

Management Board

Report on Operations of

ING Bank Śląski S.A. Group in H1 2021



Business strategy goals for 2021

Goal	Effects of activities in H1 2021
Increase in client activity and digitization	<ul style="list-style-type: none"> The number of primary clients is 1.96 million in the retail banking segment and 152,000 in the corporate banking segment at the end of June 2021, 34,500 and 3,400 more than at the end of 2020, respectively. The number of active users of the mobile application (My ING) exceeded 2.0 million (+18% y/y, +8% since the end of 2020). More than 40% of the purchase transactions of CIF units in H1 2021 were carried out in mobile banking.
Compliance with regulatory requirements	<ul style="list-style-type: none"> The total capital ratio and the Tier 1 capital ratio remain above regulatory requirements by 7.08 p.p. and 6.74 p.p. respectively. The operational risk ratio as at the end of June 2021 was as planned.
Motivation and empowerment of employees	<ul style="list-style-type: none"> We have launched a new group insurance offer for employees. We have prepared hybrid working regulations and will implement them once the pandemic is over. We have prepared and implemented wellbeing initiatives for our employees. We have expanded our care benefits offer for our employees.
Stability, availability and security of IT systems	<ul style="list-style-type: none"> Conduct cyber security and fraud prevention awareness sessions for bank clients and children and young people. Implementation of cyber security awareness campaigns on the bank's social media and service channels. The availability of MojelNG and ING Business is kept stable at 99.9%.
Operational efficiency, AI and data management	<ul style="list-style-type: none"> The network of meeting places stood at 272 at the end of June 2021 (18 fewer than at the end of 2020); 2/3 of our meeting places are exclusively with modern cash services. Our cost/income ratio for the first half was 2020).
Sustainable development priorities	<ul style="list-style-type: none"> For details, see the section "Sustainability development and corporate social responsibility".

Net profit

(H1 2021)

1.0

PLN billion (+72% y/y)

Sales of mortgage loans

(H1 2021)

8.6

PLN billion (+44% y/y)

Number of clients

(H1 2021)

4.8

million (+3% y/y)

Increase in the volume of corporate receivables

(Q2 2021 – annual change)

4.2

PLN billion (+6% y/y)

Contents

About us	4		
Who we are	4		
How does ING Group operate in Poland	4		
Business strategy of ING Bank Śląski	6		
Sustainable development strategy “Our Responsibility”	10		
Major events in H1 2021	10		
Awards and distinctions	10		
Our environment	12		
Core trends in Poland's economy	12		
Banking sector	16		
Capital market	18		
Operations of the ING Bank Śląski S.A. Group in H1 2021	20		
Our business model	20		
Retail banking	22		
Corporate banking	24		
Sustainable development and corporate social responsibility	26		
Implementing the 2021 sustainable development priorities	26		
#ING for the climate	26		
#ING for entrepreneurial people	27		
#ING for equal opportunities	29		
Selected issues in corporate governance	29		
Our consolidated financial results	35		
Key financial data	35		
Key effectiveness ratios	35		
Income statement	36		
Report by business segment	42		
Statement of financial position	43		
Credit portfolio quality	47		
Capital Adequacy	48		
Declared and paid dividend	48		
Resources and infrastructure of the ING Bank Śląski S.A. Group	50		
Online banking:	50		
		Our meeting places	51
		Remotely helping to live better	53
		We improve communication with business partners	54
		Human resources management	54
		Core changes to risk and capital management	59
		Equity management	59
		Credit risk	60
		Market risk	61
		Liquidity and funding risk	61
		Model risk	62
		Operational risk	62
		Compliance risk	62
		Business risk	62
		Information for Investors	63
		Shares and shareholders of ING Bank Śląski S.A.	63
		Share price	64
		Ratings	65
		Changes to the statutory bodies of ING Bank Śląski S.A.	67
		Remuneration of members of the Management Board and Supervisory Board of ING Bank Śląski S.A.	68
		Independence of Supervisory Board Members and Board Committees	68
		Diversity policy for supervisory, managing and administrative bodies	69
		Supplementary information	70
		Position of the Management Board on the feasibility of the previously published forecasts	70
		Related party transactions	70
		Contingent commitments granted	70
		Proceedings before the President of the Office of Competition and Consumer Protection (UOKiK)	70
		Legal risk related to the portfolio of loans indexed to CHF	72
		Provision for commission refunds on prepaid consumer loans	74
		Changes in the banking sector regulations	75
		Representations of the Management Board of ING Bank Śląski S.A.	80
		Correctness and reliability of the presented financial statements	80

About us

Who we are



We started our activity on the Polish banking market over 30 years ago, in 1989. We enjoy the position of one of the largest all-round banks in Poland. We render services to both retail clients and business entities.

At the end of June 2021, we operated services at 272 meeting places and 60 ING Express points. These are meeting places where our clients can ask for advice and talk. We provide our clients with modern on-line and mobile banking systems so that they can quickly and independently manage their finances.

Our organisation has two main locations – in Warsaw and in Katowice. This is where we take the most important decisions concerning the operations of our Bank. ING Bank Śląski S.A. is formally registered in Katowice. As at the end of June 2021, as a Group we employed over 8,700 people.

We are inspiring and empowering our clients to make accurate financial decisions. We provide them with tools to make banking easy, transparent and available 24/7. Delivery of our strategy is supported by our strong brand.

Bank shares have been quoted on the Warsaw Stock Exchange since 1994. They are included in such indices as mWIG40, WIG-Banks and WIG-ESG, among others.

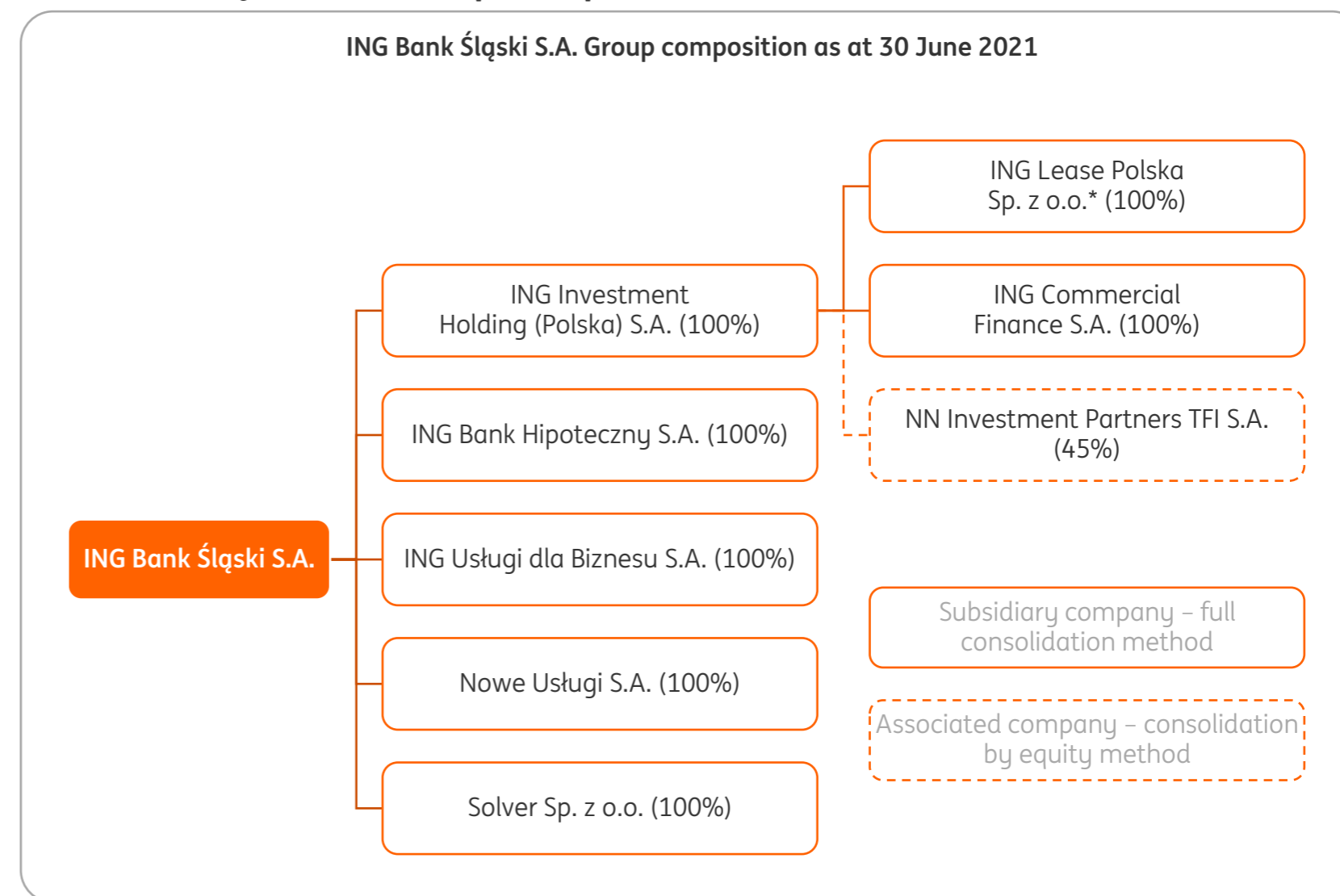
How does ING Group operate in Poland

ING Bank Śląski S.A., which operates in Poland, is a parent company of the ING Bank Śląski S.A. Group over 30 years of our activity, as a Group we have become one of the largest financial institutions in Poland. We rank fourth in terms of total assets (PLN 195 billion at the end of March 2021) and fourth in terms of commercial balance (sum of deposits and loans). We form the Group together with the subsidiaries, where we operate in the area of:

- leasing,
- factoring,
- financial advisory and intermediary services,
- payroll and accounting services.

The Bank is the founder of the ING for Children Foundation. The bank and group companies are also founders of the ING Polish Arts Foundation.

ING Bank Śląski S.A. Group composition



*The ING Lease (Polska) Group is composed of 5 subsidiaries wherein ING Lease (Polska) Sp. z o.o. holds 100% of shares.

The Bank, through ING Investment Holding (Polska) SA, holds 45% of shares in NN Investment Partners TFI SA and treats this company as an associated company. Subsidiaries are consolidated by our bank using the full method, and

the associated company (NN Investment Partners TFI SA) is consolidated using the equity method. In addition to its subsidiaries and associates, the bank has minority capital investments, including in the following companies:

- Biuro Informacji Kredytowej S.A. (9.0% of shares)
- Krajowa Izba Rozliczeniowa S.A. (5.7% of shares),
- Polski Standard Płatności Sp. z o.o. (14.3% of shares),
- Twisto Polska Sp. z o.o. (19.4% of shares),
- Voom Sp. z o.o. (8.1%; through ING Investment Holding (Polska)).

Changes to the composition of the ING Bank Śląski S.A. Group

There were no changes in the composition of the ING Bank Śląski S.A. Group in 2021.

ING Investment Holding (Polska) S.A.

ING Investment Holding (Polska) S.A. is a holding company. Through that company, the Bank holds shares in three subsidiaries: ING Commercial Finance, ING Lease (Polska) and NN IP TFI.

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

ING Lease (Polska) has been present in the market since 1995. Since 2012, it has been a member of the Group of ING Bank Śląski S.A. ING Lease (Polska) addresses its offer to micro, small and medium-sized enterprises as well as the largest companies operating in Poland. It supports Polish enterprises and companies by financing purchases of fixed assets in the form of leasing and lease loans. Such financing covers a broad range of assets like passenger cars and small trucks up to 3.5 t, trucks, machines and equipment, IT hardware or properties.

The ING Lease (Polska) Group is composed of 5 subsidiaries wherein ING Lease (Polska) Sp. z o.o. holds 100% of shares. In H1 2021, the new lease production of the company totalled PLN 3.07 billion (up by 91% y/y). At the end of June 2021, the company served 36 thousand clients (up by 14% y/y) and its portfolio worth was PLN 10.7 billion (up by 9% y/y).

ING Commercial Finance S.A.

ING Commercial Finance offers factoring products. The company was incorporated in 1994 under the name of Handlowy Heller. Upon its incorporation into ING Group, since 2006 the company has been operative under the name

of ING Commercial Finance. Since 2012, it has been the member of the ING Bank Śląski S.A. Group – like ING Lease (Polska).

ING Commercial Finance is now ranked third in terms of factoring sales in Poland – according to the data of the Polish Factors Association. In H1 2021, ING Commercial Finance turnover totalled PLN 22.7 billion which represented 13.7% of the market turnover. In H1 2021 the company had over 6.9 thousand clients (growth by 29% y/y).

ING Bank Hipoteczny S.A.

On 2 January 2019 ING Bank Hipoteczny S.A. (ING BH) was granted a licence to start operations. ING Bank Śląski S.A. (ING BSK) holds 100% in the newly established entity.

The main business purpose of ING BH is issue of long-term mortgage bonds with the underlying instruments being debt claims under the mortgage-backed loans acquired from ING BSK or other banks.

The achievement of the set goal will support:

- strengthening of funding stability in the ING BSK Group,
- diversification of funding sources for the existing retail mortgage portfolio,
- adjusting maturity structure of assets and liabilities in the balance sheet,
- freeing liquidity of the ING BSK Group,
- lowering the cost of funding of the conducted lending activity in the part of the loan portfolio funded with other long-term instruments.

To date, ING BH has issued PLN 400 million of 5-year “green” mortgage bonds. The funds obtained from the issue will be used to refinance mortgage loans in PLN for natural persons, secured with mortgage belonging to 15% of the most energy-efficient buildings in Poland.

ING Usługi dla Biznesu S.A.

Since 2013, the Company has been offering its clients innovative business services beyond traditional banking. ING Usługi dla Biznesu operates in the following business areas:

- Aleo.com – open database of information about companies and automation of business processes based on data from public registers,
- ING Księgowość – invoicing and online accounting as well as accounting office,

- Moje Usługi – a service for retail clients that automatically aggregates bills from multiple sources in one place and an online payment management application for companies in the service industry,
- SAIO – distribution of software supporting robotisation of business processes.

Nowe Usługi S.A.

The company is involved in educational marketing activities. As far as educational activities are concerned, the company runs the website edukacjagiieldowa.pl. This is a website about investing and the stock market, both for debuting and fully-fledged investors. The knowledge database and investment-related materials are published on an ongoing basis on the website. Marketing activity centres around popularisation of ING Turbo certificates on the Polish market. The instruments are issued by ING Bank N.V. Amsterdam and quoted at the Warsaw Stock Exchange. The main activities of the company include the organisation of marketing campaigns, ING Turbo helpline service or technical support in maintaining the ingturbo.pl website.

Solver Sp. z o.o.

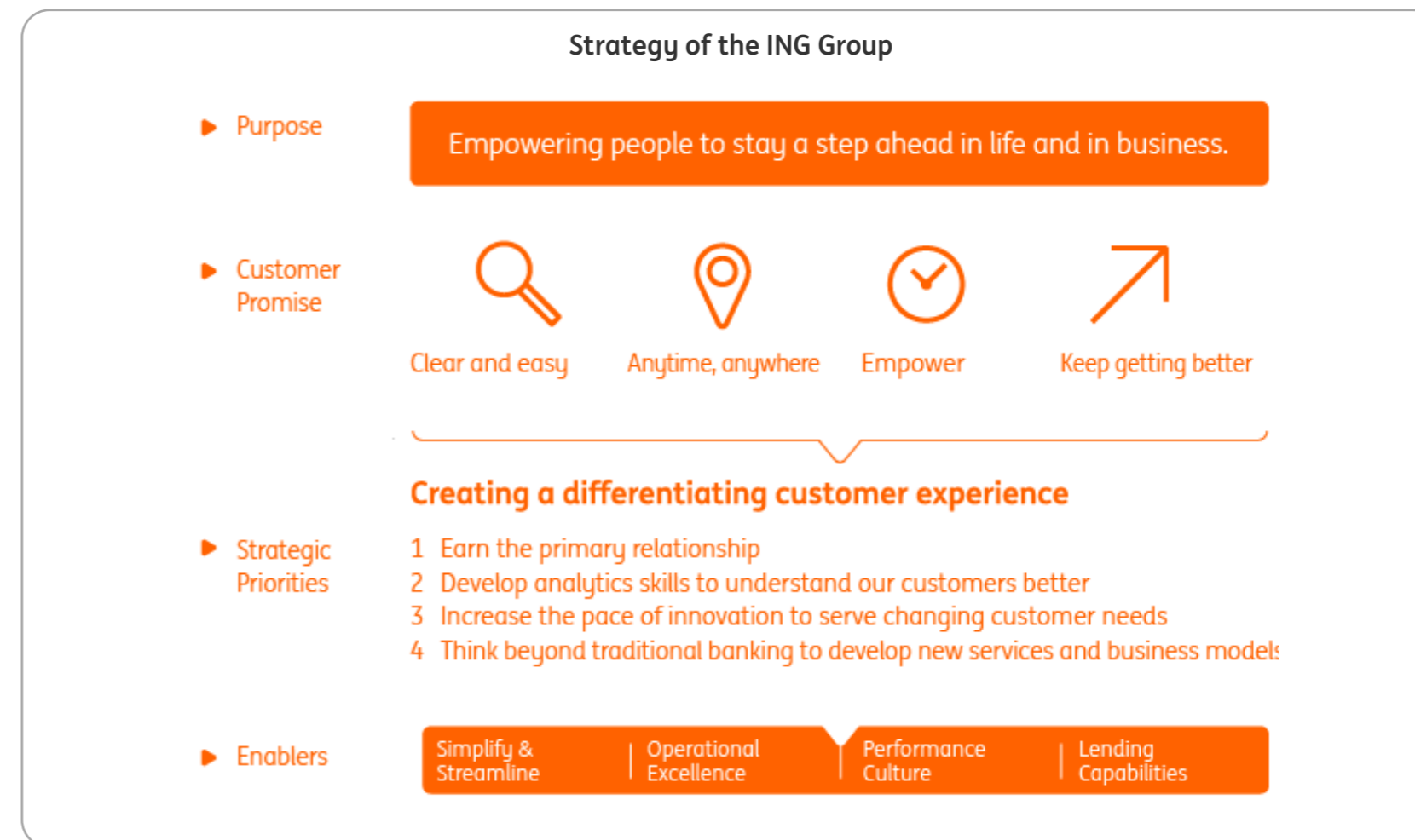
Solver Sp. z o.o. used to run business being arranging holidays for employees and their families as well as for pensioners of ING Bank Śląski. This activity was terminated in April 2021 with the sale of the last training and leisure centre in Krynica-Zdrój. The company is currently preparing to start the liquidation process.

Business strategy of ING Bank Śląski

Today our Think Forward strategy (adopted in 2014) is more important than ever. With our data-driven approach and mobile channel priority, we continue to support our clients to stay one step ahead in life and in business – also during the social and economic shock of the COVID-19 pandemic. The pandemic made us realize how much our society is already digitized, accelerating the trends of clients shifting to mobile channels and the use of cashless payments.

The implementation of our strategy is based on providing a customer experience that is simple and understandable, available anytime and anywhere, supportive and inspiring, and constantly improved. Digitization remains key to this, and we are adapting our processes and services to make banking even safer, more personal, easier and smarter. Combined with our data literacy skills, we see ourselves as a bank that truly knows its clients and anticipates their evolving needs, finding innovative ways to add value, also in areas beyond traditional banking.

We do all of this to meet the highest possible standards of integrity. Being a safe, reliable and compliant bank – remains our top priority. Our Orange Code puts honesty above all else.



Our goal is to empower people to be one step ahead in life and business. In our Think Forward strategy, we promise clients that our banking will be transparent and easy, anytime, anywhere, and enable them to make informed financial decisions. Driven by our goal, the strategic priorities set out in the Think Forward strategy help us focus on the elements we need to be successful. These strategic priorities are:

- We want to be the main bank for our clients.
- We develop our competences to better understand our clients.
- We implement innovations to meet client needs.
- We think outside the box and offer new services that go beyond traditional banking.

Strategic priorities

We wish to be the house bank for our clients

We understand this priority as increasing the number of clients who have many of our products. It is closely related to their experience and satisfaction: the more satisfied clients are, the more likely they are to choose our bank for additional products and services. In recent years, we have consistently increased the number of clients, including primary clients.

We develop our competencies to understand clients better

Having the right data at our fingertips will help us achieve many of our strategic priorities. We use the data to personalize interactions with our clients to provide an experience that distinguishes our offering from the competition. It also helps us make sound business decisions and drives innovation. At the same time, we recognize the need to protect personal data and are committed to handling it securely and being open about how we use it.

We implement innovations to provide for clients' needs

New technologies both destroy the status quo and enable new ways of operating. To stay up-to-date, we must constantly evolve. This means creating breakthrough products, services and experiences that support our strategic ambitions and keep us one step ahead.

We think out of the box and we offer new services that are beyond traditional banking

Low interest rates provide little incentive for savers to keep money on deposits, which can challenge our traditional business model. Digital platforms are an opportunity to stand up as well partner for our clients in areas going beyond traditional banking, thus opening up to new sources of income for our bank.

Lines of action

Streamlining and simplifying

The continual improvement and simplification of our internal processes and systems are the basis of a high-quality digital experience. This allows us to respond faster to changing client needs, implement new products and services faster, and become more flexible and cost-effective.

Operational excellence

We promise our clients that we will keep getting better. This includes accelerating the digitization of processes to ensure seamless client service and greater efficiency. It is also about ensuring safe operations, stable IT systems and platforms, and the highest standards of data security.

Effectiveness of operation

Delivering outstanding client service requires committed employees who are motivated to go the extra mile. That is why we strive to create positive employee experiences and to develop leaders who can increase efficiency and inspire employees to implement our strategy. Diversity and inclusion contribute to this – people perform better when they can be themselves. We do not tolerate any form of discrimination. In everything we do, we are guided by the values and behaviour set out in our Orange Code and ING Group's Global Code of Conduct.

Wide range of product possibilities

We look at our products and services more broadly than in the light of traditionally understood banking. We want to be a partner for our clients in many areas. This increases their satisfaction, ties them to our bank, and allows us to diversify our sources of income.

Strategic priorities and core risks in 2021

Business strategy goals for 2021

Goal	Metric	Ambitions for 2021	Effects of activities in H1 2021
Increase in client activity and digitization	<ul style="list-style-type: none"> – Increase in the number of clients, including primary clients, and their activity. – Increasing activity in self-service channels. – Maintaining a high level of client satisfaction (NPS), with priority on client experience. 	<ul style="list-style-type: none"> – We want to have over 2 million primary clients in the retail banking segment and over 160 thousand primary clients in the corporate banking segment. 	<ul style="list-style-type: none"> – The number of primary clients is 1.96 million in the retail banking segment and 152,000 in the corporate banking segment at the end of June 2021, 34,500 and 3,400 more than at the end of 2020, respectively. – The number of active users of the mobile application (My ING) exceeded 2.0 million (+18% y/y, +8% since the end of 2020). – More than 40% of the purchase transactions of CIF units in H1 2021 were carried out in mobile banking.
Compliance with regulatory requirements	<ul style="list-style-type: none"> – Improvement of the Compliance control efficiency index and the Compliance risk level index – Maintaining the level of operational risk in line with the declared risk appetite. 	<ul style="list-style-type: none"> – The declared level of appetite for operational risk is below 2.5. 	<ul style="list-style-type: none"> – The total capital ratio and the Tier 1 capital ratio remain above regulatory requirements by 7.08 p.p. and 6.74 p.p. respectively. – The operational risk ratio as at the end of June 2021 was as planned.
Motivation and empowerment of employees	<ul style="list-style-type: none"> – Implementation of a hybrid work model for identified organizational units. – Further development of the well-being programme. – Promotion of brand value in the area of sustainable development, with priority for volunteering in the field of ecology and forestry. 	<ul style="list-style-type: none"> – Development of the benefit offer (including development of the cafeteria). – Continue to simplify the job structure. – Developing a new approach to working conditions for the post-pandemic period. – A series of health conferences for employees. – Development of activities aimed at talents. 	<ul style="list-style-type: none"> – We have launched a new group insurance offer for employees. – We have prepared hybrid working regulations and will implement them once the pandemic is over. – We have prepared and implemented wellbeing initiatives for our employees. – We have expanded our care benefits offer for our employees.
Stability, availability and security of IT systems	<ul style="list-style-type: none"> – Building the awareness of employees and clients in the area of cybercrime. – Further work on the use of cloud solutions. 	<ul style="list-style-type: none"> – Availability of Front-End systems at a level not worse than in 2020. – Reduction of negative events felt by clients by 15% y/y. 	<ul style="list-style-type: none"> – Conduct cyber security and fraud prevention awareness sessions for bank clients and children and young people. – Implementation of cyber security awareness campaigns on the bank's social media and service channels. – The availability of MojING and ING Business is kept stable at 99.9%.
Operational efficiency, AI and data management	<ul style="list-style-type: none"> – Continuation of the transformation of the profile of the retail and distribution network. – Developing a concept for full digitization of processes. – Raising knowledge and awareness of data, including personal data. 	<ul style="list-style-type: none"> – Continued reduction in the number of meeting places in line with the trend of previous years. 	<ul style="list-style-type: none"> – The network of meeting places stood at 272 at the end of June 2021 (18 fewer than at the end of 2020); 2/3 of our meeting places are exclusively with modern cash services. – Our cost/income ratio for the first half was 2020).
Sustainable development priorities	<ul style="list-style-type: none"> – Develop and implement a sustainable finance strategy. – Development and implementation of an approach to climate risk management. 	<ul style="list-style-type: none"> – You can read more in this document. 	<ul style="list-style-type: none"> – For details, see the section "Sustainability development and corporate social responsibility".

The macroeconomic assumptions used to define our medium-term financial ambitions:

- GDP – after a decline in 2020, we assume a clear rebound in GDP growth in the medium term at a level of at least 4%.
- Inflation – we assume it will stay at an elevated level of at least 3%.
- Interest rates – we assume their stable level in 2021-2022 and their increase in the next year.
- Unemployment rate – we assume its gradual decline from 6.2% at the end of 2020.

Our medium-term financial ambitions compared to the results for

	2016	2017	2018	2019	2020	H1 2021	Ambitions
Loans / deposits	81.5%	83.8%	87.6%	90.7%	82.6%	82.6%	~85%
Interest margin	2.67%	2.88%	2.92%	2.95%	2.63%	2.48%*	>2.4%
Costs / income	48.5%	44.8%	44.5%	43.1%	44.3%	46.4%**	<45%
ROE adjusted for MCFH	12.8%	13.0%	12.8%	12.8%	9.4%	11.6%***	>10%

*Cumulative interest margin – net interest income for the last four quarters to the average of interest-earning assets for the last five quarters;

Cumulative year-to-date; *Net income for the last four quarters to the average of equity (adjusted for MCFH) for the last five quarters.

Risks and opportunities in achieving the goals of the business strategy in 2021

Risks related to the implementation of the business strategy in 2021

Risk	Comment
Consequences of the COVID-19 pandemic	<ul style="list-style-type: none"> – Progress on vaccination and unfreezing the economy. – Changes in the labour market (job cuts, greater emphasis on remote working, accelerating robotisation and automation). – Balance sheet management challenges arising from client behaviour, new investments and government assistance programmes. – Instability and risk factors related to the pace of macroeconomic recovery. – The size of the budget deficit and public debt.
Existence of low (close to zero) interest rates	<ul style="list-style-type: none"> – Risk of further rate cuts. – The limited effectiveness of the MPC's interest rate management policy in light of rising inflation.
Regulatory	<ul style="list-style-type: none"> – Result of the PFSA's initiative for a sector solution for the historical CHF loan portfolio. – Interpretation and tax regulation of credit losses on the CHF portfolio. – Reform of benchmarks (IBOR). – Changes to the MREL requirement rules (deferral, change of calculation formula, target levels).
Competition	<ul style="list-style-type: none"> – The shape of the Polish banking sector is subject to constant change resulting in a level of competition and increased marketing spending.
Cybersecurity / IT	<ul style="list-style-type: none"> – Increasing security risks for the bank and clients in the digital world are resulting in increased IT and cyber security spending. – The complexity of IT systems and their workloads can result in inaccessible and/or unstable applications and systems. – Moving to cloud solutions.

Chances in achieving the goals of the business strategy in 2021

Opportunities	Comment
Clients	<ul style="list-style-type: none"> - Acquisition of new clients. - An increase of the share of primary clients in the overall number of clients. - Use of the potential of electronic banking.
Sustainable Development	<ul style="list-style-type: none"> - Increased ecological awareness of the society. - Increased access to green energy sources. - EU climatic neutrality. - Access to new technologies. - EU Reconstruction Fund and how to use it.
Financial highlights	<ul style="list-style-type: none"> - Growing business volumes. - Increased importance of the result on fees and commissions in revenues. - Cost effectiveness.
Capital regulations and requirements	<ul style="list-style-type: none"> - Target level and path: <ul style="list-style-type: none"> ▪ BFG funds, ▪ Capital requirements / MREL.

Sustainable development strategy “Our Responsibility”

Today, it is up to our decisions and actions what the world will look like and what world will be available to the next generations. ING's mission is to support our clients to be one step ahead in life and business. People have always been our focus and now also challenges related to the climate crisis. We cannot allow climate change to affect the lives of future generations. We must use natural resources more efficiently, develop technology and innovate to protect our planet. We want to be a partner in making the right financial decisions at important moments in our clients' lives. To support “everyday entrepreneurship”, i.e. life resourcefulness, potential and living with passion, in one's own way. We feel a shared responsibility to ensure that our clients manage their budgets sensibly, thinking about their current and future needs. We build our relationships on ethics and trust. We want to work together, using our tools and expertise, to inspire positive change to best prepare for the challenges of the future. We are a bank open to everyone. We want everyone to feel at home here, with respect and understanding.

Strategic objectives for 2021:

Priority	Objectives
#ING for entrepreneurial people	<ul style="list-style-type: none"> - We support Poles in making rational financial decisions, so they can be one step ahead in life and business. - We support clients in setting up their company and growing their business. - We provide financial and entrepreneurship education for all ages: children, young people and adults. - We encourage employees to be more financially aware.
#ING for equal opportunities	<ul style="list-style-type: none"> - We strive so that our products and services are readily accessible. While offering our services and solutions, we focus on the needs of all our clients. - We help you take your first steps into digital reality. Safety is our priority. - We modify social perception of people with disabilities. We encourage them to join social and professional life. - We believe that diversity is strength. We make sure that everyone feels comfortable with us and can be themselves.
#ING for the climate	<ul style="list-style-type: none"> - We are announcing a new Green Statement – accelerating our decarbonisation efforts and supporting clients in the transition to a low carbon future. - We inspire others and build partnerships on sustainable development, closed loop economy, climate change in Poland. - We reduce our negative impact on the environment. We strive to operate according to a closed loop economy model.

For details, see the section “[Sustainability Development and Corporate Social Responsibility](#)”.

Major events in H1 2021

A list and description of core events in H1 2021 can be found in item 2 of the consolidated semi-annual report for the period of 6 months ended on 30 June 2021.

Awards and distinctions

Our actions focusing on offering attractive products to clients, our care for high service quality, actions and practices for sustainable development and outstanding commercial and financial results have been honoured with multiple awards and distinctions. Below we present the most important ones awarded to us in H1 2021:

- January 2021 – ING received the Top Quality HR Certificate for applying best practices and promoting high standards in the area of human resources management.
- January 2021 – ING Lease with the golden Client Laurel 2021 award and TOP BRAND 2021 distinction.
- January 2021 – ING Bank Śląski was awarded the Top Employer Polska certificate for the twelfth time in a row.
- January 2021 – ING Bank Śląski became the leader of the client satisfaction ranking, according to the report "2020 Bank client Satisfaction Monitor" prepared by ARC Rynek i Opinia.
- January 2021 – ING Bank Śląski was ranked 3rd in the general classification of the Ranking of Banks of the financial monthly BANK – Client Choice.
- January 2021 – In this year's edition of the PR industry competition #GoldClip2020, ING Bank Śląski was awarded a Silver Clip, in the "Finance" category, for the #remotetohelp project.
- February 2021 – ING Bank Śląski became the leader among banks in terms of its share in the distribution of EU funds under the "Loan for technological innovations" initiative.
- March 2021 – ING Bank Śląski was recognised in Forbes magazine's ranking of private banking services.
- March 2021 – In the third edition of the Cashless.pl ranking, Barbara Borgieł-Cury, Director of the Daily Banking Centre at ING Bank Śląski, was ranked among the TOP 10 "Most influential women in the Polish payments industry".
- March 2021 – In this year's Invest Cuffs, ING was nominated in two categories: "Investment product of the year" and "Brokerage of the year".
- March 2021 – ING Bank Śląski was named "Institution of the Year" in as many as six categories. The bank won first place in two of them: "Best mobile app" and "Best online banking". At the same time, the bank took second place in the "General Ranking".
- March 2021 – Barbara Pasterczyk of ING nominated for AD Marketer of the Year.
- March 2021 – ING with the title of Poland's Best Employers 2021.
- March 2021 – Brunon Bartkiewicz Banker of the Year 2021.
- March 2021 – Robo-advisor Investo from ING with the title of Banking Innovation of the Year.
- April 2021 – ING one of the capital market leaders.
- April 2021 – ING Bank Śląski was once again recognised by experts from the Studio of Simple Polish at the University of Wrocław.
- April 2021 – In this year's edition of the Golden Banker ranking, ING Bank Śląski was recognised in as many as three categories: "Cash loan", "Social media" and "Best advertising spot".
- June 2021 – This year ING Bank Śląski was awarded the Gold Leaf for the third time for its sustainability activities. In addition, the Bank's good practice – Counteracting the effects of the COVID-19 pandemic – was highlighted.
- June 2021 – ING Bank Śląski received two awards in the 26th edition of the 2021 Ranking of Banks of the Bank Financial Monthly.
- June 2021 – ING on the podium of the Responsible Companies Ranking.
- June 2021 – ING Bank Śląski received an award for Investo Robo-Advisor in this year's edition of Gazeta Bankowa's "TechnoBiznes 2021" competition.
- June 2021 – ING wins the "Stars of Banking" ranking for the sixth consecutive year.

The full list is available at en.ing.pl/company-profile/prizes.

Our environment

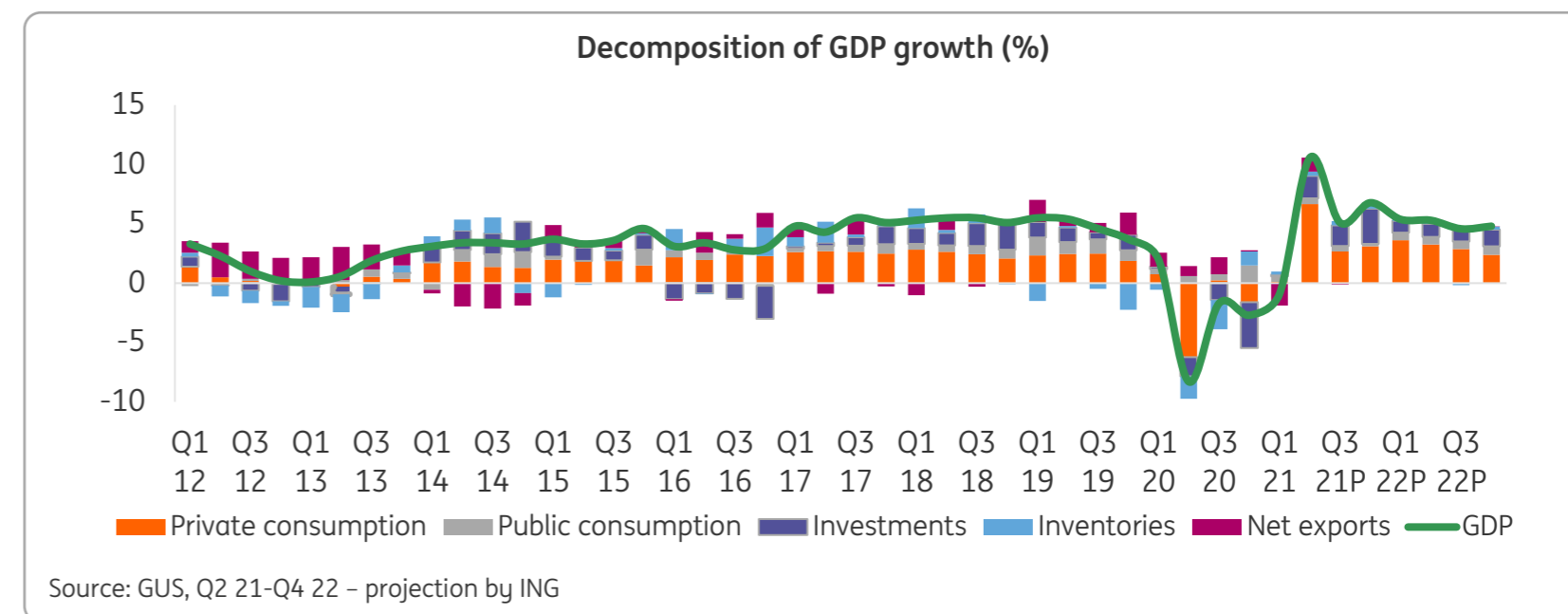
Core trends in Poland's economy

Gross Domestic Product

In January 2021, ING Bank Śląski economists forecast GDP growth for the current year at 4.5% y/y, above consensus (4.1% y/y), pointing to the “fading impact of the epidemic on the economy”. GDP for Q1 2021 showed how strongly this effect works. Despite the 3rd wave of the pandemic in Q1 2021 and a scale of freezing of the economy comparable to that at the beginning of the pandemic (Q2 2020), GDP recorded growth of as much as 1.1% q/q. The main driver of the economy from Q3 2020 to now is industry. The structure of Polish GDP is helpful, with a relatively large share of industry with diversified production. Globally, demand has shifted from unaffordable services to durable goods. Strong support for household incomes by aid programmes in Poland and abroad, allowed for a relatively quick recovery of economic activity in manufacturing industries, in particular export-oriented ones.

According to ING Bank Śląski economists, the recession caused by COVID-19 ended in Poland in Q4 2020, GDP growth (q/q) initiated in Q1 2021 will continue. The growing resilience of the economy is a good sign in the face of the 4th wave of the pandemic. Most of the rebound effect of the economy after the opening is ahead of us. Its first signs in Poland and with trading partners only appeared in May. May's data show that the “second engine” of GDP is starting to work, namely market services (including trade). ING economists estimate that market services will increase (7% y/y) in Q2 2021 after declines from Q2 2020.

In late May, economists at ING Bank Śląski raised their GDP forecast for 2021 to 5.4% y/y. In their assessment, GDP has already returned to pre-pandemic levels in Q2 2021, the closing of the negative demand gap will occur in late 2021/22. The delta option implies the risk of slower growth than forecast, but is limited in the view of the bank's economists.



Labour market and salary levels

The pace of wage growth reached 10% y/y in April and May 2021, but this is mainly due to the very low comparative base from last year, when a very large number of companies sent workers on layoffs and reduced working hours and wages. From June onwards, this effect will fade and wage dynamics will slow down to around 7% y/y and remain at this level until the end of 2021.

High inflation may increase upward pressure on wages from workers. However, we do not expect wage growth to increase significantly in the coming months. The percentage of companies planning to increase wages has so far reached 2018 levels and does not indicate an increase in the scale of increases. An inhibiting factor will be the expiry of the job protection associated with the PFR financial shield. This may result in an increased number of redundancies due to structural changes in the economy. While we expect layoffs to be offset by the creation of new jobs by companies benefiting from the economic recovery, increased labour market flows will, in our view, limit wage pressures.

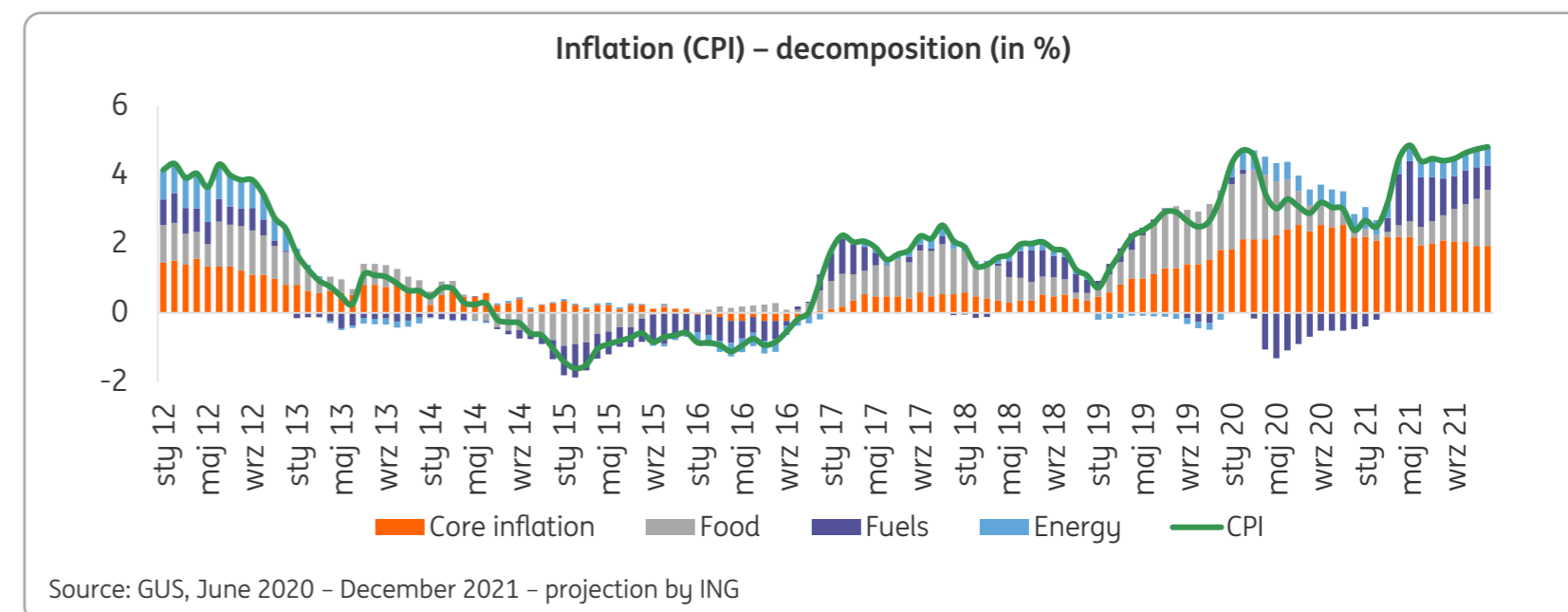
Wage dynamics will increase in our view in Q1 2022, when increases customarily take place. The benchmark for wage negotiations will be inflation at the end of 2021, which will again be close to 5%. According to economists at ING Bank Śląski, wage growth will exceed 8% before stabilising at a slightly lower level for the rest of the year (after deseasonalization).

