Bond index lost over six months 5.7% and 0.2%, respectively.
The first half of 2013 was another period of changes to the structure of mutual funds' assets. Private asset funds, including dedicated funds, i.e. funds tailored to individual investors, saw the biggest net assets inflow. Over the first six months of 2013, the funds of this type received PLN 6.8 billion. At the end of June 2013, the funds accumulated in private asset funds totalled PLN 49.6 billion, up by PLN 11.5 billion (+30.1%) versus December 2012. The share of this segment in the entire market grew from December 2012 by 3.7 p.p. and arrived at 29.8%.

The inflow of net assets to capital and money market funds in H1 2013 was PLN 9.5 billion. The assets of this market segment as at the end of June 2013 totalled PLN 116.6 billion, up by PLN 8.9 billion (+8.3%) versus the last yearend. The value of assets of this market segment was on the one hand shaped by the bear domestic equities and debt markets and by a positive impact of interest rate cuts on the other hand. Due to decreasing profitability of bank deposits, the interest in funds as an alternative solution to deposits grew. The clients were mostly willing to choose the most secure funds: money, cash and debt. The assets of money and cash funds went up by PLN 4.9 billion (+31.0%) from December 2012. This made the segment increase its market share from 10.7% at the end of 2012 to 12.3%. The assets of bond funds grew over H1 2013 by PLN 2.8 billion (+7.1%). Still, due to the worsening economic conditions on the market of domestic T-bonds, in June there was a major money outflow from this group of funds. Also the absolute return funds were popular among investors (up by PLN 0.5 billion, or 17.2%). Due to the volatile market situation, despite positive balance of deposits and redemptions, equity funds increased their assets at a relatively slow pace. The value of assets accumulated in these funds grew as at the end of H1 2013 by PLN 1.2 billion (+5.0%) versus December 2012.

Open-End Pension Funds

As at the end of H1 2013, the assets of open-end pension funds totalled PLN 272.1 billion, up by PLN 2.55 billion, or 0.9% from the end of 2012. Year on year, the assets of open-end pension funds went up by PLN 31.1 billion, or 12.9%.

The assets growth in 2013 was solely due to the transfers made by the Social Insurance Institution. In total, over the first half of 2013, the accounts of open-end pension funds were credited with the amount of PLN 4.75 billion.[10] The management result was negative – it is estimated at PLN 2.2 billion. Poor results of managing funds accumulated in open-end pension funds were the result of the bear Warsaw Stock Exchange market and poor economic situation on the market of domestic T-bonds (IROS Treasury Bond Index recorded a positive value in March and April 2013 only).

During the first six months of 2013, the average return on funds invested in open-end pension funds' units was negative and settled at -0.6%. To compare, during the first six months of 2012, the weighted average value of a settlement unit went down by 1.5%. In turn, over 12 months (by the end of June 2013), the weighted average value of a settlement unit went up by 9.5%.

6. Macroeconomic Factors to Impact Operations of ING Bank Śląski S.A. in H2 2013

Global factors that may adversely affect the Polish economic situation include normalisation of the monetary policy in the US, weakening growth in China and poor domestic demand in the Eurozone hindering economic revival in Europe. We assume that the recovery in Poland in H2 2013 may be less dynamic than in the past economic cycles.

ECB will continue its attempts to separate the Eurozone debt markets from the profitability increase tendency set by the American market and expected FED policy of withdrawing from the QE

[10] Source: Polish Financial Supervision Authority, Monthly data about open-end pension funds for January – June 2013.

programme. The main ECB tool is the announced long-term maintenance of interest rates at low level with the option of further cuts even it this would entail bringing the deposit rate below zero.

The stabilisation actions in the Eurozone strengthened the investors' conviction about the stability of this economic area, which makes it possible to gradually rebuild confidence. Still, the risk of further turbulence in the Euroland remains. The Cyprus example shows that the risks are of political nature mainly. The same goes for Italy or Portugal where the long period of budget policy tightening led to smaller support for pro-reform parties. On the other hand, the example of Slovenia proves that the financial markets' response to troubling news may still be impetuous. One may imagine the situation where the continuing recession in the southern countries will make additional bailout for Greece, Cyprus, Portugal or Spain necessary and there will be no consent thereto in Germany. The Germany stance may be even more conservative in case of further drop in support for pro-reform parties and populists rising to power. For this reason, building of the fiscal and banking union may be prolonged over time. The bank resolution mechanism agreed on by ministers of finance of the Eurozone came faster than expected, which shows determination in building the banking union; on the other hand, it went towards the solutions on the national level and not sharing liabilities within the Eurozone which shows that there is still some resistance to further integration of this economic area.

The response of financial markets of individual emerging economies to the US withdrawal from the quantitative easing programme will be an important factor determining the banking environment in 2013. Already much capital flew into emerging markets when the primary markets were offering very low yields, thus the withdrawal may have major impact on currencies and bond prices. It is expected that they will become very volatile, as was the case in June 2013.

The interest rates in Poland, in turn, should remain stable, according to the new form of the Monetary Policy Council's communication where the period when the interest rates will remain unchanged is broadly determined. The period until the end of 2013, indicated by Marek Belka, NBP Governor, may according to ING Economists be extended to 2014, due to the inflation very slowly returning to the target.

After six quarters of recession in the Eurozone, it is still not certain whether GDP will grow in H2 2013 (y/y). Bank Economists predict that the positive figure may occur not before Q4 2013, provided that the economic slowdown in China will stop at 7.5% growth rate. The Eurozone growth rate in 2013 may reach -0.6% and 0.9% in 2014.

The low interest rates in Poland may contribute to depositing household savings outside the banking system. The risk of foreign investors selling Polish assets, adversely influencing the results of mutual funds, will have the opposite impact.

The decision to increase the acceptable level of the US debt and budget negotiations were moved to September/October. Lack of comprise may have negative consequences for the American and therefore global economic growth.

Further course of economic slowdown in Poland will determine the macroeconomic conditions for banks – GDP growth rate should start going up with Q2 2013 and reach 2.5% y/y in Q4 2013 which would lead to the level of 1.4% for the entire 2013. The signals of the labour market stabilising and gradual decrease of job loss-related concerns will allow for further improvement of consumer moods. Low interest rates coupled with low inflation leading to real income growth, even against low wage growth rate, should lead to more significant private consumption growth in H2 2013. Nevertheless, the propensity to save may remain elevated due to uncertainty of recovery in the Eurozone. On the other hand, in H2 2013 the eased provisions of the T Recommendation concerning consumer credit granting will we introduced, which while the consumer moods will be improving, may trigger the purchase of durable goods, so far suspended on account of the economic slowdown.

Keeping interest rates unchanged at least till the end of 2013, as announced by the Governor of the National Bank of Poland, Marek Belka, may improve effectiveness of the cuts made and stimulate the financial sector and business entities to more intensive utilisation of low interest rates since there are time limits set for this situation even if they may prove not binding. Still, we are afraid that the return on investment will remain negative year on year in all quarters of 2013. The Q2 2013-dedicated survey on economic situation, conducted by the National Bank of Poland among the business entities, shows some signs of improvement of demand, expected output and employment plans, but the respondents refused to call it a recovery suggesting that it would come only in 2014. Difficult process of the Eurozone exiting from recession may therefore hinder the decision to start investments despite low interest rates.

As at the 2012 yearend, the unemployment rate was 13.4%. In H1 2013, it proved lower than expected – the phenomenon attributed to the intervention of the Ministry for Labour and Social Policy in the labour market. As at the end of 2013, it may be 14.2%.

It is expected that the average PLN/EUR exchange rate will grow from 4.21 in H1 2013 to 4.32 in H2 2013 due to the announced withdrawal of the US Federal Reserve from the quantitative easing programme and the related turbulence on the emerging markets as well as outflows from their bond markets. Good current account balance, which in H1 2013 proved low dependence on inflows of the portfolio capital and showed substantive inflows of EU funds, should favour relative resistance of the Polish zloty to changes. The National Bank of Poland maintenance of relatively high (for an emerging economy) interest rates and intervention in June to shield the Polish zloty, should also contribute to less violent response of the Polish currency to global trends.

The continuing weakness of domestic demand will most probably lead to a very slow inflation increase in H2 2013, after the lowest recorded level of 0.2% y/y in June, which may not even reach 1% y/y versus 1.5% being the bottom line for deviations from the inflation target acceptable for the Monetary Policy Council. Administrative changes concerning waste disposal and less favourable dynamics of commodity prices y/y should mitigate the risk of the economy experiencing deflation in H2 2013.

The condition of the Polish banking sector will be determined by the following phenomena:

- Stabilisation of the quality of lending portfolios, potential extension of the BGK guarantee programme for loans to SMEs but also potential liquidity increase due to relatively cheap loans preventing payment backlogs.
- Relatively high level of deposits taking into account record low inflation and interest rates. In spite of interest rate cuts, there are varying observations as to the propensity of households to seek the forms of savings that would be more attractive than bank accounts in terms of yield.
- The continued low lending dynamics due to the gradual fading of job-loss related concerns of households and limited investment plans of the corporate sector in view of uncertainty surrounding the recovery in the Eurozone.
- The necessity for the banks to slowly accommodate to future regulatory requirements regarding capital adequacy and liquidity levels.

Polish Economy in Years 2005-2013[11]

	2005	2006	2007	2008	2009	2010	2011	2012	2013F
GDP growth (%)	3.6	6.2	6.8	5.1	1.7	3.9	4.5	1.9	1.4
General government debt according to the EU methodology (% of GDP)	47.1	47.7	45.0	47.1	50.9	54.8	56.2	55.6	59.1
M3 money supply (PLN billion)	427.1	495.3	561.6	666.2	720.3	783.6	881.5	921.8	981.0
Producer Price Index growth (%)	4.1	12.0	9.4	3.0	-3.6	11.1	6.8	1.4	-0.2
Average annual inflation (CPI) (%)	2.1	1.0	2.5	4.2	3.5	2.6	4.3	3.7	0.8
Unemployment rate (%)	17.6	14.8	11.2	9.5	12.1	12.4	12.5	13.4	14.2
PLN/USD exchange rate (yearend)	3.2613	2.9105	2.7554	2.9379	2.8503	2.9641	3.4174	3.0996	3.5083
PLN/EUR exchange rate (yearend)	3.8598	3.8312	3.5820	4.1050	4.1082	3.9603	4.4168	4.0882	4.2100
WIBOR 3M (yearend)	4.60	4.20	5.70	5.80	4.00	3.95	4.99	4.27	2.70

[11] 2013 Forecast updated in July 2013.

II. MAJOR ACHIEVEMENTS OF ING BANK ŚLĄSKI S.A. CAPITAL GROUP IN H1 2013

1. Customer Base Growth

In H1 2013, the number of ING Bank Śląski S.A. clients went up by 82.6 thousand compared with an increase of 71.6 thousand observed last year (up by 15%). As at the end of June 2013, the number of Bank clients amounted to 3,347.4 thousand and was broken down into the following segments:

- 3,316.3 thousand retail clients, including:
  - 3,067.8 thousand individual clients (up by 71.7 thousand clients throughout 2013),
  - 248.5 thousand entrepreneurs,
- 31.1 thousand corporate clients (mid-sized and mid-corporates and capital groups).

The constantly growing number of ING Bank Śląski S.A. clients (both individuals and businesses) proves that the activities pursued by the Bank to reinforce long-term relationships with the clients are effective. These relationships are based on the trusted brand of the Bank, a transparent product offer tailored to the ever-changing preferences of clients and a continuously developed multi-channel distribution system. Incorporation of the leasing and factoring companies to the Group's structure provides the Group with the potential to reach out to more clients and to use the sales structures effectively.

2. Better Position on Credit Market

As at the end of June 2013, total net loans and other receivables from customers of the ING Bank Śląski S.A. Capital Group amounted to PLN 46,678.2 million[12], up by PLN 1,472.6 million (or by 3.3%) from the end of 2012. The Capital Group was estimated to have a 5.1%-share in total amount of loans extended to customers as part of the commercial banks sector[13] (up by 0.1 p.p. from the end of 2012).

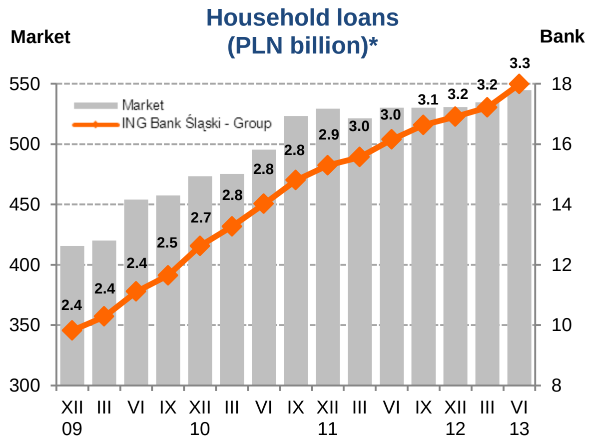
The improvement in the position of the Bank Capital Group on the credit market was due to:

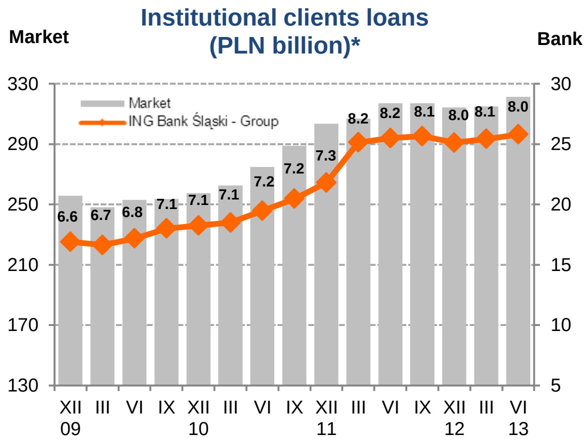
- Dynamic growth of credit receivables from households. In June 2013, they totalled PLN 17,551.6 million, up by PLN 998.9 million (i.e. by 6.0%) from the end of 2012. In H1 2013, it was still the PLN mortgage loan that was the dominant product in the retail segment decisive for the growth of credit receivables. As at the end of June 2013, the PLN mortgage loans amounted to PLN 11,493.1 million (up by 6.8% when compared to the 2012 yearend); however, the relevance of cash loans is growing, as they went up by 10.7% over six months, and their volume amounted to PLN 2,852.7 million.
- Increased corporate (institutional[14]) clients exposure – the respective Group's credit receivables amounted to PLN 29,126.6 million, up by 1.7% over the end of 2012.

[12] This amount covers net loans and other receivables, Eurobonds and receivables from customers under repo transactions excluded.
[13] Banking sector meaning commercial banks sector in line with data published by NBP in the *Assets and liabilities of banks* file.
[14] In total for the business entities, non-monetary financial institutions, central and local government institutions.

Loans and other receivables from customers of ING Bank Śląski S.A. Capital Group (PLN million)

	30.06.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Credit receivables from households, including:	17,552.1	16,552.7	14,938.3	12,311.4	9,566.5	7,260.8	4,712.4
Loans and cash loans	17,422.2	16,444.3	14,921.4	12,304.8	9,562.2	7,256.5	4,706.6
Leasing receivables	105.2	87.6	0.0	0.0	0.0	0.0	0.0
Factoring receivables	24.7	20.0	16.9	6.6	4.3	4.3	5.8
Other receivables	0.0	0.8	0.0	0.0	0.0	0.0	0.0
Credit receivables from institutional clients[15], including:	29,131.7	28,652.9	23,518.8	18,929.1	17,137.7	16,669.9	11,666.7
Loans and cash loans	21,672.6	21,166.6	21,076.6	17,492.8	16,110.0	15,742.8	11,398.9
- Business entities	17,415.9	16,543.8	14,986.0	12,095.1	11,266.3	11,866.7	8,505.8
- Financial entities (other than banks)	1,334.0	1,533.2	2,821.5	2,583.1	2,543.8	2,923.1	2,226.8
- Entities of the sector of central and local government agencies	2,922.7	3,089.6	3,269.1	2,814.6	2,299.9	953.0	666.3
Debt securities[16]	1,932.5	2,107.6	2,086.8	1,177.7	643.4	640.5	0.0
Leasing receivables	3,217.2	3,076.9	0.0	0.0	0.0	0.0	0.0
Factoring receivables	2,198.3	2,182.7	255.5	116.1	168.8	160.3	122.8
Other receivables	111.1	119.1	99.9	142.5	215.5	126.3	145.0
Total net credit receivables	**46,683.8**	**45,205.6**	**38,457.1**	**31,240.5**	**26,704.2**	**23,930.7**	**16,379.1**
- Eurobonds	3,794.3	3,779.7	3,872.6	3,268.5	3,261.9	1,654.0	0.0
Total net loans and other receivables from customers	50,478.1	48,985.3	42,329.7	34,509.0	29,966.1	25,584.7	16,379.1





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

3. Stronger Position on Deposit Market

The deposit base held by the Bank is one of the largest in the banking sector, which ensures high liquidity of the balance sheet and comfort as regards shaping the lending policy. Actions undertaken in H1 2013 led to further strengthening of the deposit base mainly as regards stable funds – in line with the expected regulations of the New Capital Accord (Basel III). It meant that the Bank actively acquired funds mainly from retail clients, but also from small and medium enterprises.

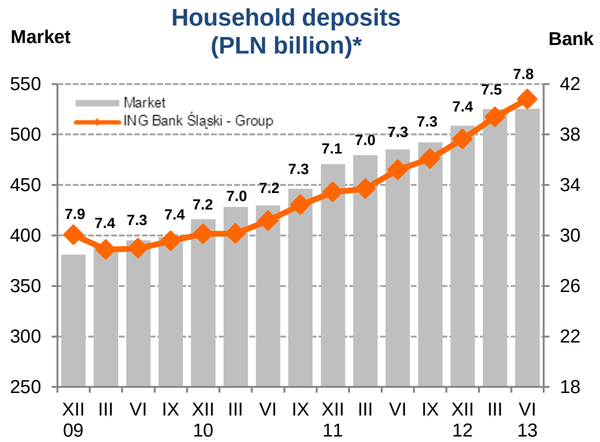
[15] Excluding receivables from customers under repo transactions.
[16] Eurobonds excluded.

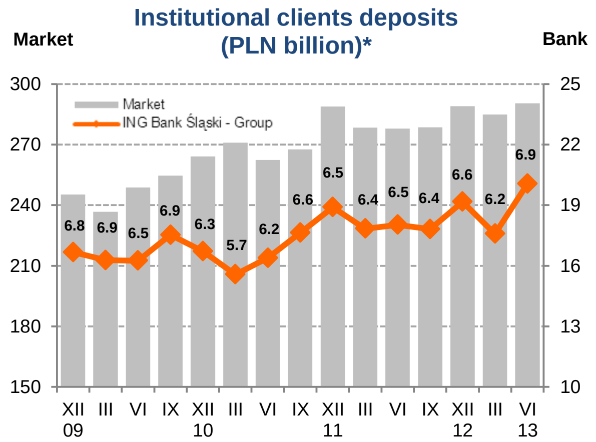
As at the end of June 2013, total funds accumulated in the accounts of the ING Bank Śląski S.A. Capital Group amounted to PLN 61,948.7 million[17] versus PLN 57,857.5 million as at the end of 2012 (up by 7.1%). The Bank held 7.5% of the total value of funds deposited in the commercial banks sector[18], which indicates that the Bank was the fourth largest deposit bank in Poland.

Throughout H1 2013, total funds deposited in household accounts went up by PLN 3,169.1 million, or by 8.4% and as at the end of June it amounted to PLN 40,852.8 million. The liabilities due to institutional clients also went up; in June 2013, they totalled PLN 21,095.9 million versus PLN 20,173.8 million as at the end of 2012 (increase by 4.6%). Throughout H1 2013 there was an increase not only in the value of funds deposited by mid-sized and mid-corporates (by 4.5%) but also in deposits of big corporates (by 9.4%).

Liabilities due to customers of ING Bank Śląski S.A. Capital Group (PLN million)

	30.06.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Household liabilities, including:	40,852.8	37,683.7	33,481.8	30,167.2	30,103.9	28,011.3	25,639.5
Deposits	40,795.8	37,627.7	33,434.7	30,117.7	30,039.7	27,945.7	25,392.6
Other liabilities	57.0	56.0	47.1	49.5	64.2	65.6	246.9
Liabilities due to institutional clients[19], including:	21,095.9	20,173.8	19,334.2	17,232.9	17,169.2	18,853.6	18,007.0
Deposits	20,059.9	19,166.1	18,899.9	16,719.2	16,676.5	18,327.2	17,559.9
- Business entities	15,738.6	13,739.9	13,887.3	12,483.6	11,861.7	11,173.5	12,760.8
- Financial entities (other than banks)	2,387.4	3,327.2	2,910.0	2,540.6	3,306.6	4,267.5	2,226.7
- Entities of the sector of central and local government agencies	1,933.9	2,099.0	2,102.6	1,695.0	1,508.2	2,886.2	2,572.4
Other liabilities	1,036.0	1,007.7	434.3	513.7	492.7	526.4	447.1
Total liabilities due to customers	**61,948.7**	**57,857.5**	**52,816.0**	**47,400.1**	**47,273.1**	**46,864.9**	**43,646.5**





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

4. Awards and Distinctions

The first half of 2013 brought numerous awards and distinctions for ING Bank Śląski S.A.

[17] The amount includes the deposits and other liabilities exclusive of liabilities due to customers under repo transactions.
[18] Banking sector meaning commercial banks sector in line with data published by NBP in the *Assets and liabilities of banks* file.
[19] Excluding liabilities due to customers under repo transactions.

The Bank was granted the following awards for the attractiveness of its product offer and quality of the customer service:

- First place in the ranking *Najwygodniejsze konto osobiste* (the Most Convenient Personal Account) made by Comperia.pl for the Forbes.pl portal;
- Second place in the ranking *Najlepsze konto z dostępem przez Internet* (Best Account with Internet Access) made by the TotalMoney.pl portal;
- Second place in the ranking *Najlepsze konto studenckie* (Best Student Account) and *Najlepsze konto młodzieżowe* (Best Youth Account) prepared by the Money.pl portal;
- Second place in the *Bank najbliższy klientowi* (Client's Most Friendly Bank) ranking held by the *Dziennik Gazeta Prawna* daily;
- Second place in the survey of quality of banking help-lines conducted by an independent research institute *ARC Rynek i Opinia* [opinion research institute];
- *Gwiazda Jakości Obsługi 2013* (2013 Service Quality Star) in the ranking organised by the www.jakoscobslugi.pl portal;
- TOP RATED status awarded by the prestigious opinion-forming American publication *GLOBAL CUSTODIAN* for custody operations in Poland in 2012.

Marketing activities of ING Bank Śląski S.A. were also recognised:

- with the *Reklamodawca Roku* (Advertiser of the Year) title in an advertising contest of *KTR* (Ad Creators Club), as well as a silver mention for the best campaign and two golden mentions for commercial spots in the Financial Services category;
- the 2012 Golden Banker title in the Best Banking Commercial Spot category for a commercial broadcast as part of the "It is easier to borrow money from the bank than family" campaign;
- third place in the *Lamparty 2013* (2013 Leopards) contest, awarding the best bank brands creations.

Also the manner in which ING Bank Śląski S.A. functions in the community and its ability to effectively combine social responsibility with the business values was appreciated by granting it the following distinctions:

- RESPECT Index – the Bank was included in the index of socially responsible companies (for the sixth consecutive time);
- *Złoty Listek CSR* (Golden CSR Leaf) awarded by *POLITYKA* weekly magazine as part of its *Lista 500* (500 List);
- Third place in the *Ranking Odpowiedzialnych Firm 2013* (2013 Socially Responsible Companies Ranking) in the Banking, Financial and Insurance Sector category;
- Third place for *Marka Godna Zaufania* (Trusted Brand) in the Bank category in the European Trusted Brands survey organized by *Reader's Digest*;
- International Top Employers title awarded by the Corporate Research Foundation for the fourth time.

The condition of ING Bank Śląski S.A. also received high praise:

- First place in the Large Banks category in the *Gazeta Bankowa* daily competition *Najlepszy Bank 2013* (2013 Best Bank) and a special mention for the best portfolio structure;
- A special mention in the ranking *Najdynamiczniej rozwijające się spółki giełdowe* (the Most Dynamically Developing Listed Companies), in the Bank category, according to *Forbes* monthly.

Additionally, the Bank's Economists Team, including Rafał Benecki and Grzegorz Ogonek, was ranked on the first place in the prestigious Bloomberg's ranking *Best forecasters of EMEA currencies 1Q 2013* for EUR/PLN forecast (where the forecast accuracy for 6 consecutive quarters was assessed). Furthermore, the Bank's Economists Team was ranked on the first place in the *Najlepszy Analityk Makroekonomiczny* competition (Top Macroeconomic Analyst), in the GDP Forecast category organised by the National Bank of Poland. The contest was organised together with *Rzeczpospolita* daily.

III. OPERATIONS OF ING BANK ŚLĄSKI S.A. IN H1 2013

1. Retail Banking

Changes to Product Offer and Customer Service Rules

Savings, investments, accounts

As ING Bank Śląski S.A. strived to maintain its strong position on the retail banking market, in H1 2013 it promoted its brand of a reliable and trustworthy institution, offered stable and transparent products, simplified and automated processes and attached more and more significance to the internet and mobile banking in client service processes.

With a view to uphold the attractiveness of its core deposit product, that is Open Savings Account, in H1 2013 there were new editions of promotions and special offers such as *Welcome Rate* and *Bonus Open Savings Account* launched. They consisted in offering periodically higher interest to new clients or for new funds.

In May 2013, a new mechanism designed to facilitate saving, called *Smart Saver*, was added to the offer. When paying by card issued for the account or making money transfers through *ING BankOnLine*, small amounts of money are automatically posted from the personal account into the *Smart Saver* account. Clients decide how they want to save by choosing one of the two following options:

- rounding up the source transaction amount to PLN 5 or PLN 10,
- percentage of the source transaction amount (from 1% to 10%).

Moreover, in H1 2013 in its offer for equity- and insurance-linked savings products, the Bank, among others:

- held periodically special offers consisting in charging no distribution fee when the Bank clients purchased participation units of all funds present in the Bank offer,
- added 4 subfunds available under Altus FIO Umbrella Open-End Fund managed by Altus TFI S.A. to the offer dedicated to Personal Banking and Private Banking clients,
- offered a wide group of individual clients two new subfunds available under the Union Investment TFI S.A. offer,
- held 13 subscriptions for Investment Term Deposit for the total amount of PLN 495 million. The majority of products available under the said subscriptions currency-linked (EUR, USD, CHF).

In H1 2013, a new vortal process was launched which enables individual clients to open an account on-line. A new client is authorised by means of a transfer made from the account held at another bank. Information included in the transfer is enough to identify the client, who has already been verified by another bank. Apart from the new process, the to-date process of opening an account with the courier's involvement is still available – the client chooses the agreement conclusion mode.

Lending Products

In H1 2013, the Bank was equally active as regards lending products. The Bank continued to be successful in pursuing its strategy providing for permanent growth of mortgage-backed exposures. The "*Get yourself three mortgage loan-linked benefits*" sales initiative launched in April 2013 and supported by the campaign run in the Bank branches and in the internet was one of mortgage loan sales boosters. Moreover, in order to make the Bank mortgage offer more attractive and adapt it to the ever changing competitive environment, additional options to lower the pricing parameters of the loan by purchasing attractive insurance packages were added to the offer; also, the fees for real property value verification were standardised and additionally the principles for making appraisals were simplified.

In H1 2013, the Bank ran marketing campaign for cash loan promoting the Superquick Cash Loan. In desire to make its services available to clients in all existing distribution channels, the Bank enabled them to submit credit application through Contact Centre. Clients who exercise the above mentioned option, may conclude the credit facility agreement via electronic banking system – *ING BankOnLine.* Finally, the Bank offer was extended by adding new cash loan-linked insurance programmes – Silver Safe Cash Loan and Gold Safe Cash Loan.

Deposits[20]

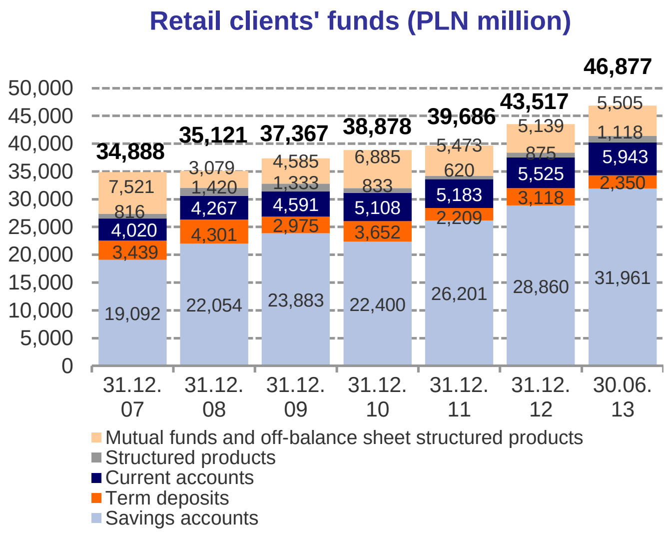
As at 30 June 2013, retail deposits[21] at ING Bank Śląski S.A. totalled PLN 46,877.0 million, compared with PLN 43,516.6 million in December 2012 (up by 7.7%). Banking deposits constituted their main part.

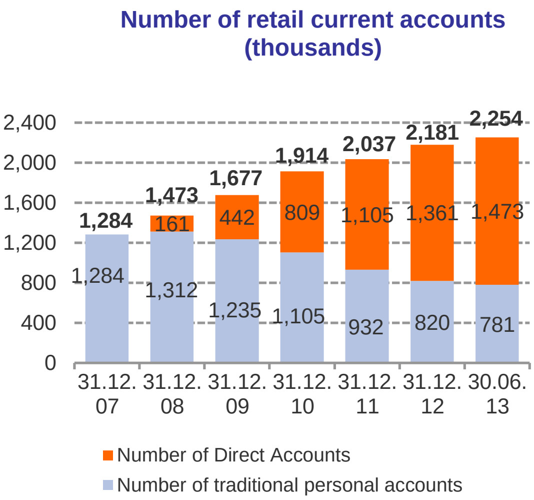
In H1 2013, the Bank relentlessly focused on building solid foundations for further growth, i.e. acquiring stable deposits whereto, according to the draft provisions of the New Capital Accord (Basel III) the majority of retail clients' deposits can be classified. As at the end of June 2013, retail deposits were PLN 41,372.0 million, or up by PLN 7.8% when compared with the end of 2012. The result translated into a 7.8% share of the Bank in the household deposit market (versus 7.4% share as at the end of 2012).

The *Open Savings Account* is the main product where the retail clients deposit their funds. Over H1 2013, the value of funds accumulated in the Open Savings Account went up by 10.7%. Also the value of savings invested in mutual funds and off-balance sheet structured products went up (by 7.1% when compared to the end of 2012).

Throughout H1 2013, the array of settlement services rendered by the Bank to its retail clients grew significantly. As at the end of June 2013, ING Bank Śląski S.A. maintained 2,254.2 thousand personal accounts of retail clients (2,012.7 thousand individual clients and 241.5 thousand entrepreneurs) against 2,181.0 thousand as at the end of 2012 (1,949.1 thousand individual clients and 231.9 thousand entrepreneurs). That means that in H1 2013, the Bank acquired in net terms 73.2 thousand personal accounts of retail clients. As a result of a higher number of personal accounts opened, the volume of funds deposited in these accounts grew. In June 2013, it totalled PLN 5,942.9 million, up by 7.6% from the end of 2012.

This was accompanied by the trend to change the structure of current accounts. Sales of the accounts, mostly *Direct Accounts*, together with the conversion by some clients from traditional personal accounts to internet accounts, made the number of *Direct Accounts* go up to 1,473.0 thousand in June 2013 (including 1,287.5 thousand accounts of individual clients and 185.5 thousand entrepreneurs' accounts) from 1,360.9 thousand in December 2012 (1,188.6 thousand and 172.3 thousand, respectively). Thus, the share of *Direct Accounts* in the total number of retail personal accounts went up from 62.4% in December 2012 to 65.3% in June 2013.

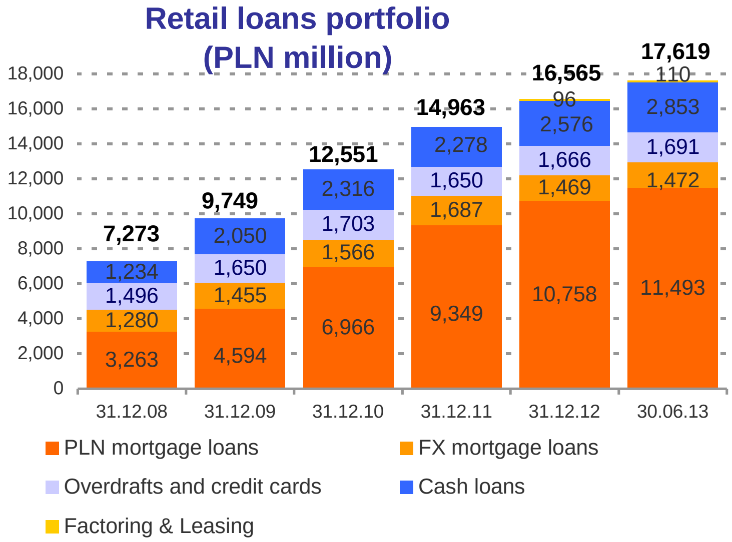


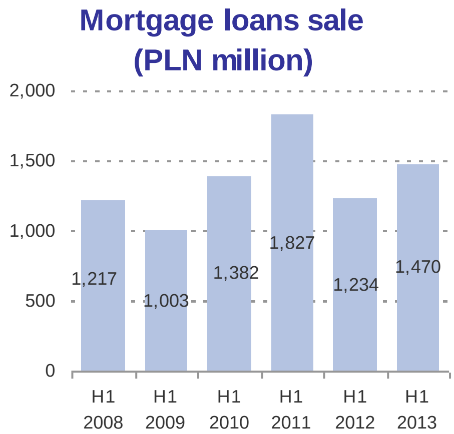


[20] Due to availability of more detailed product-related information, **the description is made based on the data from the management information system.**
[21] Total value of deposits, structured products and mutual funds distributed by the Bank.

Lending[22]

As at the end of June 2013, retail credit receivables totalled PLN 17,618.9 million. In H1 2013, the Bank's credit exposure towards retail clients went up by PLN 1,053.4 million, or 6.4%. The Bank increased its share in the household credit receivables market to 3.3% (versus 3.2% in December 2012).





Mortgage loans constituted the main part in the Bank's retail credit portfolio. As at the end of June 2013, total Bank's receivables due to mortgage loans were PLN 12,964.9 million compared with PLN 12,227.0 million as at the end of 2012 (up by 6.0%).

According to the data published by the Polish Bank Association, in H1 2013 ING Bank Śląski S.A. was fourth on the market with an 8.3% share in the sales of housing loans for private individuals.