Inflation

The pandemic-induced recession has made little contribution to inflation in 2021. ING Bank Śląski economists believe that inflation will remain high in the next 2-3 years (4.1-3.5% y/y on average in 2021-22). In their view, it is not only transitional but also structural factors that are behind it. The activation of demand pressures in 2022 will keep core inflation high (around 3.5% y/y) as transitory factors weaken. While CPI will fall near the upper limit above the NBP target in 2022, more worrying is that core inflation will remain at a record 3.5% y/y.

Among the persistent inflationary factors, ING Bank Śląski economists see the GDP structure of recent years, with a high share of consumption and a low share of private investment (in 2020 it fell to a record low of 12.1% of GDP). By the end of 2022, this share will grow, but will not exceed the level of Q4 2019. Weakness in investment limits productivity growth, which could mitigate price pressures amid rising demand driven by public transfers. That is why Poland entered the pandemic period with high inflation.

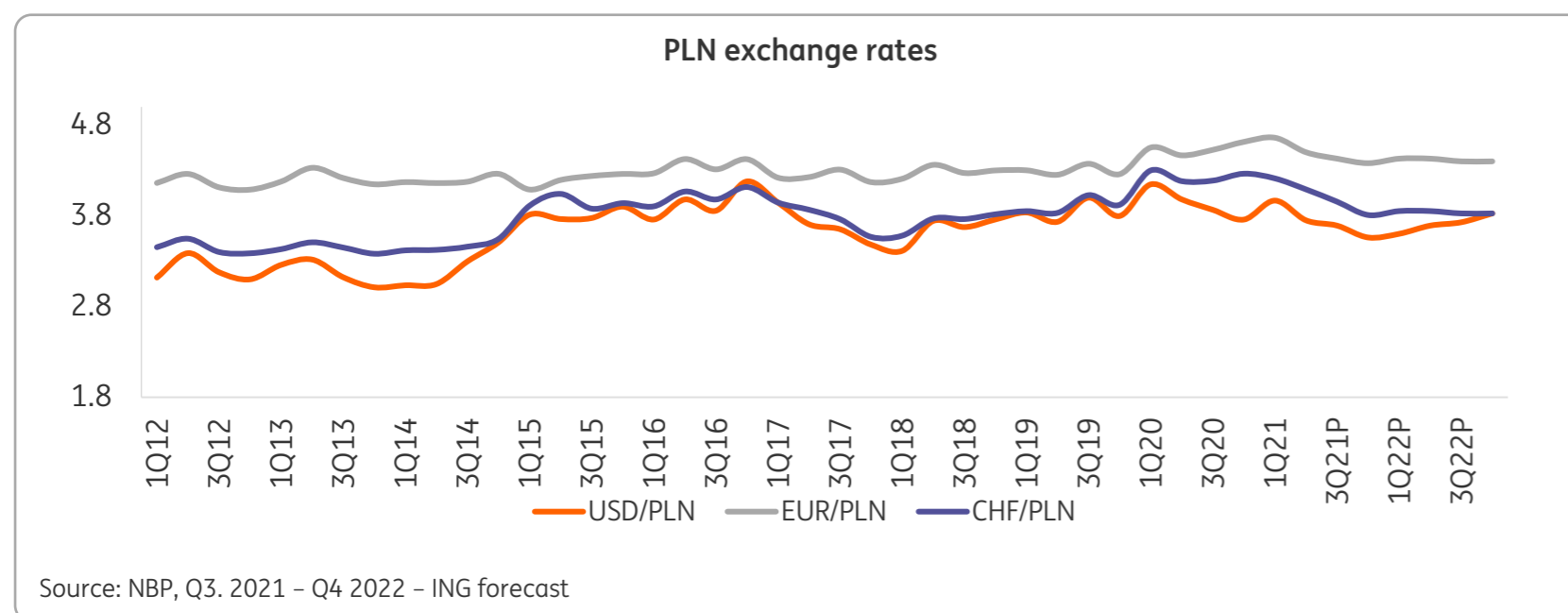
The models indicate that there will be no significant decline in core inflation in Poland in the coming quarters, with the recovery in consumer demand and the lagged effects of high PPI working strongly in 2022. Core inflation will also accelerate in H2 2022 under the influence of an already positive output gap amid rapid GDP growth and double fiscal stimulus. From the beginning of next year, inflation in non-core components should instead fall, so the average CPI will be 3.5% y/y. We assume that we no longer face such high increases in fuel and food prices, which dragged down inflation in 2021.



Impact of the situation in global financial markets on Poland's economy

Increased expectations of a Fed rate hike translated into lower demand for emerging market currencies, including the zloty, in June. In H2 2021, economists at ING Bank Śląski expect the €/PLN pair to return to decline. The €/PLN exchange rate should reach around 4.43-45 in Q3 2021 and 4.38-4.40 by the end of the year. Support for the zloty remains the economic situation in the country (high GDP growth or trade surplus). The cycle of NBP rate hikes is also likely to begin later this year, at the MPC meeting in November. On the other hand, the moment of Fed policy tightening is getting closer, which is unfavourable for emerging market currencies. Therefore, changes in the forecast €/PLN path for the coming months are limited despite the prospect of faster NBP rate hikes.

The €/PLN exchange rate should remain close to 4.43 in 2022. The zloty will be supported by the normalisation of NBP policy. At the same time, however, we expect Poland's trade surplus to shrink. ING also expects the dollar to strengthen, which generally does not help CEE currencies.



The behaviour of the domestic debt market in H2 2021 will be determined by the outcome of the situation in core markets and the low net supply of Treasury securities (SPW), according to ING Bank Śląski economists. This suggests a gradual rise in the POLGBs curve, combined with a narrowing of spreads against the German curve.

After the holidays, ING expects a significant increase in bond issuance in core markets to finance fiscal packages, especially in the US. In our view, this will translate into higher yields, including the Bund and followed by POLGBs. The market may also be pricing in a US rate hike more aggressively, although there are growing concerns that a quick normalisation of Fed policy may not be possible given the risk of a stock market discount or another wave of COVID-19.

In turn, the supply of SPW is likely to be tight by the end of the year. The Ministry of Finance should try to come off a huge liquidity cushion (PLN 148 billion). This means that by the end of the year POLGBs auctions may be dominated by swap auctions. Economists at ING Bank Śląski also expect that borrowing needs for 2022 may be lower than current projections suggest.

At the same time, the banking sector's excess liquidity continues to grow, due to an insufficient rebound in demand for credit, particularly corporate credit. This means that banks are continuing to buy SPW, virtually regardless of prices. This suggests a compression of spreads against the German curve.

A narrowing of asset swaps, on the other hand, seems unlikely. Although there have been voices in the MPC that QE may continue sometime after the start of the rate hike cycle, in such a situation they will rather focus on BGK bonds and possibly PFR, not SPW.

Public finances

Economists at ING Bank Śląski have revised their public finance deficit forecast for 2021 from 5.4% to 4.2% of GDP. The reasons behind this are as follows:

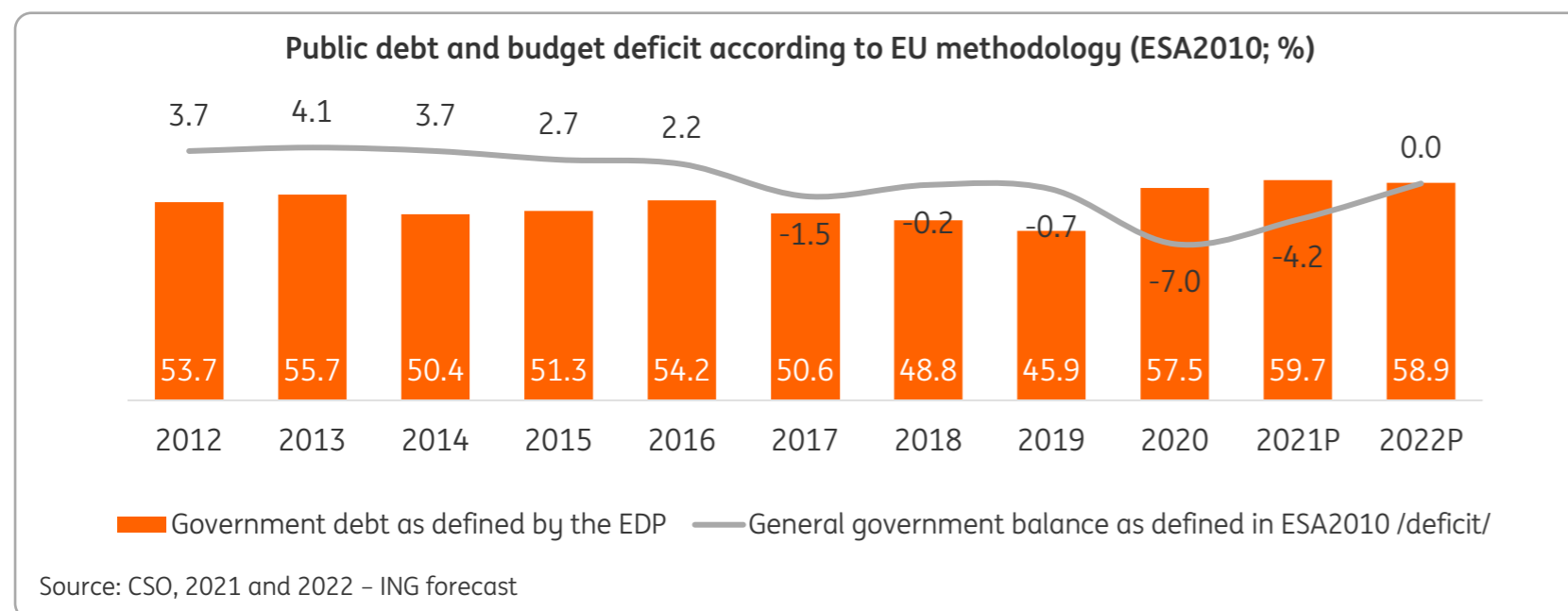
- Tax revenues from January to May grew much faster than expected at the beginning of the year. These revenues in the whole of 2021 will be by PLN 35 billion higher than assumed in the Budget Act. This will translate into a reduction in the deficit against ING economists' original forecast of 0.6% of GDP.
- Economic growth and inflation will also be higher, increasing the reference base for the deficit. This effect will reduce the deficit by around 0.2% of GDP.
- Declining local government investment spending in Q1 2021 suggests that they will run a surplus of 0.2% of GDP at the end of the year.

Another year of high nominal economic growth in 2022 should enable further fiscal consolidation and, according to ING Bank Śląski economists, reduce the *general government* deficit to around 3.5% of GDP. Economists at ING Bank Śląski assume that the cost of the Polish Deal to the budget will amount to PLN 35 billion in 2022 (against PLN 40-50 billion estimated by the government), consisting of:

- Increase of the PIT free amount (PLN 30 thousand): PLN 20 billion
- Corporate relief and investment programmes: PLN 10 billion
- Additional social transfers: PLN 5 billion

The increase in spending on health (by about PLN 5 billion) will be fully financed by a higher health contribution.

There is a risk of a higher deficit (ESA2010) in 2022 as the government shows a propensity to scale up the Polish Deal, e.g. by reducing the PIT lump sum for IT professionals, or the Polish Deal Fund at BGK, which is expected to raise up to PLN 100 billion over 2-3 years. Such large funds will be difficult to spend on investment at a rapid pace, but the government will be tempted to increase social spending further. This is a risk factor for the deficit.



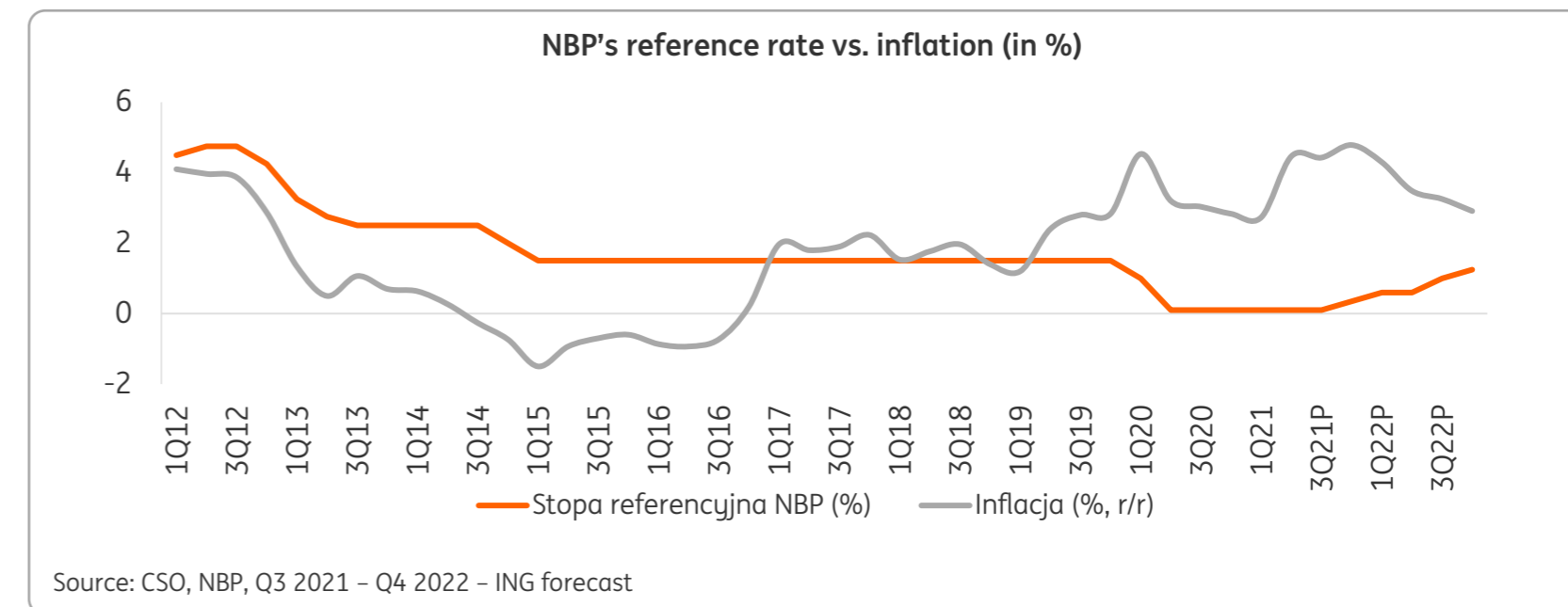
Monetary policy

The MPC's stance has gradually changed since the May meeting. Statements by the President of the NBP also show a trend towards rises. In April he spoke of their absence until the end of the MPC's term. In May he admitted they could take place in mid-2022, and in July he allowed for late 2021. According to economists at ING Bank Śląski, the most likely moment is November, with the publication of a new projection. This is consistent with CPI forecasts that show stubbornly high core inflation in 2022-23, even when CPI falls thanks to lower fuel and food contributions. The consensus still expects a later start to tightening. At the end of 2022, rates will be 1.25% according to economists at ING Bank Śląski.

The MPC wants to see how big a threat the 4th pandemic wave is, whether the recovery is sustainable and what the risks are to demand pressures before it starts hiking. This will come through the opening up of the economy and fiscal stimulus in 2022 (this is in contrast to, for example, the US where there may be a tightening in 2022-23).

It is not clear what the bond-buying programme will look like. Earlier, the NBP president had said that purchases could continue even indefinitely, recently leaning towards extinguishing QE before the start of hikes. There were opinions in the Council (e.g. E. Gatnar) that purchases could continue for some time after the start of the increases. This is the solution used by Hungary, the Fed mentions, because high inflation suggests a different order of monetary policy normalisation than in the past.

According to ING Bank Śląski economists, the future of QE will be determined by the scale of BGK/PFR bond issues. The low liquidity of these bonds in the secondary market limits demand. Therefore, if the public sector decides to finance further expenditure from this source, NBP support will be necessary. We do not expect purchases of SPW, as there will be virtually no net issuance of these instruments until at least the end of the year.



Macroeconomic projections

	2018	2019	2020	2021P	2022P
PKB growth rate (%)	5.4	4.8	-2.7	5.4	5.0
General government sector debt according to EU methodology (% GDP)	48.8	45.9	57.5	59.7	58.9
Average annual inflation (CPI) (%)	1.7	2.3	3.4	4.1	3.5
Unemployment rate (%; year-end)	5.8	5.2	6.2	6.1	5.5
USD/PLN exchange rate (year-end)	3.76	3.80	3.76	3.56	3.83
EUR/PLN exchange rate (year-end)	4.30	4.26	4.61	4.38	4.40
WIBOR 3M (year-end)	1.72	1.71	0.21	0.46	1.40

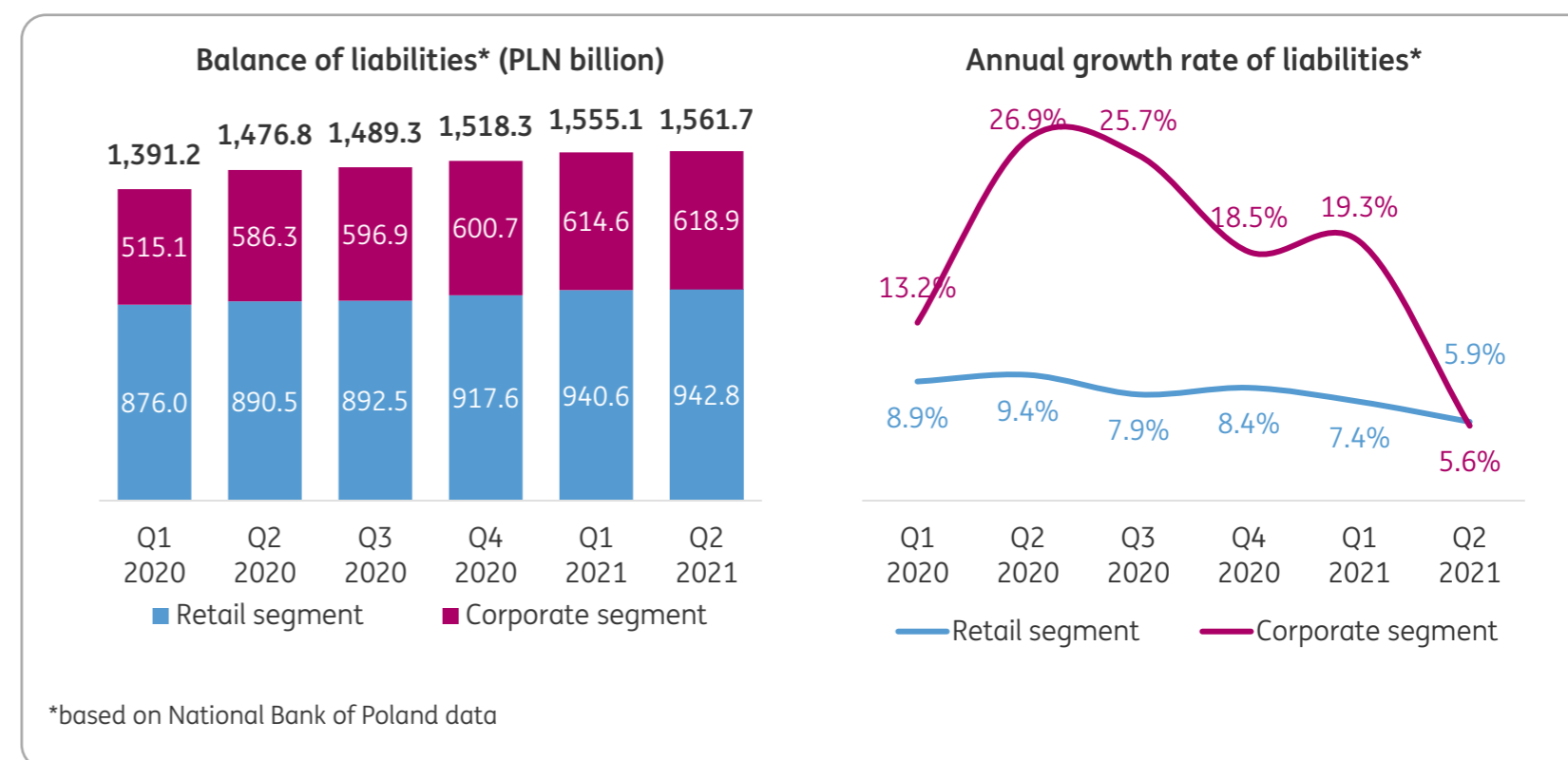
Banking sector

Receivables and liabilities

The comparative base for the 2021 data, was strongly influenced by factors related to the COVID-19 pandemic (measures granted under the Anti-Crisis Shield by the PFR, reduction in interest rates, redemptions and subsequent net purchases of TFI units, economic recession).

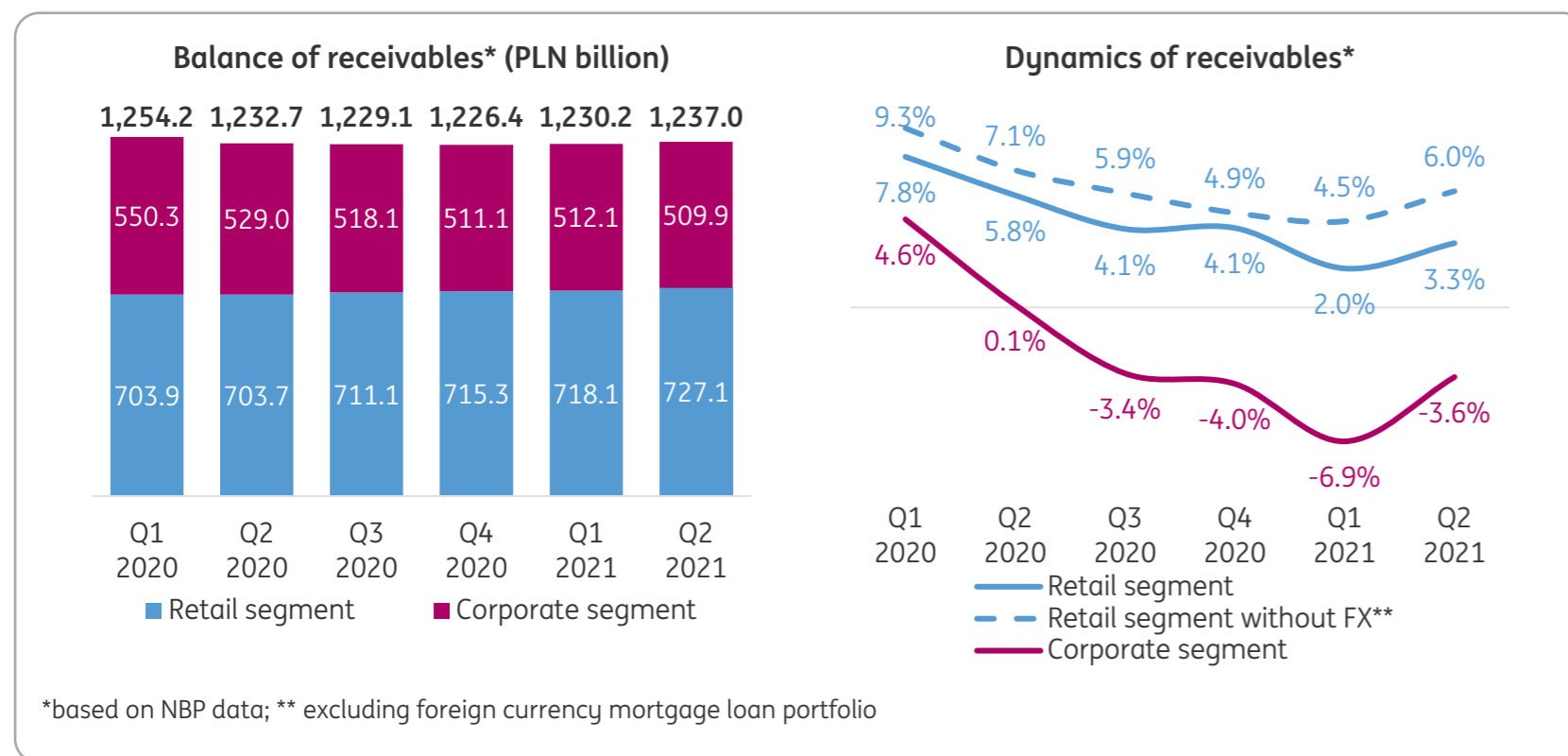
The basic cash categories were as follows against this backdrop at the end of June 2021:

- Liabilities to the retail segment (individuals and individual farmers) increased by PLN 52.3 billion compared to the end of June 2020 and reached PLN 942.8 billion, i.e. were 5.9% higher than the year before.
- Liabilities to the corporate segment (comprising: individual entrepreneurs, enterprises, non-commercial institutions acting for the benefit of households, non-monetary financial institutions, local government institutions and the Social Security Fund) amounted to PLN 618.9 billion, i.e. were 5.6% higher than the year before. The increase in volume – by PLN 32.7 billion – was achieved primarily due to an increase in liabilities towards local government institutions (+PLN 19.5 billion y/y), followed by liabilities towards businesses (+PLN 17.8 billion y/y) and individual entrepreneurs (+PLN 5.5 billion). The increase in liabilities towards non-commercial institutions acting on behalf of households was small (PLN +2.2 billion y/y), while liabilities towards non-monetary financial institutions and the Social Security Fund fell by PLN -10.7 billion and PLN -1.7 billion, respectively.

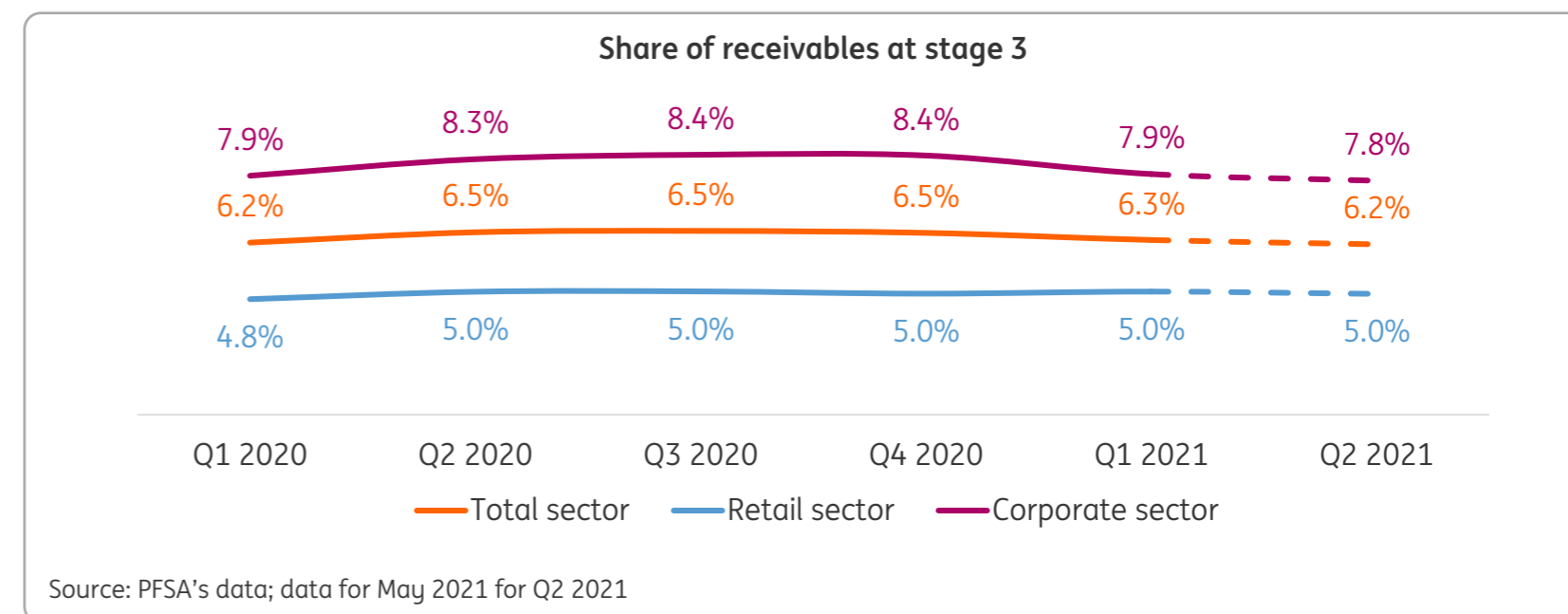


In terms of lending, the retail segment's annual loan growth ranged from 2.0% to 3.3%, with the strength of PLN mortgage loans largely neutralised by the weaker situation in the market for other retail loans and by natural depreciation and exchange rate movements in foreign currency mortgage loans. The PLN mortgage portfolio grew over the year by PLN 35.7 billion (+10.5% y/y), foreign currency mortgage loans fell by PLN 11.6 billion (-9.4% y/y) and other retail segment loans remained relatively stable (PLN -0.7 billion; -0.3% y/y).

Corporate segment loans recorded negative y/y growth in each of the months of 2021. This was influenced by the measures received (and still available to companies) from the PFR's anti-crisis shield and uncertainty about the future economic situation. Corporate segment loans at end-June 2021 were PLN 19.1 billion lower than a year earlier (-3.6% y/y). The decrease was mainly seen within companies (PLN -17.3 billion y/y) and individual entrepreneurs (PLN -1.3 billion y/y). Loans from the other corporate segment client groups were at a relatively stable level compared to June 2020.



The share of receivables in stage 3 (PFSA's data) in overall receivables was 6.2% in May 2021 (6.5% in June 2020). This was 5.0% and 5.0% for the retail segment and 7.8% and 8.3% for the corporate segment, respectively.



Financial highlights

The impact of the COVID-19 pandemic was also visible in the results of the banking sector in 2020. Reductions in interest rates, changes in client behaviour (including changes in client activity), or the deterioration in the condition of the Polish economy have limited the y/y comparability of 2021 results.

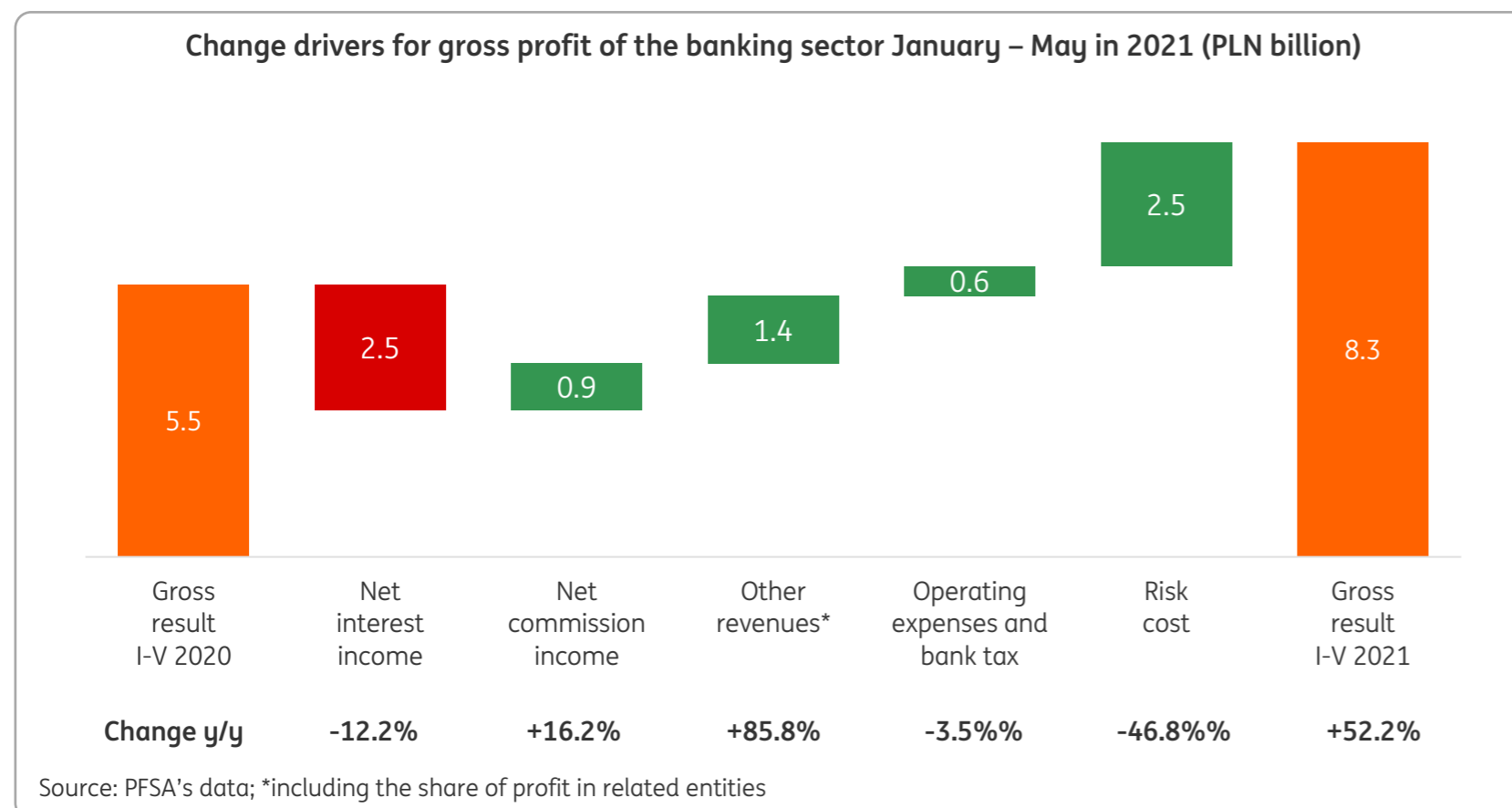
In the first five months of 2021, the net profit of the financial sector (on the basis of PFSA's data) was up by 70.2% y/y to PLN 5.8 billion. The main reasons for the increase in net profit were the decrease in the cost of risk (46.8% y/y), the increase in other income (+85.8% y/y) and the improvement in net fee and commission income (+16.2% y/y). This was also supported by better control of operating costs (-3.5% y/y) thanks to a fall in staff costs (-1.1% y/y), lower operating expenses (including bank tax; -7.1% y/y), partly offset by an increase in depreciation (+2.9% y/y). Net interest income remained under pressure (-12.2%) in the wake of the MPC's triple interest rate cut in 2020.

The faster fall in operating costs (including bank tax; -3.5% y/y) than in revenue (-0.8% y/y) translated into an improvement in operating efficiency, understood as the ratio of operating costs to revenue. After the first five months of 2021, the ratio was 60.1% against 61.7% a year earlier.

Gross profit of the sector was PLN 8.3 billion (+52.2% y/y). The income tax burden to the sector increased versus the previous year by 22.3% y/y due to the higher gross profit.

The core performance metrics of the banking sector were as follows:

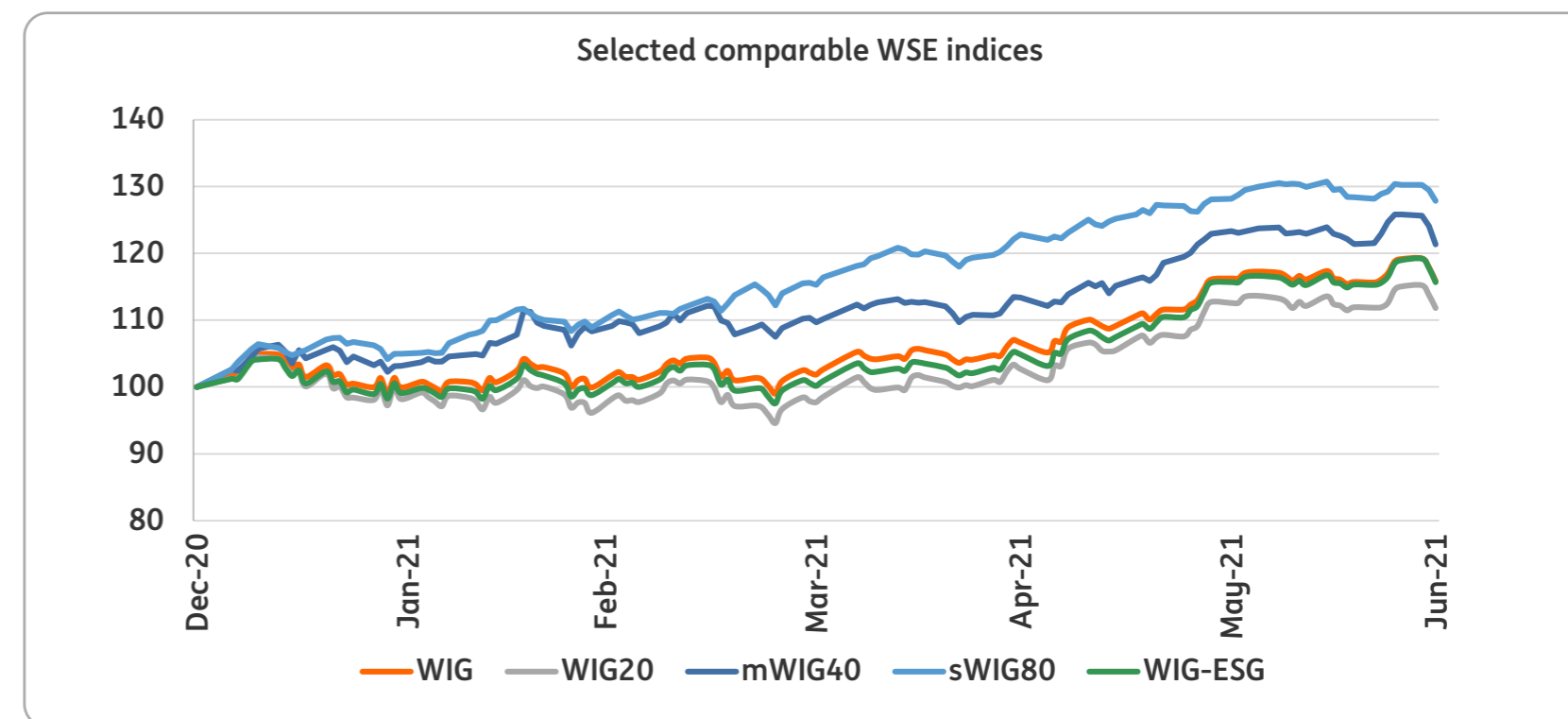
- return of assets (ROA) was 0.58% versus 0.39% a year earlier,
- return on equity (ROE) increased from 3.8% down to 6.3%.



Capital market

Warsaw Stock Exchange (WSE)

The core indices at the Warsaw Stock Exchange closed H1 2021 at higher levels than at the end of 2020. The broad market index – WIG gained 15.9% versus the end of 2020. The results were similar to the indices for highest capitalised companies – WIG20 gained 11.8% and mWIG40 21.3%. The index of smaller companies sWIG80 also closed H1 2021 with an increase – it gained 27.9% versus the end of 2020.



At the end of June 2021, 426 companies, including 47 foreign companies, were listed at the Main WSE market. The capitalisation of domestic companies was PLN 637.3 billion which was by 18.3% higher versus the end of December 2020. The total capitalisation of domestic and foreign companies was PLN 1,228.2 billion which was up by 14.9% versus the end of December 2020. In the last six months, there was 8 debut and 15 companies were delisted.

H1 2021 was characterised with a growth of trading volumes in the Main Market. The volume of session trading grew by 1.7% versus the equivalent period last year and amounted to PLN 168.7 billion. The value of total turnover (including block trades) grew by 2.8% up to PLN 181.8 billion.

Investment funds

As at the end of June 2021, the assets of investment funds (based on IZFiA data) amounted to PLN 308.1 billion, i.e. up by PLN 27.6 billion (+9.8%) compared to the end of 2020. Each of the months of 2021 was characterised by net inflows into the funds (totalling PLN 17.1 billion), in contrast to the first half of 2020 when significant net redemptions took place in March and April (total net redemptions in the first half of 2020 amounted to PLN 17.3 billion).

The increase in assets was due to a higher value of funds in non-dedicated funds (available for a broad group of investors) by PLN +22.9 billion (down to PLN 193.2 billion). At the end of H1 2020 dedicated funds managed assets of PLN 114.9 billion (PLN +4.7 billion or +4.2% versus the end of 2020).

Within the framework of non-dedicated funds, in the first half of 2021, in nominal terms, mainly stock funds (+7.5 billion PLN), debt funds (+6.1 billion PLN) and mixed funds (+4.2 billion PLN) grew. Defined-date funds were able to enjoy the highest growth rate – up 41.2% against the end of 2020, to a total value of PLN 10.0 billion.

Open-End Pension Funds

In June 2021, the assets of OFE amounted to PLN 176.0 billion, i.e. up by PLN 27.4 billion (+18.4%) compared to the end of 2020. As at the end of June 2021, 90.5% of those assets were stocks by Polish and foreign issuers (85.8% as at the end of 2020).

The reform (liquidation) of OFEs has been postponed and no binding decisions have been made.

At a conference on 16 June 2021, the PFR summarised the implementation of Employee Capital Programmes (ECPs).

Participation in the PPK programme was 28.8% (2.3 million employees) as at 14 June 2021. PPK are offered by 19 financial institutions and the value of assets accumulated within PPK already exceeds PLN 5 billion.

Operations of the ING Bank Śląski S.A. Group in H1 2021

Our business model

We are a universal bank and along with other companies in the group we provide services to both individual clients and corporate clients.

Effective functioning of our business model relies on a group of over 8 thousand employees. What we value is motivation, diversified experience, seniority and abundant knowledge. We base our work on our code of ethics – Orange Code or a set of ING Conduct and Values.

We are aware that we impact multiple economic processes and individual choices and it is up to our decisions what the world will look like and what reality will be there for the next generations. That is why in our business and non-business decisions we follow the principles of sustainable development.

As a public trust institution, we are aware of the importance of stability and an effective risk management system for the banking sector and the entire economy. In our bank, the system is constructed in compliance with best market standards on the basis of three lines of defence with the first line managing business, the second line managing risk and finances and the third line comprises internal audit and *compliance*. We also care for optimum management of the asset and liability structure of our balance sheet in line with our risk appetite limits.