Moreover, H1 2013, just like last year, was marked by increasing significance of unsecured cash loans in the Bank portfolio. Since the end of 2012 the first effects of the conducted marketing campaigns and intensified sales have been visible. In H1 2013, the cash loans extended totalled PLN 980.9 million, up by 35.2% when compared to the same period in the previous year. In June 2013, the value of loans and cash loans in the Bank portfolio was PLN 2,852.7 million and it was up by 10.7% over the end of 2012.

The value of retail leasing and factoring receivables has been also rising gradually – as at the end of H1 2013 it was PLN 110.5 million and it was up by 15.2% over the end of last year.

Bank Cards

For many years now, ING Bank Śląski S.A. has been one of the main payment card issuers in Poland, the same goes for contactless cards. We were the first and the only Bank in Poland to introduce withdrawals from ATM with the use of contactless cards. ING Bank Śląski S.A. is currently replacing ATMs with new dual machines and is continuing the pilot programme of NFC-enabled ATMs together with payment organisations Visa and MasterCard. As at the end of June 2013, Bank clients could make NFC-enabled withdrawals in 12 devices.

Starting from 2013, the works on simplifying the offer addressed to individual clients have been carried out and as a result the cards to PLN Lion Accounts (i.e. Maestro, Maestro contactless and Debit MasterCard contactless) are being replaced with a modern contactless Visa card. Additionally, actions intended to increase the number of transactions made with payment cards linked to the accounts as well as boost the sales of *My ING Card* are being conducted. The Bank runs educational campaigns to

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

raise the clients' awareness as regards using payment cards in the internet. The Bank continued the pilot of NFC mobile payments together with Visa payment organisation.

By the end of June 2013, ING Bank Śląski S.A. issued 2.62 million payment cards to its retail clients, where 1.88 million accounted for contactless cards (*Zbliżak* paypass sticker included) whereas in December 2012 retail Bank clients held 1.52 million cards of this type. The number of virtual cards went up as well – in June 2013, clients held 35.2 thousand of such cards.

2. Corporate Banking

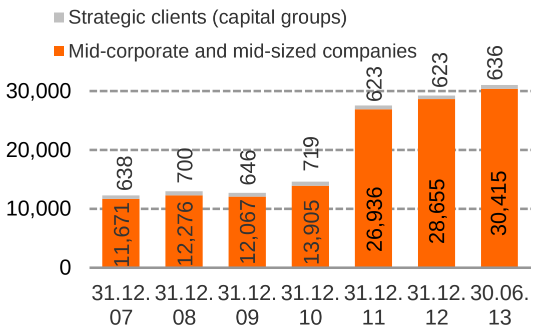
Number of Clients

In June 2013, 31.1 thousand corporate clients used the services of ING Bank Śląski S.A., including:

- 27.5 thousand mid-sized companies,
- 2.9 thousand mid-corporates and
- 636 strategic clients (capital groups).

In H1 2013, the Bank's corporate clients portfolio boosted by 1.8 thousand businesses.

Number of institutional clients



Product Offer and Modifications Introduced

Offer quality is one of the main determinants of choice of the bank by corporate clients. Accordingly, in H1 2013, ING Bank Śląski S.A. continued its efforts to make the product offer more attractive by remodelling both the deposit and settlement products and business funding solutions.

The changes within the area of deposit and settlement services rendered by the Bank for corporate clients included:

- Launching special offer More than a Term Deposit for Open Savings Account and Business Open Savings Account. Under the promotion binding since March 2013, the interest rate of these accounts goes up by 1 p.p. above the standard yield. The offer is addressed to clients who have not held an Open Savings Account so far and to these individuals who have not had any funds transferred to the account.
- Providing new mobile banking application for companies: *ING BusinessMobile*. Corporate clients can use it to manage their funds in bank accounts via their mobile phones in a convenient and intuitive manner.
- Providing new functionalities to the *ING BankOnLine* internet banking system. These modifications facilitate handling closed deposits and Electronic Withdrawal System.
- Developing the network of electronic night depositories – a solution facilitating automatic booking of closed deposits in corporate clients' accounts.
- Mounting fee collection machines being automatic cash desks enabling the clients to effect some part of administration fees in a fast and convenient manner. This device enables clients to make payments on their own by selecting the type of payment with the use of a touch screen and scanning the multi-dimensional bar code (2D). In H1 2013, the Bank launched fee collection machines in Town Halls in Chorzów, Częstochowa and Katowice, and in the early July also in Kielce and Poznań. There are plans to mount such devices in other towns shortly.
- Offering a new ING service called ING e-invoice – Electronic Invoice Payment and Distribution System. The system enables the invoice issuer to send the bills and invoices coupled with predefined transfer directly to the internet banking systems of payers – and not only those provided by ING Bank Śląski S.A., but also those provided by the majority of banks operating on the Polish market. The new solution enables the invoice payers to pay their dues with one click only, without the need to fill in additional forms.
- Launching *ING CardsOnLine* – an internet application supporting companies in managing payment cards issued by ING Bank Śląski S.A. The service enables card users to monitor the incurred expenditures regularly and immediately after a card transaction has been effected; moreover, it provides permanent access to the transaction history. The tool does not require access to the *ING BankOnLine* internet banking system.

At the beginning of 2013, ING Bank Śląski S.A. was the first bank on the market to offer accounting services for mid-sized and mid-corporate companies. *ING Księgowość* [ING Accounting] provides clients with accounting, staff and payroll administration and analytical services. It offers a system supporting settlements with vendors and consumers along with payment services. The *ING KsięgowośćOnLine* portal is fully integrated with the Bank internet banking system – *ING BusinessOnLine.*

In H1 2013, the Bank further modified the lending processes, whereby the time of credit application review should be made even shorter and paper documents eliminated, notably the Bank:

- Expanded the scope of *ING BusinessOnLine* system functionalities, among others, a new application form called Power of Attorney was made available; the client may use it to authorise any person to undertake specific activities. Moreover, the Loans module was modified in order to make loans' presentation more legible and the module itself more intuitive for the client.
- Implemented new solutions for lending processes in the *ING Credit Management System (or ING CMS)* application. Among other things, it introduced an automatic collateral register, provided comprehensive case processing for Capital Groups – starting from preparing credit application through adding collaterals, documents and registering as well as increasing the acceptable exposure for the Bank and Companies in order to make the limits calculated in the lending process more available.

Banks endeavours to automate and streamline lending processes are bearing fruit now. The share of electronic credit applications placed via the *ING Direct Business Credit* and *ING BusinessOnLine* platform in the overall number of credit applications placed keeps growing and as at the end of H1 2013 it was 75%.

In March 2013, together with ING Lease the Bank launched ING Auto programme providing for operational and financial leasing for passenger cars and delivery trucks with approved gross vehicle mass up to 3.5 tons. The programme applies to new or second hand cars, however, up to four years old. The maximum limit for the existing Bank clients is PLN 250 thousand whereas it is PLN 120 thousand for new ones. Simplified product application procedure is an advantage of the ING Auto. The only thing the client interested in leasing needs to do is to place a leasing application and a pro-forma invoice with basic specifications of the selected car. Chief assets of the ING Auto also include short turnaround time on decision (24 hours at most) and low downpayment (starting from 10% and even 5% for ING Bank Śląski S.A. clients subject to periodical monitoring).

Expanding the lending offer for corporates, ING Bank Śląski S.A. signed with Bank Gospodarstwa Krajowego an agreement inaugurating the governmental programme supporting SMEs. Hence, we are among the first banks granting loans with de minimis guarantees. Starting from 15 March 2013, when the Bank started to grant these loans, they have been enjoying more and more interest amongst our clients especially given the fact that the guarantee (granted till the end of this year) is free of charge during its first year, and in the second year the commission is 0.5% p.a. As at the end of June 2013, the Bank granted 399 guarantees for the amount of PLN 243.5 million and loans covered therewith for the amount of PLN 427.3 million.

Like in previous years, in 2013 ING Bank Śląski S.A. was actively supporting its clients in acquisition of funds from EU programmes. Moreover, it promoted the available programmes whereunder subsidies from the EU could be obtained as well as Bank's offer in that regard. In H1 2013, technological loan agreements were concluded following 60 subsidy applications submitted with ING Bank Śląski S.A. assistance. The Bank's share in acquiring a subsidy as part of this action exceeded 15% of all granted subsidies.

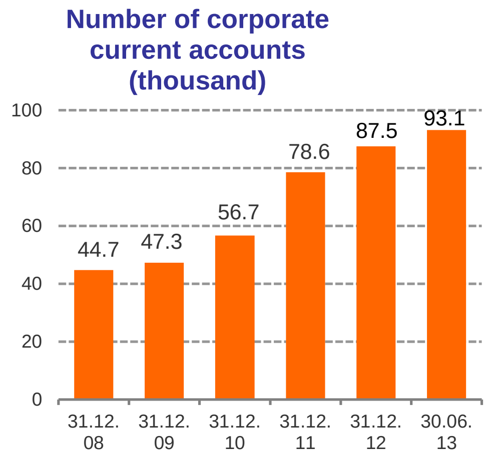
Deposits and Settlements[23]

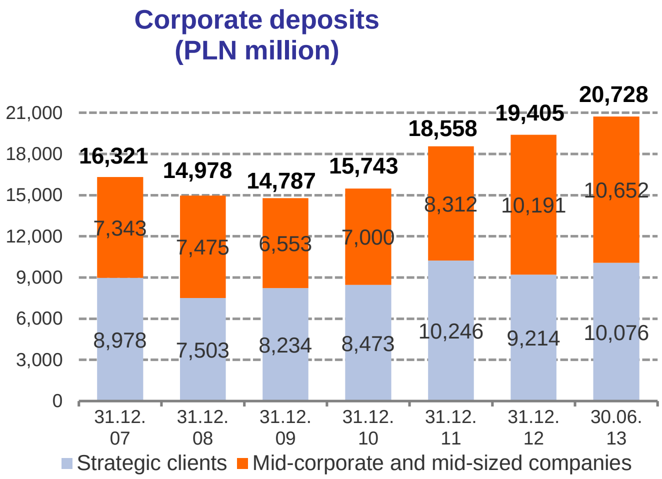
As at 30 June 2013, corporate deposits totalled PLN 20,728.4 million, up by 6.8% from December 2012. In June 2013, ING Bank Śląski S.A. had a 6.9% share in the market of institutional clients' deposits (up by 0.3 p.p. from the end of 2012).

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

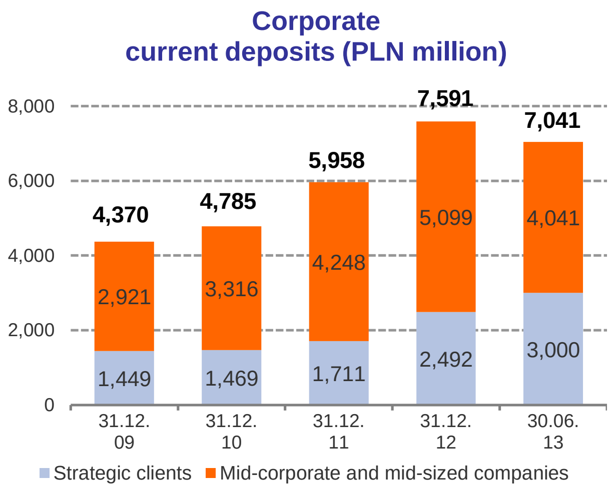
In H1 2013, the value of funds deposited by clients from sub-segment of mid-corporate and mid-sized companies was higher by PLN 0.46 million (i.e. 4.5%) whereas in case of the biggest corporate clients it was higher by PLN 0.86 million (i.e. by 9.4%).

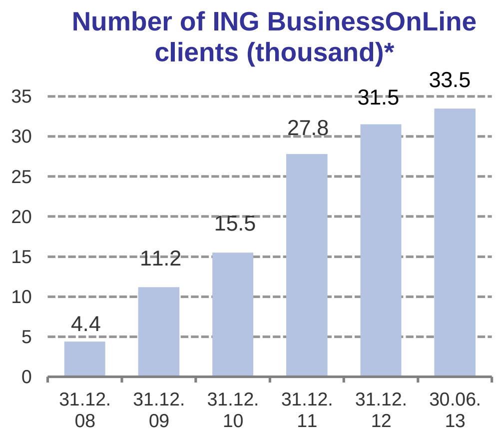
What is more, the volume of funds in current accounts went down. As at the end of June 2013, the funds of the Bank corporate clients accumulated in those accounts totalled PLN 7.0 billion, down by 7.2% from the end of 2012. On the one hand, it was due to a decrease in funds accumulated in current accounts of mid-sized and mid-corporate companies by PLN 1.1 billion (i.e. down by 20.7%), and on the other it was due to an increase in funds accumulated in the current accounts of the biggest corporate clients – up by PLN 0.5 billion (i.e. up by 20.4%).





In June 2013, ING Bank Śląski S.A. maintained 93.1 thousand corporate (PLN and FX) current accounts of corporate clients, up by 6.4% from December 2012. The vast majority of clients with current accounts at ING Bank Śląski S.A. use the ING BusinessOnLine electronic banking system to contact the Bank. In June 2013, the system was used by 33.5 thousand companies (versus 31.5 thousand in December 2012).



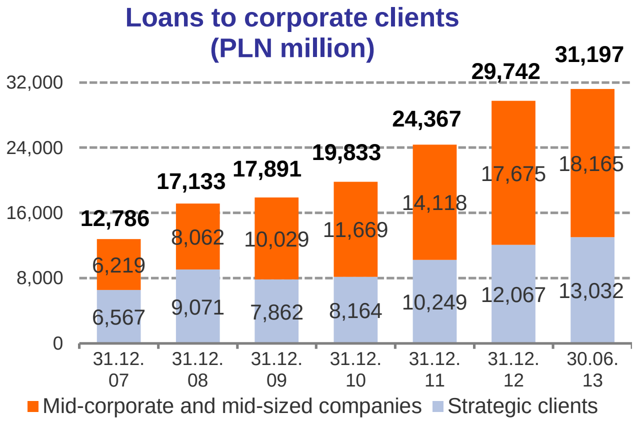


* In case of capital groups, individual companies belonging to the group are recognised separately. Additionally, it covers some part of retail clients (housing communities) as corporate segment provides them with operational service.

Lending[24]

As at the end of June 2013, corporate client funding granted by the ING Bank Śląski S.A. Group totalled PLN 31,197.2 million versus PLN 29,742.2 million in December 2012 (up by 4.9%). The Bank is estimated to have held 8.0% of the institutional credit market share in June 2013.

Throughout H1 2013, the Bank and its subsidiaries increased their credit exposure primarily towards the biggest clients from strategic clients sub-segment. In June 2013, it amounted to PLN 13,031.9 million, or up by 8.0% versus December 2012.



Also in the case of mid-corporate and mid-sized companies the amount of granted funds increased in H1 2013. In June 2013, it was PLN 18,165.3 million versus PLN 17,675.2 million as at the end of 2012 (increase by 2.8%).

In H1 2013, where the lower demand was observed, the Bank won 14 tenders for funding local government units, worth approximately PLN 89 million. This result enabled the Bank to maintain its 7.4%-share in financing local government units as at the end of June 2013.

3. Money Markets and Capital Markets

The operations of ING Bank Śląski S.A. in the area of financial markets in H1 2013 covered adaptation to the changes in the market and in the regulatory environment, process streamlining and organisational changes.

Moreover, there are intense works in progress intended to launch the option to clear transactions through Central Clearing Counterparty. Moreover, these works are a step towards meeting the requirements provided for in the *Regulation of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories* (EMIR for short). Moreover, the Bank is about to complete the execution of the other tasks intended to adjust the conducted business activity to the requirements set forth in the EMIR Regulation, which are becoming effective as of 15 September 2013.

As far as organisational changes are concerned, on 01 January 2013, the Treasury Department was singled out from the Treasury & Financial Markets Division and it will be responsible for centralised liquidity risk management. It is a response to the trend that has been recently observed in the financial sector, i.e. establishing in financial institutions central units in charge of liquidity management. The integrated liquidity management facilitates meeting the increasing regulatory requirements and current market conditions to a larger extent.

In H1 2013, the Bank retained its strong market position in the issue arrangement and service for non-government debt securities for corporate entities. The Bank, among other things:

- Arranged two bond issue programmes for PKP Energetyka S.A. company amounting to PLN 20 million and PLN 50 million, respectively. In the aforesaid programmes, the Bank acts as: Issue Arranger, Underwriter, Issue Agent, Payment Agent and Depositary.
- It co-arranged the debt securities issue programme for Bank Gospodarki Żywnościowej S.A. amounting to PLN 3.5 billion. In this programme, the Bank acts as: Issue Co-Arranger, Agent, Dealer and Depositary.

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

- Arranged together with another bank the first 5Y bond issue programme for PGE Polska Grupa Energetyczna S.A. amounting to PLN 1 billion under the programme totalling PLN 5 billion where the Bank is co-arranger.

As at 30 June 2013, ING Bank Śląski S.A. serviced securities trading of 83 issuers for the total nominal value of PLN 13 billion, including PLN 7.2 billion under short-term securities issue. This enabled the Bank to have the second position on corporate debt securities market in H1 2013 (with the share of 17.4%) and the first position on the short-term securities market (with the share of 30.4%).

Moreover, the Ministry of Finance ranked the Bank second during a periodical review of activity in the contest for acting as T-Securities Dealer for 2014.

As regards sales of structure products in the Polish market, the Bank kept its strong position and it was granted with:

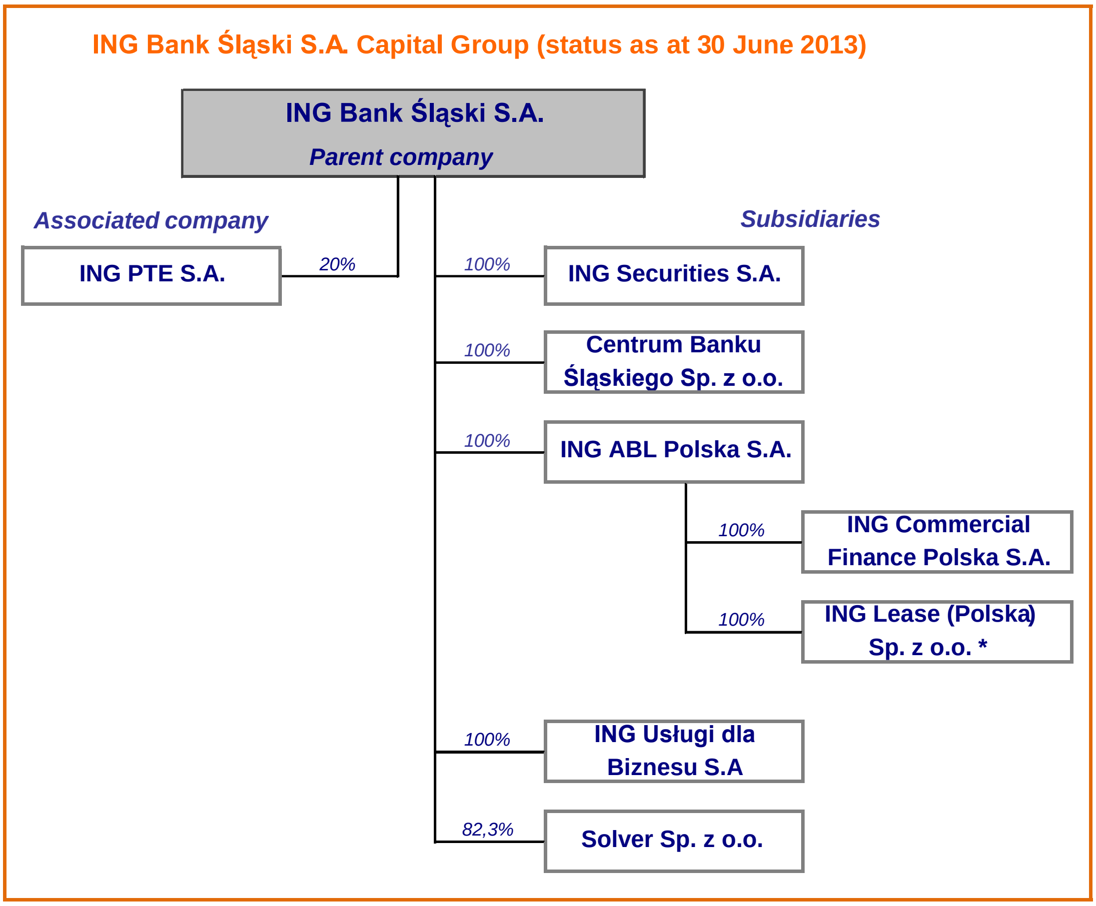
- the first place in the Best Selling Products category for Investment Term Deposit Secure Interest 2,
- the fourth place for Investment Term Deposit Secure Interest 4,
- the fifth place for Investment Term Deposit Secure Interest 7,
- the sixth place for Investment Term Deposit Secure Interest 6,
- the seventh place for Investment Term Deposit Secure Interest 8 respectively in the Structured Retail Products industry ranking.

It means that there are 5 products of ING Bank Śląski S.A. for each 10 products included in the ranking. The share in structured products sale was 13%, which secured the Bank third place.

IV. BUSINESS OPERATIONS OF ING BANK ŚLĄSKI S.A. CAPITAL GROUP COMPANIES

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

The ING Bank Śląski S.A. Capital Group is formed by the companies operating on the financial markets or within their infrastructural sphere. By exercising control functions in the companies' supervisory authorities, ING Bank Śląski S.A. – as the parent company – takes key decisions concerning both the scope of operations and the finances of the Group members. The capital links of the Bank with other companies are supported by the commercial ties. The Capital Group members have their current accounts and deposit their funds in term deposits with ING Bank Śląski S.A. The Bank also credits the business operations of some of its subsidiaries. Transactions of ING Bank Śląski S.A. with its subsidiaries are performed on an arm's length basis.



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

2. ING Securities S.A.

ING Securities S.A. is one of the largest brokerage houses in Poland. After 6 months of 2013, its shares in the Warsaw Stock Exchange transactions were as follows:

- equity market – 3.5% (tenth position),
- forwards and futures market – 2.7% (tenth position).

At the end of June 2013, ING Securities S.A. maintained 53.4 thousand investment accounts, including 37.3 thousand Internet ones.

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

ING Lease (Polska) Sp. z o.o. has been operating in the market since 1996. It offers all basic types of leasing (operational, financial and sale-and-leaseback) which can be used to finance both movables (being machinery and equipment, technological lines and commercial vehicles) as well as real properties (office buildings, commercial buildings, logistical centres). Company services are targeted at all market segments: large, medium and small enterprises, as well as clients from the retail segment (entrepreneurs).

As at 30 June 2013, receivables of ING Lease amounted to PLN 4,717.7 million (an increase of 4.8% from the 2012 yearend). The data of the Polish Leasing Association show that ING Lease, with its 5.0% market share in terms of worth of lease agreements concluded and assets provided, was the eighth largest leasing company in Poland. At the same time, the Company was second considering its lease portfolio volume in H1 2013.

4. ING Commercial Finance Polska S.A.

As at 30 June 2013, credit receivables of ING Commercial Finance Polska S.A. amounted to PLN 1,546.4 million (an increase of 4.1% compared to the 2012 yearend). In H1 2013, the turnover of the Company amounted to PLN 5.6 billion, an increase by 2% as compared to the same period last year. This turnover allowed the Company to maintain third position in the market, with the share of 12.7%.[25]

In H1 2013, ING Commercial Finance company won a record number of 189 new clients, and the overall amount of serviced clients at the end of June was 820 (including vendors to the largest companies using reverse factoring services), that is 23% more than a year ago. Its clients were companies operating mainly within the following industries: food and beverages (16% of total clients), metallurgy (11%), house and horticulture (10%), packaging (7%) and steel distribution (6%).

The number of invoices purchased by the Company in H1 2013 amounted to nearly 400 thousand, that is 7% more than in same period of 2012.

5. ING Usługi dla Biznesu S.A.

ING Usługi dla Biznesu S.A. established in January 2012 offers a variety of business assistance services dedicated to corporate clients. The Company launched accounting and payroll services in Q2 2013. Today, it is intently working on other initiatives.

6. Centrum Banku Śląskiego Sp. z o.o.

The core activity of Centrum Banku Śląskiego Sp. z o.o. is leasing and management of office buildings, both internal ones and for the benefit of ING Bank Śląski S.A.

7. ING Powszechne Towarzystwo Emerytalne S.A.

From the very beginning, ING Otwarty Fundusz Emerytalny, the open-end pension fund managed by ING Powszechne Towarzystwo Emerytalne S.A., has been among the leaders on the pension funds market in Poland. As at the end of H1 2013, ING OFE maintained its position of the leader on the pension funds market, both in terms of the value of assets under management as well as the number of members, and:

- Number of members. The Fund had 3,045.1 thousand members, or 18.8% of all participants of the open-end pension funds.
- Net assets. They totalled PLN 65,148.3 million or 23.9% of the total worth of assets of open-end pension funds operating in Poland (compared with 23.8% at the end of 2012).

[25] Data based on the Polish Factor Association report.

An important objective of ING PTE S.A. is to provide professional and modern service for the clients of ING OFE (ING Open-end Pension Fund) and ING DFE (ING Voluntary Pension Fund). Account access via Internet channel and the possibility of concluding an agreement with Web Forms prioritize actions within this area.

8. Solver Sp. z o.o.

Solver Sp. z o.o. runs business activity on behalf of *ING for Children Foundation.* The Company not only organises education and recreation as well as rehabilitation stays for children aided by the Foundation, but it also arranges recreation for Bank employees and their families as well as training programmes therefor.

V. FINANCIAL STANDING OF ING BANK ŚLĄSKI S.A. CAPITAL GROUP IN H1 2013

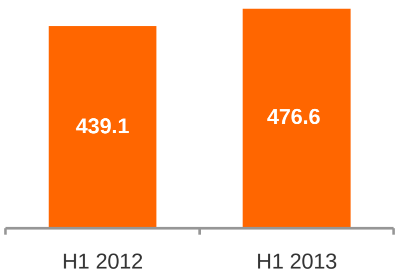
1. Gross Profit and Net Profit

In H1 2013, the ING Bank Śląski S.A. Capital Group generated the gross financial result totalling PLN 592.0 million versus PLN 524.9 million in the same period last year. Whereas, the net profit attributable to the shareholders of the parent entity totalled PLN 476.6 million compared with PLN 439.1 million in H1 2012 (up by 9.6%).

The main factors affecting the financial results of the ING Bank Śląski S.A. Capital Group in H1 2013 included[26]:

- The income on operations grew by 1.1% in comparison with H1 2013. As at the end of June 2013, the Group's income totalled PLN 1,655.6 million.
- Operating expenses settled at PLN 936.5 million, i.e. up by 2.0% versus H1 2012.
- Considerable decrease in risk costs. The balance of impairment provisions totalled PLN 127.1 million, whereas in H1 2012 the Group recorded the balance of provisions of PLN 195.5 million.

Net profit of ING Bank Sląski S.A. Capital Group (PLN m)



In H1 2013, the result before risk costs for the Bank Capital Group totalled PLN 719.1 million, which is down by 0.2% only as compared with the same period of 2012.

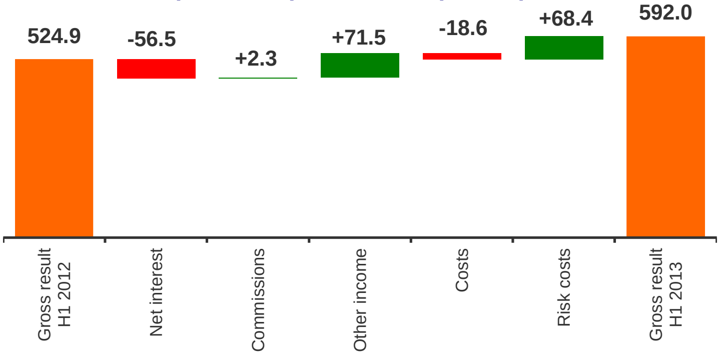
Basic values of the consolidated income statement in analytical terms

	H1 2013	H1 2012	Change H1 2013 / H1 2012	
	PLN million	PLN million	PLN million	%
Net interest income	971.1	1,027.6	-56.5	-5.5
Net commission income	499.7	497.4	2.3	0.5
Other income*	184.8	113.3	71.5	63.1
Operating income*	**1,655.6**	**1,638.3**	**17.3**	**1.1**
Operating expenses**	936.5	917.9	18.6	2.0
Result before risk costs	**719.1**	**720.4**	**-1.3**	**-0.2**
Impairment losses and provisions	127.1	195.5	-68.4	-35.0
Gross financial result	**592.0**	**524.9**	**67.1**	**12.8**
Income tax	115.4	85.8	29.6	34.5
Net result attributable to non-controlling shareholders	*0.0*	*0.0*	*x*	*x*
Net financial result	**476.6**	**439.1**	**37.5**	**8.5**
Profit per 1 ordinary share (PLN)	3.66	3.38	0.28	8.5

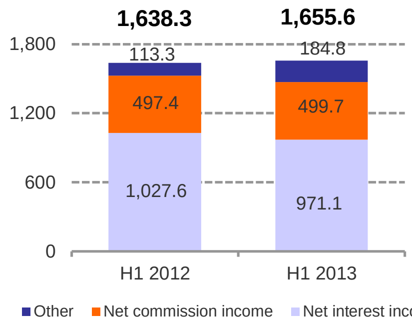
**Income together with the share in profits of companies recognised on an equity basis.*
***Including net income on other operating activities.*

[26] The characteristics discussed in this document apply to the income statement in analytical terms. The category "Operating income" includes the net income on core operations plus the share in net profits of entities recognised on an equity basis. Operating expenses include the result on other operating income and expenses.

Gross result of the ING Bank Śląski S.A. Capital Group in H1 2013 (PLN m)



Operating income in categories (PLN m)

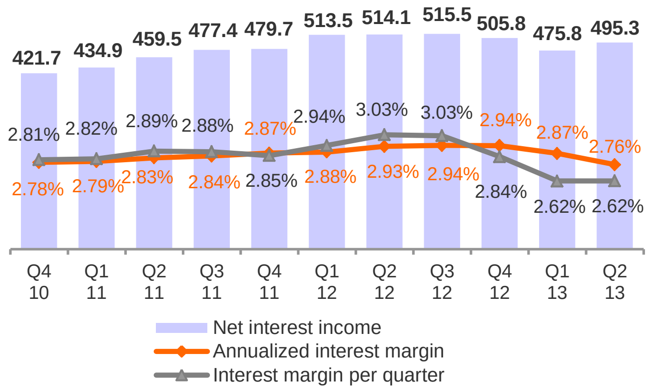


The total income of the ING Bank Śląski S.A. Capital Group (including, apart from the net profit, also other items of income and expenses recognized in equity) amounted to PLN -6.2 million in H1 2013 in comparison with PLN 566.2 million in the same period last year.

2. Net Interest Income

In H1 2013, the ING Bank Śląski S.A. Capital Group generated the net interest income of PLN 971.1 million versus PLN 1,027.6 million in the same period last year (down by 5.5%). The lower interest income, in comparison with the last year, is mainly caused by significantly lower interest rates. The National Bank of Poland reference rate fell from 4.25% as at the end of December 2012 to 2.75% as at the end of June 2013, i.e. down by 150 bp. As a consequence, apart from the fact that the share of net loans and other receivables granted to clients (Eurobonds excluded) in assets went up from 57.8% in December 2012 to 58.6% as at the end of June 2013, interest income on loans and other receivables to clients went down by 4.4% as compared with H1 2012. As a result, in H1 2013, the Bank Capital Group earned the interest margin of 2.76% against 2.94% as at the end of December 2012, i.e. down by 0.18 p.p.

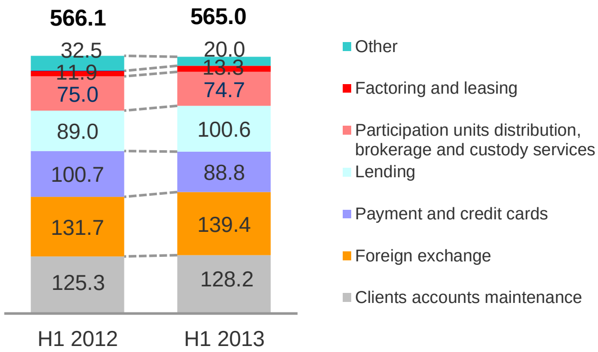
Net interest income of ING Bank Śląski S.A. Capital Group (PLN m)



3. Non-Interest Income

Fees and commissions income represented the major part of the non-interest income of the ING Bank Śląski S.A. Capital Group. It totalled PLN 499.7 million in H1 2013 as compared with PLN 497.4 million in H1 2012 (up by 0.5%).

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



The Group recorded an increase in commissions under: account maintenance (up by 2.3%), transactional margin on foreign exchange operations (up by 5.8%), lending (up by 13.0%), as well as factoring and leasing services (up by 11.8%). Commission income under distribution of participation units in mutual funds, brokerage and fiduciary operations was similar to the level recorded in H1 2012 (down by 0.4%). Commissions for bank cards were lower than in June last year (down by 11.8%) – mainly as a result of cutting the interchange fee by payment organisations as of January 2012, on average by 0.4 p.p. (from 1.6%-1.7% to 1.2%-1.3%), and also due to higher costs connected with clients withdrawing cash in ATMs of other banks. Other commissions also fell (by 38.5%) – it applies mainly to commissions under insurance as a result of a changed product offer of cash loan insurance since the beginning of the year.

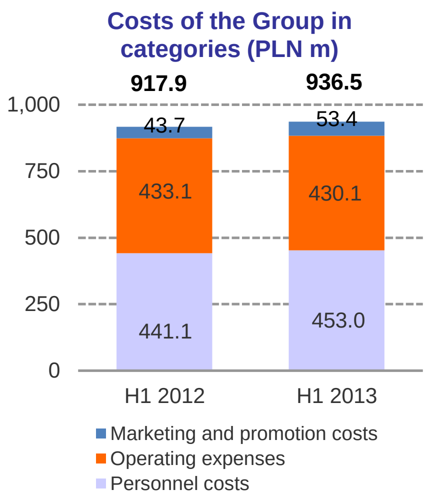
In H1 2013, other income of the Bank Capital Group amounted to PLN 184.8 million against PLN 113.3 million in H1 2012, i.e. it went up by 63.1%. The increase was mainly caused by the result on selling part of the portfolio of available-for-sale debt instruments, which, considering the effect of termination of a hedging item as regards part of sold securities, had a positive impact on the Bank gross result of PLN 100 million, and on the net result of PLN 80.5 million.

4. Operating Expenses

In H1 2013, operating expenses of the ING Bank Śląski S.A. Capital Group amounted to PLN 936.5 million versus PLN 917,9 million in the same period of 2012 (up by 2.0%).