Our mission is to **support and inspire people to be one step ahead in life and business**. In everybody's life, roles in the society change: from a child, to student, parent, business person, bank employee, our vendor or employee of another company until retirees. This is a certain trip during which clients will make various important private and business choices. We, as a Bank, help them in taking the best financial decisions for them. That is why we share knowledge and provide tools to our clients as well as solutions that are simple, useful and suited to their needs. We make them better understand their own financial situation.

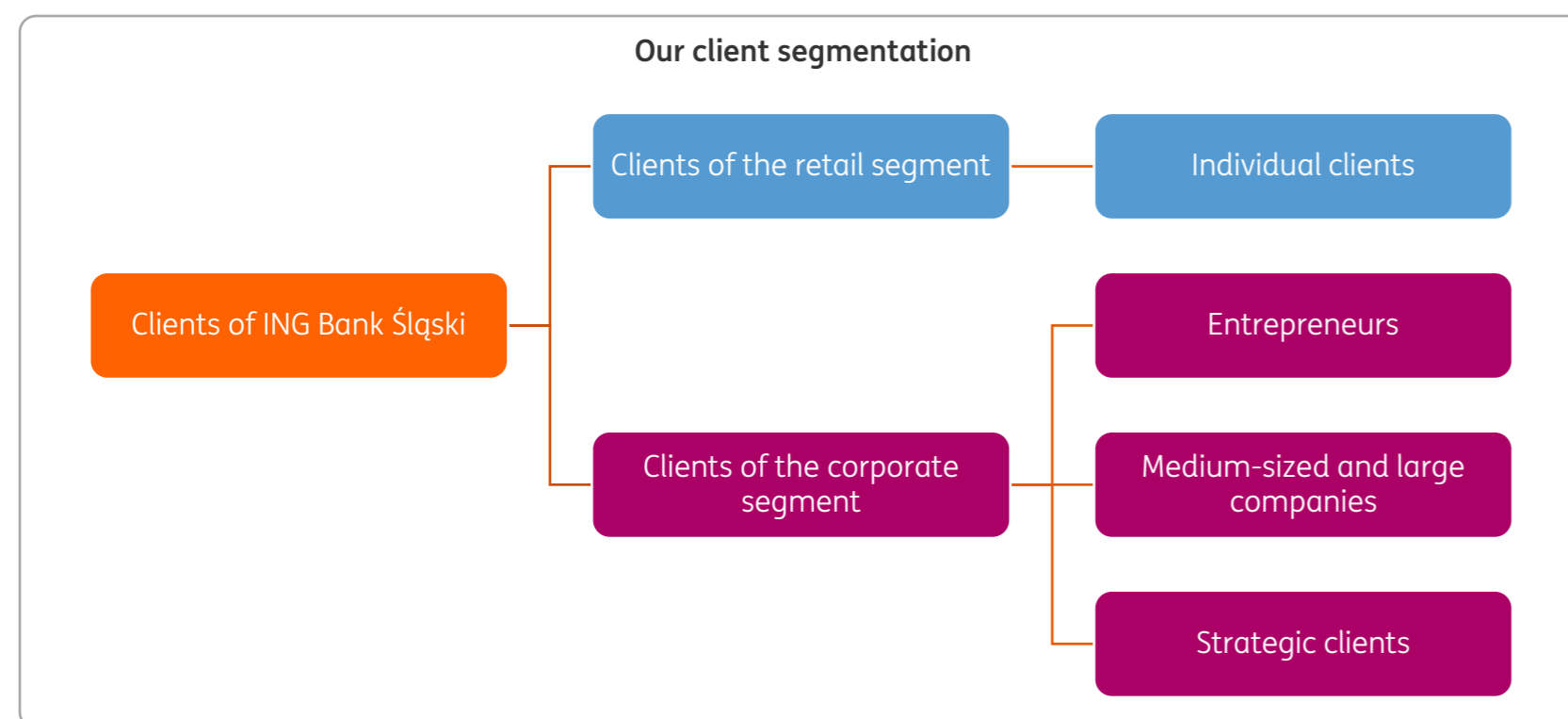
Our role is to provide opportunities for secure and effective savings. Deposits placed by certain clients fund loans granted to other clients which support the development of the society and economy alike. The financing granted supports purchases of housing, opening business activity or development of companies.



We take care that our payment and transactional systems are effective. And now – in view of the growing popularity of non-cash transactions – an efficient electronic payment system becomes increasingly important. We provide our clients with transactional banking, we process transfers, card, telephone or BLIK payments and we keep developing a network of devices for non-cash payments.

We offer our clients banking products and services (such as loans or savings accounts and transfers) as well as those that are unrelated to traditionally understood banking. Our competencies support us in building a positive client experience. We also use big data and artificial intelligence and cooperate with fintechs to reach beyond. Those are not solely insurance products, accounting services or investment products. We offer our clients a broad range of tools for financial management.

We divide our clients into two main segments – retail clients and corporate clients.



Division of companies into categories according to the value of annual revenues



Entrepreneurs up to EUR 1.2 million



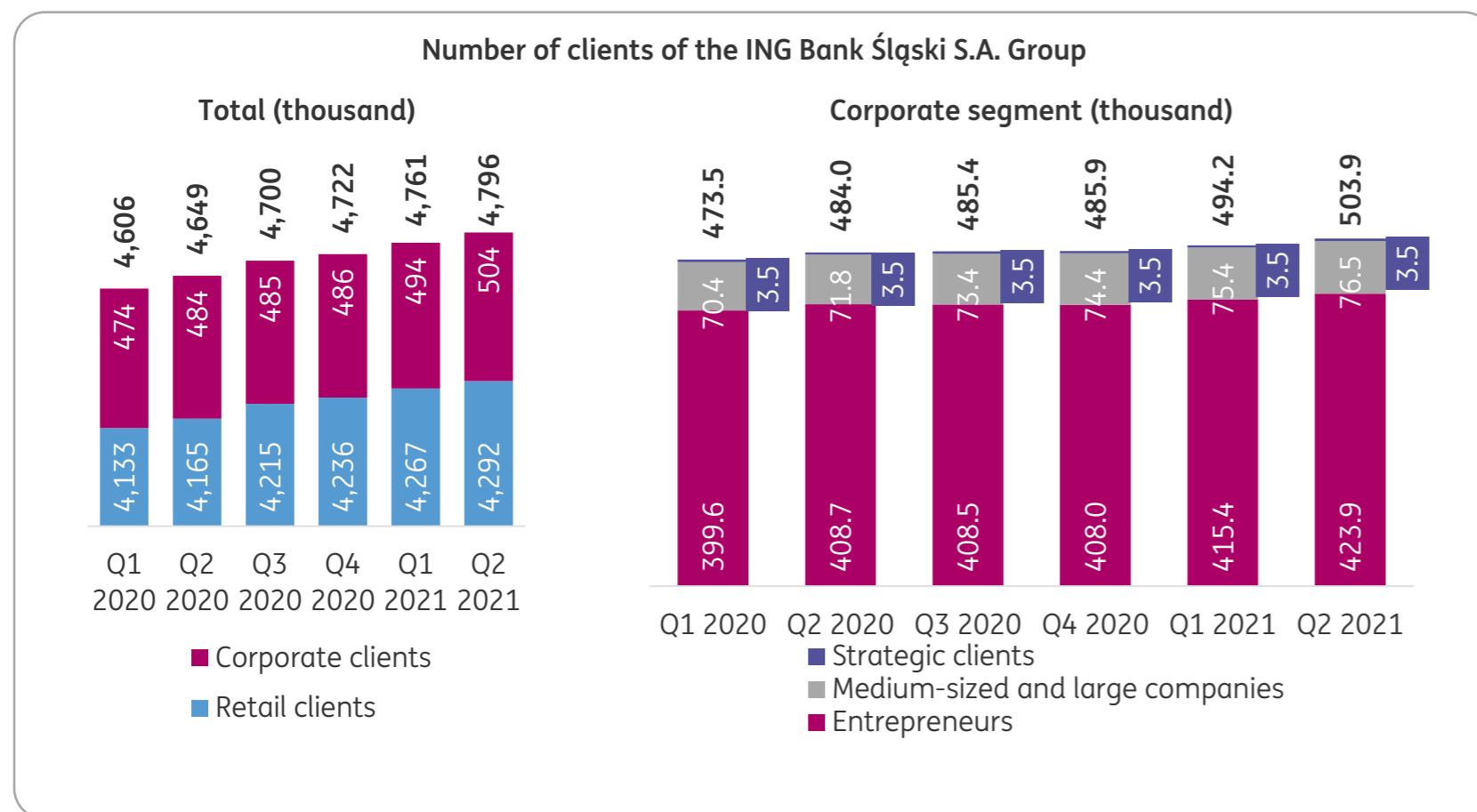
MID and BIG companies up to EUR 125 million



Strategic clients above EUR 125 million

Electronic and mobile banking are the core interaction channel with both retail and corporate clients. We want our clients to be able to access tools that will support their modern payments and remote handling of simple matters. We also note the changing role of branch offices. That is why in 2019 we modified our distribution. Therefore, we do not refer to branches any more but to meeting places where we help in daily banking, in business development and in caring about financial future.

Corporate clients who expect high quality service may be serviced at a branch or their own offices as they may require. The task of our employees is to support them in taking financial decisions, inter alia by analysing their financial needs and objectives, financial condition or risk levels of investments.



Retail banking

Number of clients

At the end of June 2021, the services of ING Bank Śląski in the retail segment were used by 4.29 million individual clients. We had a total of 1.96 million primary clients within the retail segment at the end of June 2021, 34.5 thousand more than at the end of 2020.

In H1 2021, our bank acquired 149 thousand new clients which resulted in a growth of the number of serviced clients by 56.0 thousand clients versus the end of 2020.

We are redeveloping the offer for affluent clients

Clients who previously used *Wealth Management* and *Private Banking* offers were offered a new offer, called *Private Banking*. It was created from a combination of both previous offerings and is focused on their key elements.

The new rules came into force on 29 March 2021. They focus on investment and savings offerings, better market alignment and simpler membership rules for the *Premium* and *Private Banking* segments.

Clients who have assets of PLN 1 million or have invested PLN 500 thousand through us are invited to join the new *Private Banking* segment. They will be served by personal financial advisors with certification from EFPA, among others. Investment advisory at ING is an innovative cooperation model – thanks to it, clients can benefit from the professional knowledge of ING experts, build lasting relationships with their advisor and use technologically advanced solutions in the Moje ING application.

Premium clients are now clients with assets of minimum PLN 200 thousand. The criterion for monthly inflows to the account (minimum PLN 10 thousand) has been replaced by an investment criterion (minimum PLN 100 thousand). Premium clients will be able to use the Premium Remote Centre. This is a dedicated team of professionals who provide immediate support on all matters relating to the management of your finances. At the meeting places, clients will be mentored by an investment specialist who will help them determine their acceptable risk profile, identify their objectives and then advise them on the choice of savings and investment products most suited to their individual preferences.

The offer change also applies to the Premium account, which changes its name to Active account. We add benefits to the Active account: all ATM withdrawals in Poland and abroad for 0 PLN and 5 free express transfers per month. *Private Banking* clients will be able to use the Active account free of charge. For Premium clients, free access to an Active account guarantees that one of the criteria is met: PLN 200 thousand of assets or PLN 100 thousand of investments. Clients whose inflows amount to at least PLN 10 thousand per month – can also use this account free of charge. The fee for the Active account for other clients will be PLN 45 per month.

We provide knowledge for wealthy clients

We invited *Private Banking* and Premium clients to participate in two webinars dedicated to them:

- "Cyber security of your money" – Our banking security experts told:
 - what methods scammers use online and what to look out for so you don't fall for them. Because while *phishing*, *vishing* or *smishing* may have funny names, their effects are no longer funny,
 - about specific examples of fraud that have happened to our clients,
 - how to take care of the cyber security of your money yourself and what we – the bank – do to protect our clients.

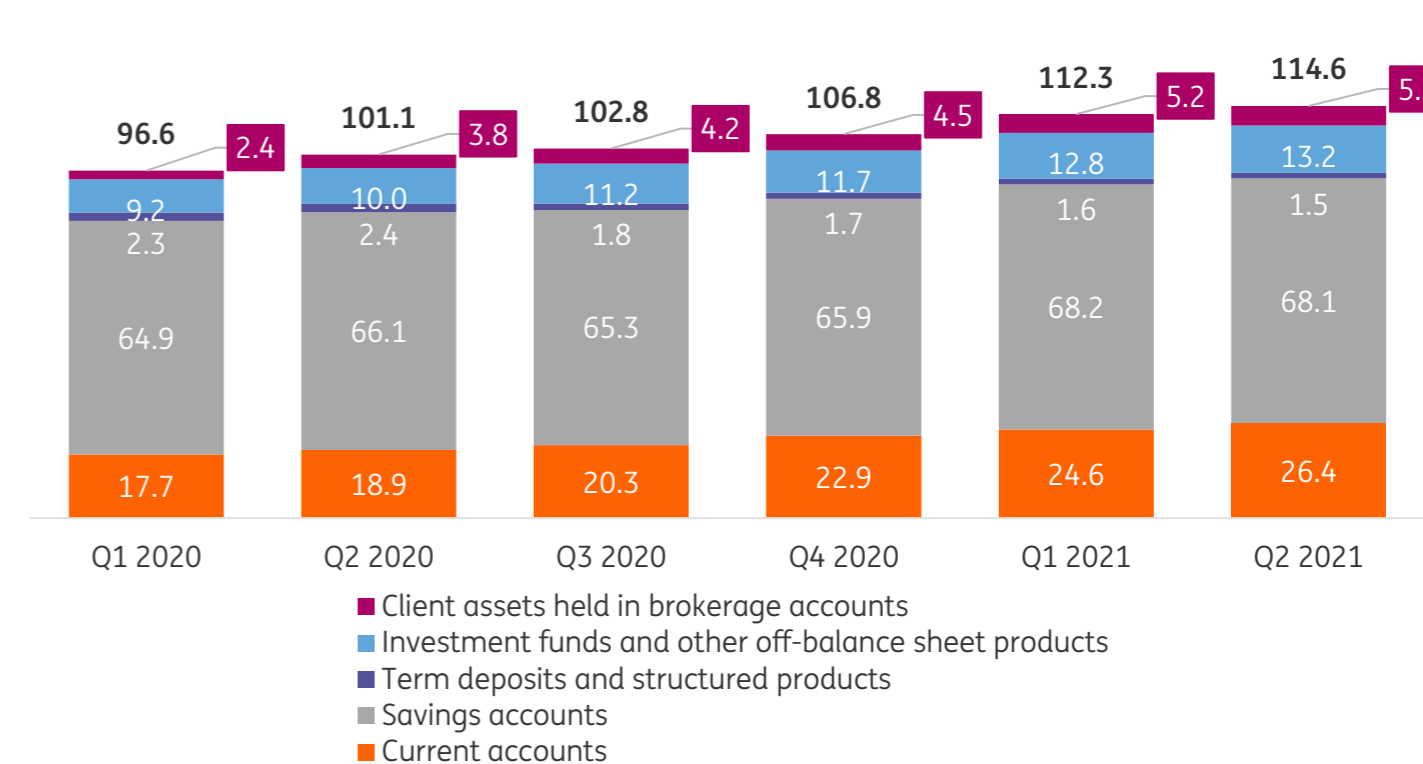
- “What about this inflation. How to secure your savings” during our meeting, the panellists raised many interesting topics. Also in response to questions from participants. A couple of them certainly come to the fore: it looks like #inflation will stay with us for longer and interest rates will not soon follow suit. In this situation, you need a specialist who will help you build an investment portfolio – one that matches the risk profile of the client and is well diversified”, summarised Krzysztof Ślipko, Director of the Private Banking Centre at ING Polska, who hosted the meeting. Participating in the webinar as experts were:
 - Zbigniew Wójtowicz, President of Investors TFI,
 - Zbigniew Jakubowski, Vice-President of Generali TFI,
 - Wojciech Górny, Manager for Market Analysis and Strategy at NN Investment Partners TFI,
 - Rafał Benecki, Head of Macroeconomic Analysis Office at ING Bank Śląski.

Deposit activity

As at 30 June 2021, the total amount of funds deposited by our retail clients was PLN 114.6 billion – there was a growth by over PLN 7.8 billion (+7.3%) in H1 2021 and by over PLN 13.5 billion (+13.4%) y/y. The value of savings in our clients' off-balance sheet products (financial instruments held on brokerage accounts and in investment funds) amounted to PLN 18.7bn at the end of June 2021 and was PLN 2.4 billion (+14.9%) higher than at the end of 2020 and PLN 4.9 billion higher y/y (+36.1%). Assets accumulated in TFIs at the end of June 2021 amounted to PLN 13.2 billion (+7.8 billion, +12.4% relative to the end of 2020). TFIs that take ESG factors into account when making investment decisions accounted for 98.8% of our clients' assets in these products.

The higher growth rate of the deposit base than the growing volumes in the sector was translated into a growth of share in the market of individual deposits in H1 2021. At the end of June, the share was 10.07% while at the end of December 2020 it was 9.76%.

The portfolio of liabilities to the retail segment split by products (PLN billion)

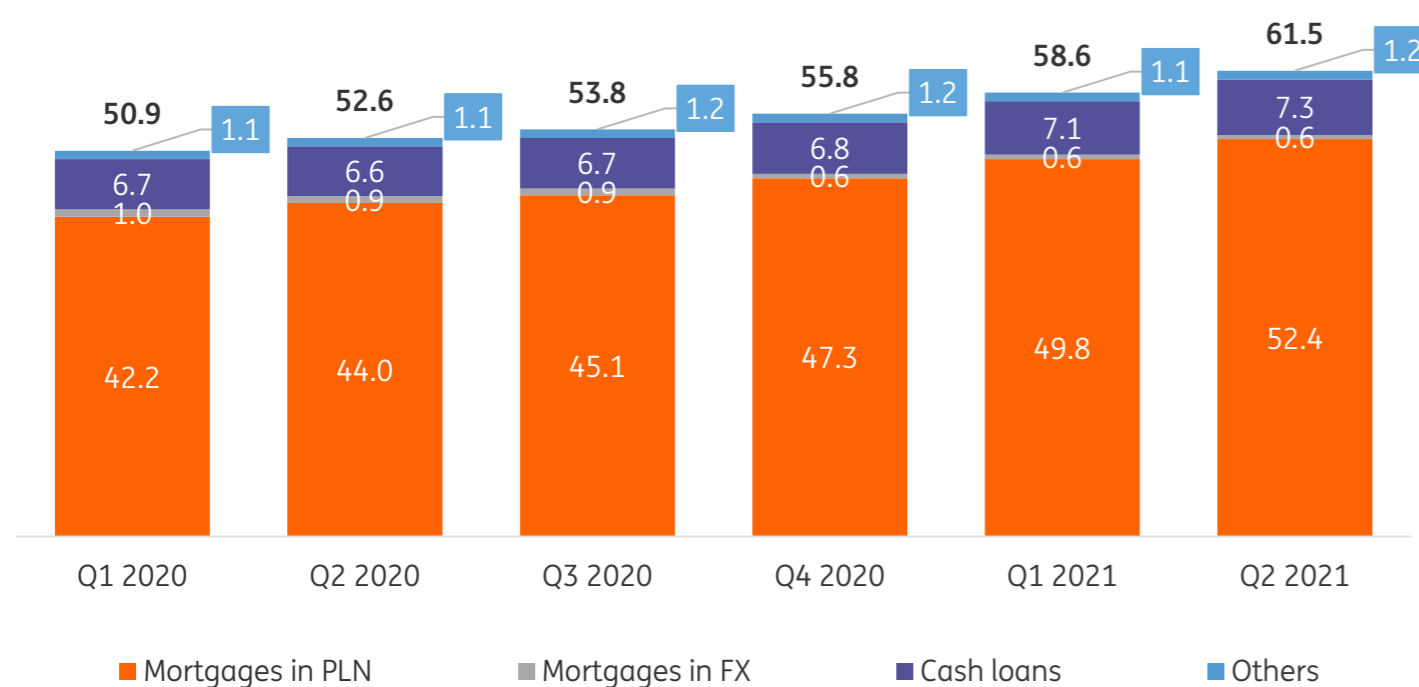


In H1 2021, there was an expansion of settlement services to retail clients at the bank. As at the end of June 2021 ING Bank Śląski held 3.4 million savings and settlement accounts of retail clients (+2.5% since the beginning of the year), largely (86%) those are Direct accounts.

Lending activity

As at the end of June 2021, the Bank's retail gross loan receivables amounted to about PLN 61.5 billion. In H1 2021, the Bank's loan exposure to that Group of clients grew by PLN 5.7 billion or by +10.2%. The Bank increased its market share in loans to individual clients to 8.50% (versus 7.86% in December 2020). Net of FX mortgage loans, our market share in loans to individual clients would be 9.90% (June 2021) and 9.29% (end of 2020) respectively.

The portfolio of gross receivables from the retail client segment split by products (PLN billion)



In H1 2021, the bank sold PLN 8,624.9 million worth of mortgage loans which was a growth versus H1 2020 by PLN 2,626.6 million or by 43.8%. In accordance with the data of the Polish bank Association, in H1 2021 ING Bank Śląski S.A. occupied the first position in the market with a 22.0% share in the sale of housing loans to individuals.

In the areas of cash loans, in H1 2021 we granted loans totalling PLN 2,504.8 million or by 63.9% (PLN 976.4 million) higher than in H1 2020.

Corporate banking

Number of clients

At the end of June 2021, the services of ING Bank Śląski in the corporate segment were used by 503.9 thousand corporate clients, of which:

- 3.5 thousand strategic clients,
- 76.5 thousand medium-sized and large enterprises, and
- PLN 423.9 thousand entrepreneurs.

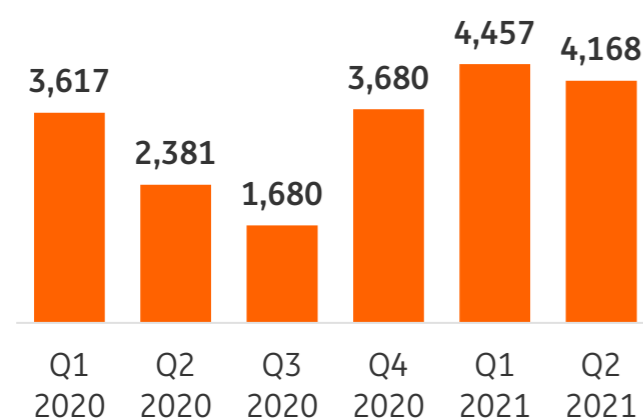
We had a total of 152 thousand primary clients within the corporate segment at the end of June 2021, 3.4 thousand more than at the end of 2020.

In H1 2021, our bank acquired 38.7 thousand new corporate clients which resulted in a growth of the number of serviced clients by 19.9 thousand clients versus the end of 2020.

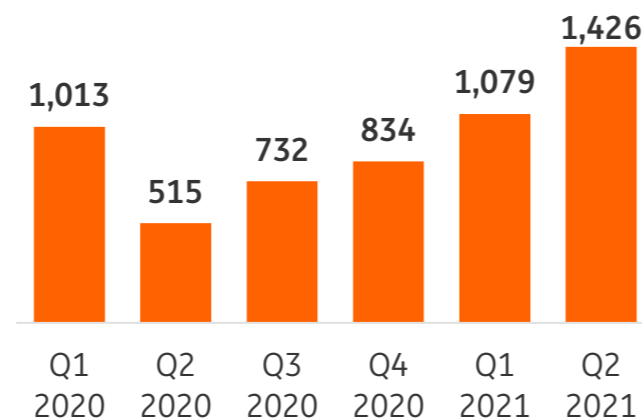
Deposit and settlement operations

At the end of June 2021, the amount of funds deposited by corporate clients with our bank was PLN 64.1 billion and thus the bank held a share of 9.93% in the deposit market of institutional clients (9.37% at the end of 2020).

Monthly sales of mortgage loans (PLN billion)

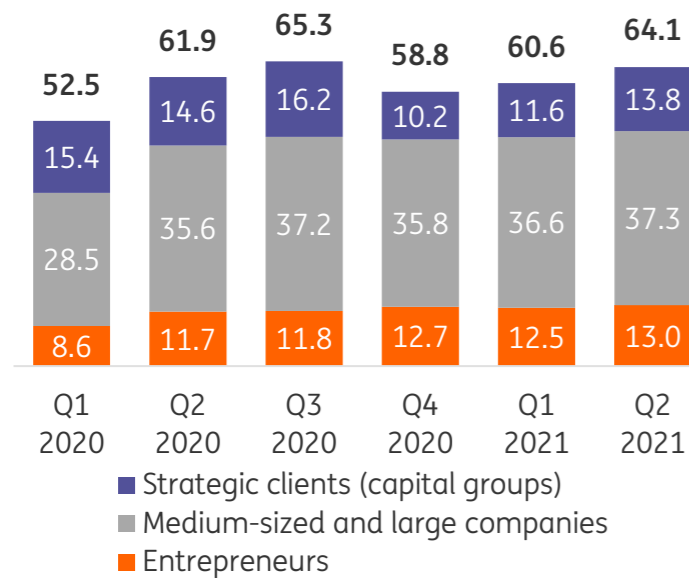


Monthly sales of cash loans (PLN billion)



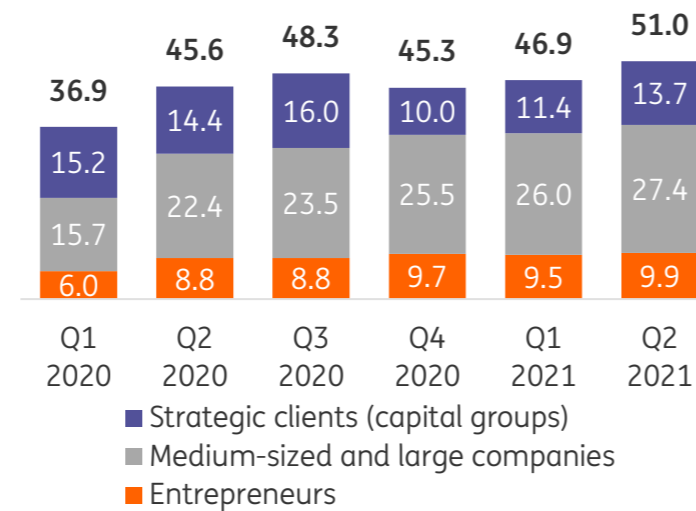
Volume of corporate client deposits

(PLN billion)



Volume of corporate client current accounts

(PLN billion)

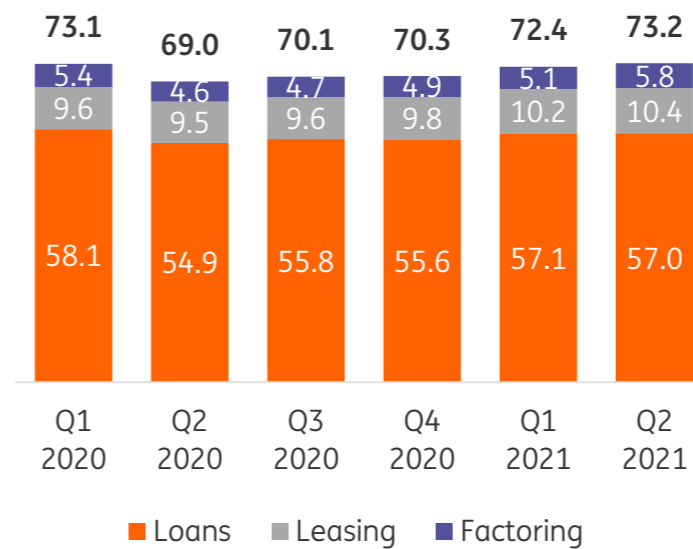


*including the share in net profits of affiliated entities recognised on an equity basis

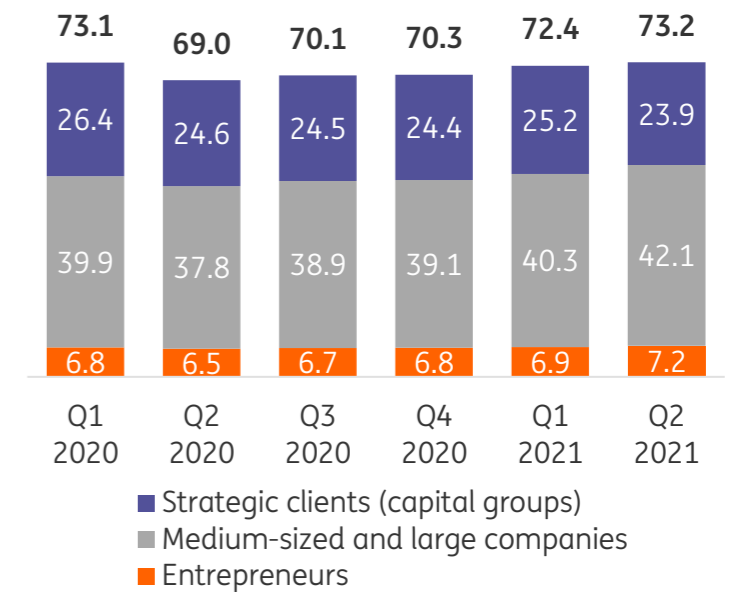
Lending activity

At the end of H1 2021, the amount of financing provided by or Group to corporate clients amounted to PLN 73.2 billion gross. Over 6 months of 2021 the amount increased by PLN 2.9 billion (+4.2%). We estimate that in June 2021 our bank held a 12.14% share in the loan market of corporate clients (versus 11.69% at the end of June 2020).

Portfolio of gross receivables from the corporate client segment split by products (PLN bi)



Portfolio of gross receivables from the corporate client segment – sub-segments (PLN billion)



Sustainable development and corporate social responsibility

H1 2021 continues the implementation of ING's Sustainability Strategy "Our Shared Responsibility" across three priorities: #ING for entrepreneurship, #ING for equal opportunities and #ING for climate. We believe that consistent action in all these directions will allow us to conduct our business in an even more sustainable and socially responsive manner.

Implementing the 2021 sustainable development priorities

Develop and implement a sustainable finance strategy.

We have met our targets:

- We have identified a list of sectors and clients with particular potential for sustainability finance.
- We organised workshops for employees on ESG regulation, ING Group's approach to sustainability and product solutions to support client sustainability.
- We use system tools to help assess the fulfilment of sustainable finance criteria and to register such transactions.
- We have identified priorities and strategic objectives for the coming years for the strategic client segment in terms of sustainability.
- We work closely with the *Sustainability Desk* at ING Group on emerging business opportunities in sustainable finance.
- We launched the first financing under the *Sustainability Improvement Loan* formula (the transaction amount is EUR 225 million, of which ING Bank Śląski's share is EUR 40 million) and for the first time we co-organized the green Eurobond issue program (worth EUR 500 million).

Development and implementation of an approach to climate risk management.

Within the bank we have met our targets:

- we have introduced ESG/climate risk definitions and risk factor descriptions into the regulations,
- we have drawn up a Climate Risk Map indicating high, medium and low risk sectors,

- we have implemented into the credit process an assessment of the impact of ESG/climate risk factors on the client's financial performance,
- we have identified in the sector guidelines the key ESG/climate risk factors, mitigants and scope of assessment for each sector,
- in Appetite for Risk we have identified qualitative KPIs related to ESG/climate risk,
- we have defined criteria for sustainable funding in line with the EU Taxonomy,
- we analyse the reporting requirements for the loan portfolio/data range – for the 2022 reporting requirements for 2021 (EU Taxonomy and Draft ITS – Pillar 3 reporting).

The bank's subsidiaries are currently working on implementing analogous solutions.

#ING for the climate

H1 2021 was intense in terms of climate change action. ING Bank Śląski has announced a new Environmental Declaration 2021. In addition, the bank has, among other things, been part of a consortium financing the purchase of photovoltaic farms, published a children's book on sustainability, and started building new electric car charging stations with Innogy.

ING sets new environmental targets

On 1 July 2021, we announced the Environmental Declaration 2021 of the ING Bank Śląski S.A. Group. Under this document, the bank has committed to achieving climate neutrality by 2030. In addition, ING Bank Śląski and its subsidiaries will allocate PLN 5.3 billion to finance Renewable Energy Sources and pro-environmental projects and will set up a grant programme for start-ups and young scientists to implement projects in the area of sustainable development with an annual budget of PLN 2 million. The entire declaration is available here:

https://en.ing.pl/_files/92wbut9.

ING in a consortium to finance the purchase of 130 photovoltaic farms

In March 2021, ING Bank Śląski and funds managed by Abedeen Standard Investments (ASI) signed a loan agreement to finance the purchase of a portfolio of 130 new photovoltaic farms with a total capacity of 122 MW. The planned annual electricity production is estimated at around 134 GWh. The loan agreement was signed in consortium with BNP Paribas Bank Polska S.A.

New charging stations in Gdynia supported by ING

Innogy Polska in cooperation with Gdynia has started to build its own network of electric car charging stations within the city. The investment involving the construction of an electric car charging network in Gdynia is being implemented in cooperation with ING Bank Śląski.

“You too can save the world. Eco-tales from Pietruszkowa Wola”

This is a book for children on sustainable development, published jointly by ING Bank Śląski and the ING for Children Foundation. The book addresses issues that are important today, including climate change, caring for the environment and making responsible choices every day. It shows the young reader that they have influence and that simple solutions can be applied every day. In nine chapters, the publication addresses topics including climate change, ubiquitous plastic, consumerism and the treatment of animals. Each chapter ends with good practices from environmentalists: how to give a second life to objects, the power of helping and sharing possessions, and that the best gifts are not bought in a shop. The author of the book is Justyna Bednarek, and the illustrations were created by Joanna Czaplewska. The paper used is made from cellulose from trees grown in sustainable forestry areas. The inks used for printing contain no harmful substances and are derived from renewable raw materials.

The book is available free of charge to schools, libraries and community organisations. The publication is accompanied by lesson plans. Instructions on how to order a free copy of the book and a link to the scenarios can be found on the ING for Children Foundation website: www.ingdzieciom.pl.

Eco-inclined do your bit. ING encourages environmentally friendly practices on a daily basis

Concern for the environment is important to Poles. That is why, in the campaign “It’s worth doing your bit”, we have consistently supported this attitude and once again encouraged people to take action to do more eco. ING Bank Śląski

promoted financing that supports pro-environmental choices. The bank doesn’t charge a commission, which reduces the cost of the loan and can help you do more eco every day.

“Switch to an electric car”: e-bike testing campaign with ING and Decathlon

ING Bank Śląski, in the framework of supporting EKO attitudes of Poles and electromobility, invited to the action “Switch to an electric car”. In May, in Decathlon’s Mobile Test Centres in six Polish cities, the bank encouraged people to test electric bicycles, the so-called e-bikes.

For those who like double benefits... we combine ecology and business

ING Lease has prepared a campaign in which it promotes the financing of EKO vehicles and photovoltaic panels on attractive terms. ING Lease offers financing for assets that contribute to reducing conventional energy consumption and increasing clean energy.

ING partner AI in ESG Investing

45 teams representing 28 universities in Europe took part in the 1st edition of the international competition, whose originators are two professional organizations in Poland – CFA Society Poland and QuantFin Foundation. ING Bank Śląski was a partner of the project. This is the first such large-scale project in Europe that aimed to popularise ESG indicators among young people, i.e. responsible investment that places greater emphasis on non-financial factors, namely environmental, social and governance factors.

#ING for entrepreneurial people

In H1 2021, ING Bank Śląski focused on the implementation of social projects in the field of financial education and labour market competences, as well as supporting entrepreneurs.

The “Financial Health” programme with the Think! Foundation

The aim of the project is to shape good habits in money management, support in thinking and looking at personal finances, learning to talk about money with loved ones, pointing out good practices or ways that can help you find your way through the change and presenting solutions and support in a crisis situation. The project is implemented as part of the ING Build Back Better grant programme. It aims to fund community projects that provide, among other

things, support to households to manage their budgets and restore the financial health of those affected by the COVID-19 pandemic. More information about the project and available free materials are available on the website:

www.zdrowiefinansowe.pl.

Partnership with the Exempt from Theory Foundation

Social project school competition

ING Bank Śląski for the second time was a partner of the national competition of social projects for young people entitled “Exempt from Theory”. In the 2020/2021 school year, as many as 33 teams (245 participants) supported by 33 mentors, carried out projects as part of the “Remote to Help” challenge, in which ING Bank Śląski encouraged high school and university students to organise a project to help others, less “remote”, to cope better in the digital world. Thanks to this enormous commitment, aid has reached 483 thousand beneficiaries. A group of 33 mentor-employees from ING supported the young people in various subject areas during the project. Mentors, among others, shared their knowledge on cooperation with business, suggested how to raise and manage budgets, as well as how to promote projects. At the end of the project, participants earned internationally recognised certificates from the Project Management Institute. The team, mentored Honorata Bołoz from ING, won the Golden Wolf in the Culture category for their Jeżech Stond project during the Grand Final. It is an initiative of young people from Tarnogórz who, in cooperation with cultural creators, are disenchanting the stereotype of the mining region.

Project “Generation lockdown”

The project “Generation lockdown” was implemented by the Exempt from Theory Foundation and ING, and its aim was to activate young people and support their entrepreneurship on the labour market in a pandemic reality. The programme was delivered as part of the ING Build Back Better grant programme.

Karol Paciorek, Red Lipstick Monster, Martin Stankiewicz and Izak in ING social campaign – Let's talk about money

ING is once again encouraging action by suggesting how to work on making our money talks easier, translating into better financial management and allowing us to do our own thing without stress. Internet influencers and youtubers were invited to join the project: Red Lipstick Monster, Karol Paciorek, Martin Stankiewicz and Izak. It is their financial stories that will become the pretext for raising the financial topics that most stress Poles when talking to friends or family. ING relies on authentic stories of heroes that will become the leitmotif of the platform and with which other

Internet users can also identify. The diversity of the industries in which the invited guests operate reveals many levels and points of view on the topics raised.

The ING Polish Arts Foundation has implemented the project The Artist – Professional

Artist – Professional is an educational project for male and female artists in the visual arts as well as people studying at art schools and faculties. In March and April, a unique group of experts in the field of contemporary art talked about tools and practices to help them function professionally in the art world.

Selfie account for entrepreneurs at ING

In March, ING Bank Śląski provided entrepreneurs with a new identity confirmation method based on biometrics. This allows them to open an account 100% remotely with a selfie. The process of opening a selfie account for an entrepreneur is done entirely remotely. The process of opening a selfie account for an entrepreneur is done entirely remotely. After downloading the Moje ING Mobile app, the client enters its contact details, shows its ID card (the app itself takes a photo of the card) and makes a few head movements. It then completes the company details required to apply for the account. After positive verification, the bank confirms the account by email and text message within a few hours, at the latest on the next working day. Remote identification of a trader's identity is based on biometric methods. It involves comparing your facial features with the photo on your identity card. The Moje ING Mobile app guides you through the entire process step by step.

Applying for PFR subsidies at ING

ING Bank Śląski clients have been able to apply since January for subsidies under the PFR 2.0 Financial Shield programme aimed at industries most affected by the second wave of the pandemic. The application could be submitted through the online banking systems Moje ING and ING Business.

New services in ING Accounting

In February, we extended the services in ING Księgowość and introduced the possibility of using the Accounting Office and Accounting Consultation for entrepreneurs. The new offers, together with the already functioning modules of Invoicing, Warehouse, Independent Accounting and Payroll and Human Resources, enable comprehensive management of the company's affairs.

#ING for equal opportunities

An important element for ING Bank Śląski in the implementation of the equal opportunities priority was the diversity month, LEOthon, as well as plain language activities.

ING Diversity Month

ING Bank Śląski celebrated Diversity Month in May under the slogan: *At ING, everyone is welcome just as they are*. The bank focused on different dimensions of diversity: including ability, generations, unconscious bias and caring roles, in order to make employees feel comfortable in the place they co-create. Celebrated Diversity Month supported ING's efforts to build awareness of the topic of diversity and inclusion within the organisation. During this time, employees were able to join a newly formed community around the themes of diversity and inclusion, take part in workshops and webinars on generations and inclusive language. Interesting facts, quizzes and factual articles also awaited the participants of Diversity Month.

Artificial intelligence supports the blind and visually impaired – summary of “LEOthon powered by ING and Google Cloud”

A virtual hackathon was held on 21-22 June, during which participants designed solutions for the bank's blind and visually impaired clients. The event, called LEOthon, was organised by the Kozminski Business Hub. Partners of the hackathon are ING Bank Śląski and Google Cloud LEOthon under the motto #Aisupportstheblind is a technology and business hackathon organised for students of Kozminski University and employees and partners of ING Bank Śląski. During the hackathon, teams tackled the socially relevant challenge of supporting blind and partially sighted clients using banking services. A key task was to develop innovative solutions based on artificial intelligence and Machine Learning and Deep Learning models, ways of interacting with the user, verifying the bank's legal and technological capabilities.

Just like that

Since 2014, ING Bank Śląski has been simplifying its communication, but it also relies on research and language tools. It checks the quality of the language every quarter. Since last year, the bank has been measuring itself in a new, stricter and more objective way – through the Prostomat app and the language simplicity index. In April 2021, the bank was once again recognised by experts from the Studio of Simple Polish at the University of Wrocław and received

a certificate of simple Polish for the language of service in remote channels. In addition, ING Bank Śląski, together with 20 other Polish banks, has signed a declaration in favour of plain language. It is a promise that banks will strive to create simple and understandable communications to their clients. The initiative was led by the Polish Bank Association.

ING for Children Foundation turns 30

To celebrate its 30th anniversary, the foundation put the logo into the hands of children so that it would become an expression of the idea contained in the name and realised in the foundation's activities. The Foundation was established in 1991 by Bank Śląski. First as the Silesian Bank Foundation and involved in economics and commercial banking and entrepreneurship education. In 2005 the name was changed to ING for Children Foundation and the scope of activities was focused on equalising life chances of children and youth, supporting their development, education and independence. The Foundation works in cooperation with volunteers – ING employees who conduct various activities for children throughout Poland, depending on their needs and interests. The heart of the ING for Children Foundation beats in Wisła, where the Smile Turns host around 1,000 people a year. The Foundation carries out its mission through its original programmes, collaborating with community organisations, schools and various children's institutions.