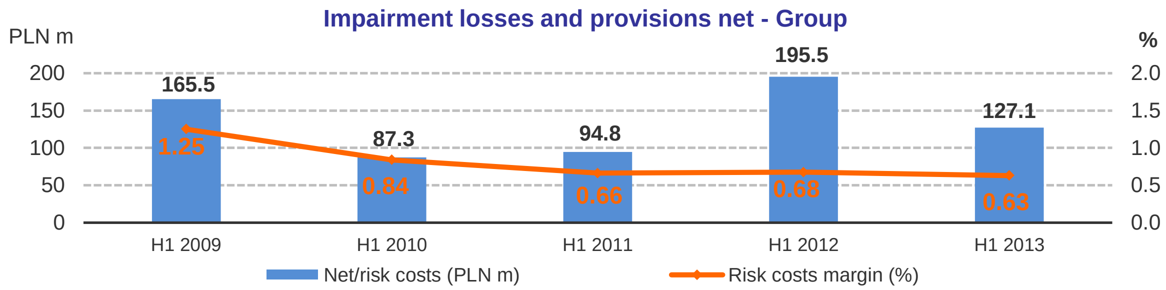
Personnel costs constituted a major part of the operating expenses. In H1 2013, they totalled PLN 453.0 million compared with PLN 441.1 million in June 2012 (up by 2.7%).

Other costs (marketing and promotion costs excluded) remained at a level similar to H1 2012. As at the end of June 2013, they totalled PLN 430.1 million against PLN 433.1 million a year earlier (down by 0.7%)[27].



5. Impairment Losses and Provisions

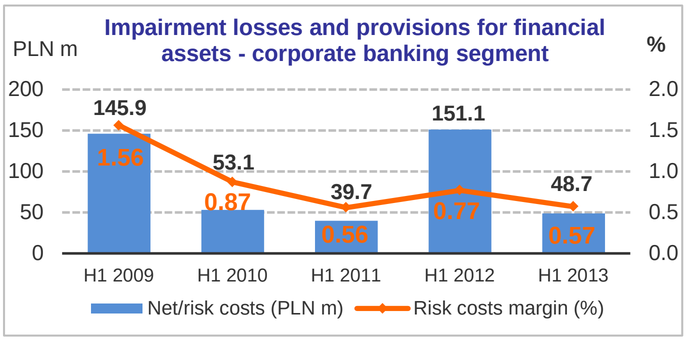
The risk costs recognised in H1 2013 income statement of the ING Bank Śląski S.A. Capital Group amounted to PLN 127.1 million (versus PLN 195.5 million in the same period of 2012).

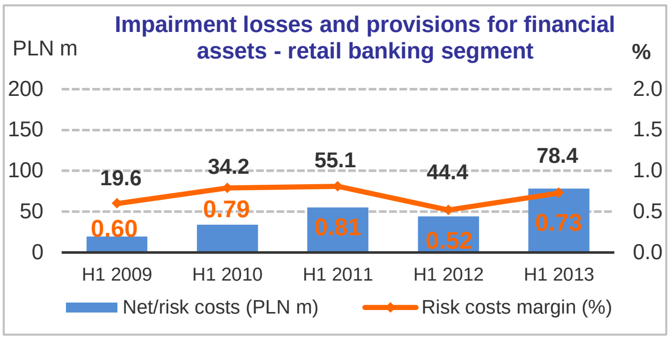


The above was mainly caused by a high level of the impairment losses made for corporate customer receivables in Q2 2012. In H1 2013, risk costs in the corporate segment settled at a relatively low level of PLN 48.7 million against PLN 151.5 million in the same period of 2012.

In the retail segment, lending provisions in H1 2013 were higher in comparison with their value in H1 2012: PLN 78.4 million against PLN 44.4 million respectively (increase of PLN 34.0 million). The Bank is in the phase of performing use tests for the Basel model and updates the parameters of the retail exposures risk assessment on an ongoing basis.

[27] Other expenses also include the result on other income and operating expenses.



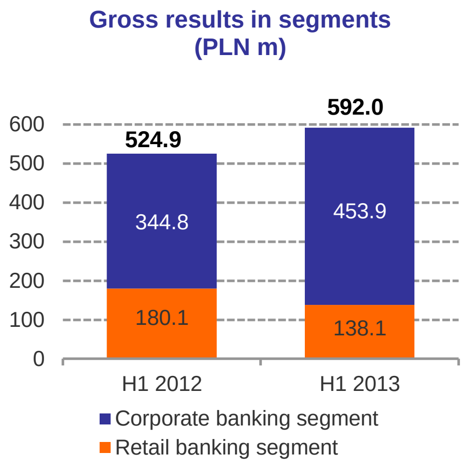


6. Share of Individual Business Segments in Financial Result

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

- Retail banking segment, which encompasses private individuals (mass clients sub-segment and affluent clients sub-segment) and entrepreneurs (small businesses).
- Corporate banking segment, which comprises institutional clients and FM products' operations.

In H1 2013, the retail banking segment generated PLN 138.1 million worth of gross profit against PLN 180.1 million in the same period of the previous year (down by 23.3%). The retail banking segment had 23.3% share in the gross profit of the ING Bank Śląski S.A. Capital Group (against 34.3% share in H1 2012).



The retail banking segment result was made up by:

- Higher income. It totalled PLN 794.3 million and was 1.2% higher as compared with the same period of the previous year. Despite lower interest income (down by 4.6%) and net income on fees and commissions (down by 6.8%), other income almost doubled (up by 81.6%; including share in ING PTE profit).
- Higher operating expenses. The segment's total expenses amounted to PLN 577.8 million (they went up by 3.2% versus H1 2012). They were mainly driven by higher marketing and promotion costs due to support for sale of cash loans and savings accounts first and foremost.
- Higher risk costs. In H1 2013, the balance of net lending provisions equalled PLN 78.4 million versus PLN 44.5 million in the same period last year.

Whereas, during the first six months of 2013, the corporate banking segment earned a gross profit of PLN 453.9 million as compared to PLN 344.8 million in H1 2012 (up by 31.6%). The segment's result represented 76.7% of the Group's gross result (65.7% in H1 2012).
Corporate banking segment result was made up by:

- The revenue totalled PLN 861.3 million and went up by 0.9% when compared with the same period of 2012. At the same time, the net interest income went down (by 6.4%), whereas the net commission income and other income went up (by 6.5% and 43.2%, respectively).
- The segment's costs settled at a level similar to H1 2012 totalling PLN 358.7 million (against PLN 358.0 million – increase of 0.2%).
- Risk costs were three times lower. In H1 2013, the balance of net impairment losses was PLN 48.7 million against PLN 151.0 million in the same period of 2012. Such considerable decrease was caused by events which occurred in 2012, when the financial standing of certain clients deteriorated, particularly the companies from the construction sector (one large entity for the most part).

7. Core Effectiveness Ratios

In H1 2013, the Group's return on equity and return on assets were lower when compared to the same period last year (down by 2.3 p.p. and 0.1 p.p. respectively). It was mainly due to the systematically growing capital base and balance sheet total. The solvency ratio, the ratio calculated under AIRB, on the other hand, increased noticeably. As at the end of June 2013, it was 15.83% versus 13.49% (calculated under mixed method, in line with the then stance of PFSA) as at the end of H1 2012 (up by 2.34 p.p.)

Core Effectiveness Ratios (%)

	H1 2013	H1 2012
C/I ratio	56.6	56.0
ROA	1.1	1.2
ROE	11.2	13.5
Interest margin ratio	2.76	2.93
LtD	72.2	78.6
Solvency ratio	15.83	13.49

Cost to Income ratio (C/I) – Operating expenses with amortization/ depreciation and result on other operating activities/ income together with net profit of associated entities recognised on a an equity basis.
Return on Assets (ROA) – Total net profit for 4 consecutive quarters/ average assets for 5 consecutive quarters.
Return on Equity (ROE) – Total net profit for 4 consecutive quarters/ average equity for 5 consecutive quarters.
Interest margin ratio – Total net interest income for 4 consecutive quarters/ average interest assets for 5 consecutive quarters.
Loan to Deposit ratio (LtD) – net loans and other receivables from customers (excluding Eurobonds and receivables from customers under repo transactions) versus liabilities towards customers (excluding liabilities due to customers under repo transactions) including leasing-matched funding; Eurobonds were worth PLN 3,794.3 million and PLN 3,758.2 million in H1 2013 and H1 2012 respectively; the leasing-matched funding was PLN 2,726.0 million and 2,738.2 million respectively.
Solvency ratio – under AIRB for H1 2013; for H1 2012 taking into account the so-called regulatory floor, in other words the capital requirement for credit risk replenishment to the amount of the requirement as calculated under Standard Approach (SA).

8. Consolidated Statement of Financial Position

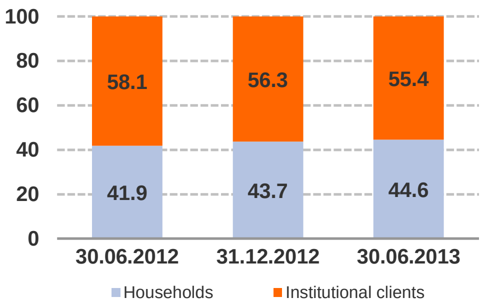
As at 30 June 2013, the balance sheet of the ING Bank Śląski S.A. Capital Group totalled PLN 81,790.6 million, up by PLN 3,523.8 million, or 4.5%, when compared to the balance sheet total as at the end of 2012.

The size of the Group's balance sheet total as well as the structure of assets and liabilities are determined by the operations of ING Bank Śląski S.A. As at the end of June 2013, the balance sheet total of ING Bank Śląski S.A. was PLN 78,553.5 million (96.0% of the Group's balance sheet total) against PLN 75,159.2 million in December last year (up by 4.5%).

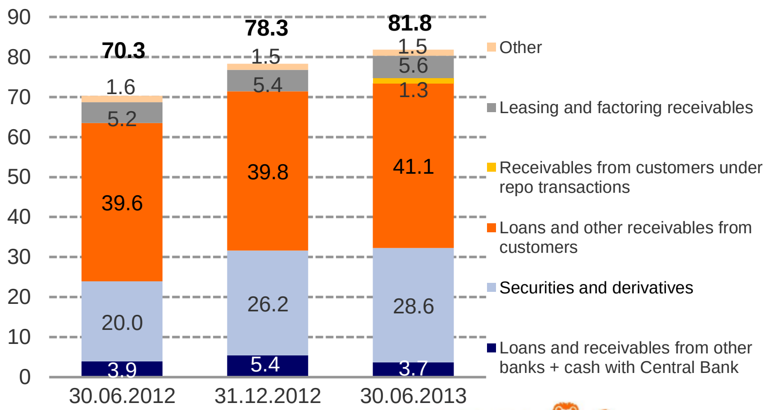
Assets

H1 2013 saw a continuation of the growing trend in terms of the share of customer receivables in the assets of the ING Bank Śląski S.A. Capital Group. As at 30 June 2013, net loans and other receivables from customers (the Eurobonds portfolio and receivables from customers under repo transactions excluded) totalled PLN 46,678.2 million, and accounted for 57.1% of the total assets of the Bank Capital Group.

Structure of net loans by client group (%)



Structure of assets of ING Bank Śląski S.A. Capital Group (PLN billion)



The category “Loans and other receivables from customers” in the financial statements also includes receivables due to Polish government bonds in EUR, i.e. Eurobonds. As at the end of June 2013, they amounted to PLN 3,794.3 million versus PLN 3,779.7 million a year earlier.

T-bonds (Eurobonds included) and other derivatives represented a major item in the balance sheet of the Bank Capital Group. As at the end of June 2013, they totalled PLN 28,618.4 million (or 35.0% of assets) compared to PLN 26,150.1 million (or 33.4% of assets) in December last year. Debt securities predominated in those assets, including investment assets (available-for-sale assets) the value whereof is PLN 20,256.7 million, i.e. 70.8% of all financial instruments.

Group’s receivables from other banks totalled PLN 2,043.8 million (or 2.5% of assets) compared to PLN 1,377.1 million (or 1.8% of assets) in December 2012.

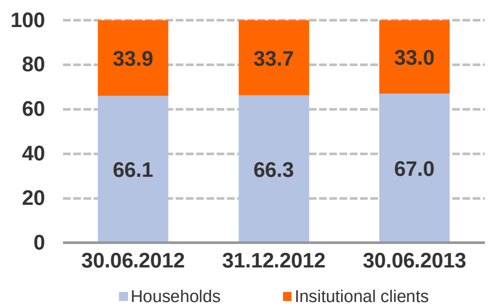
Liabilities

The funds deposited with the Bank by customers constituted the dominant source of funding for the operations of the ING Bank Śląski S.A. Capital Group. In June 2013, liabilities towards customers[28] totalled PLN 61,948.7 million compared to PLN 57,857.5 million as the 2012 yearend. As at the end of June 2013, liabilities towards customers represented 75.7% of total liabilities, up by 1.8 p.p. from the 2012 yearend.

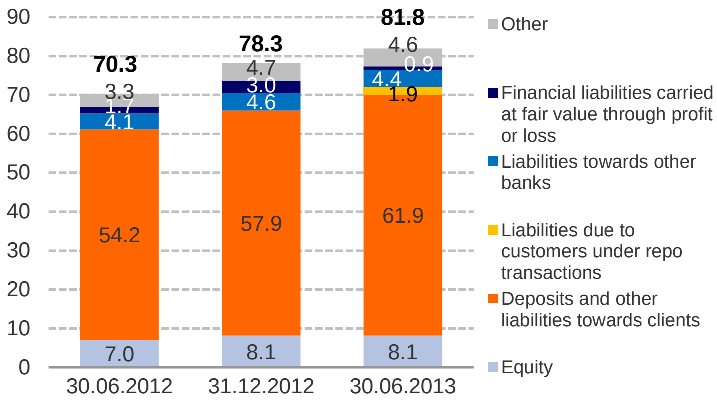
The Group’s liabilities towards other banks totalled PLN 4,411.5 million compared to PLN 4,554.6 million as at the 2012 yearend. Funds from monetary financial institutions represented 5.4% of liabilities, while in December 2012 their share was 5.8%.

As at the end of H1 2013, the value of equity was similar to the one as at December last year. As at 30 June 2013, the equity attributable to Bank shareholders was PLN 8,131.2 million (against PLN 8,133.8 million in December 2012). Hence, equity share in funding the Bank Capital Group operations dropped slightly to 9.9%, compared to 10.4% as at the 2012 yearend.

Structure of deposits by client group (%)



Structure of liabilities of ING Bank Śląski S.A. Capital Group (PLN billion)



[28] Excluding liabilities due to customers under repo transactions.

VI. MANAGEMENT OF KEY RISKS

1. Credit Risk

General Information

The lending policy pursued by ING Bank Śląski S.A. is based on principles of secure and prudent credit risk management. The lending policy is conducted by the Bank Management Board that appointed the Credit Policy Committee to take decisions as regards credit risk management on a daily basis.

At ING Bank Śląski S.A., the credit risk is defined as the possibility of failure to recover the Bank's receivables due to granted credit products which may result in failing to generate income and/ or suffering a financial loss.

Losses resulting from lending are a consequence of risk and Bank's mitigation actions in that regard. The Bank impacts the level of losses by the level of the accepted risk, risk exposure amounts, risk hedging and in case the risk materializes by direct actions reducing the losses. The Credit and Market Risk Management Division develops and presents for Bank bodies' approval the risk appetite criteria and requirements along with stress tests, under the guidelines of the Polish Financial Supervision Authority Office.

ING Bank Śląski S.A. manages its credit risk with the use of advanced credit risk assessment models. The credit risk management area ensures: development and implementation to the credit process of credit risk management components such as risk identification and assessment, measurement and monitoring, control and preventive actions as well as development of tools supporting risk identification and measurement, and manners of financial coverage of potential and actual credit risk losses.

Lending Policy

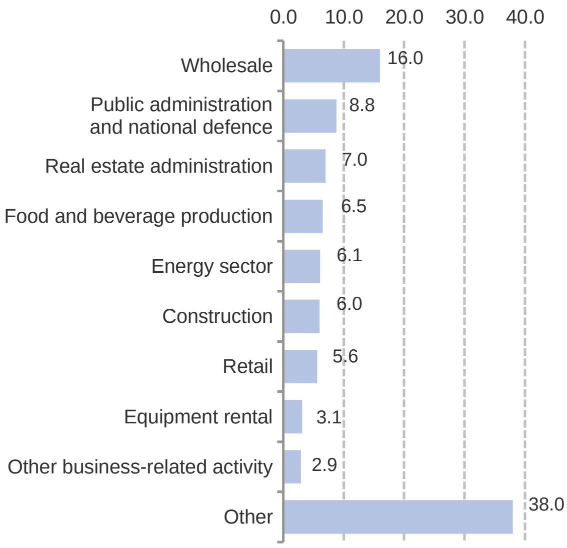
The modifications to the ING Bank Śląski S.A. Lending Policy regarding corporate credit exposures introduced in H1 2013 took account of Poland's economic situation as well as the financial standing of individual groups of borrowers. The said modifications were oriented at the following in particular:

- making the lending process more effective while ensuring adequate credit risk identification and measurement mechanisms, and
- maintaining the Bank's credit risk at an acceptable level.

The main amendments to the Bank's lending policy for corporate clients were as follows:

- updating the requirements and criteria for credit risk appetite for the client credit exposures portfolio,
- updating the guidelines as regards credit portfolio management, in particular by:
  - paying attention to the fact that further diversification of portfolio is needed, especially as regards exposures in the most risky industries,
  - updating the approach to industries by determining which of them are preferred, under mention or not preferred, taking into account the macroeconomic environment and its outlook,

Concentration of (balance and off-balance) exposures towards corporate clients (%) [29]



[29] The breakdown includes exposure towards corporate clients excluding banks but embracing gross credit receivables (loans, leasing and factoring receivables and corporate bonds) as well as off-balance sheet exposure.