ING held a webinar on cyber security

ING Bank Śląski organised a webinar entitled “Cyber-attack on your business?”. During the meeting, experts talked about ways to protect your business from cyber criminals. The interview with Piotr Konieczny from niebezpiecznik.pl and psychologist Jacek Santorski was hosted by Jarosław Kuźniar.

For more on initiatives towards sustainability, visit: <https://en.ing.pl/company-profile/corporate-social-responsibility>.

Selected issues in corporate governance

Reporting instances of violations of the law and professional ethics.

Employees can report suspicions of crimes and violations of professional ethics anonymously using a dedicated form or by traditional mail. The employees may also report the same by name and we ensure confidentiality and discretion as well as protection against repressive actions. If a report is confirmed, appropriate corrective and preventing

measures are taken for the future. Reports are received by the Director of the Compliance Department, who will inform the President of the Management Board and agree with the President actions to be taken. This is reflected in the Whistleblowing Policy for Infringements of Law, Internal Regulations and Ethical Standards (hereinafter: the Policy) and the Bank's internal procedures.

In H1 2021, 8 reports qualifying for consideration under the procedure set out in the Policy were submitted, concerning, inter alia, discrimination, bullying or violation of the Bank's internal regulations. After analysis and explanatory proceedings, irregularities were confirmed in 3 cases and corrective measures were applied.

Every new employee of the Bank undergoes mandatory training on reporting violations of the law and professional ethics. In order to remind the rules for reporting illegal, improper or unethical behaviour, in the third quarter of 2021, a communication was planned to the Bank employees indicating appropriate channels for reporting violations ensuring confidentiality and anonymity. Alternatively, Bank employees may report violations of professional ethics using external reporting channels operated by an external entity, via a telephone line, website or email address.

Management of personal data security

As a result of complaints of the Bank clients, no final decision stating a breach of the principles of personal data protection in the Bank has so far been issued by the President of the Office for Personal Data Protection.

There are currently two cases pending in the Provincial Administrative Court in which ING Bank Śląski is a party alongside BIK S.A. The subject of these proceedings is a dispute over the interpretation of imprecisely established legal provisions relating to the use of client data for statistical modelling.

It should be emphasised that the Bank is an active member of the Polish Bank Association and, as such, takes the legislative initiative to clarify regulations and propose new legal solutions.

The Bank has not only implemented the requirements related to the implementation of the General Data Protection Regulation, but also still analyses the changes in regulations and incorporates them without unnecessary delay into the internal procedures and regulations. Similarly to previous years, we cooperate with the Polish Bank Association, other banks in order to develop a common code of conduct and to develop common solutions related to personal data protection.

We take care of a high level of awareness of our Bank employees as regards the principles of personal, financial and business data protection by imposing on them a cyclic obligation to undergo training, which is updated on a regular basis. The training courses are highly rated by the recipients, both in terms of content (theoretical) and practicality.

We continuously implement Programmes aimed at increasing the competence of our employees in the field of data protection, indicating the importance of protecting the privacy of clients, business partners and employees themselves. We use meetings, workshops and cyclical communication to addressed to our employees in this area.

We have adapted the technical and procedural safeguards required by law, internal regulations and good practice in order to better protect our clients' data.

The security of using banking services also depends on our clients, so we share with them information about potential threats and recommend security solutions on devices supporting Internet banking transactions made by the clients.

We provide every client of our Bank with a set of rules for proper use of on-line banking:

- we suggest how to create a secure password,
- we keep you informed about the risks in Internet banking,
- we remind you of the rules of safe banking,
- we explain how to protect against data theft on the Internet,
- we teach you how to protect your clients' devices,
- we block services when reasonable to protect clients against unauthorized access to their data,
- we make you aware of the dangers during conversations with clients who visit us at the facility,
- we attend workshops for academic circles aimed at raising awareness.

We take care of retail clients, but we do not forget about the safety of corporate clients. As in previous years, we continue to hold conferences for corporate and strategic clients, during which we present threats related to cybercrime and the mechanisms of our applications and solutions to counteract abuse.

KYC – Know Your Customer

ING Bank Śląski Group's priority is to protect clients, society and financial systems from financial and economic crime. The Know Your Customer (KYC) process plays a key role in this, covering the areas of financial crime prevention (FEC), identification of environmental and social risks as well as FATCA and CRS requirements. The Bank has implemented and continuously updates a KYC Policy, which sets out the requirements and internal controls to ensure compliance with bank-wide regulations on client and business partner cognition and to mitigate the risk of financial, economic,

tax and environmental crime, and breaches of social norms by our employees, but also by clients and business partners.

The KYC policy describes the bank's approach in relation to laws and regulations in respect of:

- the prevention of financial and economic crime (including, in particular, the requirements of the Act on the Prevention of Money Laundering and Terrorist Financing),
- ensuring compliance with international sanctions regulations,
- requirements under the current legislation on exchange of tax information, i.e. CRS and FATCA,
- ESR – Environmental Social Risk.

In order for the bank to comply in good faith with the laws and regulations regarding the recognition of its clients, it is always guided by the following principles:

- The Bank complies with laws and regulations related to FEC, FATCA/CRS and ESR. Therefore, it does not participate, enable or otherwise engage in any activities prohibited by Polish, EU, Dutch or US laws.
- Bank employees do not support or advise clients on laws and regulations, in particular on how to circumvent laws and regulations.
- The Bank only accepts and maintains relationships with clients and business partners after due diligence and risk assessment.
- The Bank does not accept client relationships with extremely high-risk countries, i.e. Iran, Syria, North Korea, Cuba and Sudan.
- The Bank is transparent with clients regarding information and reporting requirements.

As part of its AML (Anti-Money Laundering) activities, the bank continuously assesses and reviews its client relationships and conducts monitoring and analysis of its transactions. Potentially suspicious transactions are investigated and reported to the relevant authorities. The fight against financial crime can only be effective by joining forces and exchanging information – banks, authorities, the judiciary, as well as public institutions and market participants – at national and international levels. We therefore strongly support initiatives to jointly fight financial crime by actively participating in organised thematic initiatives.

ING Bank Śląski Group is constantly taking steps to improve its management of compliance risks to establish greater awareness of these elements throughout the organisation. The steps being taken are part of a global programme to strengthen KYC processes that has been underway since 2017. The programme includes activities aimed at improving existing processes in the application of financial security measures and working on structural improvements in terms of compliance policies, IT tools used, monitoring, management and administration, as well as increasing the knowledge of all Bank employees in the area of AML and terrorist financing compliance with international sanctions through the implementation of regular training courses and workshops. The thematic training provided by the bank also covers the identification and reporting of tax schemes; it is mandatory for employees who are involved in the execution, handling and reporting of transactions. General training in the area of AML and terrorist financing is mandatory for all Bank employees

Responsible product offering

ING Bank Śląski has a process for the implementation, modification, review and disposal of client products, the so-called PARP process – Product Approval and Review Process. It serves to provide an appropriate oversight and risk management framework for the development of new products and the modification of existing ones.

This process is governed by the “Policy – Standard for the implementation, modification, review and liquidation of products for bank clients (PARP)”. It aims to ensure an efficient process for the development and review of new and existing products in line with ING Bank Śląski’s strategy, regulatory requirements, common and internal laws, compliance standards and ING Group standards as well as the Customer Service Golden Rules. The Golden Rules have been in place at ING since 2009 and apply to both retail and corporate client service. The Bank expects all its employees to follow these principles in their daily work.

The PARP Policy is applied to all products for the bank clients. It identifies control objectives to mitigate key risks and key controls to be implemented within the PARP process. Product-specific risks are also analysed during the development and review of new and existing products.

Product risk reporting, approval and review is carried out within the Non-Financial Risk Dashboard.

According to the PARP Policy, under the adequacy framework, each product should ensure that the interests, objectives and characteristics of clients have been taken into account to avoid potential harm to the client and to minimise conflicts of interest.

When implementing a product initiative, product/process management units and product regulation developers must adhere to the following rules:

- products should be in line with the bank's strategy,
- the financial and non-financial risks associated with the implementation of the product initiative must not exceed the bank's risk appetite,
- product initiatives implemented in the PARP process are compliant with the generally applicable laws and internal regulations – including the Orange Code, policies and regulations of ING, in particular concerning Customer Service Golden Rules, MiFID II, IFRS 9, FATCA and CRS,
- the target client group for products/services is clearly identified and defined on the basis of commercial and risk assessment criteria,
- information about the product, target client groups, functionalities, prices, scenarios, pilots, risks and exclusions are clearly communicated and are clear to clients,
- potential loopholes should not be used to circumvent financial reporting regulations or to avoid tax burdens on either the bank or the client – products should not support the client in potential tax evasion,
- clauses that are considered to be abusive shall not be used in regulations and contracts concluded with clients,
- the product should be designed in a way that is clear and easy to understand by the target client group,
- clients should be given fair, clear and comprehensive information about the product, in particular the conditions of use and the associated costs and potential financial risks for the client,
- the rules on fair competition shall not be distorted, in particular by using unreliable or misleading advertising.

The implementation of a new product or significant changes is carried out following a mandatory decision by the relevant standing product committee appointed by the Bank's Management Board. These are the Retail Products Committee, Corporate Products and Financial Markets Committee or the Credit Policy Committee. In addition, the Client Protection and Product Approval Committee was established in 2014. The Committee's mission is to create an appropriate environment for the Bank's business activities related to the production, recommendation and/or offering of financial instruments and structured deposits by minimising the so-called mis-selling risk. The Committee's

activities ensure that product transparency and relevance are improved and that market integrity problems are avoided, across all client segments, regardless of distribution channel.

The decision shall be published in the form of an order issued by the President of the Management Board.

We reliably inform clients about product risks

We pay great attention to clear and transparent communication of products and services to our clients.

Under MiFID II regulation, when we offer financial instruments to clients, we inform them before they enter into a transaction in a fair and not misleading manner of all material risks associated with that instrument or investment service. Clients are informed about risks during discussions with employees of our bank, who are authorised to provide information on financial instruments, and they also receive information on risks in the so-called permanent medium, as well as they can read it on our bank's website. The obligation to report risks applies to all client segments. In addition, on the basis of the regulation on key information documents for packaged retail and insurance-based investment products (so-called PRIIPs), clients in the retail segment (according to the MiFID II categorisation) for products subject to PRIIPs receive a standardised document, the so-called KID (Key Information Document), containing key information about the product, including information on the associated risks. The training courses conducted at the bank in the area of distribution of financial instruments (MIFID) contain all the information required by law in accordance with Article 41.1 and Article 41.2 of the Regulation on detailed technical and organisational conditions for investment firms, banks referred to in Article 70.2 of the Act on Trading in Financial Instruments, and Custodian Banks.

Corporate segment

In the area of corporate client service, we operate according to the Customer Service Golden Rules.

In the product and service design phase, we define the target client groups and a standard range of needs for each of these groups.

Products are individually selected to meet the needs of the business client following a comprehensive analysis carried out on the basis of a number of factors, in particular: the period of business activity, financial data, the industry of the core activity, the experience of the management, the client's business plans, the financial operations performed and the demand for banking products. We make sure that products and services generate benefits for the client.

We explain the risks, financial benefits and costs associated with products and services in a clear and understandable way by presenting their characteristics, benefits and risks associated with them, as well as information on their components. MiFID II guidelines are binding for Financial Markets products.

We operate a pricing policy that is transparent and understandable to all clients, properly reflecting the costs of individual products.

Retail segment

In terms of savings and investment products, promotional offers have simple and transparent terms and conditions, are available to all clients and are not dependent on having other products. We equip clients with numerous tools to manage their finances and savings. In terms of investment products, we have a friendly and simple process for profiling the client and assigning risk profiles – we avoid complicated terminology in the survey and the survey itself has a simple and friendly form. We provide simple solutions and tools for clients taking their first steps in investing – Fund Account, Investo, Regular Small Amount Investing – where each is available in a low investment risk variant. We conduct educational activities so that clients make investment decisions with, among other things, an awareness of current economic conditions. We do not aggressively sell investment products. TFIs that take ESG factors into account when making investment decisions account for 98.8% of our clients' assets in these products.

Clients taking out cash loans based on a variable interest rate receive information about the risk of a variable rate, together with simulations of the impact of a change in the interest rate on the instalment, before the conclusion of the contract. Our consumer loan advertisements include a representative example of a loan.

In turn, at the stage of applying for a mortgage product, we provide clients with a range of information regarding, among other things, the risks in terms of changes in property prices, the term of the loan, the interest rate (variable and fixed), changes in the situation after retirement during the loan or the reference index. In addition, we also provide the necessary simulations, which include information on the risks associated with the interest rate, including simulations of changes in the WIBOR index. The application for a mortgage product shall include, inter alia, statements concerning the risks associated with the commitment requested arising from a loan term longer than 25 years (if applicable) and the deterioration of the financial situation after retirement. Along with a positive credit decision, we provide affected clients with a statement from the bank on the consequences of increased risk resulting from an exceeded DSTI – indicating the risk of limiting the ability to build savings with a high loan instalment burden. The loan agreement itself cites variable interest rate risks, those arising from the long duration of the loan and those associated with a high DSTI.

As far as insurance products are concerned, prior to the purchase of insurance, each client receives documents containing the details of the offer: general insurance conditions, product card, information card and policy specimen.

As part of direct sales, our employees are obliged (in accordance with the sales procedure) to provide clients with the most important information, including coverage and exclusions, prior to purchase. Regardless of the information in the sales processes – the full range of information (the above documents) and descriptions of the scope and cases of protected risks are provided on our website and in the ING Offer section in My ING.

We care about education for our employees

All bank employees complete training on how to comply with the principles described in the ING Orange Code. The training covers issues such as client focus, one element of our Think Forward strategy. The training reminds staff that the bank strives to reduce the complexity of our products, avoids mis-selling and aims to offer the right products to the right client in the right way at the right time. We achieve this by continually striving to meet clients' needs, offering value for money, communicating with clients in a timely and clear and straightforward manner so as not to mislead them, using appropriate communication channels, regularly evaluating products, services and sales practices, working with professional and licensed distributors and advising clients in an honest, frank and open manner.

Corporate segment

We run regular educational programmes with product experts for our entrepreneurial specialists and corporate client advisers. Their aim is to improve and equalise knowledge and skills.

In H1 2021 alone, we delivered dozens of webinars that touched on a wide range of areas, including proposals and working with housing associations, secured loan offerings, invoice finance and sustainable finance, among others.

In addition to the workshops, our employees were subject to compulsory certification or refresher certification, and compulsory periodic training throughout our organisation, such as on market abuse.

Retail segment

We continually carry out education and training activities for employees in the retail distribution network. Our activity in this area is divided into four areas:

- The area of onboarding a new employee – including information on products, safety when banking, the standard of client service and recognition of money signs.
- Development education area – developing the ability to offer products in a way that is safe and clear to the client.
- Area of specialised education – products and the safety of their offering and sale.
- The area of compulsory education – certificates resulting from legal regulations.

For the sake of client satisfaction

Strategic clients

For several years, in the area of strategic clients, we have been organising cooperation satisfaction surveys for our clients. We conduct the survey once a year. It is based on the NPS (Net Promoter Score) methodology recognised among experts. In addition to cooperation satisfaction and loyalty, the NPS survey also measures clients' propensity to recommend cooperation with our bank to others. In addition to the aspect of versatility, innovation, consistency and attractiveness of the bank's range of services, its scope also includes an assessment of the quality of day-to-day cooperation with the bank and with the account manager who manages the entire client relationship. An extremely important area examined using the NPS methodology is also the extent to which clients perceive our bank as a reliable and trustworthy business partner.

The responses provided by clients in the NPS survey are analysed both in aggregate (a change from previous NPS surveys) and on an individual basis (at the level of each client individually). The relationship manager from the bank talks to each client who took part in the survey, with a focus on the areas they felt were the weakest. As a result, we are able to properly diagnose the spaces of cooperation and the bank's services that need to be improved or changed in order to increase client satisfaction. We strive to make our products and services better and better, so direct client feedback and evaluation is very important to us.

Entrepreneurs, medium-sized and large companies

The NPS survey programme has also been operating successfully for many years in the area of entrepreneurs and large and medium-sized companies. Company representatives are keen to share their opinions on cooperation with the bank. We examine 7 points of client interaction with the bank in the entrepreneurial segment (relational NPS, branch visit, account opening, financing, online banking, mobile banking, and infoline) and 5 points of contact in the medium and large business segment (relational NPS, account opening, online banking, mobile banking, and helpline). We continuously analyse the results of surveys, interviews and read comments. We do everything to improve our products, services and processes.

We conduct research continuously and collect results in real time. This not only measures the referral rate, but also allows us to continuously monitor the client experience (CX) at a transactional level and respond in a timely manner to any worrying signals received from company representatives.

Retail segment

In the retail segment we also use NPS research, which is also used as one of the KPIs within the incentive system. Relational NPS is measured by a local market benchmark that we track and analyse on an ongoing basis. In addition, the transactional NPS for client experience at key touchpoints is also examined (the measurement includes a dozen such touchpoints), several of which are part of the incentive system within the KPIs. We rank first in both types of NPS survey.

We also constantly monitor and analyse our bank's performance in the CX rankings, where we aim to achieve the best place – assuming that the ranking criteria are consistent with our strategy.

In addition, we continuously analyse the voice of the client – complaints, emails, instructions, Moje ING messages [My ING], Mój Asystent questions [My Assistant], Social Media feedback and NPS survey comments. We collect and categorise them using artificial intelligence. The conclusions of these analyses are used for actions and improvements.

Our consolidated financial results

Key financial data

Abridged information on the financial performance of the Capital Group of ING Bank Śląski S.A.

PLN million	H1 2020	H2 2020	H1 2021	Change H1 2021 to H1 2020
Revenues*	3074.8	3,155.9	3,261.2	+6.1%
Cost	1413.5	1,349.0	1,512.8	+7.0%
Risk cost	607.1	467.8	147.9	-75.6%
Gross profit	817.1	1,094.6	1,343.7	+64.4%
Net profit**	583.5	754.1	1,000.9	+71.5%
Balance sheet total	180,639.3	186,595.7	197,282.3	+9.2%
Liabilities to clients	150,979.3	151,028.5	161,998.3	+7.3%
Loans granted and other receivables, net	120,831.5	124,761.5	133,863.1	+10.8%
Equity**	18,235.5	18,618.3	17,857.6	-2.1%

*including the net profit of associated entities accounted for using the equity method; ** attributable to shareholders of the parent company;

Key effectiveness ratios

Key performance ratios of the Capital Group of ING Bank Śląski S.A.

	H1 2020	H2 2020	H1 2021	Change H1 2021 to H1 2020
C/I ratio	46.0%	42.7%	46.4%	+0.4 p.p.
ROA	0.89%	0.76%	0.93%	+0.04 p.p.
ROE	9.0%	7.6%	9.7%	+0.6 p.p.
ROE, adjusted	10.7%	9.4%	11.6%	+0.9 p.p.
Interest margin ratio (cumulated)	2.83%	2.63%	2.48%	-0.34 p.p.
LTD ratio	80.0%	82.6%	82.6%	+2.6 p.p.
LCR	223%	220%	200%	-23 p.p.
NSFR	144%	144%	163%	+19 p.p.
LR according to transitional definition	6.96%	7.31%	6.97%	+0.01 p.p.
Total capital ratio	18.31%	19.52%	18.08%	-0.23 p.p.
Tier 1 capital ratio	15.78%	16.91%	15.74%	-0.04 p.p.

Return on equity (ROE) – adjusted – the sum of net profit for 4 consecutive quarters / average value of capita for 5 consecutive quarters net of revaluation reserve of instruments hedging cash flows.

Income statement

Basic consolidated Profit and Loss Account figures of the Group of ING Bank Śląski S.A. for 2021 and changes for H1 2020 are presented in the table below.

Basic figures in Consolidated Profit and Loss Account in analytical terms

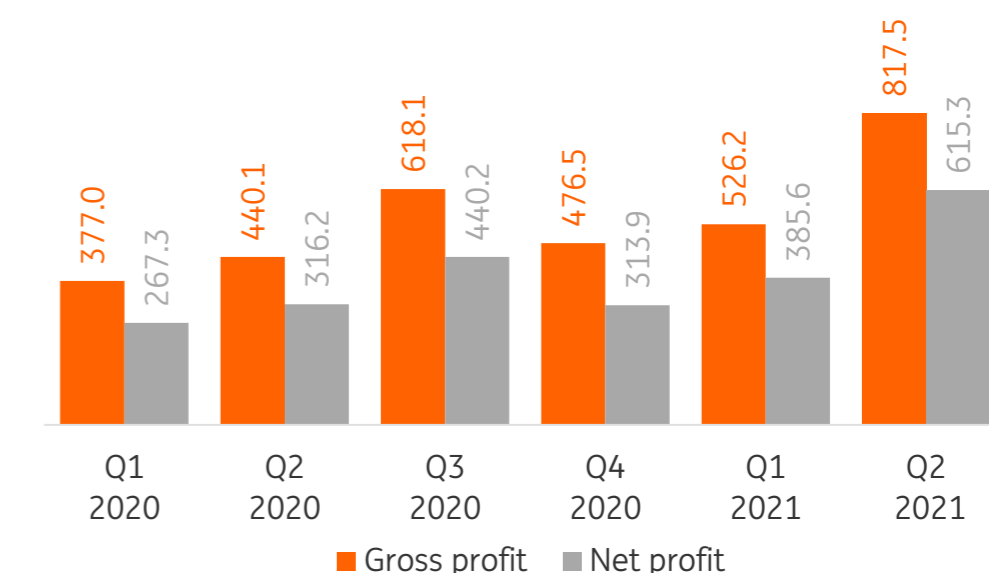
	H1 2020	H2 2020	H1 2021	Change H1 2021 to H1 2020	%
PLN million				PLN million	
Net interest income	2,251.3	2,290.5	2,316.6	+65.3	2.9%
Net commission income	703.1	825.3	884.6	+181.5	25.8%
Other revenues*	120.4	40.1	60.0	-60.4	-50.2%
Total income	3,074.8	3,155.9	3,261.2	+186.4	6.1%
Operating expenses	1,413.5	1,349.0	1,512.8	+99.3	7.0%
Impairment allowances for expected credit losses and legal risk costs on foreign currency mortgage loans	607.1	467.8	147.9	-459.2	-75.6%
Bank levy	237.1	244.5	256.8	+19.7	8.3%
Gross profit	817.1	1,094.6	1,343.7	+526.6	64.4%
Income tax	233.6	340.5	342.8	+109.2	46.7%
Net result attributable to non-controlling shareholders	0.0	0.0	0.0	0.0	-
Net profit	583.5	754.1	1,000.9	+417.4	71.5%

*The result on financial instruments measured through profit and loss account and net FX gains/losses, the result on sales of securities measured at amortised cost, the result on sales of securities measured at fair value through other comprehensive income and dividend revenues, the result on investments, the result on hedge accounting, the result on other core activities and net profit of associated entities consolidated with the equity method.

Profit before tax and net profit

In H1 2021, the ING Bank Śląski S.A. Group posted the net profit attributable to the shareholders of the parent entity of PLN 1,000.9 million. That implies that the net profit increased by 71.5% versus H1 2020. The gross result amounted to PLN 1,343.7 million.

Profit before tax and net profit of the ING Bank Śląski S.A. Group (PLN million)



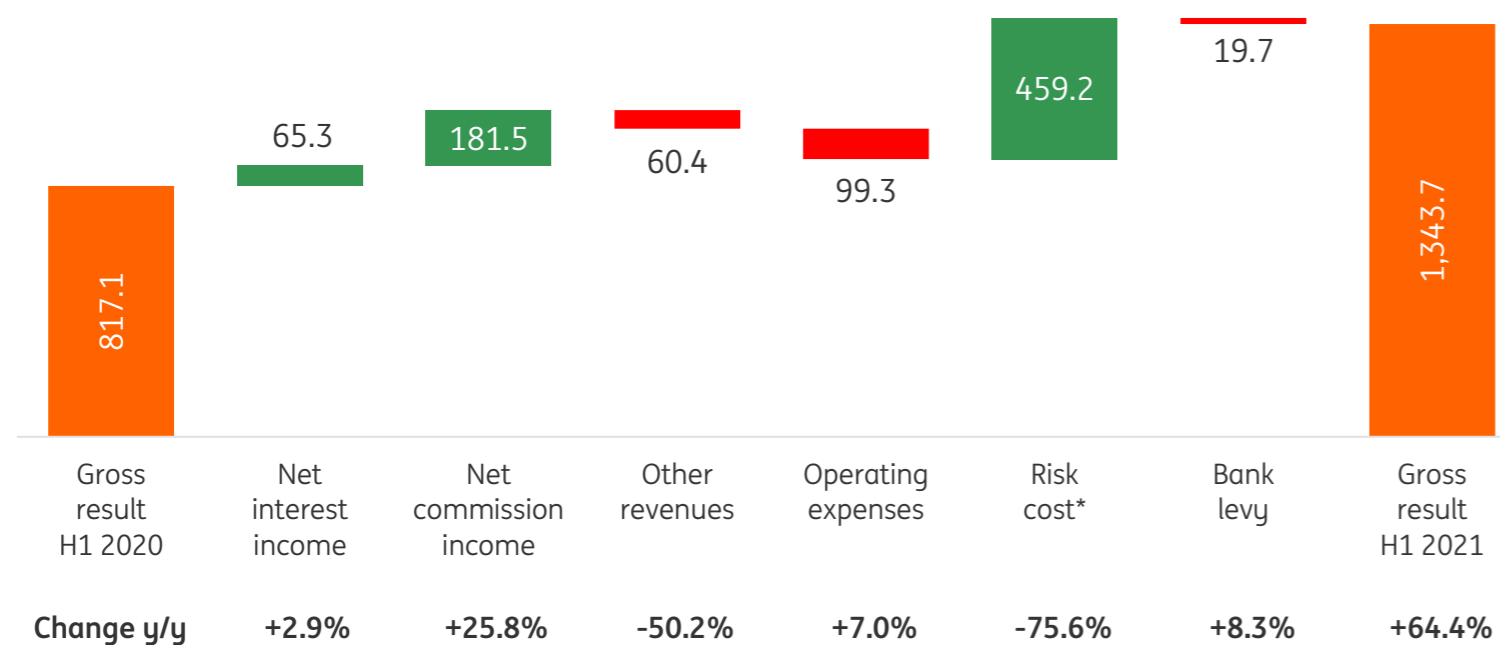
The increase of the profit before tax for H1 2021 by PLN 526.6 million or 64.4% versus H1 2020 was mainly due to:

- increase in net fee and commission income by PLN 181.5m (+25.8% y/y),
- net interest income, which was up by PLN 65.3 million (+2.9% y/y),
- decline in cost of risk (including cost of FX mortgage loans) by PLN 459.2 million (-75.6% y/y).

On the other hand, the factors that had negative impact on the result before tax in the first six months of 2021 versus 2020 included:

- other income down by PLN 60.4 million (-50,2% y/y),
- operating expenses up by PLN 99.3 million, (+7% y/y).

Change drivers for result before tax of the ING Bank Śląski Group in H1 2021 (PLN million)



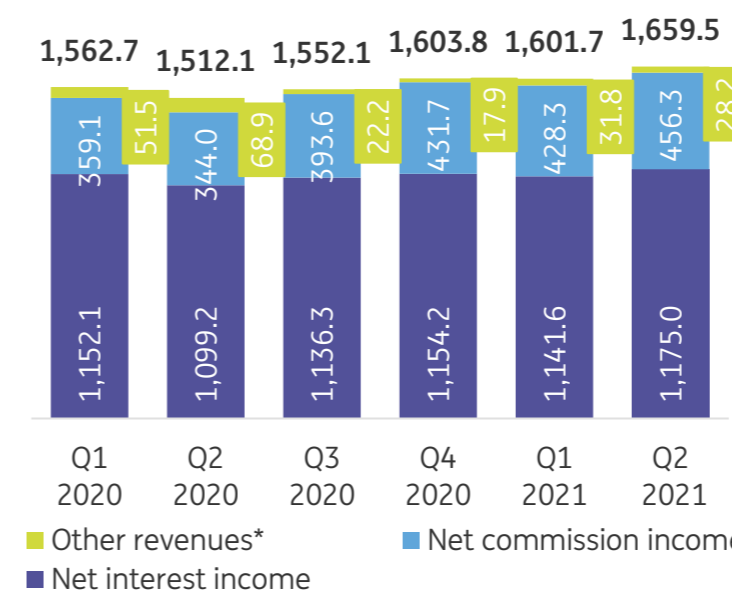
*including costs of legal risk of foreign currency mortgage loans

Revenues

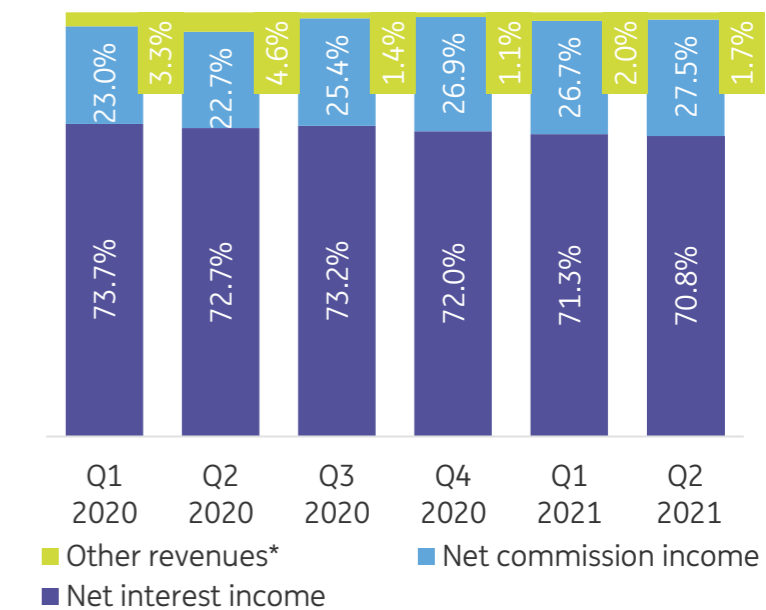
In H1 2021, total revenues of the Group of ING Bank Śląski S.A. amounted to PLN 3,261.2 million. That means that the improvement compared to H1 2020 was PLN 186.4 million or 6.1% and was mainly driven by higher fees and commissions.

Income* by income statement categories

(PLN million)



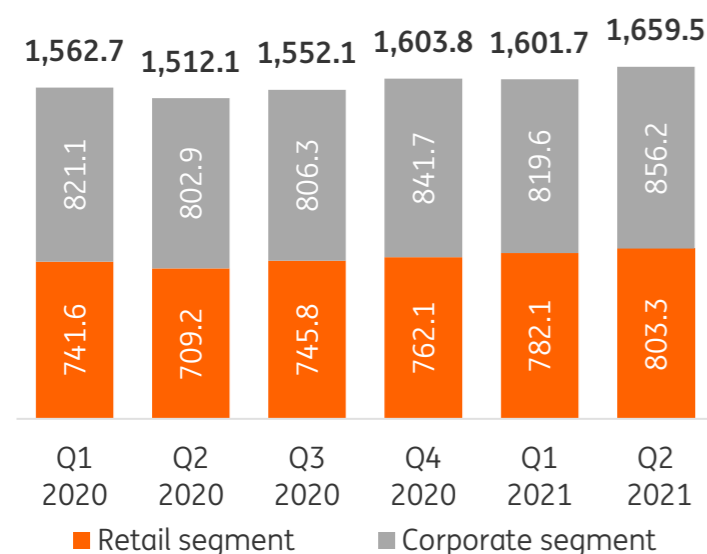
Income structure*



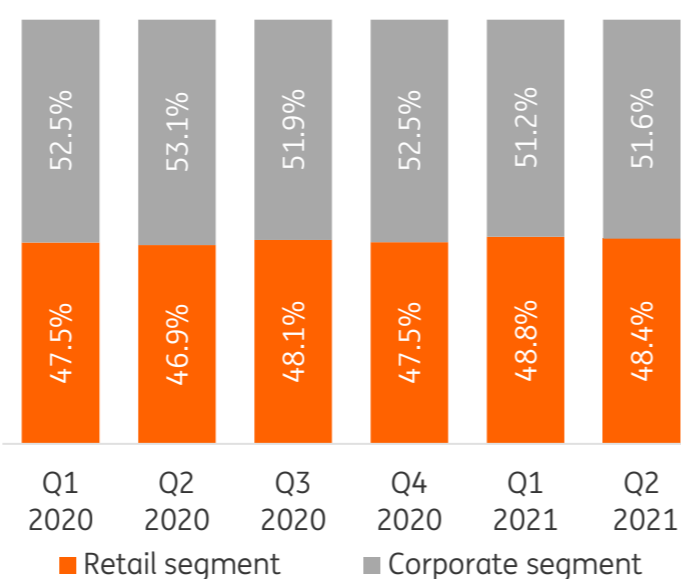
*including the share in net profits of affiliated entities recognised on an equity basis

In H1 2021, the retail segment was the main income growth contributor. Its income was up by PLN 134.6 million, or 9.3%, to up to the level of PLN 1,585.4 million. Consequently its share in the structure was up by 1.4 p.p. to the level of 48.6%. Income of the corporate segment was up by PLN 51.8 million, or by 3.2%, to reach PLN 1,675.8 million.

Income* breakdown by segments (PLN million)



Income structure*

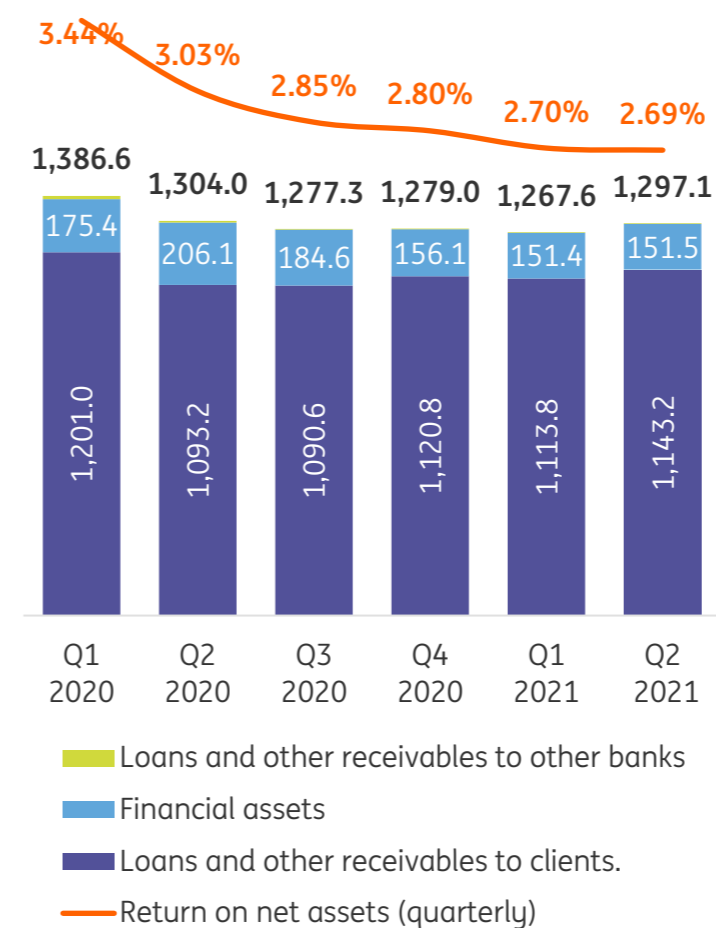


*including the share in net profits of affiliated entities recognised on an equity basis

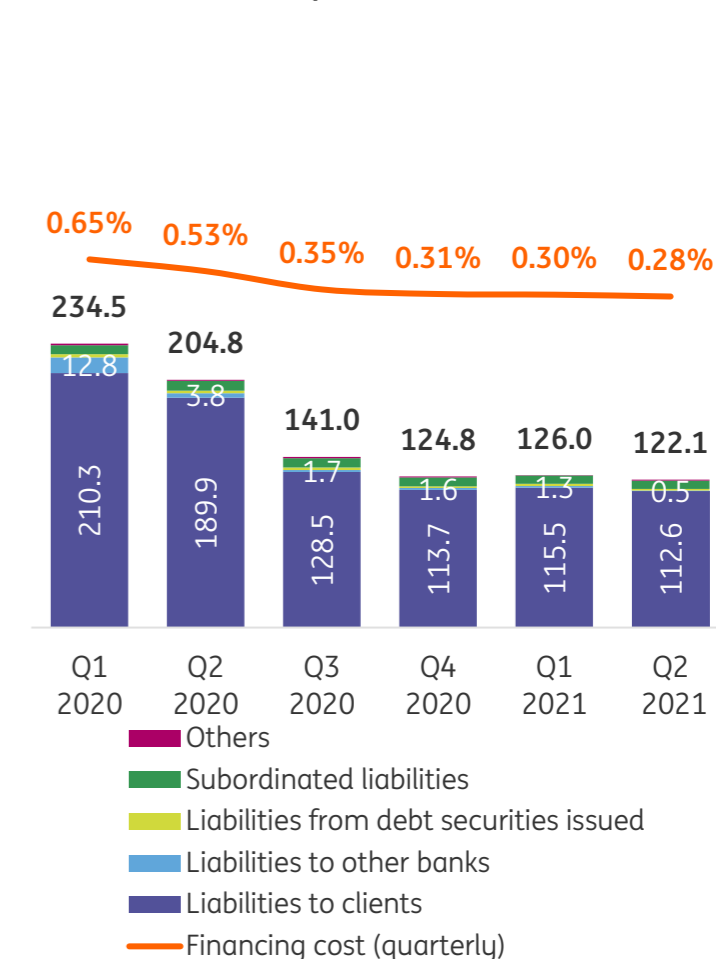
Net interest income

In H1 2021, interest income was down by 4.7% compared to H1 2020, mainly due to lower interest on investment securities. On the other hand, interest expenses dropped by 43.5% y/y, mainly due to lower costs of liabilities to clients. Consequently, the net interest income was up by 2.9% y/y, i.e. by PLN 65.3 million to the level of PLN 2,316.6 million. Due to the interest rate cuts in the first half of 2020 (the reference rate fell from 1.5% at the end of February 2020 to 0.1% at the end of May 2020), the bank's interest margin was under pressure (drop in WIBOR rates, reduction in the maximum lending rate from 10.0% to 7.2%, change in the amount and interest rate of the reserve requirement, low yields on treasury securities).

Interest income (PLN million)

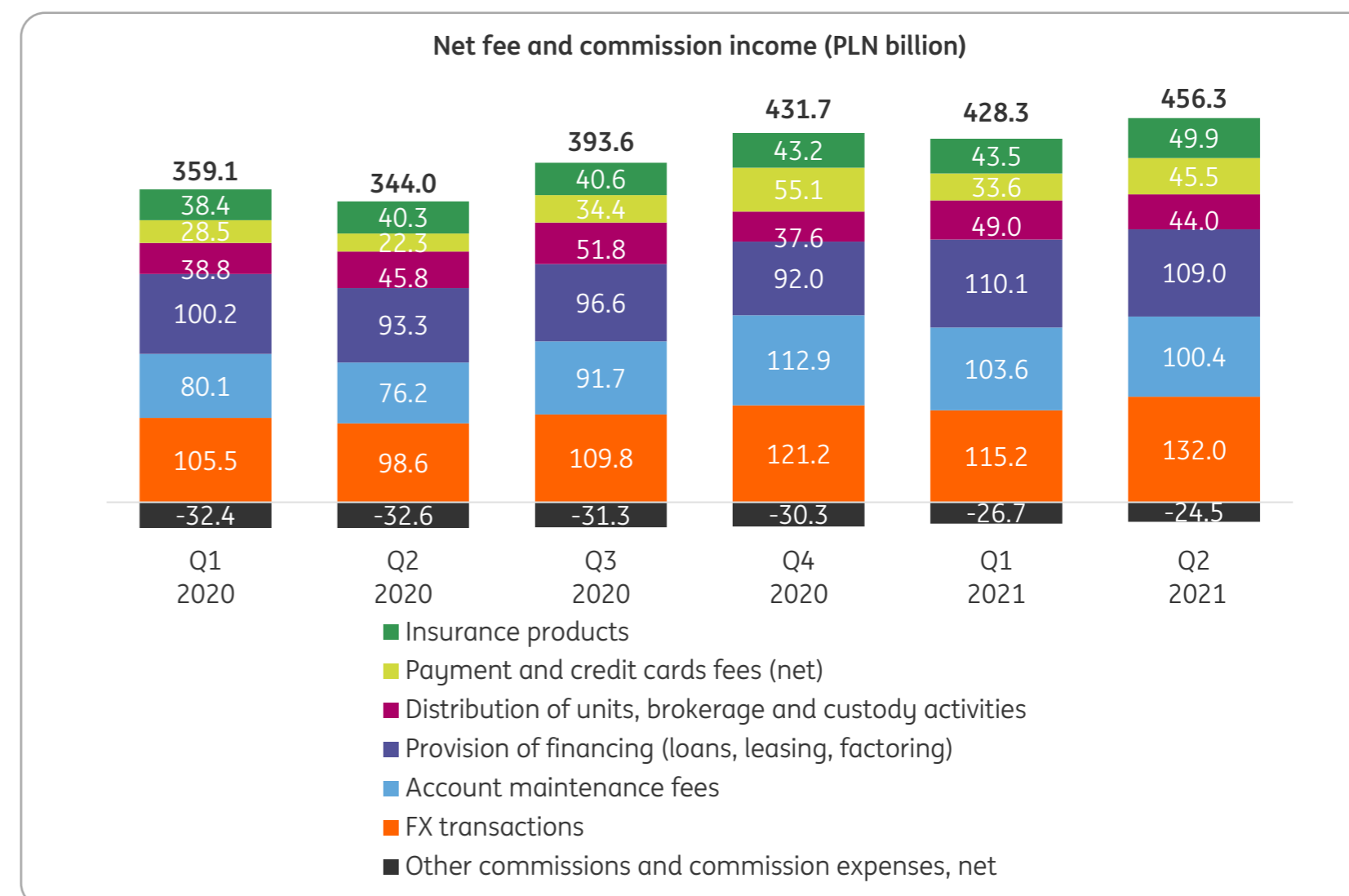
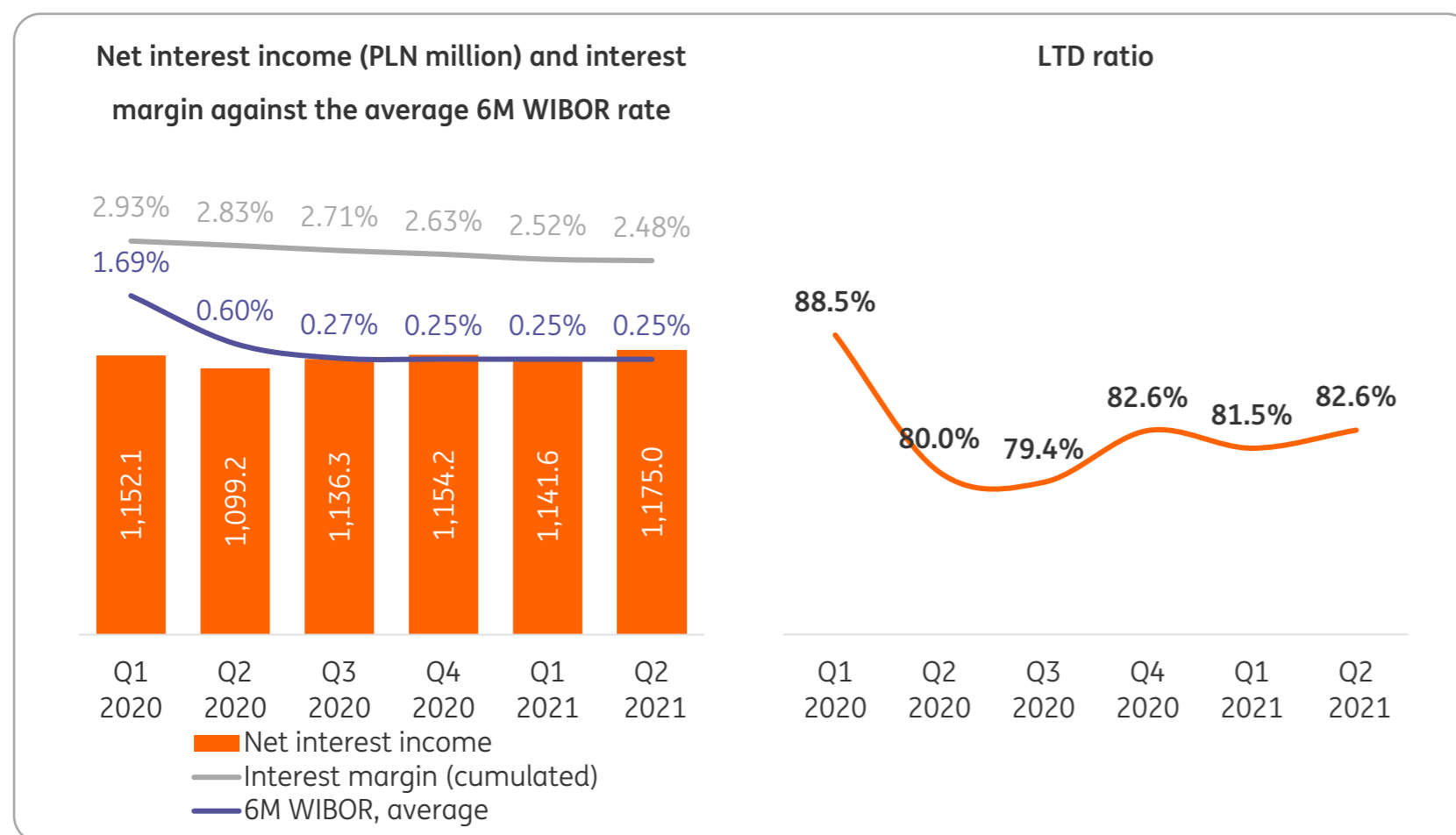


Interest expenses (PLN million)



As a result of the interest rate cuts and a high growth of clients' deposits (and a drop of the loan to deposit ratio), our bank's interest rate margin shrank. The cumulated interest margin dropped from 2.83% after H1 2020 to 2.48% at the end of H1 2021.

The adjustment of the interest rate terms of client deposits to the new conditions was implemented during the second half of 2020.



Net fee and commission income

In H1 2021, net fee and commission income of the Group of ING Bank Śląski S.A. was up by PLN 181.5 million or by 25.8% compared to H1 2020 to PLN 884.6 million.

The most significant increase in fee and commission income was recorded for the following items:

- fees and commissions for client accounts – an improvement of PLN 47.7 million (+30.5% y/y),
- fees and commissions for foreign exchange transactions - an improvement of PLN 43.1m (+21.1% y/y),
- fees and commissions for payment and credit cards (net) – an improvement of PLN 28.2 million (+55.4% y/y).

Other revenues

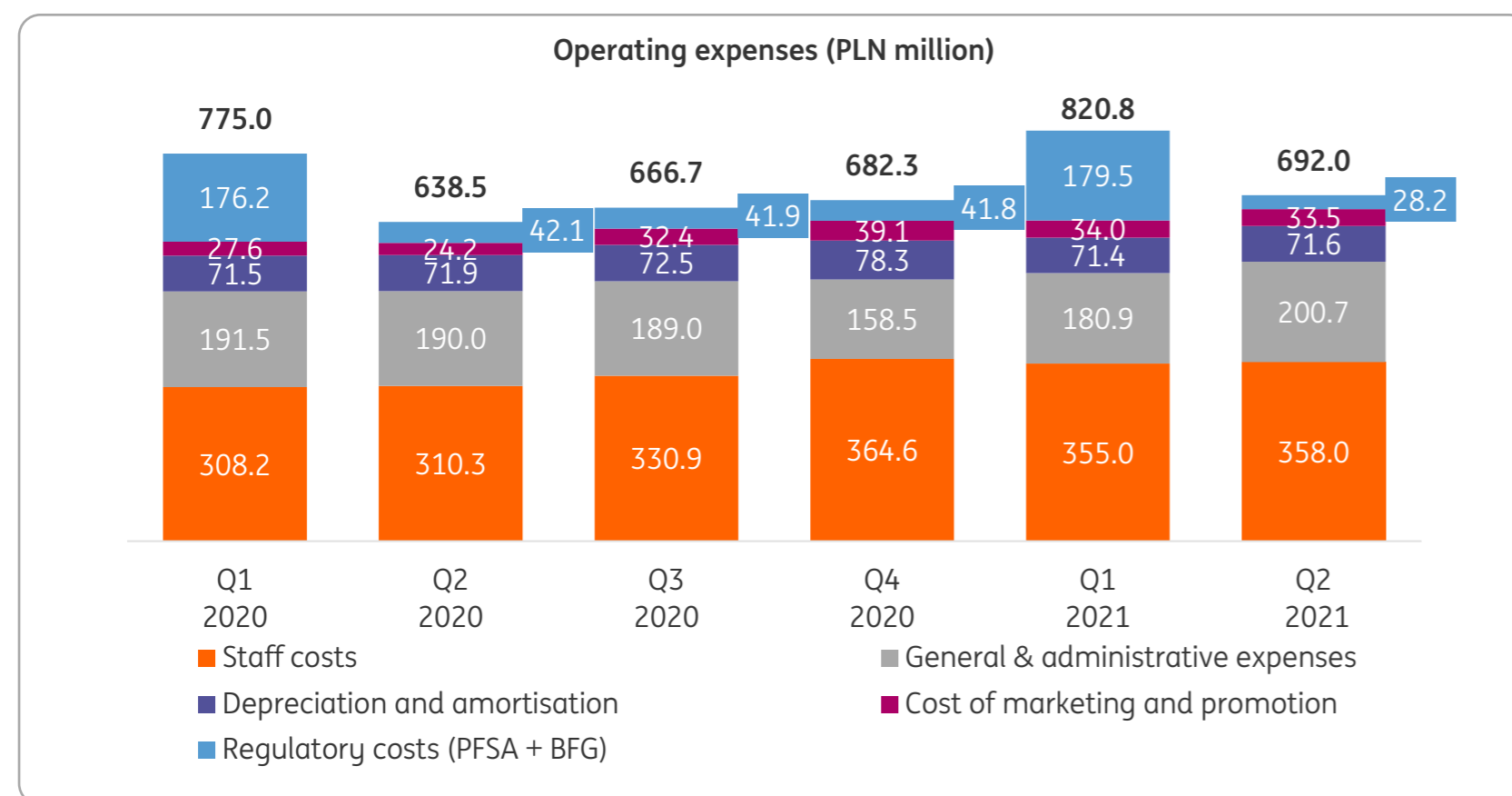
In H1 2021, the Group's other income (including the share in the net result of associated entities accounted for under the equity method) amounted to PLN 60.0 million and was down by PLN 60.4 million versus the previous year. The decrease was due to a lower profit on hedge accounting (PLN 28.6 million in H1 2020 versus PLN -14.2 million in H1 2021).

Operating expenses

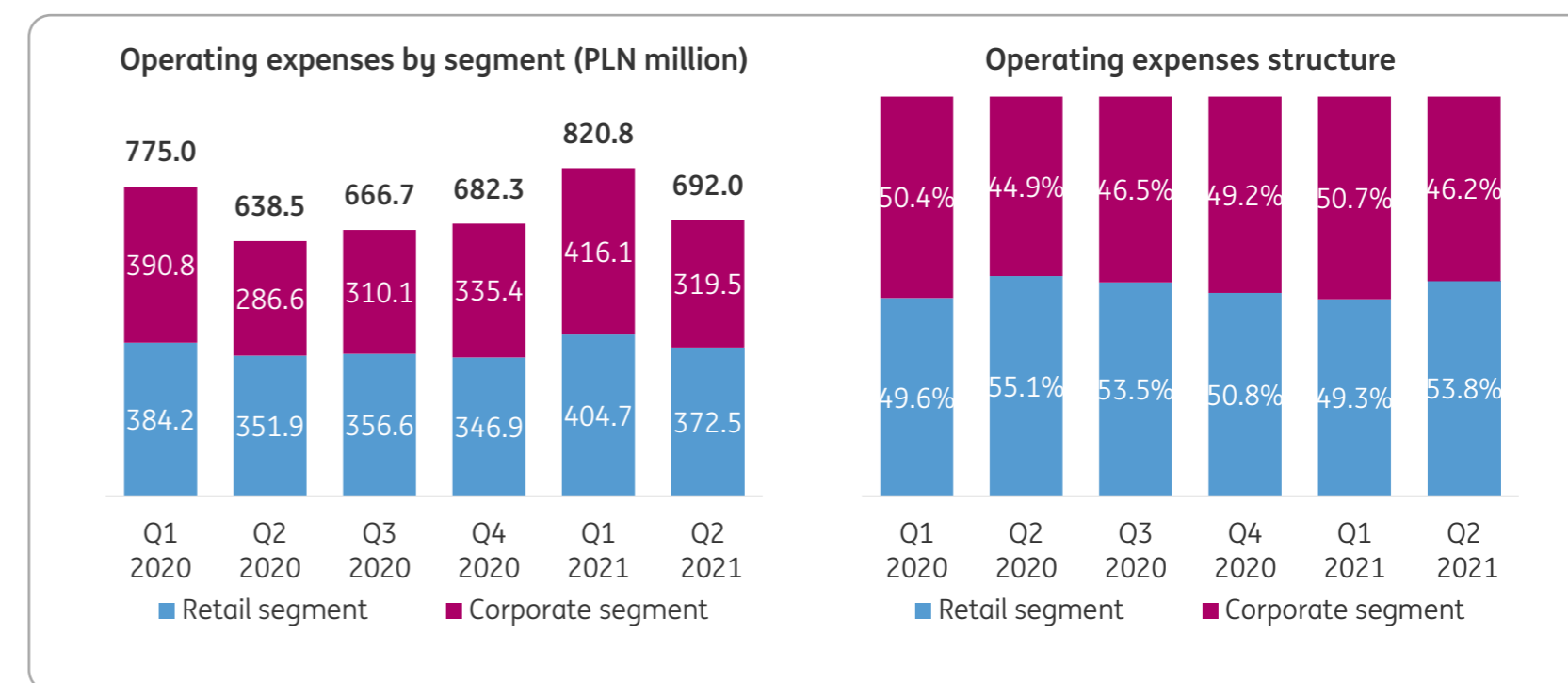
In H1 2021, the operating costs of the ING Bank Śląski S.A. Group grew by 7.0% y/y up to PLN 1,512.8 million. The highest growth in 2021 occurred to personnel costs (PLN +94.5 million y/y or by 15.3% y/y). Other operating expenses (excluding depreciation, amortisation and regulatory costs) increased by PLN 15.8 million y/y, due in part to marketing and promotion costs.

The amount of contributions to the enforced restructuring fund was PLN 132.6 million (PLN 125.4 million in 2020). The contribution to the deposit guarantee fund in H1 2021 was PLN 55.9 million (versus PLN 79.6 million in H1 2020).

The headcount level in the ING Bank Śląski Group increased (8,731 FTEs at the end of June 2021 compared to 8,131 FTEs at the end of 2020 and 8,451 FTEs at the end of December).

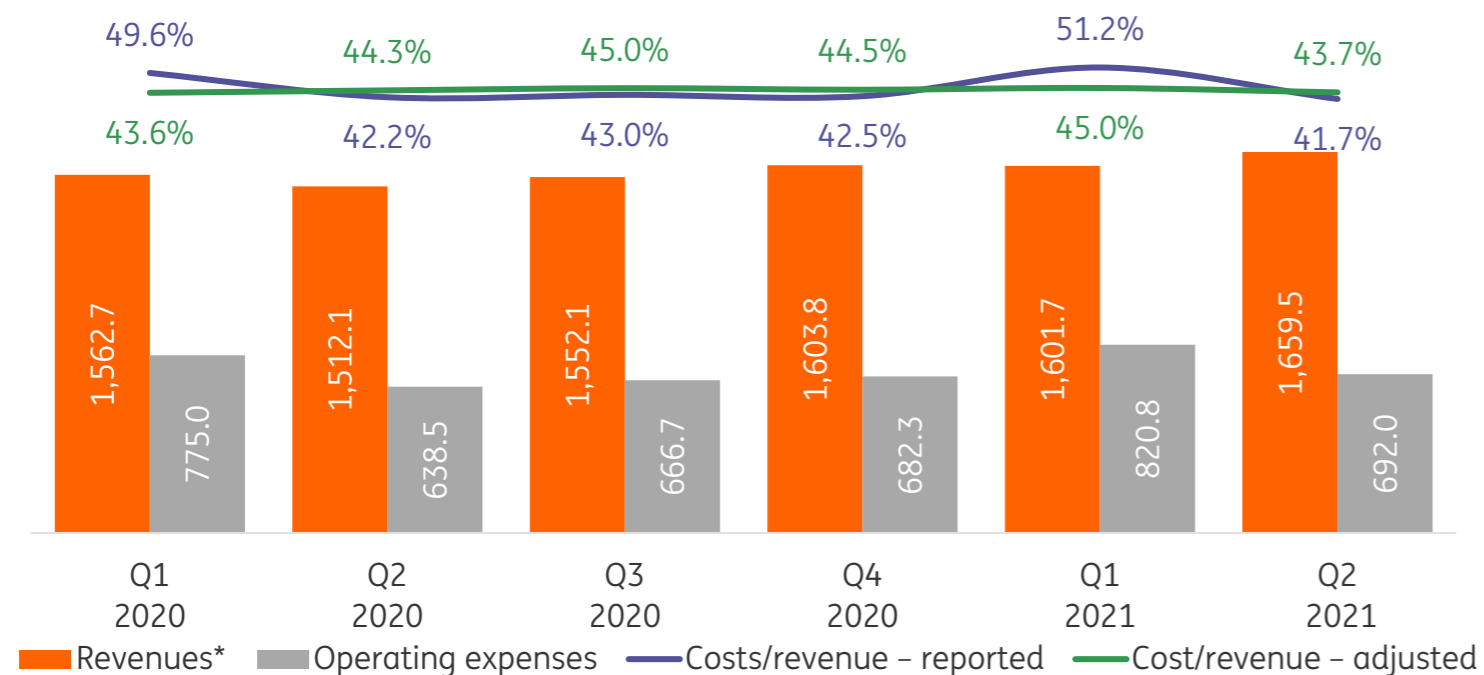


Operating expenses of the retail segment were up by PLN 41,1 million y/y (+5.6%) to PLN 777.2 million, while operating expenses of the corporate segment were up by PLN 58.2 million y/y (+8.6%) to PLN 735.6 million. Consequently, the share of the retail segment in expenses dropped by 0.7 p.p. to 51.4% compared to H1 2020.



Due to the faster growth of operating costs than operating income, the cost-to-income ratio increased in H1 2021 compared to the previous year. It was 46.4%, which means a growth by 0.4 p.p. r/r. The adjusted cost to income ratio for H1 2021 (assuming a quarterly recognition of the contribution to the enforced restructuring fund) was 44.4% which also deteriorated by 0.4 pp y/y.

Income* against operating expenses (PLN million) and C/I ratio

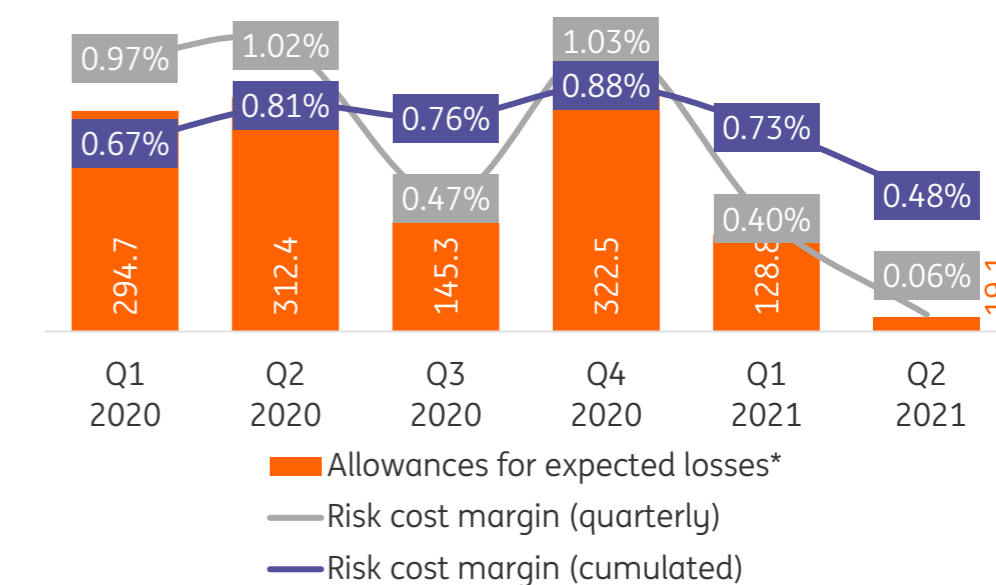


*including the share in net profit of associated entities consolidated with the equity method; adjusted ratio - after an adjustment to BGF contributions by spreading the contribution to the enforced restructuring fund to 4 quarters.

Allowances for expected losses

In H1 2021, there was a significant decrease in the ratio of the cumulative risk cost margin (the ratio of the allowance for expected losses and legal risk costs of foreign currency mortgage loans to the gross loan portfolio), to 0.48% from 0.81% in the previous year. In the retail segment, the cumulative cost of risk margin (including legal risk costs of foreign currency mortgages) increased from 0.65% in H1 2020 to 0.79% in H1 2021. This was due to the creation in H2 2020 of a PLN 260.1 million provision for the legal risk of foreign currency mortgage loans.

Consolidated allowances for losses of net financial assets and costs of legal risk of foreign currency mortgage loans (PLN million)

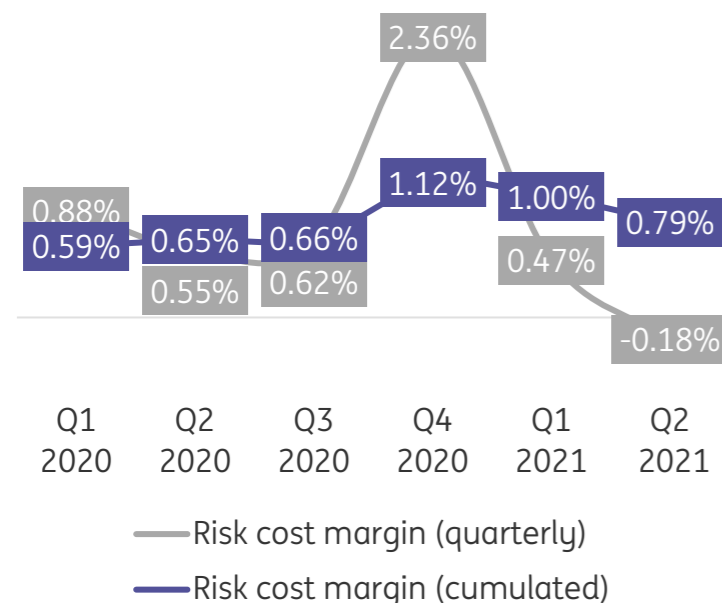
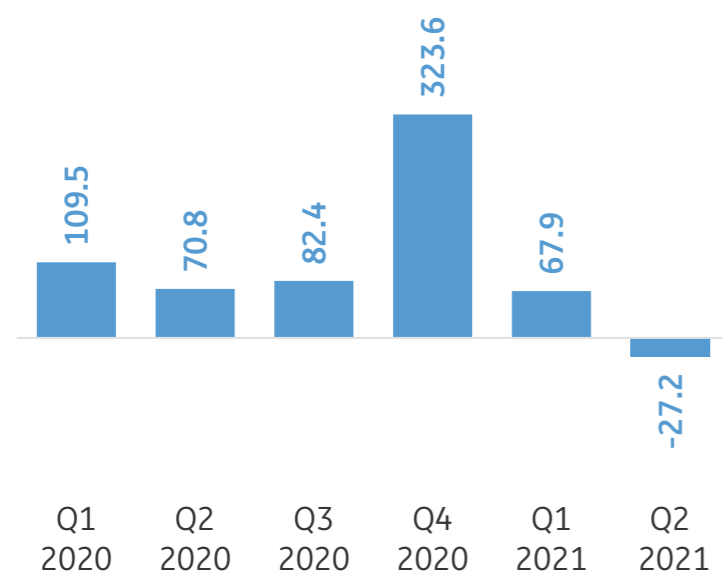


*including cost of legal risk of foreign currency mortgage loans

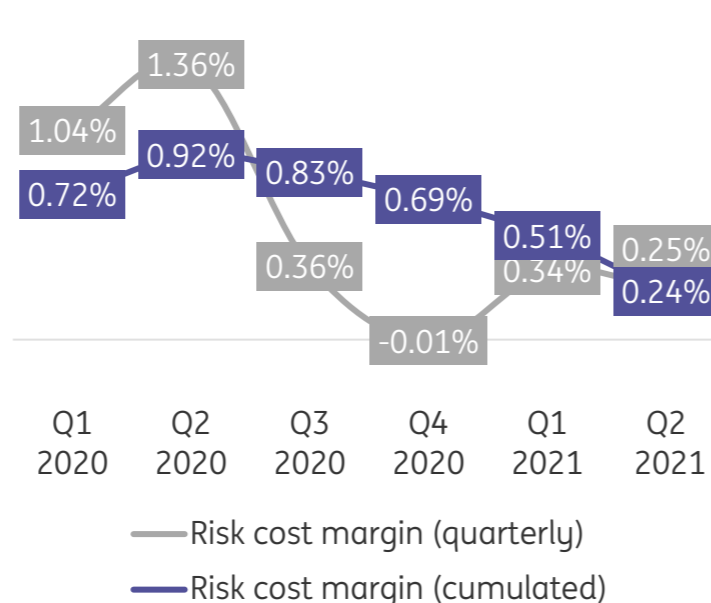
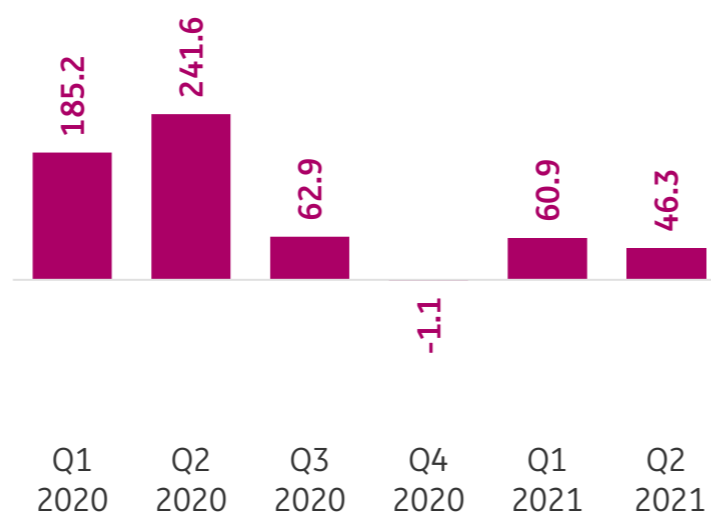
In the corporate segment, the cumulative cost of risk margin decreased from 0.92% in H1 2020 to 0.24% in H1 2021. The decrease in the cost (and margin) of risk is mainly due to movement on reserves resulting from the change in macroeconomic parameters in the models, following the COVID-19 pandemic and its impact on the Polish economy in 2020 and 2021. The cumulative effect for H1 2021 amounts to PLN -11.5 million (net release of provisions), of which PLN +2.5 million in the retail segment and PLN -14.0 million in the corporate segment (in H1 2020 it was PLN +296.4 million, PLN +25.4 million and PLN +270.9 million respectively).

In Q2 2021, our bank sold a portfolio of Stage 3 receivables consisting of both retail and corporate exposures. The transaction had a positive impact on the risk costs of PLN 61.6 million. There was also a sale of stage 3 receivables in Q1 2020, but this only involved exposures from the corporate segment. Its impact on risk costs amounted to PLN 4.1 million. The Bank regularly sells Phase 3 debt portfolios under its credit risk management policy.

Impairment allowances for losses on expected net financial assets and legal risk costs on FX mortgage loans in the retail segment (PLN million)



Allowances for expected losses on net financial assets in the corporate segment (PLN million)



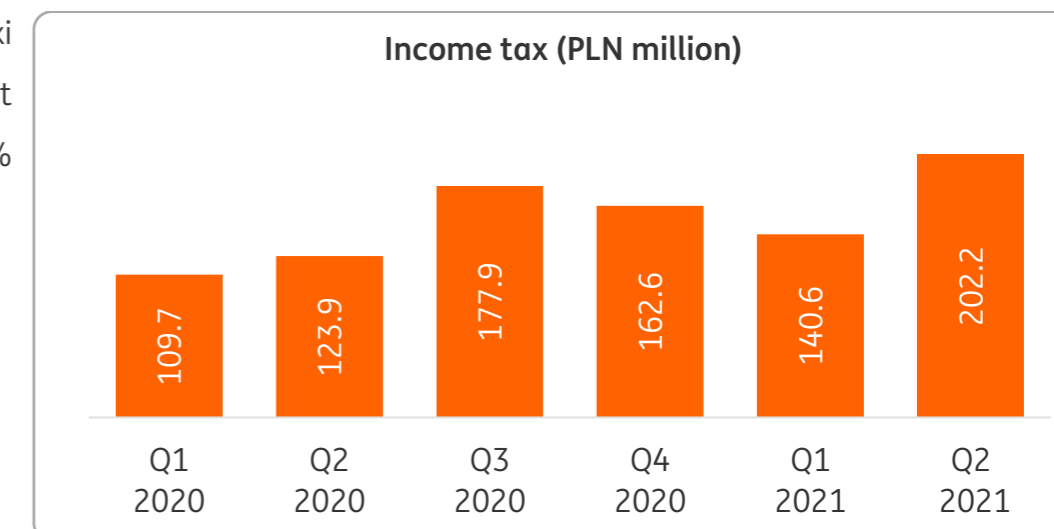
In addition, in 2020, the bank made provisions for the legal risk of foreign currency mortgage loans (entirely attributable to the retail segment) totalling PLN 270.3 million for the full year, of which PLN 10.2 million in H1 2020. The bank did not make any additional provisions on this account in 2021.

Tax on certain financial institutions

In H1 2021, the Group of ING Bank Śląski S.A. paid tax on certain financial institutions (the so-called bank levy) in the amount of PLN 256.8 million. There was a growth by PLN 19.7 million, i.e. by 8.4%, compared to H1 2020 due to a higher tax base. That is a consequence of higher business volumes.

Income tax

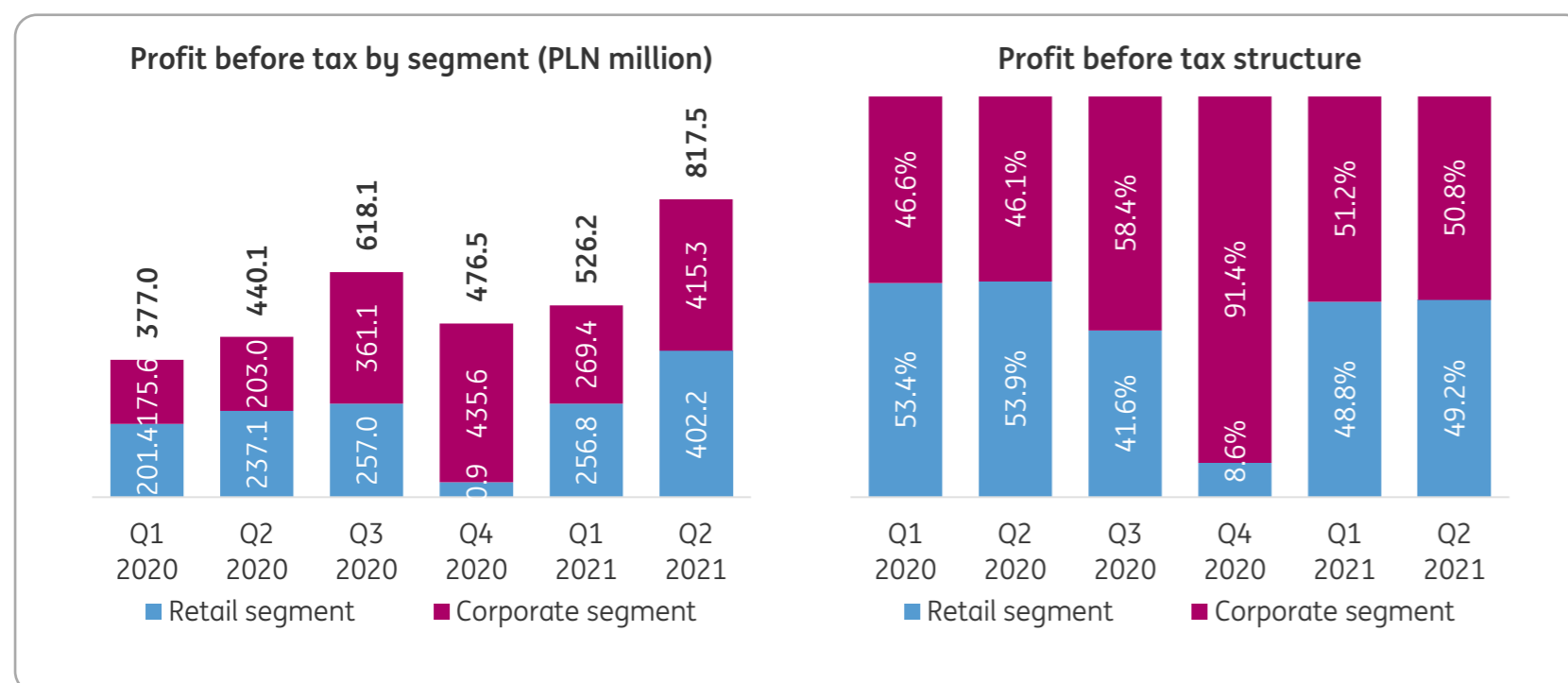
In H1 2021, the Group of ING Bank Śląski S.A. recorded income tax in the amount of PLN 342.8 million. It was up by 46.7% compared to the previous year.



Report by business segment

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

- retail banking segment within which natural persons are serviced,
- the corporate banking segment, which comprises service of entrepreneurs, institutional clients (commercial companies) and operations in financial market products.



In H1 2021, results of the retail banking segment and of the corporate banking segment accounted for 49.0% and 51.0% of the Group's result before tax respectively (last year: 53.7% and 46.3% respectively).

Result before tax in retail banking segment

	H1 2020	H2 2020	H1 2021	Change H1 2021 to H1 2020	%
PLN million				PLN million	%
Net interest income	1193.8	1,246.1	1,280.2	+86.4	+7.2%
Net commission income	209.8	247.5	271.2	+61.4	+29.3%
Other revenues*	47.2	14.3	34.0	-13.2	-28.0%
Total income	1450.8	1,507.9	1,585.4	+134.6	+9.3%
Operating expenses	736.1	703.5	777.2	+41.1	+5.6%
Risk cost*	180.3	406.0	40.7	-139.6	-77.4%
Bank levy	95.9	100.5	108.5	+12.6	+13.1%
Gross profit	438.5	297.9	659.0	+220.5	+50.3%

*including net income of associates accounted for using the equity method; **including legal costs of foreign currency mortgage loans

Result before tax in corporate banking segment

	H1 2020	H2 2020	H1 2021	Change H1 2021 to H1 2020	%
PLN million				PLN million	%
Net interest income	1057.5	1,044.4	1,036.4	-21.1	-2.0%
Net commission income	493.3	577.8	613.4	+120.1	+24.3%
Other revenues*	73.2	25.8	26.0	-47.2	-64.5%
Total income	1624.0	1,648.0	1,675.8	+51.8	+3.2%
Operating expenses	677.4	645.5	735.6	+58.2	+8.6%
Risk cost	426.8	61.8	107.2	-319.6	-74.9%
Bank levy	141.2	144.0	148.3	+7.1	+5.0%
Gross profit	378.6	796.7	684.7	+306.1	+80.8%

*including net profit of associated entities consolidated with the equity method

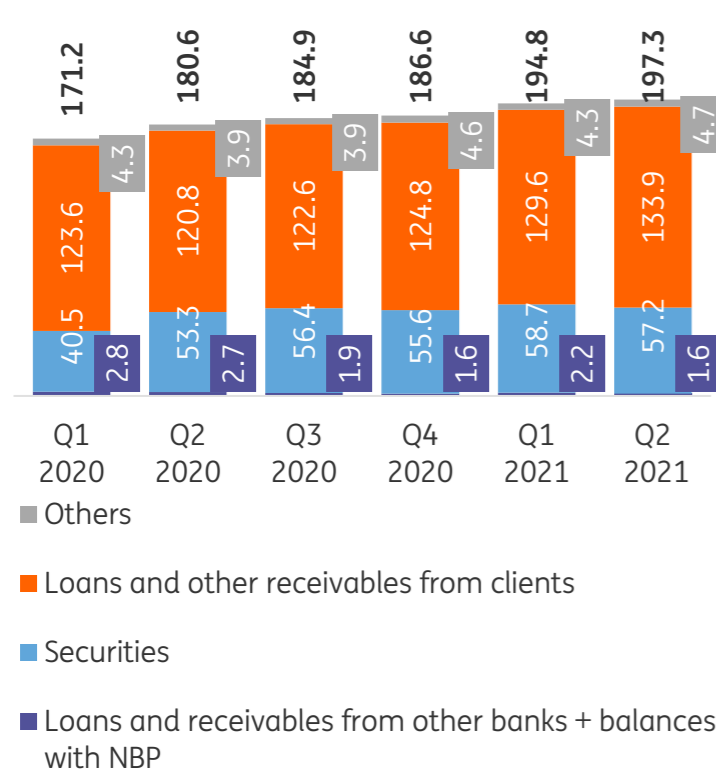
Statement of financial position

Assets

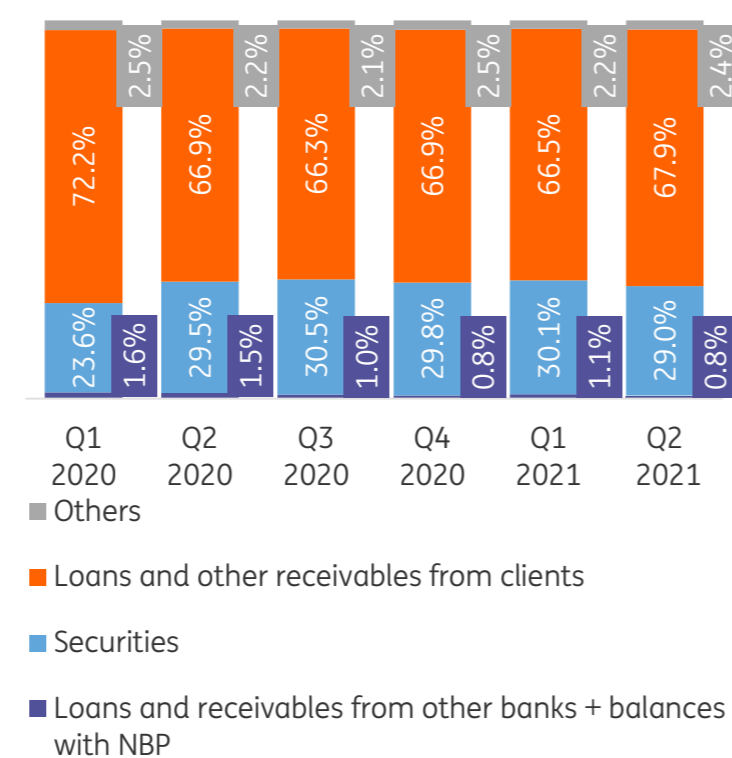
Total assets of the Group of ING Bank Śląski S.A. amounted to PLN 197.3 billion at the end of June 2021. This implies that they were up by 5.7% (PLN 10.7 billion) compared to the end of 2020. The main driver of growth was the portfolio of loans and other receivables from clients (up by PLN 9.1 billion, +7.3% y/y). It is the most important item in the asset structure. On 30 June 2021, they accounted for 67.9% of the Group's total assets.

Total assets of the Capital Assets of ING Bank

Śląski (PLN billion)

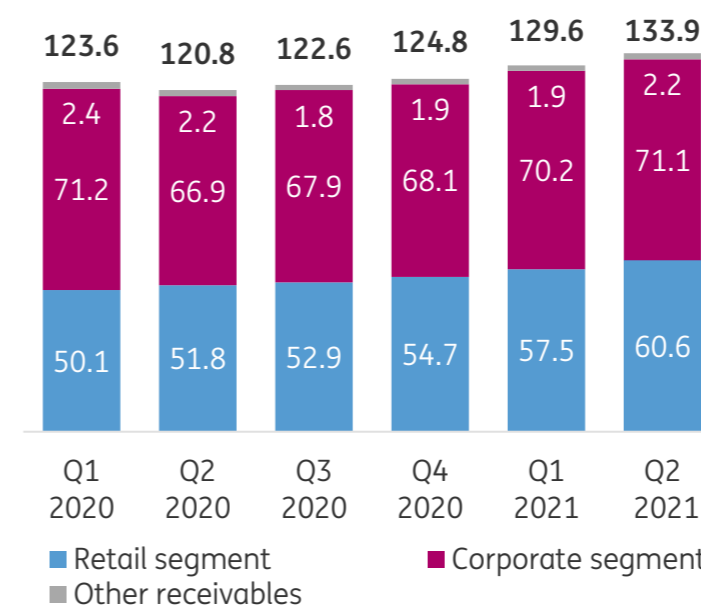


Structure of assets of ING Bank Śląski Group

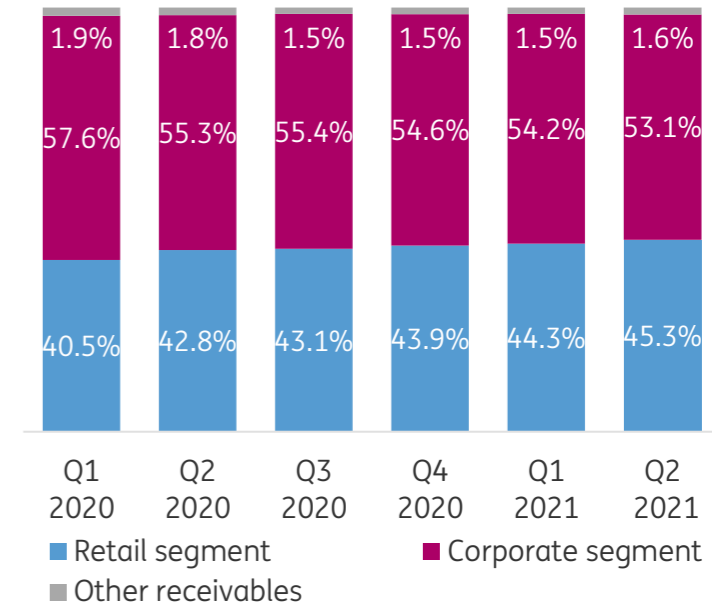


The receivables of the retail segment grew versus the end of 2020 by PLN 5.8 billion (+10.7%) and the receivables of the corporate segment by PLN 3.0 billion (+4.5%). As a result, the share of the retail segment in overall receivables grew up to 45.3% versus 43.9% at the end of 2020.