- making changes to the risk assessment as regards financing Local Government Units in Poland,
- changing the manner and frequency of making periodical reviews of strategic clients' financial standing,
- modifying the ongoing monitoring idea,
- making the provisions concerning impairment condition identification in the process of monitoring of the corporate and strategic clients' exposures more precise (as the consequence whereof, the portfolio of the clients with risk class from 17 to 19 was reviewed),
- revising the methodology on forming impairment losses (provisions) on account of impaired credit exposures under IFRS, and
- revising the general governance rules for credit risk management in subsidiaries incorporated into the Bank Capital Group (that is ING Lease (Polska) Sp. z o.o. and ING Commercial Finance Polska S.A.).

Regardless of the difficult market situation and economic slowdown observed in Poland, the quality of the retail loans portfolio remains good and it is better than the market average. Since there are no material signals indicating that the quality of portfolio deteriorates, the Bank undertook actions intended to boost the sales of consumer credits, and consequently increase our market share and the carrying amount of the said portfolio. These actions were coupled with enhancement of credit risk measurement and monitoring tools in order to keep the targeted profitability of individual portfolios, were credit risk costs to increase.

The main amendments to the Bank's lending policy for retail clients were as follows:

- making credit offer more attractive and competitive by, among others, prolonging the tenors, increasing the amounts of granted loans and changing the principles for creditworthiness assessment plus increasing sales opportunities under cross-sell offers,
- implementing new solutions as regards assessing employment stability,
- making the principles for considering income on money capitals in credit capacity assessment more objective,
- implementing the rules whereunder the risk assessment results of the statistical models are taken into consideration when determining the credit margin and monitoring of the standard risk costs for granted loans versus applied margins,
- working on expanding the scope of the preferential risk weight of 35% application for mortgage loans, including the expansion of real-estate databases and cooperation under International Database System AMRON,
- diversifying the risk by introducing a new insurer for mortgage products' bridge insurance.

The retail portfolio monitoring and restructuring saw changes to improve effectiveness of the said processes, both at the monitoring and debt collection stages. They concerned in particular:

- new strategies as regards contractual conditions and prepaid cards monitoring,
- introducing new rules for monitoring and managing the external enforcement seizures concerning the held credit collaterals,
- implementing a new methodology as regards quality control of phone-calls made and the new way of knowledge sharing,
- improving management quality as regards cooperation with third parties, more extensive use of direct debt recovery at the "credit pre-termination" stage.

Credit Risk Measurement and Monitoring Tools

In H1 2013, ING Bank Śląski S.A. continued the process of being constantly compliant with requirements of the advanced internal rating-based approach (AIRB) under PFSA Resolution 76/2010. As part of those actions, among other things:

- the internal policy of changes and monitoring of internal rating base was updated following the relevant PFSA's guidelines. In particular, a modification of system for processing internal legislative changes at the Bank was developed, by adding thereto an option enabling the change initiator to directly modify classification of the said change under the principles adopted under the said policy,
- in cooperation with ING Group, new credit risk models for commercial properties financing were implemented and LGD model parameters for large corporates were revised,
- IT systems supporting the rating process were prepared to accommodate new credit risk models dedicated to SMEs,
- the manner of corporate portfolio's credit risk reporting was modified with, in particular, focus placed on changes to risk-weighted assets (RWA) and identification of risk parameters impacting the said changes,
- the scenarios concerning macroeconomic situation changes used in stress testing for credit risk were modified,
- the scope of Fast Track was expanded for corporates.

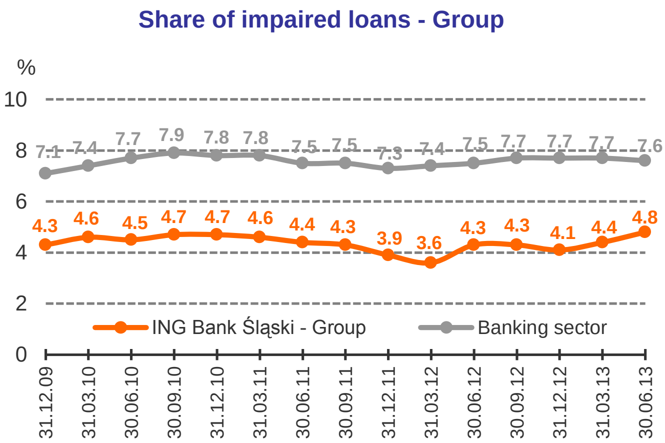
The Bank adjusted the tools and instruments used to measure and monitor corporate credit risk to the revised lending policy:

- a sector portal where all expertise available at the Bank on selected industries, their trends and macroeconomic environment is collected was launched. Moreover, the latest external information and studies on industries and other auxiliary materials e.g. IBnGR (Institute for Market Economics) analyses,
- Industry Comparison Tool was developed which is intended to support the client's situation analysis in relation to the main trends in the sector and Bank's portfolio,
- the scope and number of reports supporting the ongoing monitoring process were verified and optimised, including the monitoring of repayment promptness.

Quality of Lending Portfolio and Provisioning

As at the end of June 2013, the loans and cash loans extended to the ING Bank Śląski S.A. Capital Group clients (including leasing and factoring receivables, corporate bonds and municipal bonds) totalled PLN 48,136.6 million in gross terms.

Impaired loans were worth PLN 2,287.2 million versus PLN 1,895.0 million as at the end of 2012. The share of the past due but not impaired portfolio in the entire lending portfolio of the Bank Capital Group went up from 4.1% in December 2012 to 4.8% as at the end of June 2013. The major part of the increase in the impaired portfolio when compared to the end of 2012 results from reclassification of some historical real property leasing exposures following the real property value decrease.

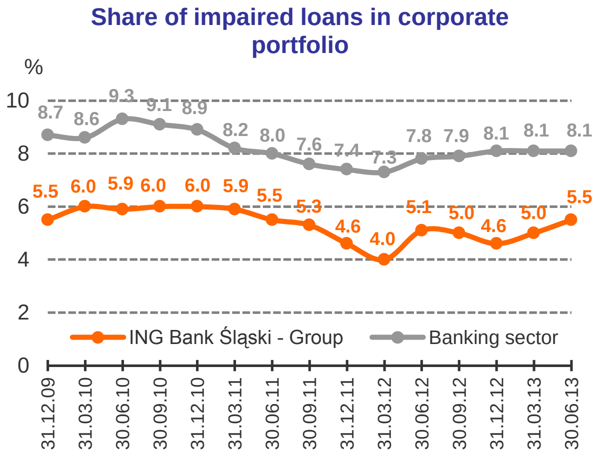


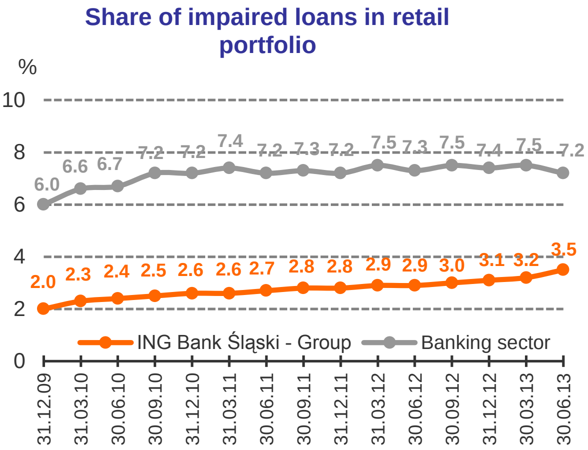
The share of impaired receivables in the portfolio tends to increase and yet the quality of lending portfolios of the ING Bank Śląski S.A. Capital Group (both retail and corporate) was still significantly better than the average in the entire banking sector.

As at the end of June 2013, the ING Bank Śląski S.A. Capital Group had PLN 1,423.8 million worth of provisions for the lending portfolio. The past due but not impaired portfolio provisioning ratio was 62.3%.

Quality of portfolio of loans and cash loans extended to the ING Bank Śląski S.A. Capital Group clients[30]

	30.06.2013	31.12.2012	30.06.2012
Total exposure (PLN million)	**48,136.6**	**46,509.7**	**45,907.5**
Non-impaired portfolio (PLN million)	45,849.4	44,614.7	43,918.0
Impaired portfolio (PLN million)	2,287.2	1,895.0	1,989.5
Impairment losses and provisions (PLN million)	1,596.7	1,446.3	1,304.2
Charge for non-impaired portfolio (PLN million)	145.7	128.4	183.3
Charge for impaired portfolio (PLN million)	1,423.8	1,295.6	1,103.3
Provisions for off-balance sheet liabilities (PLN million)	27.2	22.3	17.6
Share of the past due but not impaired portfolio (%)	**4.8**	**4.1**	**4.3**
Past due but not impaired portfolio provisioning ratio (%)	**62.3**	**68.5**	**55.5**
Exposure – Corporate Banking (PLN million)	**30,426.2**	**29,877.7**	**30,072.3**
Non-impaired portfolio (PLN million)	28,757.2	28,500.4	28,547.8
Impaired portfolio (PLN million)	1,669.0	1,377.3	1,524.5
Impairment losses and provisions (PLN million)	1,027.3	975.8	877.5
Charge for non-impaired portfolio (PLN million)	54.4	58.0	86.4
Charge for impaired portfolio (PLN million)	945.7	895.5	773.5
Provisions for off-balance sheet liabilities (PLN million)	27.2	22.3	17.6
Share of the past due but not impaired portfolio (%)	**5.5**	**4.6**	**5.1**
Past due but not impaired portfolio provisioning ratio (%)	**56.7**	**65.2**	**50.7**
Exposure – Retail Banking (PLN million)	**17,710.4**	**16,632.0**	**15,835.2**
Non-impaired portfolio (PLN million)	17,092.2	16,114.3	15,370.2
Impaired portfolio (PLN million)	618.2	517.7	465.0
Impairment loss (PLN million)	569.4	470.5	426.7
Charge for non-impaired portfolio (PLN million)	91.3	70.4	96.9
Charge for impaired portfolio (PLN million)	478.1	400.1	329.8
Share of the past due but not impaired portfolio (%)	**3.5**	**3.1**	**2.9**
Past due but not impaired portfolio provisioning ratio (%)	**77.3**	**77.3**	**70.9**





[30] Including leasing and factoring receivables as well as corporate and municipal bonds.

2. Market Risk Management

General Information

Market risk is defined in ING Bank Śląski S.A. as a potential loss due to unfavorable changes in market prices (e.g. interest rates, FX rates, share prices, etc.) and/or market parameters (e.g. volatility of equity prices and correlation between movements in market prices) and/or customer behavior (e.g. early loan repayments).

Market risk management within ING Bank Śląski S.A. covers market risk identification, measurement, monitoring, and reporting, both within the Bank itself and in its subsidiaries. Independent from the Bank business units generating market risk, Market Risk Management Department provides FM Management, Management Board and ALCO Committee members with market risk updates. An important consultative role in the market risk management process is performed by the Bank's majority shareholder – ING Bank N.V.

Market risk management is responsible for limit setting within the risk appetite as defined by the Management Board. It advices business units on risk related issues within these limits.

The Market Risk Management Department is sub-divided into two sections: The Trading Risk Management & FM Product Control Section (deals with risk of the business activity conducted on one's own account) and the Bank Risk Management Section (concentrated on balance sheet management and liquidity).

The intention-based book structure reflects the types of market risk and areas where market risk should be internally transferred/hedged within the Bank. Specifically, books are categorized based on intention as:

- *Trading.* Those are FM books for FX, FX Options and Interest Rate Trading where those positions are taken in expectation of short-term financial gain from market movements or arbitrage activities.
- *Banking.* The risks of those commercial deposits and loans are transferred to the Financial Markets via internal transactions to centralize all market risks within the specialized treasury function. The primary purpose of the Banking books (Liquidity Management & Funding and ALM book) is to ensure the management of liquidity and interest rate of the Bank's overall positions.

Risk Measurement Tools

Value at Risk (VaR) is the main methodology used to calculate market risk in FM books, both Trading and Banking. It is also used for periodic check of market risk in Commercial books (non-FM books). The VaR ratio gives the potential loss that is not to be exceeded assuming a certain confidence (probability) level. The Bank calculates VaR separately for individual interest rate, FX and FX options portfolios. As VaR does not present a full picture of market risk under extreme conditions – event risk calculation (stress testing) is performed additionally.

The *Earnings at Risk* (EAR) concept is applied for the banking book positions. Calculations cover a 1-year time horizon and provide for the possible changes in accrual results given shock changes of +/- 1% and +/-2%. Two approaches are used: a simple approach for positions comprised of term transactions and/or small volumes of demand positions and an advanced approach for material volumes of demand positions (at present: the Bank's PLN demand deposit base and its internal contracts into Treasury books). The positions in Commercial Banking books are also subject to measurements of non-linear interest rate risk. Specifically, the Bank measures optionality risk (the potential losses on those positions given early-withdrawal of deposits and/or early re-payment of loans) and basis risk (the potential losses on those positions arising from non-standard rate-setting mechanisms).

VaR Exposures and Limits in H1 2013

The VaR exposures of the bank remained well below limits during the first half of 2013. The average limits utilization for the trading desk was below 30%. No limit breaches where reported during the period.

The VaR limits where held constant during the first half of 2013 as compared to 2012.

Liquidity Risk Management

Liquidity risk is the potential risk that the Bank will be unable to meet its obligations because it will be unable to:

- Cash assets or obtain adequate funding ("funding liquidity risk"); or
- Easily unwind or offset specific exposures without significantly lowering market prices because of inadequate market depth or market disruptions ("market liquidity risk").

The process of liquidity management at ING Bank Śląski S.A. covers:

- Developing and analyzing liquidity ratios, as well as monitoring liquidity limits on behalf of ALCO;
- Preparation of liquidity procedures/policies (The policy takes into account the following, among other things: the new liquidity risk regulations from the Polish Financial Supervision Authority and ING Bank N.V. liquidity regulations);
- Harmonization of contingency planning in regard to liquidity with the changes in the Bank's organizational structure and the changes in definition of warning signals.

One of the most important aspects of the liquidity risk management process in the Bank is contingency funding plan which provides guidance as regards pro-active identification of the liquidity crisis and actions to be taken to survive it. No regulatory limit was breached during the first half of 2013.

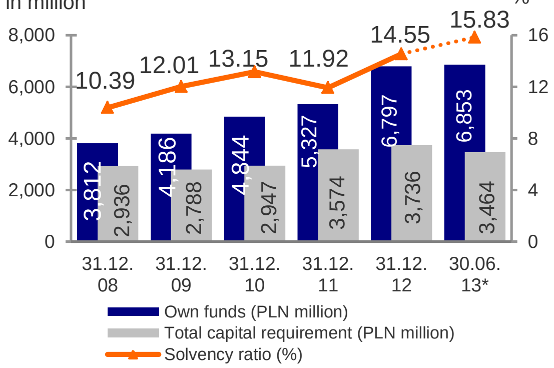
Replicating Portfolios

Demand deposits are a sizeable item of the Bank's balance sheet. In order to increase the effectiveness of usage of the liabilities acquired and maximize income on business activity, ING Bank Śląski applies the concept of the replicating portfolio. It consists in "replicating", or reproducing of the actual period during which demand deposits are made /maintained by clients at the Bank. For that purpose, statistical analysis of the historic portfolio of demand deposits and its "stable" part is calculated. That concept allows converting interest rates of demand items into term items. The method of reinvesting obtained funds is different for the "variable" part and for the "stable" part. Duration of replications and liquidity profiles are based on client behavior and are reviewed at least every six months.

3. Capital Adequacy

Starting from the report as at 30 June 2013, ING Bank Śląski S.A. reports capital requirement for credit risk using the AIRB approach excluding the so-called regulatory floor, in other words supplementing the capital requirement for credit risk to the amount of the requirement as calculated under Standard Approach (SA). The Bank applies such presentation method pursuant to the decision of De Nederlandsche Bank (DNB) of 04 July 2013, wherein DNB together with the Polish Financial Supervision Authority gave the Bank permission to apply the full AIRB approach for the exposure classes under institutions and entrepreneurs.

Capital adequacy of ING Bank Śląski S.A. Capital Group



* Since 30 June 2013 own funds and total capital requirement included in the solvency ratio calculation under AIRB.

Irrespective of the above-mentioned consent, pursuant to PFSA Resolution No. 76/2010, when determining the total capital requirement the Bank takes account of the so-called regulatory floor which amounts to 80% of the total capital requirement benchmark (it is the sum of capital requirements for individual risk types calculated by means of the Standard Approach). Should the total capital requirement be lower than 80% of the total capital requirement benchmark, the Bank will include the difference as "a supplement to the overall level of capital requirements".

Solvency ratio calculated with the Advanced Internal Rating-Based Approach (AIRB) was 15.83% as at the end of H1 2013.

Solvency ratio calculation for ING Bank Śląski S.A. Capital Group

	30.06.2013 */	31.12.2012 **/	30.06.2012 **/
Solvency ratio (%)	15.83	14.55	12.98
Own funds (PLN million)	6,853.2	6,797.2	6,157.5
Total capital requirement (PLN million)	3,463.9	3,736.1	3,793.7

* Own funds and total capital requirement included in the solvency ratio calculation under AIRB.
**/ Own funds under AIRB; total capital requirement calculated taking into account the so-called regulatory floor of 100% of the requirement calculated under Standard Approach (SA).

4. Operational Risk and Compliance

ING Bank Śląski S.A. manages operational, compliance and anti-fraud risk pursuant to the laws, recommendations and resolutions of the Polish Financial Supervision Authority and other regulators as well as abiding by the standards developed by ING Group.

Operational risk is recognised at ING Bank Śląski S.A. as the risk of suffering direct or indirect material loss or loss of reputation resulting from inadequate or failing internal processes, people, technical systems or external events. This definition also covers the legal risk.

Having obtained the Supervisory Board's approval, the Bank Management Board outlined the strategy for managing: operational, compliance, antifraud and legal risks by implementing a coherent set of internal prescriptive documents governing the scope, principles and duties of Bank employees related to mitigation of effects and probability of incidents that may occur in that area which is called non-financial risk area.

The Bank applies the model of three lines of defence, based on the division of tasks and duties. Under the model, business units which identify and mitigate the risk embedded in business process constitute the first line of defence. Risk and support units constitute the second line of defence; they are responsible for organising identification and monitoring processes as well as controlling the level of risk. Whereas internal audit performing the function of an independent auditor constitutes the third line of defence.

The role of the Bank Non-Financial Risk Committee and Non-Financial Risk Committees within individual business lines which support the former in performing supervisory and decision-taking functions is crucial for ensuring continuity and consistency of risk management.

In H1 2013, caring about the safety of funds entrusted by clients and maintenance of acceptable operational risk, the Bank continued its efforts to implement new regulatory requirements fully and enhance the risk management system. The most important activities in that regard are as follows:

- introducing to Bank's practice the requirements arising from amended PFSA M Recommendation – concerning risk management,
- conducting a full analysis of new tasks of the Bank arising from D Recommendation – concerning management of risks inherent to IT and telecommunications systems used by the

banks and drafting a detailed plan of actions ensuring compliance with the said regulation within the deadline established by PFSA being 31 December 2014,

- defining by the Management Board, upon consultation with the Bank Supervisory Board, in the non-financial risk appetite statement in 2013 the amount thresholds for the losses that may arise should the risk in the given area materialise. The limit utilisation level is monitored and presented to the Bank Management Board and Supervisory Board on a quarterly basis.
- ensuring effective forms of counteracting crimes related to payment transactions and identity theft or funds theft with the use of electronic tools,
- more detailed analysis of applications' vulnerability and increased monitoring of the electronic banking systems, which ensured successful fraud prevention and safety of the transactions effected by the Clients,
- performing dozen or so scenario analyses covering all key processes at the Bank,
- enhancing the mechanisms ensuring business continuity of key processes taking into account the activities commissioned to third parties, back-up sites and environment for IT systems and crisis management systems, and
- raising employees' awareness as regards operational threats and the risk resulting from breaching the business ethics standards by introducing new topics of training courses, which were mandatory to all Bank employees.

VII. DEVELOPMENT OF ORGANISATION AND INFRASTRUCTURE OF ING BANK ŚLĄSKI S.A. CAPITAL GROUP IN H1 2013

1. IT and Operations

Many significant tasks were completed in the IT area in H1 2013 at ING Bank Śląski S.A. Amongst key modifications, the following ones should be highlighted:

- providing an option to new clients of applying for lending products (cash loan, overdraft, credit card) through Contact Centre,
- introducing improvements as regards usefulness of ING BankOnLine and new pro-selling functionalities,
- rebuilding the module of authorisations for applications submitted in ING BusinessOnLine (it is a big technical change which is an essential step towards bigger automation of customer service),
- continuously expanding functionalities of mobile banking systems: ING BankMobile and ING BusinessMobile.

Also in the Operations area, ING Bank Śląski S.A. implemented many changes promoting continuous development and enhancement of processes. The following projects were continued in H1 2013:

- *Centralised Cash Processing* - further optimisation of cash handling process was achieved (eBojtlik), a pilot study of the recycler device was performed, and also applications in ATMs were unified by implementing the Multivendor application in CDMs and dual machines.
- SORBNET2 – the main objective is to implement the application compatible with the new SORBNET2 settlement system. As part of the said project, implementation of a new application for balance monitoring in the Bank's nostro accounts is also planned.
- Trade Finance – implementation of the Back-Office platform, facilitating handling of letters of credit, guarantees, collections and documentary discount as well as the tool in ING BusinessOnLine to handle these products.

2. Development of Electronic Distribution Channels

In H1 2013, ING Bank Śląski S.A. completed a number of changes to the ING BankOnLine internet banking system. First and foremost, the following tools were made available:

- Offer upon click – it is a new sales module in the ING BankOnLine application. It allows checking personalised sales offers of banking products for a given user. The offers are more accessible and clear for a client as they are presented in defined groups of needs.
- Framework Agreement on Using the Internet Banking System for Individual Clients - this new solution provides an option of concluding agreements for ING Bank Śląski products and services in a remote manner, and in the future concluding also agreements for ING Securities products and services. The Client signs one agreement at a Bank branch in order to be able to use all possibilities of the ING BankOnLine system. The Client may e.g. open and manage mutual funds through the internet - with no need to submit declarations of will and knowledge at a Bank branch.
- Remote unblocking through a text message – it constitutes a simplification of the unblocking process of an ING BankOnLine user it the user is blocked. It is possible to unblock the user with the use of a mobile phone number defined for authorisation in the ING BankOnLine system. Such solution shortens the unblocking time and provides clients with an option of executing the process on their own with no need for additional contacts with the Bank.

Additionally since April 2013, all clients of ING Bank Śląski may use the new version of the homepage of the news portal www.ingbank.pl. The upgraded website was created bearing in mind growing demands and changing expectations of internet users. The layout of the website was created on the basis of current trends and detailed research, performed among others with the participation of Bank clients.

As at the end of June 2013, the electronic banking systems of ING Bank Śląski S.A. were used by over 2.4 million clients, i.e. 4.2% more than as at the end of 2012. Until 30 June 2013, the ING BankMobile application was downloaded more than 200 thousand times and over 140 thousand clients were using this tool.

Clients of electronic banking systems at ING Bank Śląski S.A.

	30.06.13	31.12.12	31.12.11	31.12.10	31.12.09
ING BankOnLine, ING OnLine, ING BusinessOnLine	2,448,222	2,350,269	2,115,325	1,879,525	1,559,504
HaloŚląski	1,507,307	1,433,433	1,285,261	1,072,099	786,008
ING BankMobile	144,395	88,421			
ING BusinessMobile	1,720				

As at the end of June 2013, ING Bank Śląski S.A. had 1,115 machines for cash self-service in total, including 394 standard ATMs, 347 standard CDMs and 374 dual machines.

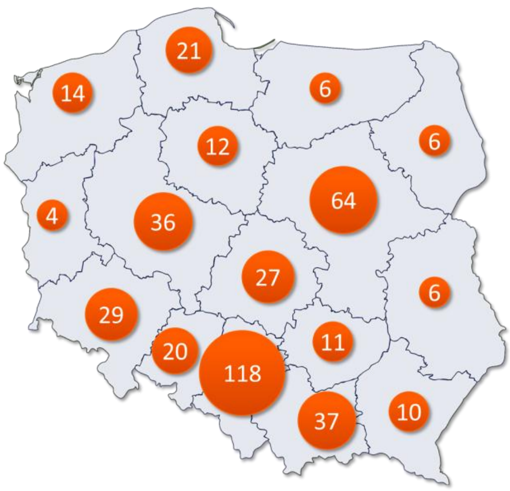
3. Network of Bank Outlets

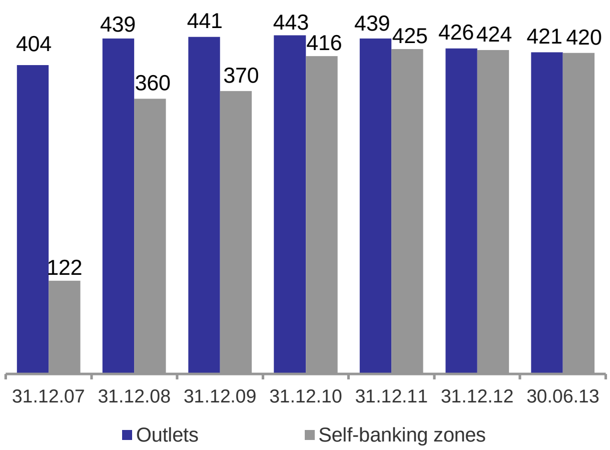
As at 30 June 2013, ING Bank Śląski S.A. had 421 retail branches (including 123 cashless branches). Almost every Bank branch has a self-banking zone operating 24/7, where the clients may deposit and withdraw cash, execute transfers by *ING BankOnLine*, call *HaloŚląski* service or talk to a Call Centre consultant.

The Bank is planning to maintain the number of branches at a stable level, similar to the current one. Furthermore, there are plans to continue relocating branches to more business attractive locations and modernising retail branches. As at the end of H1 2013, the Bank had 118 branches built to the new standard.

Corporate clients from mid-sized and mid-corporates segment were serviced at the Bank by 33 corporate branches and 13 corporate banking centres. Almost all of them were operating in the same locations as retail branches. The largest corporate clients were serviced by the Strategic Clients Department located in Warsaw and by its regional office in Katowice.

Network of ING Bank Śląski Outlets (as at 30 June 2013)





4. Human Resources Management

Headcount

As at 30 June 2013, the ING Bank Śląski S.A. Capital Group had 8,654 employees. When compared to December last year, the number of employees declined by 33 persons. Lower headcount was mainly caused by the completion of projects launched to optimise and automate processes in ING Bank Śląski S.A.

Employment in ING Bank Śląski S.A. Capital Group

	30.06.2013		31.12.2012	
	number of persons	%	number of persons	%
Retail Banking	4,162	50.7	4,143	50.2
Corporate Banking	1,123	13.7	1,143	13.9
Operations/IT/Services	1,994	24.3	2,035	24.7
Risk/Organisation/Finance/HR	932	11.3	923	11.2
Bank Total	**8,211**	**100.0**	**8,244**	**100.0**
Subsidiaries	443		443	
ING Bank Śląski S.A. Group	**8,654**		**8,687**	

Remuneration Policy

In H1 2013, ING Bank Śląski kept the existing remuneration policy, the aim whereof is to effectively support the strategic goals. The assumptions of the policy are based on competitive, marked-to-market remuneration and they focus on transparency and coherence of remuneration employees are offered with.

For the first time, the Bank calculated the bonuses of employees covered by the *Variable Remuneration Policy of Persons Holding Managerial Positions Having Material Impact on the Risk Profile of ING Bank Śląski S.A.* in compliance with the Policy, the variable remuneration is deferred and at least 50% thereof is paid in phantom stock entitling to cash funds dependent on the value of ING Bank Śląski S.A. shares.

Recruitment and Employer Branding (Preferred Employer)

In H1 2013, ING Bank Śląski S.A. continued its employer branding activities. As part of those actions, the Bank undertook the following:

- The Bank participated in the career days, job fairs, meetings at universities and cooperated with student organisations (AIESEC, CEMS, BEST, Paneuropa, Wiggor).
- It completed the third edition of the *ING Ambassadors Programme* addressed to all students regardless of their education stage.
- It conducted the promotion campaign and recruitment for the *Internship with the Lion* programme addressed to second year students who plan to work in the banking sector in the future. 55 interns were recruited. The internship projects start in July 2013.

In February 2013, ING Bank Śląski was honoured with the Top Employers certificate for the fourth time. The Bank was classified first in the all-Poland ranking of 29 companies. We achieved the highest possible rating of the external auditor in the areas of training courses and development, professional career opportunities and corporate culture management as well as very high ratings in the areas of basic and fringe benefits as well as working conditions.

In June, the Bank for the second time received an all-Poland distinction *Solidny Pracodawca Roku 2012* (Solid Employer of 2012) for effective and innovative HR policy.

In H1 2013, the majority of recruitment processes was recorded in the Retail Network (Contact Centre) and in the IT area.

Employee Development and Training Courses

In H1 2013, the Bank focused on actions defined as development priorities based on the analysis of results of the Winning Performance Culture Scan (WPC), conducted in 2012 in the areas related to leadership, accountability, career opportunities and recognition.

By the end of June 2013, more than 1,500 participants received training in this area. They participated in the following undertakings:

- *Bank-Oriented Development* – a complex, training-and-development programme addressed to managers, co-financed with the EU funds as part of the Human Capital Operational Programme. The participants took part in five on-site training courses and the e-learning training session,
- in other development activities designed for managers (the aim whereof was to increase the knowledge of people management and share experiences of the managerial staff) as well as for high-potential employees.

In H1 2013, a new recruitment for the ING International Talent Programme was commenced. The Programme aims at acquiring talented graduates with the professional experience of no more than 2 years, having potential to take up key managerial positions within the next 5-7 years and fostering their development based on diversified experiences and individual development programme consistent with the needs of the organisation and the participant's profile. The process is carried out in line with the corporate standards. Recruitment is carried out with the use of the on-line application and new diagnostic tools.

The Bank also conducted training programmes supporting execution of business goals, such as training courses for the Retail Sales Network employees concerning products, customer service, sales skills and IT tools modification. Approximately 2,400 training days were held for the total number of almost 10,600 participants.

The *Managerial Competences Compass* programme was continued, the aim whereof was to prepare the sales employees to take up managerial positions (Area Director and Segment Director) in the Retail Network in the future. During the one-year programme, employees have the possibility to develop specific competences by means of individual tasks and participation in projects and training courses. 31 employees from various places in Poland take part in the programme.

A series of *Orange Meetings* hosted by the Management Board Members were held. *Orange Meetings* are addressed to the employees with high potential and involvement, where they have a chance to exchange ideas and concepts with ING top management. In H1 2013, 12 meetings were held, which were attended by 96 employees.

The Bank conducted also individual development and training actions for employees. In 2013, the offer of training courses was updated. It includes the training courses within the area of corporate and specialist competences, but also process, product and professional knowledge training courses. The training courses are organised in the traditional and e-learning forms.

The development actions also involve monitoring, coaching, tutoring, self-service forms of knowledge sharing with the use of multimedia tools, assignments, staff rotations, participation in projects, knowledge sharing with other employees, self-improvement, cooperation with superiors and expanding the range of responsibilities.

The succession planning process in key positions in the company was conducted and development actions were planned for successors. In the Retail and Corporate Sales Network, the succession planning process involved all managerial positions.

Use of Information Technologies in HR Processes

In 2013, the implementing works regarding the SAP HR system were continued. Its implementation should contribute to faster and more efficient execution of HR management processes. In May, the internal e-recruiting system designed for handling the recruitment and selection process was implemented. Preparations for implementation of an external system are in progress.

VIII. OUTLOOK ON ING BANK ŚLĄSKI S.A. OPERATIONS DEVELOPMENT

The Preferred Bank strategy is based on three pillars:

- Client centricity – all operations of the company focus on tailoring products and service model to the needs of clients from individual segments.
- Operational excellence – culture of continuous process improvement aimed at higher quality of client service (reliability, promptness, shorter waiting time) while optimizing costs (the ability to process growing volumes with the same resources). Bank is equally committed to streamlining and automating both client-oriented (sales, products) and administrative processes.
- Top Employer – acquiring and retaining the best personnel by supporting employees' professional development and using modern communication tools.

In order to ensure long-term growth of the goodwill, the Bank undertakes actions aimed at reinforcing and then keeping the top position in the Polish banking sector, by harmonious development of core activities; i.e., retail and corporate banking. The multichannel and integrated sales and customer service model, with special focus on enhancing the electronic banking systems, is further developed. With the banking sector consolidating, the Bank will focus on dynamic and organic growth of number of clients and volumes. Pursuit of a balanced but dynamic growth of credits and deposits is the consequence of remodelling of the balance sheet (material increase of customer receivables share) made over recent years. The Bank's priority is also to improve its market position in cash loans for individual clients as well as the number of current accounts of enterprises and funds accumulated therein. Asset-Backed Funding Market (leasing and factoring) is yet another area of fast growth.

Retail Banking

On the retail market ING Bank Śląski S.A. will focus on strong, sustainable growth of both deposits and lending.
In execution of its strategic objectives, the Bank will use its competitive characteristics: clear and transparent product offer with good value for money, very good brand recognition, well-developed distribution channels (over 420 branches, remote channels: contact centre, internet and mobile banking) as well as strong and engaged staff.

Strategic priorities for this year include:

- Accelerating new clients' acquisition rate. The basic execution tool for this priority will be the attractive offer of current and savings accounts.
- Strengthening relationship with the existing clients by concentrating on their financial needs and using a multichannel distribution model. Changes in client preferences – the growing propensity to use remote channels leads to enhanced clients' interest in the offer of ING Bank Śląski S.A. Bank's actions will aim at an even better use of the growing client interaction to increase sale.
- Consolidating solid position on the market of household deposits by enhancing the offer of savings accounts while the interest rates will go down.
- Increasing the number of active personal accounts which belong to the most crucial products and serve as basis for building long-term relationships with the clients.
- Increasing cash loan sale.
- Modifying the ING BankOnLine transaction system in order to strengthen sales functions and facilitate client communication.
- Developing modern solutions for Payment and Cash Management (PCM) (NFC-enabled ATMs, NFC payments).

To accomplish the abovementioned priority tasks, ING Bank Śląski S.A. will aim at ensuring uniform service of high quality (_customer experience_) in all distribution channels. The growing loyalty and propensity to recommend Bank services to friends and family is an expected deliverable of positive customer experience. Wider use of remote distribution channels will be achieved by extending functionalities of internet and mobile banking applications, among others. Moreover, the Bank will automate the low added-value operations to focus on sale and advisory functions.

These actions should translate into better sales and financial results of retail banking. The increased cross-sell is not treated as a source of increased income only, but also as a tool of income diversification. Wider use of remote distribution channels and operations automation will favour cost effectiveness improvement.