Net loans* by segment (PLN billion)



Net lending structure*



*loans and other receivables from clients

Net receivables from clients

	June 2020	December 2020	June 2021	Change June 2021 versus June 2020	%
PLN million				PLN million	
measured at amortized cost	233.4	106.2	94.3	-139.1	-59.6%
measured at fair value through P&L account	120,598.1	124,655.3	133,768.8	13,170.7	+10.9%
Total	120,831.5	124,761.5	133,863.1	13,031.6	+10.8%

Net receivables from clients measured at amortised cost

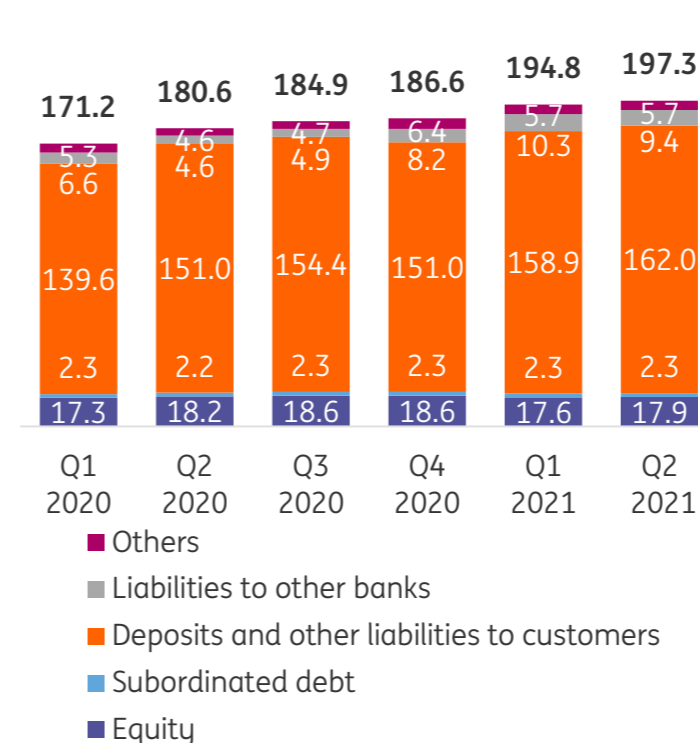
	June 2020	December 2020	June 2021	Change June 2021 versus June 2020	%
PLN million				PLN million	
Loan portfolio, of which:	118,415.2	122,722.1	131,611.7	+13,196.5	+11.1%
households	61,037.6	63,345.0	69,849.9	+8,812.3	+14.4%
business entities	54,431.2	56,059.7	58,600.6	+4,169.4	+7.7%
central and local government institutional sector	2,946.4	3,317.4	3,161.2	+214.8	+7.3%
Total, of which:	118,415.2	122,722.1	131,611.7	+13,196.5	+11.1%
Corporate banking	66,743.9	67,976.7	71,021.5	+4,277.6	+6.4%
overdraft facilities	9,530.3	8,982.1	10,990.3	+1,460.0	+15.3%
terms loans and borrowings	43,307.2	44,502.5	44,070.1	+762.9	+1.8%
lease receivables	9,364.0	9,697.6	10,267.9	+903.9	+9.7%
factoring receivables	4,542.4	4,794.5	5,693.2	+1,150.8	+25.3%
debt securities	2,227.5	2,991.7	2,718.2	+490.7	+22.0%
Retail banking	51,671.3	54,745.4	60,590.2	+8,918.9	+17.3%
mortgage loans and borrowings,	44,708.7	47,621.8	52,725.9	+8,017.2	+17.9%
overdraft facilities	559.1	594.3	602.3	+43.2	+7.7%
other loans and borrowings	6,403.5	6,529.3	7,262.0	+858.5	+13.4%
Other receivables, of which:	2,182.9	1,933.2	2,157.1	-25.8	-1.2%
opened call deposits	1,368.2	1,272.2	1,397.6	+29.4	+2.1%
other receivables	814.7	661.0	759.5	-55.2	-6.8%
Total	133,768.8	124,655.3	120,598.1	+13,170.7	+10.9%

Liabilities

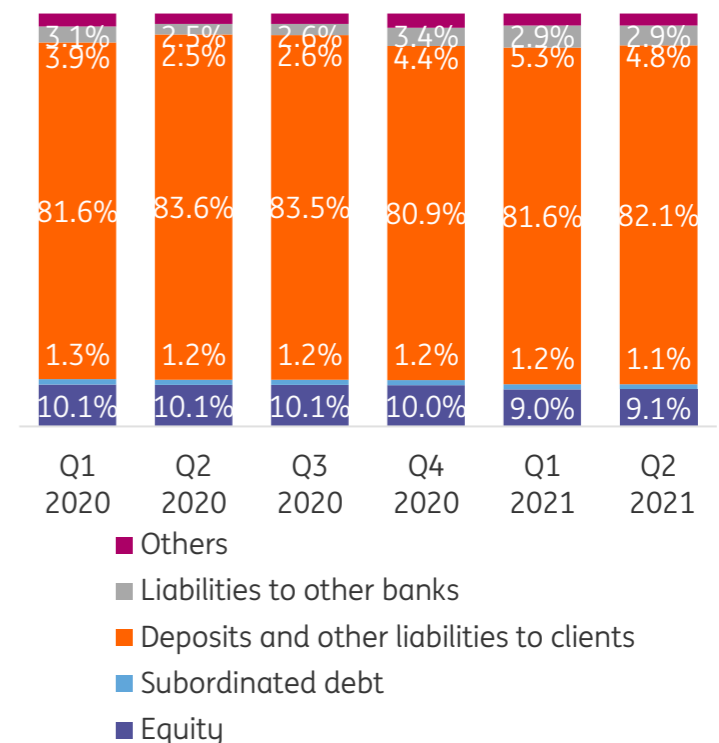
The dominant source of financing of the ING Bank Śląski Group's operations was clients' funds. At the end of June 2021, liabilities to clients amounted to PLN 162.0 billion, or 82.1% of total liabilities.

The next most important source of financing was equity, which at the end of June 2021 amounted to PLN 17.9 billion and accounted for 9.1% of total liabilities.

Liabilities of ING Bank Śląski Capital Group
(PLN billion)

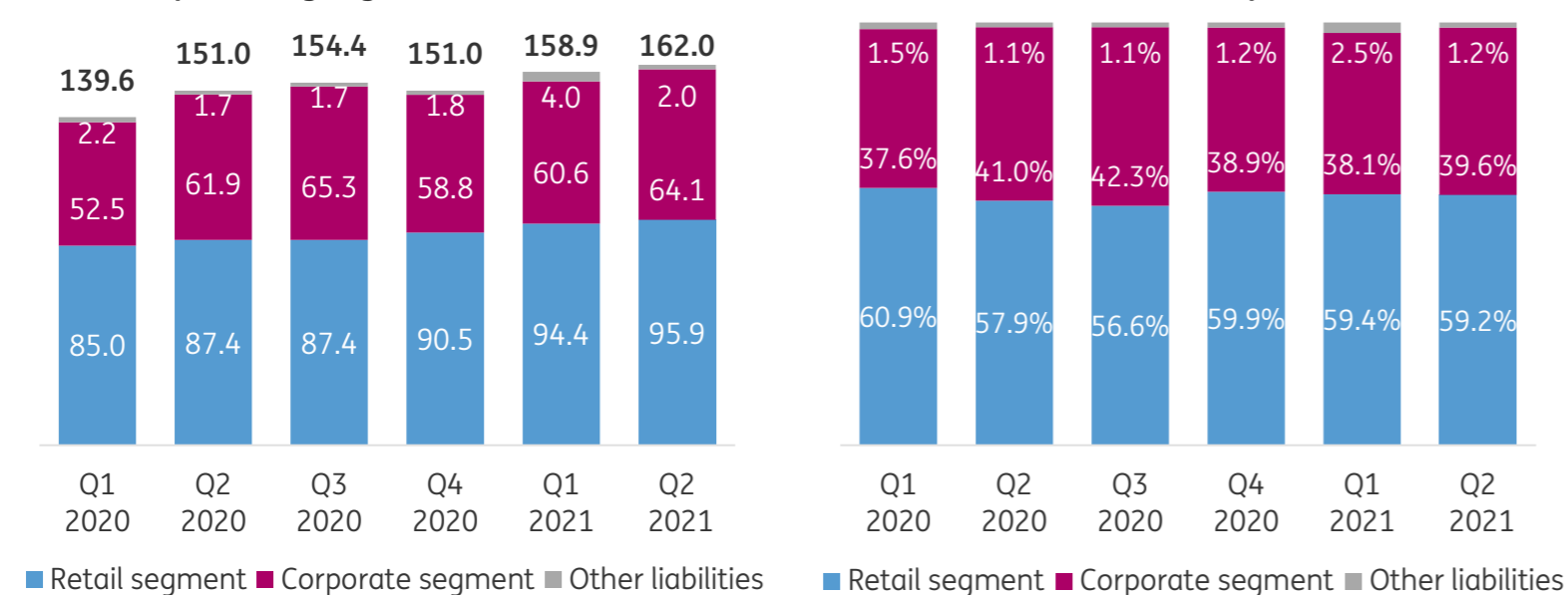


Structure of ING Bank Śląski Group liabilities

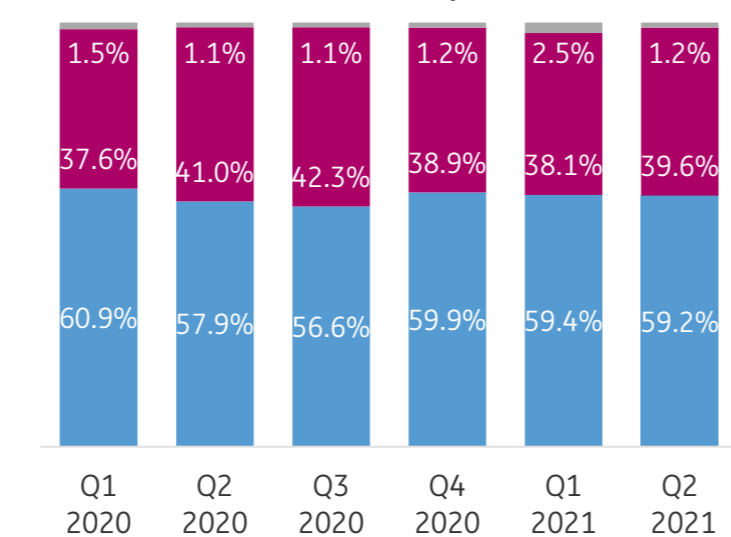


An increase of 7.3% or PLN 11.0 billion in deposits and other liabilities to clients compared to the end of 2020 and was generated by both the retail segment (PLN +5.4 billion) and the corporate segment (PLN +5.3 billion). This resulted in the shares of these segments in the structure of payables to clients being relatively stable relative to year-end 2020.

Deposits* by segment (PLN billion)



Structure of deposits*



Liabilities portfolio vis-a-vis clients

PLN million	June 2020	December 2020	June 2021	Change June 2021 versus June 2020	
				PLN million	%
Deposits, of which:	149,301.0	149,269.9	160,016.4	+10,715.4	+7.2%
households	99,065.9	102,920.0	108,431.8	+9,365.9	+9.5%
business entities	48,100.3	43,454.5	47,530.4	-569.9	-1.2%
central and local government institutional sector	2,134.8	2,895.4	4,054.2	+1,919.4	+89.9%
Total, of which:	149,301.0	149,269.9	160,016.4	+10,715.4	+7.2%
Corporate banking	61,911.3	58,755.4	64,074.2	+2,162.9	+3.5%
current deposits	45,550.1	45,250.6	50,961.7	+5,411.6	+11.9%
saving deposits	15,497.5	12,920.5	12,638.0	-2,859.5	-18.5%
term deposits	863.7	584.3	474.5	-389.2	-45.1%
Retail banking	87,389.7	90,514.5	95,942.2	+8,552.5	+9.8%
current deposits	18,942.0	22,924.1	26,370.2	+7,428.2	+39.2%
saving deposits	66,078.4	65,896.2	68,094.5	+2,016.1	+3.1%
term deposits	2,369.3	1,694.2	1,477.5	-891.8	-37.6%
Other liabilities, including:	1,678.3	1,758.6	1,981.9	+303.6	+18.1%
liabilities under monetary hedges	460.2	547.1	509.5	+49.3	+10.7%
other liabilities	1,218.1	1,211.5	1,472.4	+254.3	+20.9%
Total	150,979.3	151,028.5	161,998.3	+11,019.0	+7.3%

*deposits and other liabilities to vis-a-vis clients

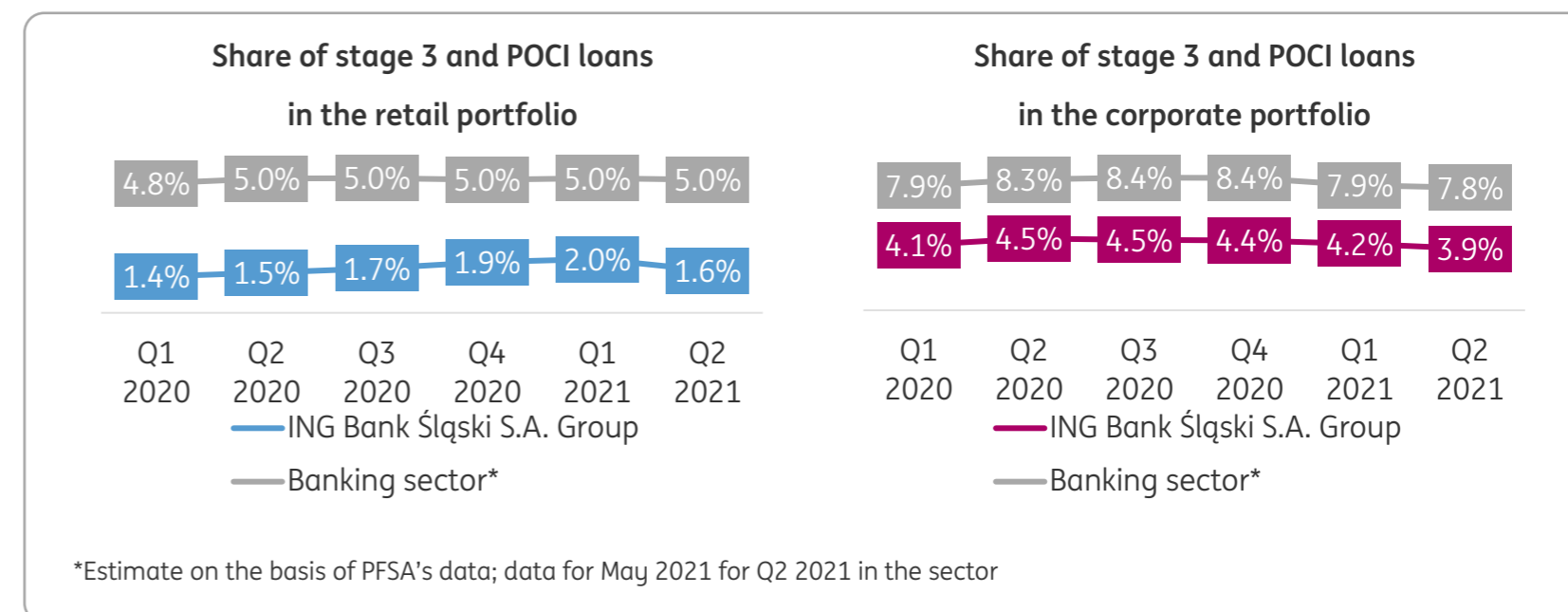
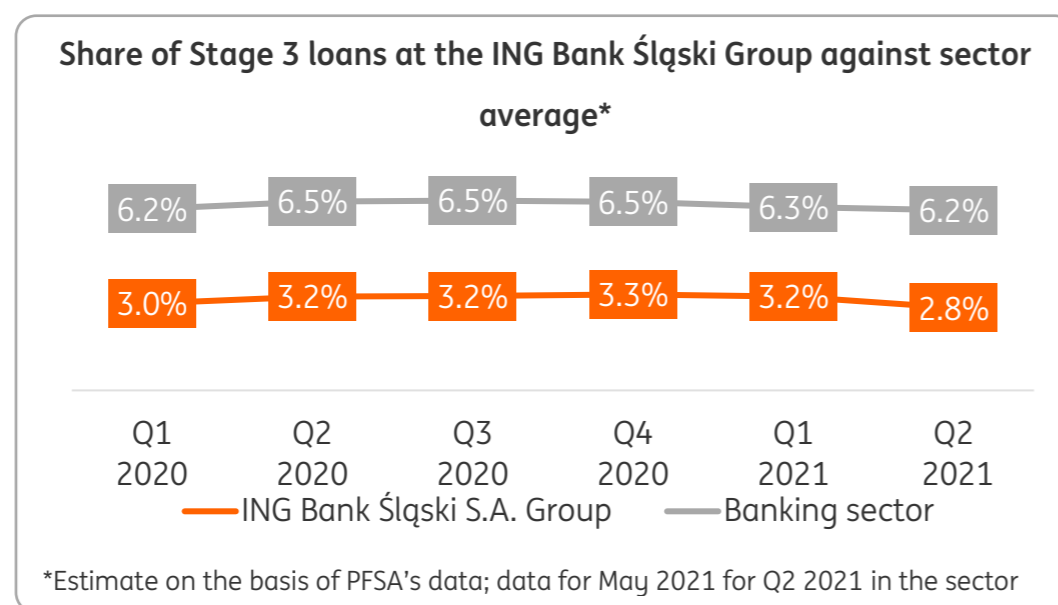
Credit portfolio quality

Share of receivables at stage 3 and POCI

In H1 2021, the quality of our loan portfolio increased versus to the end of 2020. The share of Stage 3 and POCI loans in the ING Bank Śląski Group decreased from 3.3% at the end of 2020 to 2.8% at the end of June 2021. The value of loans in stage 3 and POCI in our Group amounted to PLN 3,822.6 compared to PLN 4,152.5 million at the end of 2020 (down by 7.9%).

The quality of our bank's loan portfolios keeps being higher than the banking sector average when a comparison is made of the ratio of the share of stage 3 loans. The share of Stage 3 receivables in the sector at the end of May 2021 was 6.2%.

Importantly, both our retail and corporate loans are of a higher credit quality than the respective averages for the entire banking sector. As at end of June 2021, the share of Stage 3 loans and POCI in the retail segment in the ING Bank Śląski Group accounted for 1.6% against 5.0% for the household sector (May 2021). Equivalent ratios for the corporate segment are 3.9% for the ING Bank Śląski Group and 7.8% for the corporate clients sector, respectively (May 2021).



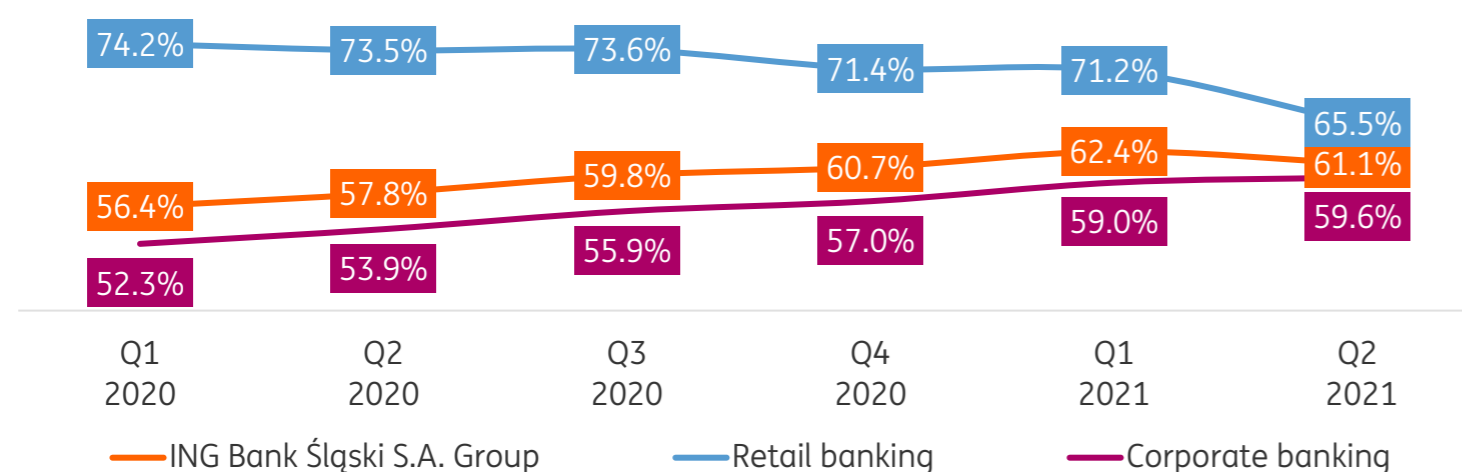
In Q2 2021, the quality of our loan portfolio, apart from the increase in business volumes and prudent lending policy, was also affected by the sale transaction of receivables classified as Stage 3 loans. The total amount of receivables sold (principal, interest, other costs as at the agreement date) was PLN 468.2 million (PLN 290.6 million in the retail segment and PLN 177.6 million in the corporate segment), with PLN 373.4 million (PLN 227.8 million in the retail segment and PLN 145.6 million in the corporate segment) relating to receivables representing credit exposure. A similar transaction also took place in Q1 2020 and concerned only exposures from the corporate segment. The total amount of receivables sold was PLN 8.9 million, of which PLN 8.3 million concerned receivables representing credit commitment.

Coverage of the loan portfolio at stage 3 and POCI with write-offs

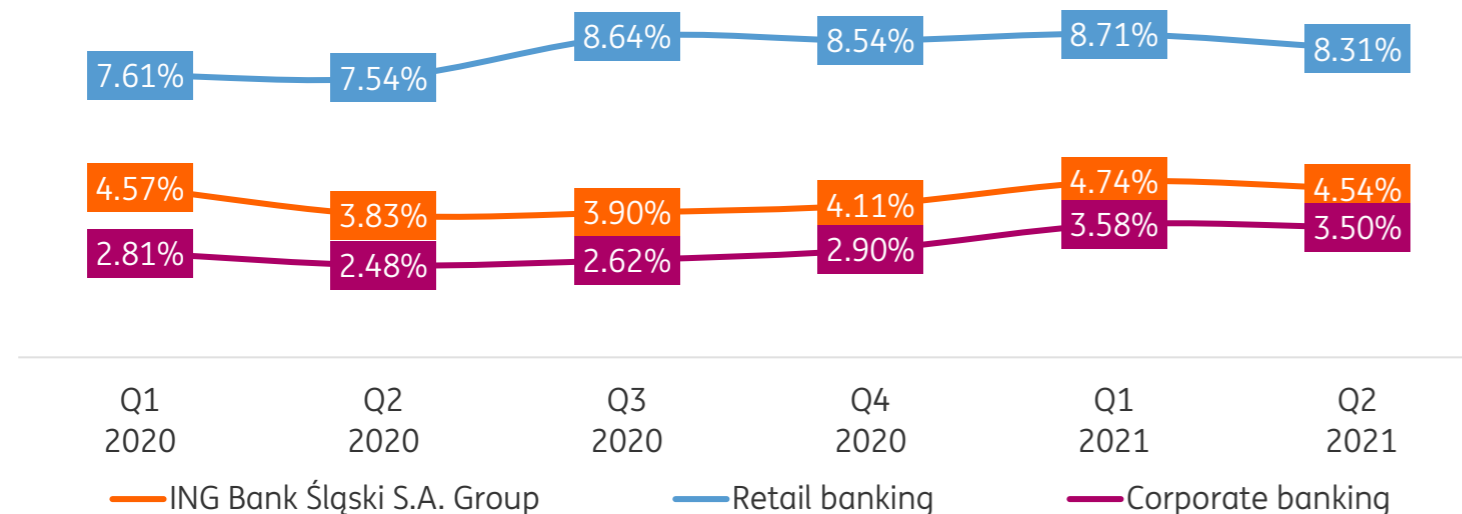
As at the end of June 2021, the ING Bank Śląski Group held provisions for the stage 3 and POCI loan portfolio of PLN 2,334.7 million. The coverage of the stage 3 and POCI loan portfolio with allowances was 61.1%.

As at the end of June 2021, the ING Bank Śląski Group held provisions for the stage 2 loan portfolio of PLN 375.7 million. The coverage of the stage 2 loan portfolio with allowances was 4.5%.

Coverage ratio of the stage 3 and POCI loan portfolio with allowances



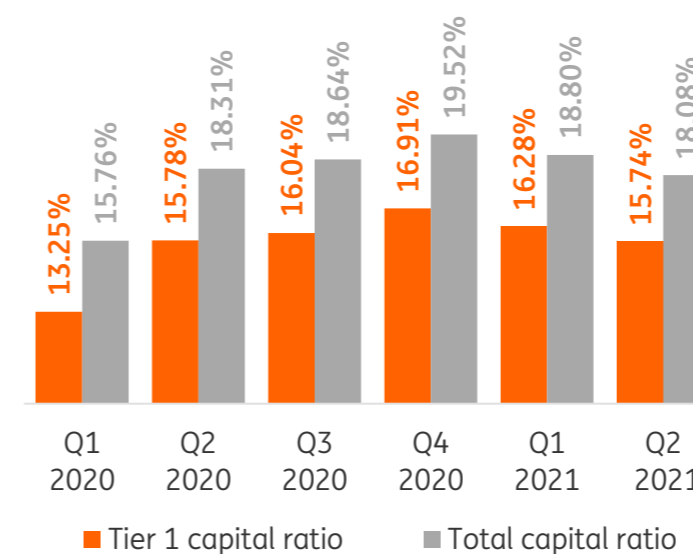
Coverage ratio of the stage 2 loan portfolio with allowances



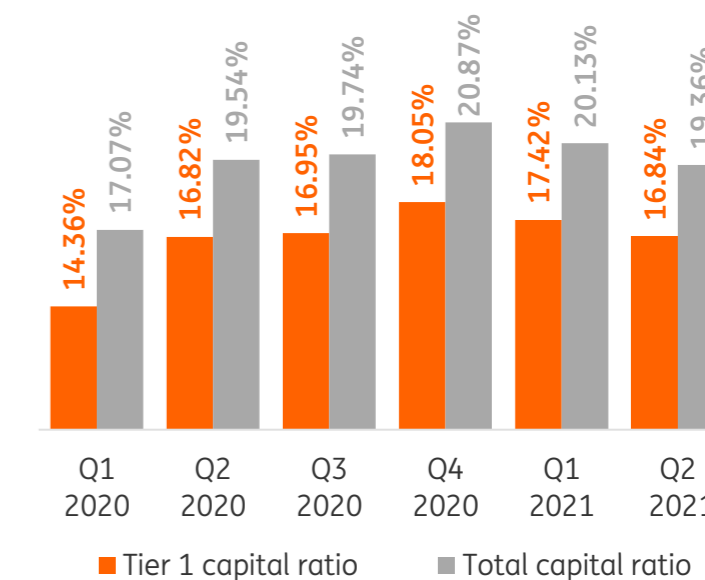
Capital Adequacy

On 30 June 2021, the TCR ratio (Total Capital Ratio) for the ING Bank Śląski Capital Group was 18.08% versus 19.52% at the end of 2020 and the Tier 1 ratio was 15.74% versus 16.91% as at the end of December 2020.

Capital ratios for the Capital Group of ING Bank Śląski S.A.



Capital ratios for ING Bank Śląski S.A.



In its calculations of capital ratios, the Group was applying interim regulations mitigating the implementation effects of IFRS 9 on equity. If the impact of implementation of the new standards IFRS 9 is recognised at the end of June 2021:

- at the consolidated level, the total capital ratio would have been at 17.91% and the Tier I capital ratio at 15.48%,
- at the standalone level, the total capital ratio would have been at 19.19% and the Tier I capital ratio at 16.57%.

Declared and paid dividend

In compliance with a resolution of its Annual General Meeting of 15 April 2021, ING Bank Śląski S.A. did not pay out dividend from its 2020 profit. By the decision of the shareholders, the undistributed net profit from previous years (PLN 1.3 million), the undistributed net profit for 2019 (PLN 494.4 million) and the net profit for 2020 (PLN 1,337.6 million), were distributed to the reserve capital (PLN 675.4 million) and the remaining part was left as undistributed profit (PLN 1,157.9 million). The decision was in line with the recommendation of the PFSA in this regard, as reported in [current report 1/2021](#) of 15 January 2021. At the end of June 2021, the PFSA issued its second position on the dividend policy of commercial banks, this time concerning the second half of 2021. It is available on [this website](#).

Following this, the bank received an individual recommendation from the PFSA and we reported the decisions taken by the bank's authorities in [current report 15/2021](#) of 21 July 2021.

In compliance with a resolution of its Annual General Meeting of 2 April 2020, ING Bank Śląski S.A. did not pay out dividend from its 2019 profit. By a decision of its shareholders and in compliance with an updated proposal of the Management Board, the amount of PLN 494.4 million (accounting for 29.9% of net profit), originally to be distributed as dividend, remained undistributed. The remaining part of net profit for 2019 was allocated to supplementary capital (PLN 1,150.2 million) and to cover accumulated loss (PLN 14.1 million). The Management Board modified its proposal as to 2019 profit distribution in connection with a letter received from the Polish Financial Supervision Authority (PFSA) (of which we informed in our [current report 16/2020](#) of 27 March 2020) in which PFSA expressed its expectation that banks would retain the generated profit in its entirety in connection with the state of pandemic declared in Poland and further potential adverse economic consequences of the state.

More information on dividend policy of our bank and the history of dividend distribution can be found at: en.ing.pl/company-profile/investor-relations.

Resources and infrastructure of the ING Bank Śląski S.A. Group

Online banking:

We offer our clients products and services tailored to their needs. We provide access to online and mobile banking, which allows you to do most things remotely. We offer traditional banking products, but also services and products that go beyond traditional banking such as motorway payments or parking in a mobile app.

In 2016 we launched a new Internet banking system – Moje ING for individual clients and enterprises; in 2017 – a new version of a platform for the corporate client segment (businesses that are commercial companies, other than enterprises): ING Business. In Q2 2020 we launched a completely new mobile application – ING Business as an upgrade to the existing solution.

Number of e-banking clients						
	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Moje ING, ING BusinessOnLine (in millions)	4.0	4.1	4.2	4.2	4.3	4.3
Moje ING Mobile* (in millions)	3.2	3.4	3.7	3.9	4.1	4.3
ING BusinessMobile (in thousands)	28.2	30.1	31.9	33.4	34.8	36.4

*Number of downloads of the application

Moje ING – individual clients and entrepreneurs

We attach much attention to Internet and mobile banking. Moje ING online banking and the Moje ING Mobile app offer fast payments, easy management of your finances and simple saving and borrowing. At the end of June 2021, 2.07 million of our clients were active users of the Moje ING mobile app.

In H1 2021, we developed our products for young clients, under 18 years of age. Parents and legal guardians can order a prepaid card with new, refreshed graphics for their child under 13 and make their own transfers from the prepaid card. The parent can also set e.g. limits, consents, notifications to the card and Mobi account via the Parent Panel.

From March 2021, after ordering a card, our clients can track the shipping status in My ING along with the approximate delivery date. In addition, we support clients with operational communication within the framework of the notification centre.

From June 2021, clients can also conveniently and fully remotely replace a damaged account or credit card in Moje ING that, for example, does not work at an ATM, contactless, is broken, worn out, cracked or demagnetised. The client's existing card continues to function until a new card is received and activated. The client can therefore, while waiting for the new card, continue to pay with the physical card or the card on the phone.

We have extended the service of cancelling a domestic transfer in PLN ordered to another bank in Poland. The transfer can be cancelled in “History”, in the transaction details. With this change, the cancellation option is available both during the day and at the weekend, until the settlement session.

We have introduced an option to “Pay your bill from a photo or file”. It allows the client to quickly complete the transfer without rewriting the invoice data. When a client uploads an invoice file or image, we find the key data in the image. Then fill in the fields with the recipient's name and account number, the title and the amount of the transfer.

We are further developing services based on open banking and PSD2. In the first half of the year, we provided the sixth bank in the service to initiate payments from added accounts from other banks in Moje ING.

In the investment area, in H1 2021, we launched a new pension product, IKZE Investment, which is offered in Moje ING. The product is based on funds of NN IP TFI. To open an IKZE, all you need is an account. Clients who choose to put money aside with us in this way can benefit from facilities such as automatic regular investing, deferred payment of purchases or building a portfolio. In addition, clients who have an IKZE with another institution can fully remotely transfer their savings to us. By the end of the second quarter, we had acquired more than 1.1 thousand clients who had started saving for their retirement through IKZE Inwestycyjne.

In Q1 2021, we made it possible to change the credit card cycle without having to sign an addendum to the agreement. The client, by accessing the details of its card in Moje ING, can select a cycle from the available cycles for the card and send an instruction.

From 2021, clients can check information about their debts and activate scam warnings by ordering BIK reports and alerts in Moje ING. To receive reports and alerts, clients do not need to set up an account with BIK, and all fees are collected automatically from their ING account.

We have improved the chat function in Moje ING by adding a Virtual Assistant to the chat window. A virtual assistant is a chatbot that is always available and quickly answers simple questions. This has reduced the waiting time for clients to connect with a bank employee.

We have implemented a new service My Transport – Parking lots in cooperation with moBILET. Clients who park in paid spaces no longer need to look for a parking meter or cash. The parking fee is collected from your account, in the Moje ING mobile app. With the start/stop function, we allow you to pay only for the time used.

At the end of Q1, we provided 2 additional sections for affluent clients on our website. Premium and Private Banking clients will find products and offers aimed directly at them in these locations, with a particular focus on investment products.

Our clients can buy travel insurance online. In cooperation with Aviva Insurance Company, we have made the full purchasing process available in Moje ING online banking.

We have provided entrepreneurs with a new method of identity proofing based on biometrics. This allows them to open an account with a selfie. The process of opening a selfie account for an entrepreneur is done entirely remotely. After downloading the Moje ING Mobile app, the client enters their contact details, shows their ID card (the app itself takes a photo of the ID) and makes a few head movements. It then completes the company details required to apply for the account. After positive verification, we confirm your account by email and text message within a few hours, or the next working day at the latest.

ING Business – business operating as commercial companies

The online banking platform designed for corporate clients (companies operating as a company, i.e. other than entrepreneurs, who are serviced through Moje ING) has been positively received by clients. The ING Business ecosystem consists of a browser-based version, native applications for smartphones and smartwatches, and a H2H channel – ING WebService.

Users are increasingly using mobile devices to manage company finances – the new ING Business mobile app, released in May 2020, is already used by more than 45% of clients. We are successively working on further regular updates and releasing new important features. In Q1 2021, we provided a summary of applications on the application dashboard – users can efficiently navigate to the list and details of applications and authorise the vast majority of them. The ability to return domestic (including *Split Payment*) and internal transfers is also an important convenience. This feature is only available on the mobile app.

It has been a year since we started working on a new version of the internet banking system for business clients. Due to the huge changes in the Internet space and the need to adapt to the needs and expectations of users, we have decided to radically rebuild our system. When creating a new solution, we will use the possibilities offered by the so-called *Touchpoint Architecture* (TPA), a concept for building applications created by the ING Group. The TPA is a technology platform and a set of guidelines and tools to create new solutions or build on existing ones. It will create a new ING Business system, any elements of which can be implemented not only in the local market, but also throughout the ING Group. The biggest beneficiary of the change will be clients, who will not only feel the difference in how the new app works, but will also notice the visual difference. The brand new user interface is being developed on the basis of regular client feedback, as well as input from bank employees in direct contact with clients. An important element of the change is *accessibility*, i.e. making the system available to all users, including those with disabilities such as the visually impaired. Initial research shows that clients rate the app as light, simple and intuitive. In late 2020, we released the first module of the new ING Business designed for users of corporate payment cards issued by ING. Users will find, among other things – card details, transaction history with the possibility to send it to a designated e-mail, the possibility to create and download transaction confirmations and the *3D Secure* transaction authorisation function.

ING Bank Śląski is involved in the PFR Anti-crisis Shield project in which – in ING Business – clients may apply for a financial subsidy from PFR 2.0 along with accompanying applications. In Q1, we also made available the possibility to apply for the cancellation of the subsidy granted under the PFR 1.0 Anti-crisis Shield.

Business clients can remotely confirm the identity of new ING Business users using biometric identity verification (we compare the user's facial features with the image on the ID card). The system and the ING Business mobile app guide the user through the process step by step. So far, the solution has only been used for onboarding new clients.

Our meeting places

At the end of Q2 2021, ING Bank Śląski S.A. had 272 retail locations (including 179 with modern cash services – cash only at ATMs, deposit machines and dual machines). All are equipped with self-service areas where clients can both withdraw and deposit cash on their own. The Bank continues to modernise its meeting places by replacing equipment and interior decoration and by implementing new functional solutions.

At the end of Q2 2021, the Bank had 265 meeting places in the new standard. Further optimisation activities are continued by relocating and consolidating meeting places to the most attractive business locations in cities and regions.

At the end of Q2 2021, the Bank also had 60 outlets located in major shopping centres across Poland. The ING Express network is a response to our clients' expectations who look for a bank available at any place and at any time.

Corporate clients of the large- and medium-sized segment are serviced by the bank in 36 corporate branches and 14 corporate banking centres. Almost all of them operated in the same locations as retail branches. Our largest corporate clients were serviced by the Strategic Clients Department in Warsaw and a regional office in Katowice.

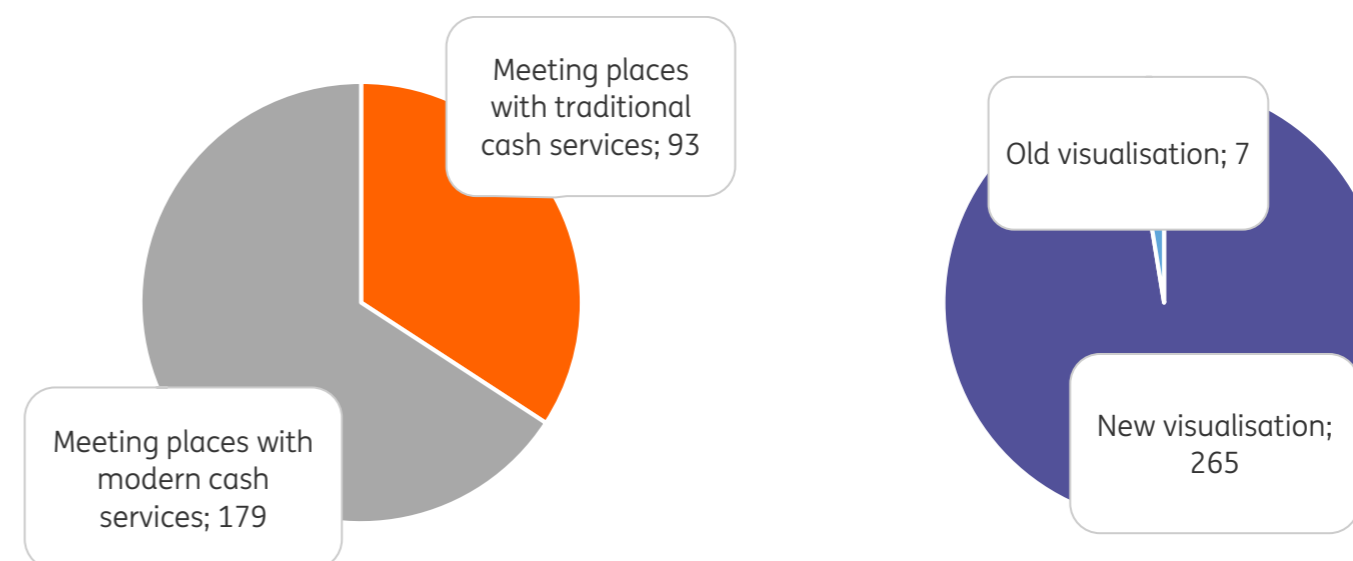
As at the end of June 2021, our clients had access to a network of 965 cash handling devices, including 170 standard ATMs and 795 dual devices and recyclers (1,018, 177 and 841 respectively at the end of June 2020).

Number of payment cards (thousand)

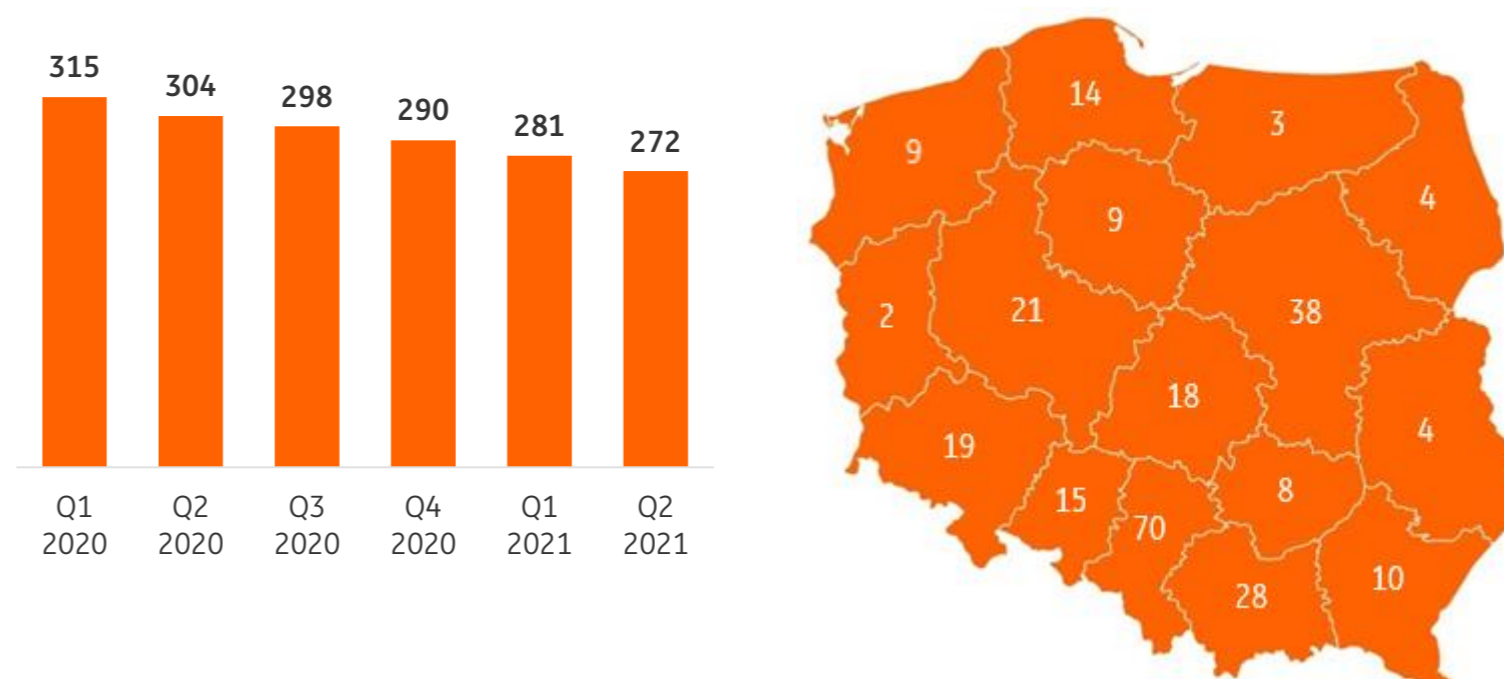
	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
debit card	3,125	3,155	3,205	3,243	3,267	3,271
credit cards	264	272	275	278	279	284
other cards*	158	159	162	167	170	176
Total payment cards, of which:	3,547	3,586	3,642	3,688	3,716	3,731
contactless cards**	3,358	3,389	3,435	3,473	3,495	3,503
virtual cards	189	197	207	215	221	228

* include charge cards and prepaid cards; ** include the following cards: VISA contactless, Visa Business contactless, MasterCard Debit contactless, Visa Zbliżak, VISA Zbliżak 2016, VISA NFC, Mastercard in EUR, MasterCard Debit in Phone, Mastercard in Phone Business.