Corporate Banking

The key actions of ING Bank Śląski S.A. in the corporate banking market will be aimed at:

- Maintaining high acquisition of corporate network clients (Mid-sized and Mid-corporate clients) and strengthening relationship with strategic clients as well as extending their base (co-operation with international companies being ING Group clients worldwide).
- Increasing the core deposits in current accounts by both acquiring new clients and tightening relationships with existing ones. Sale of Payment and Cash Management (PCM) products will also play a key role in this process.
- Increasing the share in credit market while paying attention to the portfolio quality. The Bank intends to focus on assets with the best risk profile by participating in the biggest lending tenders and developing commercial real estate finance. In this last area, the Bank will address its offer to local clients with the best risk profile and intensify cooperation as part of the Real Estate Finance in ING Group.
- Retaining strong market position in the issue arrangement and service for non-government debt securities for corporate entities.
- Strengthening co-operation with Group ABL companies (leasing and factoring).
- Increasing share in the leasing market through a dynamic growth of transactions concluded via banking distribution channels in leasing of vehicles, machines and equipment while remaining the key player on the real estate and train fleet funding market.

The basic instruments for accomplishment of the objectives adopted on the corporate banking market and financial markets are as follows:

- Corporate 2020 Programme – a new corporate banking business model developed in response to global banking trends such as development of new technologies, changing client preferences or the fact of entry into the banking products market of entities from other sectors. The project deliverable is to develop a new, long-term strategy to become a corporate banking leader in the next decade. The leading position is to be achieved by dint of a qualitative change of the offer and setting new customer service standards. This year the Bank introduced, within this project, accounting and payroll services for mid-sized and mid-corporate companies, fully integrated with internet banking system. Next step will be implementation of a platform enabling to conduct and conclude business transactions by companies, such as organizing bids and tenders.
- CRM System – follow-up of a current project aimed at development and implementation of an IT tool dedicated to relationship managers and other persons attending to mid-sized companies.
- Integrated and up-to-the-minute offer in the transactional banking area, developed based on the suggestions of strategic clients given at working meetings. The project concerns development of *cash management* products (focusing on state-of-the-art solutions in electronic customer service channels – Web-services (allowing for integration of the internet banking system with clients' financial-booking systems), eInvoicing, *eZgody* [eConsents] in the area of Direct Debit) under the comprehensive offer comprising also trade finance and factoring products. The Bank will develop modern settlement products in NFC technology in close co-operation with clients.
- Enhancing the electronic banking system. It is the Bank's ambition to offer all the products in the Mid-sized and Mid-corp segment on the internet platform. This is accomplished by extending functionalities of the internet banking system with a module addressed to custody clients, enabling FX Forward transactions plus sale and service of trade finance products. In H2 2013, an electronic tool for servicing all elements of the credit process for strategic clients (the biggest companies) will be launched, eliminating the flow of paper documents.
- Modernizing the Branches. The branches redevelopment project, covering not only new branding and new office layout, but also a change of branch organization and adjustment of the branch network to the local potential of the market will continue. All corporate branches are planned to have been adjusted to the new standard by the end of 2015.

IX. INVESTOR INFORMATION

1. Shareholding Structure

ING Bank Śląski S.A. is a subsidiary of ING Bank N.V., which as at 30 June 2013 had a 75% share in the share capital of ING Bank Śląski and a 75% share in the overall number of votes at the General Meeting. ING Bank N.V. belongs to ING Group, a global financial institution, conducting its business activity on banking and insurance markets, as well as within the area of asset management.

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

In H1 2013, neither the worth of ING Bank Śląski S.A. share capital nor the majority shareholder's share in the equity were changed.

Shareholding Structure of ING Bank Śląski S.A.

Shareholder	Number of shares and votes at GM	Share in share capital and in the total votes at GM	Shareholder	Number of shares and votes at GM	Share in share capital and in the total votes at GM
	30 June 2013			31 December 2012	
ING Bank N.V.	97,575,000	75.00%	ING Bank N.V.	97,575,000	75.00%
Funds managed by PTE PZU S.A.	8,250,170	6.34%	Funds managed by PTE PZU S.A.	6,631,428	5.10%
including:			*including:*		
OFE PZU "Złota Jesień" [31]	*8,250,000*	*6.34%*	*OFE PZU "Złota Jesień"* [32]	*6,631,258*	*5.10%*
Dobrowolny Fundusz Emerytalny PZU [32]	*170*	*0.00%*	*Dobrowolny Fundusz Emerytalny PZU* [32]	*170*	*0.00%*
Other	24,274,830	18.66%	Other	25,893,572	19.90%
Total	**130,100,000**	**100.00%**		**130,100,000**	**100.00%**

On 03 July 2013, Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK (Aviva Open-End Pension Fund) informed ING Bank Śląski S.A. that as a result of the transaction of purchase of Bank shares concluded on 26 June 2013, the number of shares of the Company held by Aviva Open-End Pension Fund exceeded 5% stake in the total number of shares and votes at the Bank. Prior to the settlement of the abovementioned transaction, as at 28 June 2013, Aviva Open-End Pension Fund held 6,483,382 shares of ING Bank Śląski S.A.; i.e., 4.98% of the Company share capital. Following the conclusion and settlement of the purchase transaction, as at 01 July 2013, Aviva Open-End Pension Fund held 6,548,964 shares of ING Bank Śląski S.A.; i.e., 5.03% of the Company share capital.

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

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

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

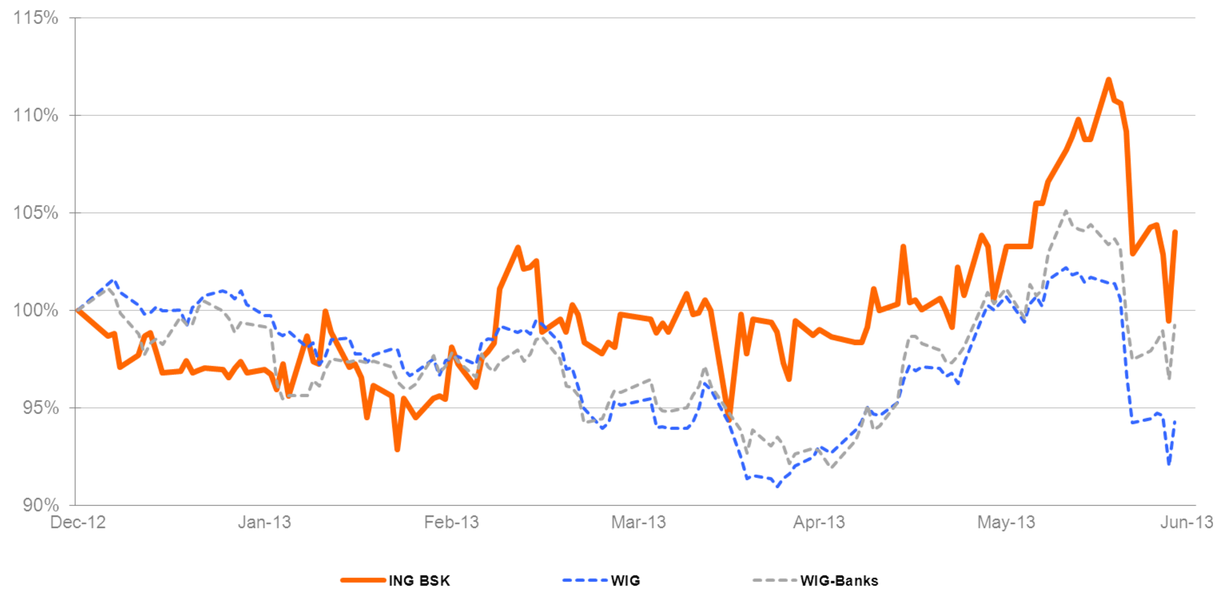
[31] Based on the list of shareholders registered at the General Meeting of ING Bank Śląski S.A. on 19 April 2013.
[32] Based on the notice received by the Management Board of ING Bank Śląski S.A. from Powszechne Towarzystwo Emerytalne PZU S.A. on 18 June 2012. (Current Report No. 16/2012 of 19 June 2012).

2. ING Bank Śląski S.A. Share Price

In H1 2013, the price of ING Bank Śląski S.A. shares at the close of the WSE session fluctuated from PLN 84.50 (as quoted on 19 February) to PLN 101.80 (as during the session on 17 June). On 28 June 2013, the price of ING Bank Śląski S.A. share equalled PLN 94.66, up by 4.0% from the last quotation day in 2012 (to compare: Banks sub-index went down by 0.8%).

As at the end of June 2013, the Bank's market value was PLN 12,315 million, while its book value amounted to PLN 8,136 million.

ING Bank Śląski S.A. Trading Share Price in H1 2013 (28 December 2012 = 100%)



3. Ratings

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

In December 2012, Fitch Agency carried out the annual rating review at the Bank. As a result, all the to-date ratings were affirmed (Fitch Agency's press release of 29 January 2013). Nevertheless, on 06 February 2013, the Agency announced that it revised the ratings outlook for three big Dutch banks, ING Bank N.V. inclusive, from stable to negative. Consequently, the ratings outlook for ING Bank Śląski S.A. was changed accordingly. Lowering the ratings outlook for the Dutch banks was related to the revision of the Netherlands rating of a day earlier – the country's rating was affirmed at 'AAA' level but the outlook was revised from stable to negative. As a justification, the Agency referred to the deteriorating, in its opinion, macroeconomic situation of the Netherlands.

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

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

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

In turn, the Moody's Investors Service Ltd., assigns rating to ING Bank Śląski S.A. on the basis of public information. As at the Financial Statements' publication date, the Bank's ratings assigned by the Agency were as follows:

Moody's Investors Service Ltd.	
LT Rating	Baa1
ST Rating	P-2
Bank Financial Strength Rating (BFSR) / Baseline Credit Assessment (BCA)	D+ / baa3
LT rating outlook	Negative
BFSR Outlook	Stable

In Q2 2013, the Moody's Agency confirmed all the existing ratings of the Bank (Moody's press release of 23 April 2013 and *Credit Opinion* of 01 May 2013).

4. Investor Relations

At ING Bank Śląski S.A. the investor relations play a vital role. The main objective of the unit responsible for investor relations (Strategic & Investor Relations Bureau) is to ensure effective cooperation between the Bank and investors, analysts, rating agencies and other stakeholders.

The Bank pays special attention to the data reliability, transparency and equal treatment of all the stakeholders. The Bank observes all the provisions of law regarding disclosure duties of listed companies. The important financial and business information in the form of financial reports, current reports, investor presentations and editable files with key data concerning the company are at the same time presented to the broad capital market.

The Bank holds open communication with investors and analysts. The representatives of the Management Board of ING Bank Śląski S.A. and the Bureau employees regularly take part in meetings with investors and analysts, both during domestic or international conferences and as part of roadshows and individual meetings at the Bank's Head Office. Employees of the Investor Relations Bureau communicate on an ongoing basis with investors, analysts and representatives of rating agencies by phone or via e-mail.

In H1 2013, as in the previous years, two conferences (and teleconferences) were held at the Bank's Head Office for analysts and investors to present the quarterly financial and business results. Each time approximately 30 representatives of brokerage houses and investors attend such a conference.

In H1 2013, the Bank continued to develop the channels of communication with stakeholders, including the basic tool, that is a webpage: http://en.ingbank.pl/company-profile/investor-relations. The webpage contains vital information concerning, among other things, quotations of ING BSK shares on the WSE, company shareholding structure, General Meetings or ratings. Also the current, interim and annual reports, results presentations, Excel sheets with key financial and business information as well as recordings from teleconferences are published on the webpage.

ING Bank Śląski S.A. is one of the companies being observed and analysed by the market. As at the end of June 2013, analysts representing twelve domestic and foreign financial institutions published reports and recommendations for the Bank's shares.

5. Changes to Statutory Authorities of ING Bank Śląski S.A.

On 19 April 2013, Mr Ralph Hamers resigned from Supervisory Board membership due to his appointment to the position of the CEO of ING Group as of 01 October 2013. At the same time, on 19 April 2013, the General Meeting appointed Mr Ad Kas as Member of the Supervisory Board.

As at 30 June 2013, the Supervisory Board of ING Bank Śląski S.A. operated in the following composition:

- Ms Anna Fornalczyk — Chair, Independent Member,
- Mr Brunon Bartkiewicz — Deputy Chair,
- Mr Wojciech Popiołek — Secretary, Independent Member,
- Mr Roland Boekhout — Member,
- Mr Ad Kas — Member,
- Mr Nicolaas Cornelis Jue — Member,
- Mr Mirosław Kośmider — Member, Independent Member.

On 07 March 2013, the Supervisory Board of ING Bank Śląski S.A. appointed Ms Joanna Erdman as Vice-President of the ING Bank Śląski S.A. Management Board as of 01 April 2013. Following the segregation of duties model adopted at the Bank, Ms Erdman will head the Strategic Customers Division and the Financial Markets Division.

Scope of Responsibilities of Bank Management Board Members (as at 30 June 2013)	
• Ms Małgorzata Kołakowska	**President of the Bank Management Board** in charge of some units reporting directly to the Bank Management Board (including: Management Board Bureau, Press Office, Internal Audit Department, Legal Department, non-financial risk management units and HR units)
• Mr Mirosław Boda	**Vice-President of the Bank Management Board** in charge of the Finance Division and the Treasury Department
• Mr Michał Bolesławski	**Vice-President of the Bank Management Board** in charge of the Corporate Sales Network Division
• Ms Joanna Erdman	**Vice-President of the Bank Management Board** in charge of the Strategic Customers Division and the Financial Markets Division
• Mr Ignacio Juliá Vilar	**Vice-President of the Bank Management Board** in charge of the Retail Banking Division
• Ms Justyna Kesler	**Vice-President of the Bank Management Board** in charge of: the Operations Division, Services Division and IT Division as well as units of projects, processes and quality management and the position of the Management Board Representative for the Environmental Management System,
• Mr Oscar Swan	**Vice-President of the Bank Management Board** in charge of the Credit and Market Risk Management Division

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

Supervisory Board of ING Bank Śląski S.A. reviewed the execution of bonus tasks of the Management Board Members for 2012, based on the opinion of the Supervisory Board Remuneration and Nomination Committee. This assessment set out the basis for determining variable remuneration of the Management Board Members by the Supervisory Board. Following the *Variable Remuneration Policy of Persons Holding Managerial Positions Having Material Impact on the Risk Profile of ING Bank Śląski S.A.,* variable remuneration is deferred for the period of 3 years and is paid in:

- phantom stock entitling to a pecuniary benefit, depending on ING Bank Śląski S.A. stock value – at least in 50%;
- pecuniary benefit for the remaining part.

The compensation awarded as phantom stock shall be subject to one-year retention period.

In H1 2013, the total amount of remunerations (understood as the value of remuneration, bonuses, pecuniary benefits, in-kind benefits or any other benefits) paid by ING Bank Śląski S.A. to the Management Board Members amounted to PLN 9,372 thousand. The total remunerations and bonuses paid out or due and payable for H1 2013 presented here is the gross amount of remuneration paid out or due and payable for the period from January to June 2013.

Remuneration of ING Bank Śląski S.A. Management Board Members in H1 2013 (PLN thousand)

Period	Remuneration and bonuses	Benefits	Total
H1 2013	7,403	1,969	9,372
H1 2012	6,437	862	7,299

The total remuneration (as defined hereinabove) paid out in H1 2013 by ING Bank Śląski S.A. to its Supervisory Board Members amounted to PLN 249 thousand.

Remuneration of ING Bank Śląski S.A. Supervisory Board Members in H1 2013 (PLN thousand)

Period	Remuneration and bonuses	Benefits	Total
H1 2013	249	0	249
H1 2012	249	0	249

As at 30 June 2013, neither Management Board nor Supervisory Board Members held shares of ING Bank Śląski S.A.

7. Selection of Chartered Auditor

On 18 January 2013, the ING Bank Śląski S.A. Supervisory Board selected KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in Warsaw as the entity authorised to audit the financial statements of ING Bank Śląski S.A. and the ING Bank Śląski S.A. Capital Group for the period of 2013-2015.

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

X. ING BANK ŚLĄSKI S.A. MANAGEMENT BOARD STATEMENTS

1. Truthfulness and Fairness of Statements

To the best knowledge of the Bank Management Board, the annual financial data for H1 2013 and the comparable data presented in the condensed interim consolidated financial statements of the ING Bank Śląski S.A. Capital Group were prepared, in all material aspects, in accordance with the effective accounting principles and present fairly, accurately and transparently all the information on the property and financial situation of the Bank Capital Group and its financial result. The Management Board report being part of this document is a true presentation of the development, achievements and situation (including a description of key risks) of the Bank Capital Group in H1 2013.

2. Selection of Entity Authorised to Audit Financial Statements

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

3. Additional Information

Agreements Concluded

The Bank Management Board declare that as at 30 June 2013 ING Bank Śląski S.A. did not have any:

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

As at 30 June 2013, the Bank has PLN 566.4 million worth of contractual liabilities under the issued own bonds.

Number and Value of Writs of Execution

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

As at 30 June 2013, the number of writs of execution issued by the Bank in the case of loans for business activity was 258 and covered total debt of PLN 413,393.8 thousand.

As regards retail clients, in H1 2013 the Bank issued 2,846 banking writs of execution totalling PLN 52,722.4 thousand and filed 2,348 claims totalling PLN 20,581.6 thousand.

The liabilities or debt claims under the proceedings in progress in H1 2013 did not exceed 10% of the Bank's equity.

The Bank is of the opinion that the individual proceedings that were in progress in H1 2013 and that were heard before any court of justice or arbitration, or before any public administration authority as well as all the proceedings in total do not pose a threat to the financial liquidity of the Bank.

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

Małgorzata Kołakowska
President
(signed on the Polish original)

Mirosław Boda
Vice-President
(signed on the Polish original)

Michał Bolesławski
Vice-President
(signed on the Polish original)

Joanna Erdman
Vice-President
(signed on the Polish original)

Justyna Kesler
Vice-President
(signed on the Polish original)

Oscar Edward Swan
Vice-President
(signed on the Polish original)

Ignacio Juliá Vilar
Vice-President
(signed on the Polish original)

06 August 2013

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