272 meeting places in 176 cities (including 144 – “1 in the city”)



Number and geographical structure of branches



Availability to clients

Since the beginning of the year, we have adapted the opening times of our facilities to the epidemic situation in force.

In January, meeting places outside shopping centres were open to clients for 5 hours (10 am – 3 pm). Then, from 1 February to 6 June, we extended this time to 7 hours (10 am – 5 pm) on Mondays. From 7 June, we have introduced 7 hours of availability (10 am – 5 pm) also on Tuesdays, Thursdays and Fridays. Wednesday remains the day when meeting places outside shopping centres are open for a shorter period (10 am – 3 pm).

Following the decision on shopping centre restrictions, ING Express outlets were also closed from 20 March. They have been back in operation since 4 May.

Contact Centre specialists were at our clients' disposal 24/7 at all times.

Between January and the end of June 2021, almost 1.5 million individual clients visited our meeting places. The highest number of visits was observed in March (256.6 thousand) and June (246.9 thousand). 40% of all interactions in the first two quarters involved the need to withdraw cash in the traditional way, with the highest number in March (103.8 thousand clients), April (96.4 thousand clients) and June (95.8 thousand clients).

For us, H1 2021 also includes just over 1.7 million remote client interactions: written and telephone. The highest number of these took place in March – 327.6 thousand. 35.5% of all contacts took place through chats, emails and social media: in addition to Facebook and Instagram, these included YouTube, the Google Play shop and Twitter. Of the written forms, chat rooms were the most popular, with 442,300 in the first six months of this year.

Cash service points

From the beginning of 2021, we are modernising the part of our facilities dedicated only to depositing and withdrawing money. In this way, we provide our clients with an efficient, high-quality cash service at dedicated locations.

Ultimately, it will be at the counter service points that the option of traditional cash deposit and withdrawal will be available. Clients will also find Internet workstations where they can handle other matters related to our products and services themselves. There will also be a self-service area with ATMs and cash deposit machines.

We believe that the solutions we have prepared and the modern, comfortable conditions will encourage clients to fulfil their cash needs precisely at cash service points.

For the comfort of our clients, we have increased the amounts of withdrawal advances, and in some locations we have prepared a so-called large withdrawal room.

By the end of 2022, 55 POS will be available to clients. Some of them will be next to our meeting places and some in separate locations. We have prepared four locations for clients in H1 2021:

- Kielce, Al. IX Wieków Kielce 4a,
- Kraków, ul. Kapelanka 42B,
- Gorzów Wielkopolski, ul. Hawelańska 6,
- Kędzierzyn-Koźle, ul. Wojska Pol. 1.

Implementing Signature Pad

At the beginning of April we completed the implementation of the new *Cashing* application. They streamline the process of deposits and withdrawals in cash-serviced establishments. Thanks to its introduction, we were able to implement electronic signatures on tablets – *Signature Pads* – for our clients.

It is a state-of-the-art, digital solution that will make client service even more efficient and effective, while processing deposits and withdrawals will take on a new dimension.

In addition, the move to an electronic system supports a green approach to the environment.

The introduction of the electronic signature has already shown a positive impact on client service at the pilot stage and confirms that ING is ‘moving with the times’.

Remotely helping to live better

In Q1 of this year, we implemented an additional remote way of servicing clients interested in a mortgage at the meeting places. It's a complementary process – used for those who need to get their business done without meeting face-to-face with a specialist for a significant part of the process – until the product contract is signed and the loan is first drawn down.

Thanks to this solution:

- we provide clients with a unique experience by giving them the opportunity to complete most formalities remotely,
- we increase accessibility for clients – we conduct the process by phone/email.

When we talk to clients, we present them with the options available and leave them the choice of whether they want to speak to a specialist remotely or in person at a meeting place.

Today, 324 trained professionals can help clients live better through a remote service process. Of course, all with the knowledge and full application of all safety rules.

During the first six months, we have already processed almost 700 client requests in this way.

We improve communication with business partners

We want the largest possible group of nationwide banking intermediaries to have fast and convenient access to information important for client service. We decided to use one of the most popular social media for this purpose – Facebook. In May 2021, we launched two private groups on a pilot basis, which we use to contact intermediaries nationwide:

- **Borrow with the Lion** – related to the topic of cash loans,
- **Helping you live better** – related to mortgages.

We believe that the information we provide in this form will save our partners the time they used to spend contacting us by phone. In addition, in both groups we promote the digital tools available to intermediaries: website, INGA chat-bot, training webinars.

The groups operate on a blackboard basis. We post on them with the option to “like”. Comments and the intermediary posting function are disabled. Access to the groups is only available to intermediaries nationwide. We verify each person joining and approve their access.

Over 700 people have already joined us since the launch.

Human resources management

Headcount

As at 30 June 2021, ING Bank Śląski S.A. Group employed 8,782 people (of which ING Bank Śląski S.A. employed 8,329 people). The number of employees increased by 275 compared to December last year. The reported increase in headcount is due to the implementation of the *Know Your Customer* Project, mainly in the COO Division and additional recruitments in the CIO Division.

Number of employees

	30 June 2021	31 December 2020	Change
Head Office in Warsaw	874	827	47
Head Office in Katowice	3,758	3,474	284
Branches	3,697	3,752	-55
Total Bank	8,329	8,053	276
ING Lease (Polska) Sp. z o.o.	247	248	-1
ING Commercial Finance Polska S.A.	117	114	3
ING Bank Hipoteczny S.A.	36	36	-
Solver Sp. z o.o.	2	2	-
ING Usługi dla Biznesu Sp. z o.o.	48	51	-3
Nowe Usługi S.A.	3	3	-
Subsidiary companies	453	454	-1
ING Bank Śląski Group	8,782	8,507	275

Remuneration Policy

At the Annual General Meeting held on 15 April 2021 a report was presented in the functioning of the remuneration policy at ING Bank Śląski S.A. in 2020 in compliance with the guidelines of the Principles of Corporate Governance for Supervised Institutions. The General Meeting found the remuneration policy pursued by the bank as supporting the development and security of the Bank operations.

Fixed remuneration

In H1 2021 ING Bank Śląski S.A. continued its existing remuneration policy whose task is to effectively support strategic objectives. The assumptions underlying the policy include market levels as well as transparency and consistency of remuneration offered to employees.

Based on the autumn results of HAY's salary report on the current level of employees' salaries and the general economic situation, the Bank Management Board decided not to initiate the standard increase action in 2021. At the same time, the Management Board clarified the rules regarding individual salary increases that are possible in the event of promotion or justified salary interventions.

Variable remuneration

The bank closed bonus handling for employees for 2020. The bonus was fully disbursed in accordance with the planned budget. The bonus amount for each employee was subject to assessments in three areas:

- work performance,
- orange code,
- challenges.

The bank also closed handling the bonus for employees covered with the Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A. In compliance with the Policy, variable remuneration is deferred and in minimum 50% percent is disbursed in phantom shares entitling to cash payments with the value subject to the value of shares of ING Bank Śląski S.A.

In H1 the non-deferred annual bonus for 2020 was disbursed as well as a part of the deferred bonus for 2018 and 2017 for the Identified Staff. Account was also made of a part of variable remuneration awarded in phantom shares for 2016-2019. As a result, the entire bonus for 2017 due to such persons was accounted for.

New regulation – Policy on appointment and dismissal of members of the Supervisory Board of ING Bank Śląski S.A.

At its meeting on 15 April 2021, the Annual General Meeting, in accordance with Recommendation Z on internal governance rules issued by the Polish Financial Supervision Authority in October 2020, adopted the Policy on the Appointment and Dismissal of Members of the Supervisory Board of ING Bank Śląski S.A. The new regulation covers in particular:

- determining the situations in which a member of the supervisory board is appointed or dismissed,
- indication of the necessary qualifications for particular positions on the supervisory board,
- the rules to be followed in the event of a vacancy on the Supervisory Board, including urgent and unexpected situations, with a view to filling such vacancy without delay, including through the use of human resources reserves,
- identifying ways to mitigate the risk of several board vacancies occurring in the short term.

Recruitment and development of the image of the institution as a desirable employer (employer branding)

An employer brand is a reflection of how people work in our company and our corporate culture. On the one hand, it influences how candidates perceive us, and on the other, it plays an important role in retaining the employees who already make up our organisation. In the first half of the year, on a conceptual and branding level, we implemented a change in communication around ING's employer brand in the Polish market. The branding of our organisation is based on two important elements: the brand communication strategy Do Your Thing and Our People Offer. Do Your Thing is ING's brand development direction aimed at strengthening ING's image in Poland. Our People Offer is the foundation for building a consistent experience for ING candidates and employees around the world. It sets out the direction we want to take as an employer and defines what we offer to all ING employees, but also what we ask for in return.

In H1 2021 ING Bank Śląski S.A. was involved in activities to develop an image of a desirable employer (employer branding) dedicated to students, graduates and professionals, in particular those with technical profiles. In the area of actions addressing specialists (people with professional experience), various types of activities and methods of reach were applied. Those included inter alia: attendance in thematic conferences (webinars, workshops, conferences, expert communications), organisation of technological meet-ups and attendance of job fairs.

In the period, actions were continued to promote the employer's brand and support recruitment activities in social media (mainly LinkedIn, bank's career site). Candidates were reached with posts that were directly or indirectly related to work at the bank, by publishing job offers, actions of managers, recruiters and employees with the aim to construct and expand business contacts (Employee Advocacy). The presence of our employer brand in the web, in particular in channels dedicated to young talents (students, graduates) was supported with activities by participants in the Ambassador Programme 2020/2021 from 12 universities all over Poland. Improving the attractiveness of the ING employer brand we resort to modern communication tools suited to recipients' preferences and ways they consume content (e.g. video content, interactive questionnaires).

Activities dedicated to people entering the labour market (students and graduates) included:

- **Ambassador Programme** – 12 students represented the bank at universities, coached by bank employees who supported the Ambassadors in learning about ING and developing their career paths. As a result of its cooperation with the Ambassadors, the bank was involved in such projects as: Talent for Talent (carried out in cooperation

with the Cognitis Association), Idea for Finance and Accounting (carried out at the University of Economics in Katowice), Meetings with the Lion (major, e.g. robotics, data science, compliance and general, related to economic and financial education), a series of meetings with student organisations “Meet Me At Mine”.

- **Internship with the Lion** – another edition of the internship programme and continued activities to implement the idea of year-round recruitment. In the recruitment process to the programme again the Assessment Centre was used (on-line) and standard recruitment forms to support also remote recruitment. We keep using standardised layouts of recruitment announcements that focus on specified skills acquired by trainees during the programme. Internships with the Lion were promoted, among others, during one of the largest career events for students and graduates – Absolvent Talent Days – of which ING Bank Śląski was the nationwide partner.
- **ChallengING internship programme** – a one-year programme, currently continuing in the IT area (programming and data science). In two paths of the programme 6 participants were hired.
- **International Talent Programme (ITP)** – pursued in 8 business paths (Risk, IT, Retail and Corporate Banking, Finances, HR, Analytics, Operation & Change, Wholesale Banking) – the programme offers its participants involvement in projects that are important for the bank, multiple development activities and training abroad. The recruitment is carried out for the Head Office in Warsaw and Katowice from March to October. From 2021, the programme will run for 2 years (previously 4 years). The programme participant carries out projects within the chosen pathway, including a six-month rotation abroad. Due to the COVID-19 pandemic, overseas rotations are conducted remotely.
- **Meetings with the Lion** – a series of workshops by experts from the bank to demonstrate practical aspects of banking in a manner friendly to students. Meetings were conducted remotely at universities across the country.
- **Promotion of ING in the academic environment** – includes participation in events organised by universities or student organisations and scientific circles operating at universities, combined with the organisation of Meetings with the Lion (the content part based on knowledge sharing) and the organisation of ING's own initiatives. The actions dedicated to students and graduates within campus recruiting are a part of the Cooperation Strategy with Universities pursued by the bank.

Employee development and training

A strategic priority of the bank is to develop employees' competencies and focus on ongoing improvement. In H1 2021, the bank implemented development activities in line with its strategic objectives in the areas of inclusive leadership, strengthening the building of new competencies and capabilities of the organisation and working in a hybrid model.

Those actions were implemented in the following key areas:

- Strengthening the organisational culture (in particular through a leadership development programme focusing on self-awareness, responsibility and collaboration and developing subordinate teams).
- Strengthening the competences and behaviours of employees (in particular through the implementation of training processes in the area of products and sales quality, as well as the offer of development activities including – knowledge exchange, working with another person as part of development internships, coaching and mentoring processes).
- Specialist and expert know-how (in particular with highly specialised training, domestic and foreign sectoral training, addressed primarily at thematic specialists as well as certifications).
- Reinforcement of self-learning competences, in particular by providing tools for the acquisition of new knowledge in an online format.

Dedicated development programs to designated organisational units or identified recipient groups as responses to strategic challenges inter alia in such areas as sales management or data science.

Development activities to build expertise were delivered both internally and using external training offerings, workshops and conferences. Further, the bank supports individual expansion of qualifications by employees in the form of certifications, post-graduate studies or standards of the Polish Bank Association.

In order to strengthen competences related to effective work in a hybrid work model, a multi-faceted educational programme has been implemented addressing, among others, such competence areas as: mental resilience, operational excellence using technology, team cooperation based on trust and authentic communication or networking style of work.

Implement 6 critical organisational capabilities to strengthen the delivery of the bank's strategy, which set out key directions for employees and leaders.

Digital development actions are promoted as well as use of external training platforms available on-line and digital information resources (e-book library).

Employees of the Bank shared their knowledge and experience both inside the organisation (e.g. at internal training, webinars, activities in communities) and outside, acting as speakers at external events.

Development actions are addressed to all employees in the retail and corporate sales networks as well as employees of organisational units in the Head Office (new hires, specialists and managers).

Diversity and Inclusion

We want the bank to be a workplace where everyone can be themselves and feel part of our organisation. With this in mind, we create solutions that support our employees in many dimensions to better understand and continually draw on how diverse we are. We have long believed that diversity and inclusion help us respond faster to change, client needs and develop the way we work with each other. In the first half of the year, we celebrated, among other things, European Diversity Month. We touched on themes of inclusive language, diversity at ING, and unconscious bias. We have also launched a community for which we and our employees have chosen the name Diverse. It is a place for open discussion about diversity and inclusion, a source of knowledge and inspiration, and a platform for collective action. The Diversity and Inclusion activities were under the patronage of the Board Member responsible for the IT area, Sławomir Soszyński.

WellbeING activities

Since the beginning of 2021, we have taken a number of measures to make employees aware of how to take care of their own mental, physical and financial wellbeing.

The wellbeing priority for 2021 is mental health. That is why we have prepared the Vitality Academy – A World for Yes! At events scheduled from March to November, our guests remind us how to manage our vital energy in challenging and stressful situations, how to have good relationships with ourselves and others despite the often negative emotions that accompany these relationships. In addition, workshops are held once a week for 30 minutes for the following 21 weeks – Thursdays for Yes! – meetings with a mental coach.

Managers were offered to participate in practical workshops on mental resilience and being an example in the care of wellbeing for the team and on crisis intervention in the team.

In the FINANCE area, in March 2021, we invited employees to participate in a series of meetings on managing their own budget, saving for retirement (PPE), investing.

In the HEALTH area, in April 2021 our employees were able to take part in a series of meetings with a dietician entitled “Diet Wednesdays”, some participants also decided to seek free dietary advice.

In June, we invited you to enjoy lectures and chats as part of the two-week Health Conference. Our guests spoke about lifestyle diseases, cancer, sleep hygiene, our mental health and stimulants and addictions.

As part of our promotion of physical activity, we are implementing the WorkSmile app. The purpose of the application is to promote a healthy lifestyle and physical activity among employees and to encourage healthy competition and teamwork through participation in competitions, sports events and through individual recording and tracking of activities undertaken.

Actions related to COVID-19 for our employees

We continue to support our employees in the COVID-19 pandemic.

Financial support

In view of the specific situation related to the COVID-19 outbreak, together with the trade unions we have entered into an agreement to financially support those affected by the negative effects of the pandemic. The support was to provide for current living needs – subsidies to rent and electricity, gas, water and waste disposal bills for those employees whose income per person in the family was materially reduced due to no salaries or reduced salaries of other members of the household.

Rehabilitation after COVID-19

We have launched the possibility of subsidised rehabilitation stays for our employees who have had a severe course of Covid-19 or who are struggling with complications from the disease. In addition, the intranet provides information and videos on how to help your own body recover from coronavirus infection.

Vaccination against COVID-19

The Bank has benefited in the launch of workplace vaccinations. Together with the healthcare provider, we have made it possible for our employees to get vaccinated at hours and facilities dedicated to ING employees. Each employee could take 3 hours off work with pay twice in connection with the vaccination.

Orange Infoline

Out of concern for psychic welfare of ING employees we continue our Orange Infoline with the objective – in the times of COVID-19 and in the future – to care about one another, to prevent depression, professional burnout and to cope with difficult situations at work and outside. The services can be used by all ING employees, irrespective of the employment form. Employees can arrange consultations with experienced professionals.

Core changes to risk and capital management

In the Management Report on operations in H1 2021, we present core changes to risk and capital management that occurred since the end of 2020. The risk and capital management system, risk assessment and quantification were presented in detail in the annual consolidated financial statements of the ING Bank Śląski S.A. Group for 2020 in chapter “Risk and capital management” (from page 150).

Equity management

In H1 2021 we continued our activities aimed at pursuing our capital management strategy. In the assessment process of internal capital adequacy, in H1 2021 we summed up a Workshop in assessment or risk materiality.

As part of the Workshop, we made several modifications to the materiality assessment of risks, including currency mortgage portfolio risk and client behavioural risk. We currently identify 10 permanently material risks (default and counterparty risk, residual risk, concentration risk, residual value risk, currency risk, general and specific interest rate risk in the trading book, interest rate risk in the banking book: total mismatch, client behaviour risk, liquidity and funding risk, operational risk) and 4 material risks (risk of other non-credit assets, interest rate risk in the banking book: residual convexity risk, macroeconomic risk, model risk).

In connection with the regulation of the Minister of Finance on the establishment of the systemic risk buffer of 18 March 2020, in 2021 we are required to maintain the following minimum levels of capital ratios:

- CET1 \geq 7.5%
- T1 \geq 9.0%
- TCR \geq 11.0%

On 15 January 2021, we declared, by resolution of the Bank Management Board, to take steps to apply the individual recommendation of the Polish Financial Supervision Authority (PFSA) regarding the Bank’s dividend policy in H1 2021.

We made the declaration following the PFSA's recommendations in a letter received by the Bank on 14 January 2021.

In the letter, the PFSA recommended:

- the Bank suspends the payment of dividends in H1 2021 (including retained earnings from previous years),

- the Bank’s failure to undertake, in H1 2021, without prior consultation with the supervisory authority, other activities beyond the scope of current business and operating activities, which may result in a reduction in the capital base, including buyouts of own shares.

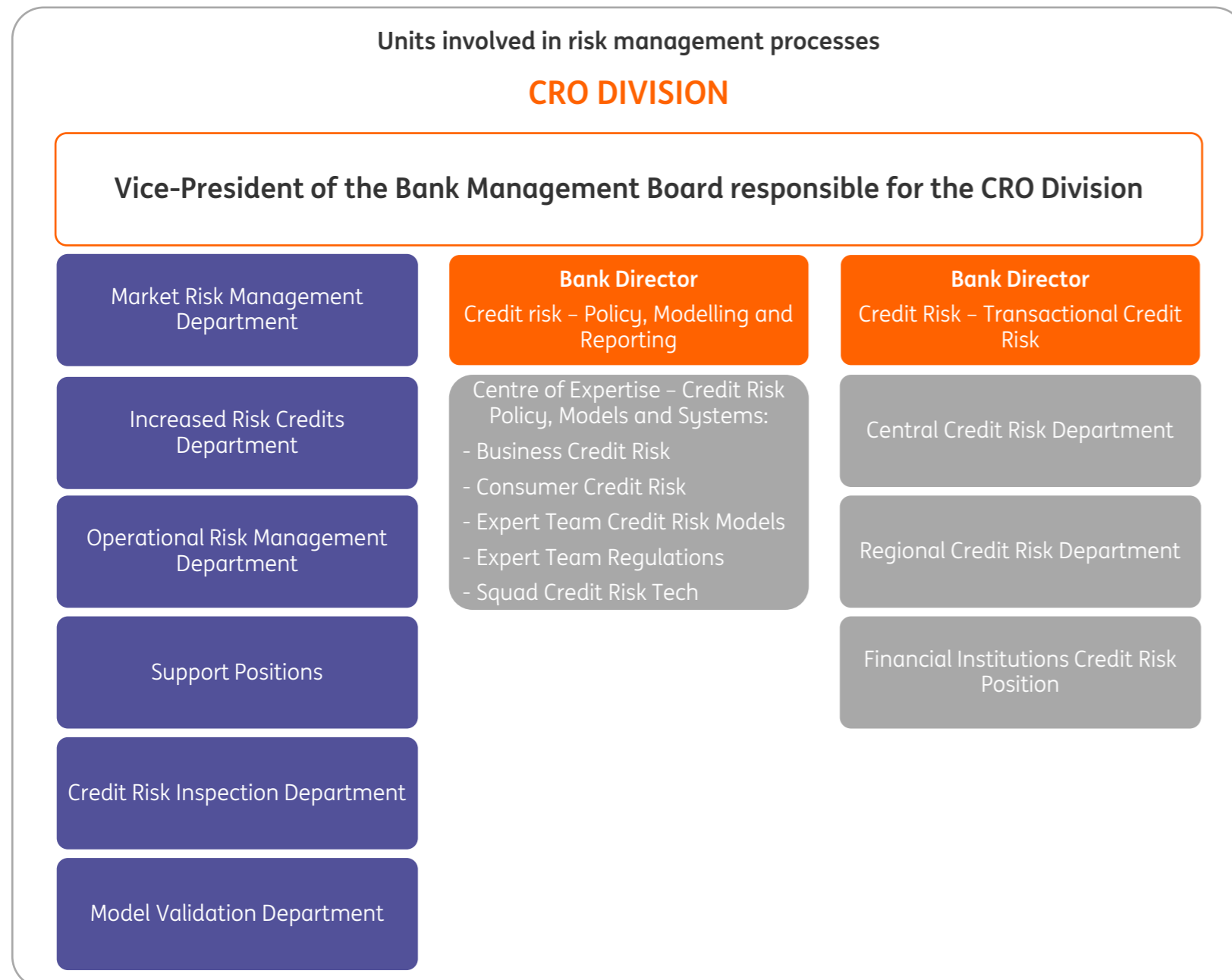
On 30 June 2021, we received a letter from the PFSA on the dividend policy of commercial banks in H2 2021 setting out the conditions that should be met for banks to pay dividends of up to 50, 75 and 100% of their net profit for 2020 respectively. Under the capital criteria (i.e. capital ratios), the PFSA maintained a systemic risk buffer of 3%, which for regulatory purposes was abolished by the Regulation of the Minister of Finance on the dissolution of the systemic risk buffer of 18 March 2020. In the letter sent, we were also informed of the amount of the individual ST rate for us. The ST indicator measures the Bank's sensitivity to an adverse macroeconomic scenario. It is defined as the difference between the total capital ratio (“TCR”) in the reference scenario and the TCR in the shock scenario at the end of the forecast period (2021), including supervisory adjustments. As a result of the analysis carried out in as part of the stress tests conducted by the PFSA's Office, the individual ST ratio for ING Bank Śląski S.A., including supervisory adjustments, was determined to be 0.00%. The Bank's sensitivity level is the same for both distributions of up to 75% of profit and up to 100% of net profit.

In addition, the PFSA has indicated that its position on dividend policy relates only to the distribution from the profit made in 2020, and that an additional position on retained earnings (including that covering the profit for 2019) will be provided in late 2021 together with the dividend policy for 2022. On 15 July 2021, we received a letter from the PFSA with an individual dividend policy recommendation for H2 2021. In the letter, the PFSA recommends mitigating the risks inherent in the Bank's activities by not taking any action, without prior consultation with the supervisory authority, other than the payment of dividends from the 2020 profit. In particular, this relates to activities outside the scope of ongoing business and operational activities that may result in a reduction of the capital base, including potential dividend payments from retained earnings (i.e. 2019 and prior years) and share buybacks.

As part of this letter, the PFSA also advised that, as at 31 March 2021 and 31 May 2021, the Bank meets the requirements (in terms of the basic criteria) to qualify for a dividend of up to 100% of the Bank's 2020 profit.

Credit risk

Risk management organisational structure



There were no organisational changes to the risk management organisational structure in 2021.

Core modifications to the Bank's credit policy in the retail and corporate client segments

Retail segment

- The provisions of the new Recommendation S in the area of mortgage loans were implemented.
- A new model for the valuation of collateral in the mortgage lending process was implemented.
- An assessment of the financial situation of clients following the credit holidays granted due to financial difficulties related to the COVID-19 pandemic was carried out.
- The lending process was verified from the point of view of compliance with the EBA Guidelines on Lending and Monitoring.

Corporate segment

Small enterprises – Entrepreneurs

- The credit process was verified from the point of view of compliance with the EBA's Guidelines on Lending and Monitoring.
- The provisions of the regulations were updated in view of the entry into force of the amended Recommendation S.
- An assessment of the financial situation of clients following the credit holidays granted due to financial difficulties related to the COVID-19 pandemic was carried out.

Small enterprises – Easy Lending

- Changes have been made to some of the eligibility criteria for the Easy Lending pathway.
- A credentialing process was carried out for *Easy Lending* clients using credit holidays.
- The assessment of, among others, *Easy Lending* clients on the impact of ESG factors at portfolio level through reports was approved.
- The credit process was verified from the point of view of compliance with the EBA's Guidelines on Lending and Monitoring.

Medium-sized and large companies

- A portfolio review pilot was launched for selected strategic clients.
- The *Risk Participation* product was implemented as part of the Buyout product group for strategic clients.
- A credentialing process was carried out for small and medium-sized enterprises and strategic credit holiday clients.
- The provisions of the regulations were updated in view of the entry into force of the amended Recommendation S.
- The provisions of the regulation have been updated in terms of climate-environmental guidelines.

In addition, assistance to small, medium-sized and large enterprises affected by the pandemic continued in H1 2021 and the approach to financing these clients was adjusted on an ongoing basis:

- repayment terms of loan instalments and automatic renewals were extended, in compliance with the joint position of banks and PBA,
- credit holidays were resumed under the rules resulting from the non-statutory Moratorium “Position of banks on unification of rules for offering assistance tools to banking sector clients”,
- cooperation with Bank Gospodarstwa Krajowego was extended in terms of implementing the terms of the Act on interest rate subsidies for bank loans granted to ensure liquidity to entrepreneurs affected by COVID-19.

Core activities in the modelling area

- Continued work on updating and calibrating IRB models for corporate segment clients.
- Continued work on recalibrating models to the New *Default* Definition.
- Update the models used in the LLP(*loan loss provision*) process resulting from cyclical monitoring and analyse these models against the guidelines of Recommendation R.
- Validate new model building and monitoring standards, in line with the most up-to-date regulatory guidelines, and align the corresponding processes.

Stress tests

In compliance with the “Stress Test Policy”, the Group regularly holds stress tests to assess the impact of potential events or changes to macroeconomic conditions on capital requirements, economic capital, bank's liquidity, risk profile and profitability. Reports from stress test results are approved by ALCO and submitted to the Bank Management Board and Supervisory Board.

As at 31 December 2020, the bank conducted stress tests on a consolidated basis based on scenarios developed by the bank's chief economist. The stress tests covered:

- scenario tests: a scenario of moderate recession, a scenario of long-term recession and a scenario of a rapid recession;
- reversed stress tests,
- sensitivity tests (growth of interest rates by 400 bps and 200 bps; drop of property prices by 30%; PLN exchange rate weakening by 30% and 50%; reduced GDP growth to -5%; growth of unemployment to 20%; drop of salaries by 10%).
- concentration tests,
- tests of financial leverage ratio.

Market risk

In the area of market risk, the bank manages risk in line with the developed principles, methodologies and approved policies.

Liquidity and funding risk

In H1 2021, we continued our efforts to mitigate liquidity and funding risk – in line with the liquidity and funding risk management policy, the bank's strategy as well as regulatory requirements. In terms of regulatory requirements – all monitored measures remain within limits. Internal regulations and documents are subject to systematic reviews and we kept enhancing our reporting and modelling processes.

Model risk

In H1 2021 we continued activities related to model risk management. The models used at the bank were subject to quarterly reviews and risk assessment as well as materiality reviews and validation.

The Model Risk Management Policy in ING Bank Śląski was reviewed and updated. In addition, new standards for the validation of credit risk models have been developed and approved by the PFSA.

Operational risk

In H1 2021, the coordination of emergency response to the COVID-19 pandemic continued to be a priority theme. Building on the previous year's experience, we took steps to continue to ensure the safety of the bank's clients and employees, as well as to ensure business continuity, including ensuring the safety of remote working and preparing for employees' return to the office.

At the same time, we took steps to comply fully with new and updated regulatory requirements, in particular, among others, the requirements in the area of outsourcing (*EBA Guidelines on outsourcing arrangements*) and the requirements concerning the principles of internal governance in banks (Recommendation Z of the Polish Financial Supervision Authority).

As part of the review of existing regulations, we have introduced updated: The Policy on Security of Persons and Resources, the Anti-Fraud Policy and the Policy – Standards for Control of Non-Financial Risks setting out the framework for the management of the key controls described in the internal regulations. We have also implemented changes to the “Test Manual for Key Controls” that lead to an optimised testing process.

We expanded and standardised the scope of operational risk limits monitored in the ING Bank Śląski S.A. Group. As part of the annual Business Environment Assessment for 2021, based on an assessment of possible risks, we ensured that appropriate actions were taken to keep risks at an acceptable level.

In terms of second line of defence activities, we conducted, inter alia, an independent assessment of the proper design and operational efficiency of the process for granting so-called “credit holidays” to clients in connection with the COVID-19 pandemic.

With a view to the reliability of the reports prepared and the speed of decision-making, we have carried out work aimed at maintaining the quality of data used in operational risk management processes at a high level.

Compliance risk

In H1 2021, we continued our efforts to ensure compliance with regulatory requirements, in particular the EBA and PFSA guidelines. We are involved in work at the level of the Polish Bank Association and industry organisations. As last year, we are improving the controls in our business processes, particularly in the areas of Know Your Customer (KYC) and personal data protection. We regularly build and strengthen the awareness of the bank's employees on issues of professional ethics and applicable regulations in the area of compliance, including personal data.

Business risk

Introduction

Within business risk, the Bank's Capital Group distinguishes macroeconomic risk.

Macroeconomic risk

Macroeconomic risk is the risk due to macroeconomic factors and their impact on the levels of minimum capital requirements. The Bank manages the risk by regular holding of internal stress tests to support ongoing monitoring of sensitivity or minimum capital requirements to macroeconomic factors. In H1 2021 the Bank held complete capital tests as at the end of 2020.

On the basis of results of internal stress tests for a mild recession scenario, the Bank group estimates an additional capital requirement to safeguard against the materialisation effect of the scenario. The stress test results showed that the capital adequacy measures including the capital ratio and the economic capital adequacy ratio were above the required level and therefore no additional economic capital was tied up for macroeconomic risk.

Information for Investors

Shares and shareholders of ING Bank Śląski S.A.

Shareholding structure

ING Bank Śląski S.A. is a subsidiary company of ING Bank N.V., which as at 30 June 2021, held a 75% shareholding in the share capital of ING Bank Śląski S.A. and 75% of the total number of votes at the General Meeting – the figures that have not changed since March 2005. The remaining shares of the Bank (25.0%) are in free float. They are held by institutions investors, especially Polish pension funds and national and foreign investment funds, and also individual investors. As at the end of June 2021, Aviva Otwarty Fundusz Emerytalny Aviva Santander was the largest investor which – according to semi-annual information on the structure of assets of Aviva Otwarty Fundusz Emerytalny Aviva Santander as at 30 June 2021 held 8.50% in the share capital and overall number of votes at general meetings. As of the date hereof, according to the information available to the Bank no other shareholder has exceeded the 5% threshold in the company's capital.

In 2021 the value of share capital of ING Bank Śląski S.A. and the share of its core shareholder in capital were not changed.

Shareholding structure of ING Bank Śląski S.A.

Shareholder's name	30 June 2021		31 December 2021	
	Number of shares/Number of votes at GM	Share in the share capital and the total number of votes at the General Meeting	Number of shares/Number of votes at GM	Share in the share capital and the total number of votes at the General Meeting
ING Bank N.V. (a subsidiary of ING Groep N.V.)	97,575,000	75.00%	97,575,000	75.00%
Aviva Open Pension Fund Aviva Santander *	11,055 030	8.50%	11,018 205	8.47%
Others	21,469 970	16.50%	21,506 795	16.53%
Total	130,100,000	100.00%	130,100,000	100.00%

*on the basis of annual information on the asset structure of Aviva Otwarty Fundusz Emerytalny Aviva Santander as at 31 December 2020 and semi-annual information on asset structure of Aviva Otwarty Fundusz Emerytalny Aviva Santander as at 30 June 2021.

Characteristics of the dominating shareholder

ING Bank N.V. is part of ING Group, a global group of financial institutions offering retail and corporate banking services to more than 38 million clients (data as of the end of Q1. 2021). ING Group entities employ over 57 thousand staff and operate in over 40 countries in Europe, North and South America, in the Middle East as well as in Asia and Australia. The ING Group operates in four areas: Market Leaders, composed of operations in the Netherlands, Belgium and Luxembourg; Challengers, composed of operations in Germany, Austria, Spain, Italy, France, Australia and Czechia; Growth Markets, composed of operations in Poland, Romania, Turkey and in Asia; and a global network of corporate banking for strategic clients (Wholesale Banking).

ING Groep N.V., the Netherlands, is the dominating entity of the ING Group. It was set up in 1991 as a result of a merger of the Dutch insurance company – Nationale-Nederlanden and the Dutch bank – NMB Postbank Groep. For years, the ING Group kept developing both organically as well as with mergers and acquisitions. As a result of the 2008-2009 crisis, the Group was provided with government support (repaid in 2009-2014) subject to restructuring.

Inter alia, the restructuring provided for a split of banking activity from insurance and investment activity which was to be sold. The restructuring of the ING Group was finalised in April 2016.

ING Groep NV is a public company listed on the stock exchange in Amsterdam (INGA NA, INGA.AS), Brussels and New York

(ADR: ING US, ING.N). ING Groep N.V. has a fragmented shareholding structure. It was BlackRock Inc. (7.4%). In 2020 the ING Group generated net profit of EUR 2,485 million versus EUR 4,781 million in 2019. Total assets amounted to EUR 937 billion. Assets of the ING Bank Śląski S.A. Group accounted for 4.3% of total assets of the ING Group as at yearend 2020. Our net profit accounted for 12.0% of the net profit of the ING Group.

More information on the dominant shareholder is available at <https://www.ing.com/Home.htm>.

Shares and share capital

In accordance with its Articles of Association, the share capital of ING Bank Śląski S.A. is split into 130,100,000 shares with the nominal value of PLN 1 each share. All the shares issued by the Bank are ordinary bearer shares. No special control rights are attached to the Bank shares. The Articles of Association of the Bank not provide for any restrictions as to transfer of title to the shares issued by the Bank, exercising voting rights and contains no provisions according to which equity rights related to securities are separate from holdings of securities.

Additionally, the Articles of Association authorises the Management Board to increase the share capital but maximum PLN 26 million (or issues of maximum 26 million shares) by 21 April 2023 (authorised capital) and to waive pre-emption rights at share issues of the authorised capital. The relevant amendments to the Articles of Association were entered to the National Court Register (KRS) on 6 May 2020. The decisions taken by the Management Board on the share issue price and waiver of pre-emption rights require approval by the Supervisory Board. The authorization to issue the target capital will enable the Management Board to take, if necessary, quick actions aimed at the capital strengthening of the bank. The full justification in this regard was attached to the draft resolution of the General Meeting on this matter (p. 12 of [this document](#)).

As at the publication hereof, ING Bank Śląski S.A. is not aware of any agreements that may in the future generate changes to the proportions of shareholdings by the existing shareholders.

Share price

In 2021, the price of ING Bank Śląski shares on the WSE fluctuated from PLN 167.2 to PLN 198.0. On 31 June 2021, the share price of our bank at the close of the session was PLN 185.0, i.e. it was 8.2% higher than on the last trading day of 2020 (the average price weighted by the trading volume was PLN 186.9161 as at 30 June 2021 and PLN 171.0374 as at 30 December 2020). For comparison, the WIG-banks sector index increased by 37.4% at that time.

As at the end of June 2021, the market value of our bank was PLN 24.1 billion, while the book value of the bank's capital group was PLN 17.9 billion.

Our Bank has been listed in the mWIG40 (current share 9.6117%) and WIG-ESG (current share 1.773%) indices since their beginnings. Our shares are also included in the WIG-banks index (estimated share of 9.926% at the last session in 2020).

Participation in the main stock indices of ING Bank Śląski SA (based on the last revision in a given year)

	2018	2019	2020	H1 2021
WIG	2.0300%	2.2023%	1.8181%	1.9657%
mWIG40	9.9700%	9.9998%	9.7038%	9.6117%

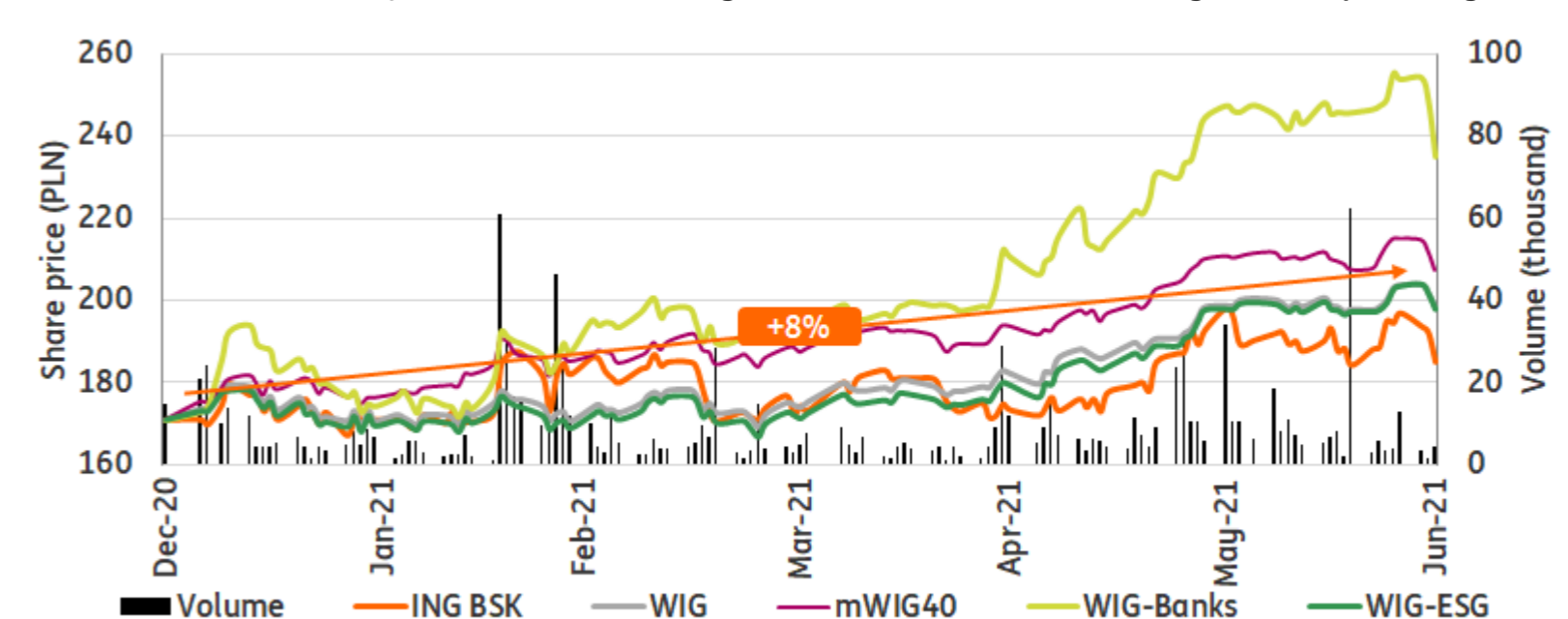
ING Bank Śląski S.A. shares data

	2018	2019	2020	H1 2021
Share price as at the end of the period (PLN)	180.0	202.5	171.0	185.0
Top share price (PLN)	221.5	204.5	207.0	198.0
Bottom share price (PLN)	160.6	180.0	102.6	167.2
Turnover weighted average spread (basis points)	36	35	43	41
Yearend capitalization (PLN billion)	23.4	26.3	22.2	24.1
Number of shares	130 100 000	130 100 000	130 100 000	130 100 000
Total number of transactions	52,863	39,974	88,567	30,446
Number of block trades	7	3	0	1
Average number of transactions per session	214	161	351	248
Trading volume	2 892 622	1 949 283	3 799 640	1,105 024
Average trading volume per session	11,711	7,860	17,078	8,984
Market makers' share in turnover	6.39%	9.85%	12.41%	9.82%
Dealers' share in turnover	13.00%	11.93%	3.50%	3.16%
Earnings per share in PLN	11.71	12.75	10.3	15.4*
Share book value (PLN)	102.40	117.01	143.1	137.3
Dividend paid per share in the year (PLN)	3.20	3.50	0.00	0.00
P/E ratio (x)*	15.3	15.9	16.6	12.0*
P/B ratio (x)*	1.8	1.7	1.2	1.4

*ratio based on share price at the end of the period; based on annualised earnings per share

Our Bank's shares are under the number ISIN PLBSK0000017. The ticker on the WSE market is "ING", and information about our bank on Bloomberg and Reuters is available under "ING PW" and "INGP.WA", respectively.

Price of ING Bank Śląski SA shares in 2021 against selected WSE indices brought to comparability



Ratings

ING Bank Śląski S.A. ratings

Our stable financial position is also confirmed by external credit ratings assigned to our bank. Our bank cooperates with two rating agencies: Fitch Ratings and Moody's Investors Service. The history of the ratings changes issued by both agencies is available on [our website](#).

Fitch Ratings Ltd.

Fitch Ratings agency (Fitch Ratings Ireland Limited with its seat in Dublin) assigns a full rating under the agreement between our bank and the Agency. As at the 2021 annual report's signing date, the ratings are as follows:

Fitch Ratings Ltd.

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

In the press release published by Fitch on 30 September 2020, as part of the annual review, the Agency sustained the ratings for ING Bank Śląski SA. It emphasized in the review that the maintained ratings for ING Bank Śląski SA reflect its moderate risk appetite, good asset quality, solid capital buffers, strong funding based on deposits and high liquidity. The entity's long-term rating outlook is Negative. Fitch indicated that this was directly due to the negative rating outlook for the parent entity of the Bank, ING Bank NV. The perspective of the long-term rating on the national scale is Stable.

Moody's Investors Service Ltd.

Moody's Investors Service (Moody's Investors Service Cyprus Ltd.) assigns their rating to our bank on the basis of public information. As at the 2021 annual report's signing date, the ratings are as follows:

Moody's Investors Service Ltd.

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

In the press releases published on 21 October 2019, the Agency sustained the ratings assigned to the bank. The Agency emphasised there that the rating of the bank reflects:

- Bank's credit portfolio of good quality, though not seasoned, with very limited exposure to FX mortgage loans,
- adequate, though decreasing, total capital ratio of the Bank,
- moderate profitability, and
- a good funding and liquidity profiles of the Bank based on deposits and high liquidity buffers.

ING Bank Hipoteczny S.A. ratings**Moody's Investors Service Ltd.**

Moody's Investors Service Ltd (the Agency) assigns a full rating – based on an agreement between ING Bank Mortgage and the Agency. On 13 July 2021, the Bank's long-term ratings and rating, were upgraded as a result of the Agency's revised methodology for assessing risks for highly integrated entities. As of the date of signing the report, the rating of ING Bank Hipoteczny is as follows:

Moody's Investors Service Ltd.

LT Counterparty Risk	A1
ST Counterparty Risk	P-1
LT Issuer Ratings	A3
ST Issuer Ratings	P-2
Outlook on the long-term issuer rating	Stable
Counterparty Risk Assessment (CR Assessment) long-term/ short-term	A1 (cr) / P-1 (cr)

The agency in its announcement invariably stresses that ING Bank Mortgage's rating reflects:

- 100% ownership of ING Bank Śląski and its stable growth prospects,
- Strategic adaptation and operational integration within ING Bank Śląski Group structures,
- The commitment of ING Bank Śląski to support the capital and liquidity position of ING Bank Hipoteczny in order to meet regulatory requirements.

Changes to the statutory bodies of ING Bank Śląski S.A.

Supervisory Board

There have been no changes in the composition of the Supervisory Board since 1 May 2020. Thus, since 30 June 2021 the composition of the Supervisory Board has been as follows:

Composition of the Supervisory Board as at 30 June 2021

	Function in the Supervisory Board	Audit Committee	Remuneration and Appointment Committee	Risk Committee
Mr Antoni F. Reczek	Chairperson, Independent Member	●		●
Ms Małgorzata Kołakowska	Deputy Chairperson	●	●	
Mr Aleksander Galos	Secretary, Independent Member	●	●	●
Mr Aleksander Kutela	Independent Member	●	●	●
Mr Remco Nieland	Member	●		
Ms Susan Poot	Member			●
Mr Michał Szczurek	Member			●

● – President ● – Member

Bank Management Board

With reference to the information provided in the 2020 Annual Report:

- Mr Michał Bolesławski resigned from the position of Vice-President of the Bank Management Board on 12 November 2020, with effect from 31 December 2020,
- Mr Lorenzo Tassan-Bassut on 30 November 2020 resigned as Vice-President of the Bank Management Board, effective 31 January 2021,
- On 18 December 2020, the Supervisory Board appointed Ms Ewa Luniewska as Vice-President of the Bank Management Board, effective 1 January 2021.

In addition, at its meeting on 24 May 2021, in connection with the decision of the Polish Financial Supervision Authority of 14 May 2021 and in light of the fulfilment of the requirements set out in Article 22aa of the Banking Act, the

Supervisory Board entrusted Ms Joanna Erdman with the function of Vice-President of the Bank Management Board overseeing the management of significant risks in the Bank's operations.

As a result, the composition of the Bank Management Board and responsibilities of Members of the Management Board as at 30 June 2021 were as follows:

Composition of the Management and responsibilities as at 30 June 2021

Mr Brunon Bartkiewicz	President of the Bank Management Board overseeing the CEO Division and acting as a deputy in the supervision of the following units of the COO Division: Centre of Expertise – Anti-Fraud, Centre of Expertise – Transformation and Change, KYC Tribe, Super Circle KYC CDD – Business Clients, Super Circle KYC CDD – Retail Clients, Circle KYC CDD – Wholesale Banking, Tax Operations team, Strategic Client Support Centre, Manager – OWoW
Ms Joanna Erdman	Vice-President of the Bank Management Board , supervising the CRO Division
Mr Marcin Giżycki	Vice-President of the Bank Management Board supervising the Retail Clients Division, acting as a substitute in the supervision of the following units of the COO Division: Credit Application Analysis Centre, Retail Clients Centre, Tribe – Cash and Payment Processing and the supervising subsidiary, Nowe Usługi S.A.
Ms Bożena Graczyk	Vice-President of the Bank Management Board supervising the CFO Division, acting as a deputy in the supervision of the following units of the COO Division: Finance and Business Control Office, Data Management Tribe, Operational Digital Transformation Tribe, Centre of Expertise – Process Excellence and overseeing the following subsidiaries: Solver Sp. z o. o., ING Bank Hipoteczny SA
Ms Ewa Luniewska	Vice-President of the Bank Management Board supervising the Business Clients Division, acting as a deputy in the supervision of the following units of the COO Division: Corporate Credit Centre, Corporate Transaction Products Centre and supervising the following subsidiaries: ING Usługi dla Biznesu SA, ING Investment Holding (Polska) SA (ING Lease (Polska) Sp. z o.o. and ING Commercial Finance Polska S.A.)
Mr Michał Mrożek	Vice-President of the Bank Management Board , supervising the Wholesale Banking Division
Mr Sławomir Soszyński	Vice-President of the Bank Management Board overseeing the CIO Division and acting as a deputy in the supervision of the following unit of the COO Division: Tribe – Operational Processes Development
Vacancy	Vice-President of the Bank Management Board , supervising the COO Division

Remuneration of members of the Management Board and Supervisory Board of ING Bank Śląski S.A.

Remuneration due to members of the Management Board of ING Bank Śląski S.A. (PLN M)

Period	Remuneration	Other benefits*	Total
H1 2021	5.0	0.9	5.9
H1 2020	5.3	1.3	6.6

*Other benefits inter alia include insurance, deposits to an investment fund, medical care and other benefits approved by the Bank Supervisory Board.

Remuneration paid to members of the Management Board of ING Bank Śląski S.A. (PLN M)

Period	Remuneration	Bonus*	Other benefits**	Total
H1 2021	5.0	3.9	0.9	9.9
H1 2020	5.3	5.0	1.3	11.6

*Rewards for H1 2021 cover the following components:

- Bonus under the Variable Remuneration Program: for 2020 non-deferred cash, for 2018 – tranche I deferred cash and for 2017 – tranche II deferred cash.
- Phantom Shares under the Variable Remuneration Program: for 2019 overdue, for 2017 – tranche II deferred and for 2016 – tranche III deferred.

Rewards for H1 2020 cover the following components:

- Bonus under the Variable Remuneration Program: for 2019 non-deferred cash, for 2017 – tranche I deferred cash and for 2016 – tranche III deferred cash.
- Phantom Shares under the Variable Remuneration Program: for 2018 overdue, for 2016 – tranche II deferred and for 2015 – tranche III deferred.

*Other benefits inter alia include insurance, deposits to an investment fund, medical care and other benefits approved by the Bank Supervisory Board.

In H1 2021 the total amount of remuneration due and disbursed by ING Bank Śląski S.A. to member of the Supervisory Board was PLN 0.4 M.

Remuneration of members of the Supervisory Board of ING Bank Śląski S.A. (PLN M)

Period	Remuneration and bonus	Other benefits	Total
H1 2021	0.4	0.0	0.4
H1 2020	0.4	0.0	0.4

As at 30 June 2021 members of the Bank Management Board and Supervisory Board did not hold shares of ING Bank Śląski S.A.

Independence of Supervisory Board Members and Board Committees

According to Article 19.3 of the [Bank's Articles of Association](#) the composition of the Supervisory Board includes minimum two independent members – are free of any relations with the Bank and its shareholders or employees, whereby such relations could materially affect the ability of such member to take impartial decisions – independent members. In addition, Article 22.6 of the Articles of Association provides that the criteria of independence should be met by the majority of members of the Board Committees, i.e. the Audit Committee, the Remuneration and Nomination Committee and the Risk Committee, including the chairmen of these Committees. In accordance with the above provisions, reflected in [the Regulations of the Supervisory Board](#) (Article 3.3), there are three independent members of the Bank's Supervisory Board who are free from any relationship with the Bank and ING Group. The independent members also form the majority of the Board Committees and serve as chairs of the Audit Committee, the Remuneration and Nomination Committee and the Risk Committee. Those are:

- Mr Antoni F. Reczek, Chairman of the Board, Chairman of the Audit Committee
- Mr Aleksander Galos, Secretary of the Board, Chairman of the Risk Committee
- Mr Aleksander Kutela, Member of the Board, Chairman of the Remuneration and Nomination Committee.

The criteria for the independence of independent members derive from the law, inter alia, and the Best Practices for WSE Listed Companies adopted by the Bank, and are described in detail in the [the Regulations of the Supervisory Board](#) (Article 3.4).

Also the Bank has an independent internal audit unit with the task of reviews and assessment – in an independent and objective manner – the adequacy and effectiveness of the risk management system and the internal control system, with the exception of the internal audit unit. The independence of the audit unit from other units of the Bank

is ensured, inter alia, by the direct contact of the head of the audit unit with members of the Bank's Management Board, Audit Committee, Supervisory Board and the auditor on matters requiring their attention and by the fact that the appointment and dismissal of the head of the audit unit is subject to the approval of the Supervisory Board, after recommendation by the Audit Committee.

Diversity policy for supervisory, managing and administrative bodies

ING Bank Śląski S.A. has a *Diversity Policy for ING Bank Śląski S.A. Management Board and Supervisory Board Members* in place. The Policy seeks to:

- reach a broad spectrum of competence when appointing Supervisory Board and Management Board members so as to have diverse points of view and experience and to facilitate independent opinions and reasonable decisions to be taken by a given body;
- ensure the high quality of tasks performed by managing bodies by way of selecting competent individuals to the Supervisory Board and Management Board, primarily applying objective business-related criteria and taking into account benefits stemming from diversity.

As regards business-related criteria, the diversity strategy ensures selection of persons with diverse knowledge, skills and experience, suitable for positions held by them and duties entrusted to them, who complement each other at the level of the Management Board and Supervisory Board. The criteria are verified in the suitability assessment process described in the *Policy for the assessment of the suitability of the members of the Supervisory Board, Management Board and key function holders at ING Bank Śląski S.A.* Moreover, apart from knowledge, competences and professional experience, the diversity policy covers gender- and age-related differences, and applies them to arrive at the best outcome. In making its decision when appointing members to the governing bodies, the bank takes into account that more diverse governing bodies foster constructive dissent and discussion based on different points of view.

The policy assumes aiming at ensuring representation of both genders in the processes of selection and succession plans, keeping in mind the laws on fair treatment while establishing employment relationship. The Remuneration and

Appointment Committee of the Supervisory Board of ING Bank Śląski SA defines the target value of the representation of the underrepresented gender in the Bank Management Board and Supervisory Board and adopts a plan aimed at achieving the target value. The target value is determined according to the term of office of the Supervisory Board and the Management Board of the Bank, i.e. once every four consecutive full financial years counted from the beginning of the term of office of a given body.

Since the implementation of the Policy in 2018, the target value of the under-represented gender has been set at 30% of women and 70% of men (with a deviation of +/- 2%). The means to achieve the target value is to verify and update the database of successors. The target value is verified annually on the basis of reports prepared by HR units and presented to the Remuneration and Appointment Committee of the Supervisory Board of ING Bank Śląski SA. Where the target value is not met, the bank will document the reasons, the measures that will be taken and the timing of such measures to ensure that the target is achieved.

At the end of H1 2021, the Management Board comprised 3 women out of 7 members (43% of the number of Management Board members) and the Supervisory Board comprised 2 women out of 7 members (29% of the number of Supervisory Board members).

Supplementary information

Position of the Management Board on the feasibility of the previously published forecasts

The Bank has not published its projected financial results for 2021.

Related party transactions

Neither ING Bank Śląski S.A., nor its subsidiary entities have entered into transactions with related parties other than at arm's length.

Contingent commitments granted

ING Bank Śląski S.A. and its subsidiary entities provide sureties to loans and guarantees as part of its statutory activity. The amount of off-balance financial commitments granted at the end of H1 2021 was PLN 45.7 billion (PLN 43.6 billion at the end of 2020 and PLN 39.3 billion at the end H1 2020).

Off-balance liabilities of the ING Bank Śląski Group						
PLN million	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Unutilised credit lines	27,003.2	30,473.7	32,720.3	33,997.6	35,074.1	36,098.5
Guarantees	5,906.1	5,519.9	5,568.9	6,058.6	5,767.8	6,030.2
Unutilised overdraft facilities	1,425.6	1,596.0	1,513.3	1,580.5	1,516.2	1,519.0
Credit card limits	1,491.3	1,468.9	1,483.7	1,520.5	1,549.4	1,538.1
Letters of Credit	298.7	272.4	370.6	430.3	477.5	499.8
Total	36,124.9	39,330.8	41,656.8	43,587.5	44,385.0	45,685.6

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

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

On 1 April 2019, the President of the Office of Competition and Consumer Protection (UOKiK) initiated ex officio proceedings to recognize a standard contract as illegal in terms of contractual provisions that may violate Art. 23a of the Act on competition and consumer protection. The proceedings concern provisions providing for the possibility of changing the standard contract, contract or table of fees and commissions for important reasons, the so-called modification clauses.

The scope of the procedure relates to the provisions in various general terms and conditions, regulations and contracts concluded with consumers: for cash loans, overdraft limit, granting and repayment of loans in a brokerage account, using a credit card – in the version effective from 7 March 2016; for checking and checking accounts and savings accounts – in the version effective from 9 November 2015; for maintaining payment accounts – in the version applicable from 6 August 2018; for prepaid cards – in the version valid from 1 January 2016.

In the opinion of the President of UOKiK, the analysed modification clauses may constitute prohibited contractual provisions due to:

- the possibility of unilaterally changing the general terms and conditions of the contract as to its essential provisions, in the scope of contracts enabling the generation of debt on the part of consumers, concluded for a specified period,
- general, imprecise nature of the premises for a unilateral amendment to the contract, which does not allow consumers to verify them correctly, and in some provisions there are no time limits as to the scope of changes,

- no provisions regarding the possibility of continuing a contract concluded for a specified period of time regarding crediting consumer needs under the existing rules in the event of failure to accept unilateral proposed changes from the bank.

By letter of 13 May 2021, UOKiK notified the Bank of the completion of the collection of evidence, and by letter of 30 June 2021 - about the extension of the deadline for completion of the proceedings until 31 August 2021.

As at 30 June 2021, the Group has not identified any premises for the creation of provisions on this account.

Proceedings on the use of practices violating collective consumer interests

Before the President of the Office of Competition and Consumer Protection, an ex officio proceeding was conducted on 9 July 2014 regarding the use of practices violating collective consumer interests, consisting in: during the validity of payment card contracts, replacement of payment cards not equipped with a contactless function for cards equipped with this function without changing the content of the contract; deriving the legal effects from the communication for the account holder specified in the Regulations for the provision of services by ING Bank Śląski as part of keeping savings and checking accounts and savings accounts for natural persons; failure to provide consumers with information about the possibilities and rules of making the so-called contactless transactions, spending limits for payment transactions performed with these payment cards, on paper or on another durable medium, in due time before the conclusion of the contract. The Bank's proposed obligations presented to the supervisor as part of the above procedure were already implemented on 18 December 2018, the Office of Competition and Consumer Protection decided to extend the procedure. Until the date of publication of this report, the status of the proceedings has not changed. As at 30 June 2021, the Group has not identified any premises for the creation of provisions on this account.

Proceedings on the allegation of practices restricting competition on the market of acquiring services related to payments with payment cards in Poland

After conducting antitrust proceedings against ING Bank Śląski S.A. and other banks, at the request of the Polish Trade and Distribution Organization - the Employers' Association (POHiD), the President of the Office of Competition and Consumer Protection issued a decision on 29 December 2006 stating that the Bank had committed practices restricting competition. As restricting competition, UOKiK found the practice consisting in the participation by various

Polish banks, including the Bank, in an agreement restricting competition on the acquiring services market related to the settlement of consumers' obligations towards merchants, for payments for goods and services purchased by consumers, with the use of payment cards on territory of Poland by jointly setting the amount of the interchange fee charged for transactions made with Visa and MasterCard cards in Poland. Due to the finding of competition restricting practices, UOKiK imposed fines, including penalties on the Bank in the amount of PLN 14.1 million.

From this decision, among others The bank appealed to the Court of Competition and Consumer Protection (SOKiK). By ruling on 12 November 2008, SOKiK changed the decision of UOKiK, so that it did not find any practice restricting competition. On 22 April 2010, this judgment was quashed by a judgment of the Court of Appeal, which referred the case to SOKiK for re-examination.

By the ruling of the SOKiK of 21 November 2013, the Court did not change the decision of the Office of Competition and Consumer Protection with regard to the allegation of restriction of competition, but reduced the Bank's fine to PLN 0.4 million. However, the judgment of the SOKiK was changed by the judgment of the Court of Appeal, which on 6 October 2015 ruled to change the judgment of the SOKiK in such a way that all appeals were dismissed in full. As a result of this ruling, the President's decision became final, and in October 2015 the Bank paid the imposed fine of PLN 14.1 million.

The Bank, like other banks participating in the proceedings, filed a cassation appeal against the judgment of the Court of Appeal. On 25 October 2017, the Supreme Court quashed the judgment of the Court of Appeal, referring the case to that court for re-examination. According to the position of UOKiK, the penalty was returned to the Bank.

On 23 November 2020, the Court of Appeal overruled the SOKiK judgment of 21 November 2013 and remitted the SOKiK case, leaving the court to decide on the costs.

On 27 April 2021, the files of the main interchange fee case were transferred to SOKiK.

Due to the lack of final decisions, the amount of the refunded penalty was not recognized in the profit and loss account. As at 30 June 2021, the value of the provision was PLN 14.1 million.

As for other proceedings against the Bank, in the first half of 2021 there were no significant changes affecting the financial data presented in these consolidated financial statements.

Legal risk related to the portfolio of loans indexed to CHF

As at 30 June 2021, the amount of the adjustment to the gross carrying amount resulting from the legal risk for the portfolio of CHF-indexed mortgage loans disclosed in the statement of financial position amounted to PLN 289.2 million (compared to PLN 300.0 million at the end of 2020).

Regarding CHF-indexed mortgage loans already removed from the statement of financial position, as at 30 June 2021, the Group maintained a provision amounted to PLN 11.1 million (compared to PLN 11.8 million at the end of 2020). This amount is presented in liabilities under Provisions.

At the end of the 1st half of 2021, the net value of the Group's FX mortgage loan portfolio was PLN 534.4 million, of which PLN 521.3 million was the value of the CHF-indexed loan portfolio (PLN 600.7 million and PLN 584.9 million at the end of 2020, respectively).

Significant assumptions regarding the calculation of the amount of the adjustment to gross carrying amount due to legal risk for the portfolio of CHF-indexed mortgage loans reported in the statement of financial position and the amount of provisions for CHF-indexed mortgage loans already removed from the statement of financial position are described in the annual consolidated financial statements of the of ING Bank Śląski S.A. Group for the period from 1 January 2020 to 31 December 2020.

As at 30 June 2021, 617 court cases were pending against the Bank (450 cases at the end of 2020) in connection with the concluded loan agreements in PLN indexed with CHF. As at 30 June 2021, the outstanding capital of the loans concerned by the proceedings was PLN 162.0 million (PLN 129.6 million at the end of 2020).

To date, the Bank has not received any class action, and neither of the clauses used by the Bank in the agreements has been entered in the register of prohibited clauses.

On 3 October 2019, the CJEU issued a judgment which did not concern the assessment of clauses in CHF-indexed loan agreements in terms of their possible abusiveness, but only the possible consequences of recognizing the abusiveness of a given provision by the domestic court. The judgment contains some guidelines that should be followed by national courts. The Court reaffirmed that contract evaluation should not be automatic. It is also for the national court to assess whether, following the finding that a given provision is abusive, the contract – in accordance with national law – cannot continue to apply without such a provision. Only when the domestic court comes to the conclusion that the contract cannot continue to apply without a condition deemed abusive, does the client consent to the

maintenance of the provisions considered abusive or expressly opposes it. It is also for the national court to assess the potential consequences for the consumer of the annulment of the credit agreement concerned. The CJEU also questioned the possibility of transforming the loan into a PLN loan with an interest rate of LIBOR. In the opinion of the Tribunal, such an option could be an excessive interference with the nature of the main subject of the contract.

In July 2019 the Polish Bank Association applied to the President of the Supreme Court (hereinafter the Supreme Court) to analyse by the Supreme Court a defective, from a legal and economic point of view, the concept of transforming a CHF-indexed loan agreement into a PLN loan at the LIBOR rate, expressed in the opinion of the CJEU General Counsel. In August 2019, the Supreme Court issued a publication in which the above -mentioned solution proposed by the Counsel was approved.

Therefore, in the opinion of the Bank, the judgments of domestic courts in these cases may still vary.

At the same time, the information provided by attorneys representing banks in CHF disputes shows that in many courts a practice has been developed to refrain from examining the grounds for abusiveness of indexation clauses. More and more judges are of the opinion that it has already been decided that if an indexation clause refers to the bank's exchange rate table, it is abusive. Therefore, judges give up the assessment of a given, specific contractual provision, and their considerations focus only on the analysis of whether the contract can continue to be performed without this provision. Recent rulings show that most often the courts do not see such a possibility and declare the loan agreement invalid. The above practice manifests itself in the increase in the number of court cases lost by banks in 2020 and 2021. However, due to the overall number of cases and the number of courts involved, it will be a process spread over time. The current state of the epidemic in the country should also be taken into account, which may have an impact on the extension of the time limit for considering cases by courts.

On 11 May 2021, a meeting of the full composition of the Civil Chamber of the Supreme Court took place (originally planned for 25 March 2021). During the session, the application of the First President of the Supreme Court of 29 January 2021 for the adoption of a resolution on the following legal issues regarding loans denominated and indexed in foreign currencies was to be considered (legal basis Art. 83 § 1 of the Act of December 8, 2017 on the Supreme Court):

- 1 If it is found that the provision of an indexed or denominated loan agreement relating to the method of determining the foreign currency exchange rate constitutes an illegal contractual provision and does not bind

the consumer, it is possible to assume that this provision is replaced by another method of determining the foreign currency exchange rate resulting from legal provisions or customs?

If the answer to the above question is in the negative:

- 2 If it is impossible to establish a binding exchange rate for a foreign currency in a loan agreement indexed to such currency, can the agreement be binding on the parties in the remaining scope?
- 3 If it is impossible to establish a binding exchange rate for a foreign currency in a loan agreement denominated in a foreign currency, can this agreement be binding on the parties in the remaining scope?

Regardless of the content of the answers to questions 1-3:

- 4 In the event of the invalidity or ineffectiveness of a loan agreement, in the performance of which the bank paid out to the borrower all or part of the loan amount and the borrower repaid the loan, separate claims arise for undue performance for each of the parties, or is there only one claim, equal to the difference in the benefits provided to the party whose total benefit was higher?
- 5 In the event of the invalidity or ineffectiveness of a loan agreement due to the unlawful nature of some of its provisions, does the limitation period for the bank's claim for reimbursement of the amounts paid under the loan start from the moment of their payment?
- 6 If, in the event of the invalidity or ineffectiveness of a credit agreement, either party is entitled to a claim for reimbursement of the performance provided in the performance of such a contract, may that party also demand remuneration for the use of its funds by the other party?

While examining the motion of the First President of the Supreme Court in closed session, the composition of the entire Civil Chamber of the Supreme Court decided to notify the Ombudsman and the Ombudsman for Children about the pending proceedings and requested that these entities take a position on the legal issues covered by the motion. Moreover, the Supreme Court decided to ask for such a position to be taken by the President of the National Bank of Poland, the Polish Financial Supervision Authority and the Financial Ombudsman. The next meeting is scheduled for 2 September 2021.

The ruling of the Supreme Court may affect the assumptions made in the model for estimating the Group's gross book value adjustments resulting from legal risk for the portfolio of CHF-indexed mortgage loans disclosed in the statement of financial position and provisions for legal risk for CHF-indexed mortgage loans already removed from the report from the financial situation. In particular, it may affect the number and resolution of disputes and the

interest of borrowers in entering into voluntary agreements regarding conversion into PLN loans. The Bank will monitor the legal situation related to the judgment of the Supreme Court, which may have an impact on changing the assumptions in the model regarding costs related to legal risk of CHF-indexed loans in subsequent reporting periods.

On 29 April 2021, the CJEU issued another judgment in response to a Polish court inquiry regarding CHF-indexed loans. The CJEU confirmed that if the unfair terms had already been eliminated from the contract through an addendum, the court should not invalidate the contract. The CJEU confirmed the primacy of maintaining the contract against nullity. As long as it is legally possible to maintain the contract, it cannot be canceled. The evaluation of the continuation of the contract should always be made on the basis of an objective approach, it cannot be based on the interests of the consumer. The CJEU ruled that it is in line with EU law for a national court not to invalidate the foreign currency loan agreement. Instead, the national court should uphold the foreign currency loan agreement by removing only the elements found to be unfair from the loan agreement (the so-called "blue pencil test") and retaining all other elements - and this is in line with EU law. The cancellation of long-term contracts, such as credit agreements, should be the last resort. As foreseen, the CJEU left it to the national courts to decide what would happen if the loan agreement could not continue to apply after the unfair terms were excluded from it and how the parties should account for such agreements. The national court should inform consumers (objectively and comprehensively) of any legal consequences of removing a term considered unfair, even where the parties are represented by professional representatives.

On 7 May 2021, the Supreme Court adopted a resolution composed of seven Supreme Court judges regarding the issues presented by the Financial Ombudsman, i.e. the parties' settlements in the event of invalidity or bankruptcy of an indexed or denominated loan agreement. The Supreme Court confirmed the position expressed in the resolution of 16 February 2021 (III CZP 11/20) that in the event of invalidity of the contract, each party has a claim for the return of the service provided by that party (the so-called two-law theory). The Supreme Court did not decide that each indexed or denominated loan agreement should be canceled. A finding that a contractual provision is abusive should, in principle, result in domestic courts applying solutions that restore the balance. According to the Supreme Court, the contract should be considered definitively ineffective if the consumer - duly informed about the effects - refuses to consent to be bound by a provision deemed abusive.

In December 2020, the chairman of the Polish Financial Supervision Authority presented a proposal for banks to conclude voluntary settlements with borrowers. The assumption of the settlements is the conversion of loans into loans denominated in PLN, under which the loan agreement is converted and repayments made on its basis by the borrower as if the loan had been granted in PLN from the beginning. The interest rate on the loan in PLN is determined based on the WIBOR rate, taking into account the loan margin resulting from the average interest rate on new loans in PLN from the month of granting the loan in CHF published in NBP statistics.

Provision for commission refunds on prepaid consumer loans

On 11 September 2019, the European Court of Justice (CJEU) announced a judgment in the case of the question referred by the Lublin-Wschód District Court for a preliminary ruling regarding the interpretation of Art. 16 clause 1 of Directive 2008/48 / EC of the European Parliament and of the Council of 23 April 2008 on consumer credit agreements. The Consumer Credit Act (Ukk) in force in Poland contains in Art. 49 analogous provision, which up to 2016 had no interpretation doubts, and banks, as a rule, charging a commission for granting a loan, did not refund its client in the event of early repayment (except for withdrawal from the contract). The discussion on the interpretation of Art. 49 Ukk was started by UOKiK by issuing a joint position with the Financial Ombudsman in 2016. The judgment of the CJEU resolves this issue in such a way that in the event of early repayment of consumer credit, banks should:

- reduce the total cost of the loan along with all its components (e.g. fees, commission, insurance),
- make a proportional reimbursement of these costs, i.e. the reimbursement should cover the period from the date of actual repayment of the loan to the date of final repayment specified in the contract.

After the publication of the above judgment, the President of UOKiK presented his position in which he fully shared the findings of the CJEU judgment.

In connection with the judgment of the CJEU and the statement of the Office of Competition and Consumer Protection, the Group now automatically reimburses a proportionate part of the commission in the case of early repayment of the consumer loan (for repayments made after 11 September 2019). For early repayments made before 11 September 2019, the Group makes refunds if the client submits a complaint and its verification proves that the refund is justified.

On 9 October 2019, the Bank was served with a notice of initiation by the Office of Competition and Consumer Protection and a request to provide information on banking products on offer from 16 May 2016, to which the

provisions of the Consumer Credit Act, including Art. 49 of this act. The explanatory proceeding concerns the settlement by the Bank of commission refunds in cases of early repayment of consumer loans. On 29 October 2019 the Bank provided the requested information to the Office of Competition and Consumer Protection. On 24 December 2019, the Bank received another letter from the Office of Competition and Consumer Protection in the same procedure with the request for additional information. The Bank responded to them on 3 January 2020.

The amount of the provision for returns made on the complaint path at the end of the 1st half of 2021 it was PLN 7.9 million. As at 30 June 2021 there was no change in assumptions regarding commission returns realized on the complaint path.

The Group monitors the impact of the CJEU judgments on the behaviour of borrowers, the practice and jurisprudence of Polish courts in these cases, and assesses the probability of cash outflow in relation to CHF-indexed mortgage loans and commission reimbursements on consumer loans on an ongoing basis.

Changes in the banking sector regulations

Changes in the banking sector regulations		
Name	Effective date	Description
Act of 31 July 2019 amending certain acts to reduce regulatory burdens	On 1 January 2021, an amendment to extending the scope of consumer protection came into force	Among the changes introduced by the Act is the extension of the scope of application of provisions on prohibited clauses in contracts with consumers to natural persons conducting business activity.
Act of 27 November 2020 amending the act on tax on goods and services and certain other acts	1 January 2021	The Act introduced solutions to simplify the settlement of tax on goods and services by taxpayers – the SLIM VAT (<i>Simple Local and Modern VAT</i>) package, incl. relating to: <ul style="list-style-type: none"> – no need to obtain confirmation of receipt of corrective invoices in minus, – introducing a new condition in the form of having documentation, which shows that the seller has agreed with the buyer "the conditions for lowering the tax base for the supply of goods or services specified in the correcting invoice and these conditions have been met, and the invoice is consistent with the documentation held", – extending the deadline for deducting input VAT up to a total of 4 settlement periods, and in the case of quarterly taxpayers, the deduction on the current terms, i.e. up to 3 settlement periods, – consistent exchange rates – adding an optional solution for taxpayers in the field of exchange rates used for VAT and CIT settlements, – introducing the possibility of deducting input tax resulting from invoices documenting the purchase of accommodation services for resale, – increasing the limit on unchecked gifts of small value from PLN 10 to PLN 20, – introducing a provision on the settlement of correcting invoices increasing the price.
Act of 28 November 2020 amending the act on corporate income tax and certain other acts	1 January 2021	The act introduced two alternative taxation options, i.e.: <ul style="list-style-type: none"> – a system modelled on the Estonian solution linking taxable income with the categories of balance sheet law and consisting in a significant modification of the existing taxation rules – the so-called lump sum on income of capital companies, – The flat-rate tax will be available to capital companies (i.e. limited liability and joint-stock companies) under certain conditions, e.g. their shareholders are only natural persons, and its total operating revenues from the previous tax year or the value of average operating revenues are not exceed the amount of PLN 100 million, including the amount of VAT, etc., – a special investment fund which (in an economic sense) will enable taxpayers to settle the depreciation of fixed assets faster in tax costs without interfering with the current tax settlements.

Act of 28 November 2020 amending the act on personal income tax, the act on corporate income tax, the act on flat-rate income tax on certain revenues generated by natural persons and certain other acts	1 January 2021	<p>The act introduced many significant changes for taxpayers, including:</p> <ul style="list-style-type: none"> - introducing the obligation to prepare and make public by the largest CIT taxpayers, i.e. taxpayers whose revenues exceeded EUR 50 million in a tax year, as well as tax capital groups information about the implemented tax strategy for the tax year, hereinafter: report, - the report should be prepared in Polish and posted on its website by the end of the twelfth month following the end of the tax year and submitted to the Head of the Tax Office competent for the taxpayer at the website address. The prepared reports will be made public. Non-compliance is sanctioned by a fine of up to PLN 250 thousand - extending the scope of transactions subject to verification for compliance with the arm's length principle, in particular when the beneficial owner is established in the so-called "Tax haven", - covering limited partnerships and some general partnerships with CIT, - changes in the so-called real estate clause, - taxation of the issue of liquidation assets in kind – so far there has been a dispute in this respect between tax authorities and administrative courts, - introducing a definition of a real estate company along with the rules for their taxation, - limiting the possibility of settling losses resulting from restructuring activities, - extension of the exemption from the minimum tax on commercial real estate for the period of the epidemic – the existing exemption was extended for the period from 1 January 2021 until the end of the month in which the epidemic will be cancelled - limiting the possibility of using reduced or increased depreciation rates in relation to fixed assets used in activities, the income of which is exempt from income tax – during the period of using such an exemption, - increasing the revenue limit entitling to the reduced 9% CIT rate from EUR 1.2 million to EUR 2 million.
Regulation of the Minister of Finance, Funds and Regional Policy of 28 December 2020 amending the regulation on the properties of tax authorities and Ordinance of the Minister of Finance, Funds and Regional Policy of 28 December 2020 amending the ordinance on certain taxpayers and remitters for which tasks are performed by the head of a tax office other than the locally competent	1 January 2021	<p>The regulations change, with effect from 1 January 2021, the existing jurisdiction of the tax authorities for a large part of taxpayers, including banks. These changes also have effects on the basis of submitted declarations and conducted administrative proceedings.</p> <p>Until 31 December 2020, the tax office competent for ING Bank Śląski SA was the First Silesian Tax Office in Sosnowiec, and on 1 January 2021, the First Masovian Tax Office in Warsaw, hereinafter referred to as: I Mazowiecki Tax Office</p> <p>In addition, the I Mazowiecki Tax Office will take over the role of the tax office competent for the largest entities, being a nationwide office.</p> <p>On the other hand, large enterprises will go to 19 established specialized tax offices (referred to as WUS). On the other hand, small entities with foreign capital will return to the regional tax offices – an exception to this rule is the situation in which such an entity is classified under the WUS.</p> <p>At the same time, the Head of the Lublin Tax Office in Lublin will provide services to all taxpayers and payers from all over the country in matters of lump-sum corporate income tax collected by payers from non-residents (withholding tax).</p> <p>This authority will also be locally competent in matters of overpayment of the flat-rate corporate income tax collected by remitters at the request of a non-resident taxpayer of this tax.</p>

Act of 10 December 2020 amending the Excise Duty Act and certain other acts	1 February 2021	The main change introduced by the Act is the creation of the Central Register of Excise Entities (CRPA), which results in the submission of an electronic registration or update application by entities that are both already registered for excise purposes (a bank is an excise taxpayer by virtue of owning generators with a capacity of more than 1 MWh) and have only made a declaration of activity.
Regulation of the Minister of Finance, Funds and Regional Policy of 12 February 2021 amending the Regulation on the scope and conditions of use of the tax portal	15 February 2021	The regulation expands the catalogue of services made available in the tax portal (e-Tax Office) to include, among others, an application for generating and sending JPK (e-microfirma), a list of fines and online payments and access to: <ul style="list-style-type: none"> - up-to-date data, - information on the micro-tax account number, - documents submitted, - login and payment history, - status of the refund of overpaid tax. At the same time, through the portal, the taxpayer can submit letters of clarification of the purpose of the payment, ZAW-NR notices, requests to credit the overpayment or refund of tax against other obligations.
Act of 25 February 2021 on amending the Act – Banking Law and certain other acts	Most of the provisions entered into force on 28 April 2021.	The amendment to the Banking Act implements the requirements of the CRD V Directive. The changes concern, among other things, remuneration policy, supervisory measures that may be applied by the Polish Financial Supervision Authority, capital buffers and interest rate risk.
Act of 30 March 2021 amending the Act on Prevention of Money Laundering and Terrorist Financing and certain other acts	In principle, the law came into force on 15 May, but some of the changes come into force on 31 July/31 October 2021.	The changes relate, inter alia, to detailed rules on the application of financial security measures, the extension of the scope of information in the Central Register of Actual Beneficiaries and the obligations relating to their verification.
Act of 30 March 2021 amending the Excise Duty Act and certain other acts	1 May 2021 with the exception of the transfer pricing provisions which came into force retrospectively from 1 February 2021	The Act introduced the following changes: <ul style="list-style-type: none"> - postponing by 3 months the deadline for filing the CIT-8 return for 2020 and paying the tax, i.e. until 30 June 2021 (the current deadline was 31 March 2021), - extending the validity of certificates of residence issued in 2020 and considering them valid also in 2021, provided that a declaration is obtained from the counterparty that the data on the document are up-to-date, - extension of the deadline for submission of transfer pricing reporting information (TPR-C/P) and statement on preparation of local transfer pricing documentation, i.e. until 30 September 2021 – in case the original deadline expires between 1 February 2021 and 30 June 2021, and by 3 months – in case the deadline expires between 1 July 2021 and 31 December 2021, - the obligation to keep excise duty registers and other documentation referred to in the provisions of the Excise Duty Act in an electronic form only, i.e. the requirement to submit excise duty declarations in an electronic form already from 1 July 2021, and registers from 1 January 2022.
Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and internal control system and remuneration policy in banks	Most of the provisions entered into force on 11 June 2021. Selected new requirements are effective from 28 June/31 December 2021.	The regulation sets out how the risk management system and the internal control system operate in banks, including the procedure for anonymous reporting of breaches of the law and the procedures and ethical standards applicable in the bank to a designated member of the management or supervisory board, and the detailed scope of the remuneration policy. The amendments concern, among other things, the determination of risk limits, interest rate risk in the banking book and variable components of remuneration.

Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, own funds requirements and eligible liabilities, counterparty credit risk, market risk, CCP exposures, collective investment undertakings exposures, large exposures, reporting and disclosure requirements as well as Regulation (EU) No 648/2012	<p>Most of the provisions entered into force on 28 June 2021.</p>	<p>The CRR2 regulation deals with prudential requirements for banks. The changes concern, among others the leverage ratio, the introduction of a net stable funding ratio as well as detailed capital requirements for credit and market risk. The provisions of the regulation also affect reporting and disclosure of information by banks.</p>
Regulation of the Minister of Finance, Funds and Regional Policy of 25 June 2021 amending the regulation on the exclusion or limitation of the application of art. 26 sec. 2e of the Corporate Income Tax Act	<p>30 June 2021</p>	<p>The regulation introduces a further postponement in time, i.e. until 31 December 2021, of the application of the WHT (flat-rate income tax withheld at source) provisions amended from 1 January 2019.</p>
Act of 20 May 2021 amending the act on tax on goods and services and certain other acts	<p>1 July 2021</p>	<p>The amendment of the act results from the obligation to implement to the Polish legal order the EU regulations concerning the so-called e-commerce package.</p> <p>The main solutions included in the e-commerce package are:</p> <ul style="list-style-type: none"> - removal of the EU-wide VAT exemption for imports of goods in consignments of a value not exceeding EUR - imposing an obligation on taxable persons who facilitate the payment of VAT using an electronic interface: <ul style="list-style-type: none"> - the sale to Union consumers of goods imported from third countries in consignments the intrinsic value of which does not exceed EUR 150, or - the supply of goods within the EU by a trader not established in the EU to consumers; - the extension of the so-called 'small one-stop shop' simplification (MOSS) to sales to EU consumers of goods imported from third countries in consignments with an intrinsic value of EUR 150 or less (IOSS); - the introduction of a further, (where IOSS does not apply) simplified procedure for accounting for VAT on imports of goods in consignments with an intrinsic value of EUR 150 or less; - to define the concept of WSTO and to amend the existing provisions on distance selling accordingly; - extension and modification of the specific MOSS procedure, currently for telecommunications services, broadcasting services or electronically supplied services; <p>the imposition of an obligation on taxable persons facilitating, by means of an electronic interface, the supply of certain supplies of goods and services to non-taxable persons (consumers) within the territory of the EU, to keep records containing specified information on these facilitated transactions and on the persons supplying them, and to make these records available to the competent tax authority upon request.</p>

Recommendation S on good practices in the management of mortgage-secured credit exposures	The PFSA expects the banks to introduce the Recommendation by 30 June 2021	Recommendation S is a set of principles regarding best practices in the field of mortgage-secured credit exposures. The purpose of issuing the revised Recommendation S is, inter alia, extending its current wording to include rules for the management of mortgage-secured credit exposures bearing a fixed interest rate or periodically a fixed interest rate, so as to take into account the risk associated with these loans. Banks should also offer these types of loans among their mortgage-secured loans on residential real estate for retail clients. They should also allow clients to change the interest rate formula under an already concluded mortgage secured loan contract from a variable interest rate to a fixed interest rate or periodically fixed interest rate. The provisions of the Recommendation relating to loans with an option of release from the obligation vis-a-vis the bank related to a credit exposure secured by a mortgage on a residential real estate in the event of the borrower's transfer to the bank of ownership title to the real estate being credited (the so-called "keys for debt" loans), lay down specific rules for assessing creditworthiness and collateral.
Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59 / EU as regards the loss absorption and recapitalization capacity of credit institutions and investment firms and Directive 98/26 / EC	The provisions of the directive require implementation into Polish law. The exact date of their entry into force is unknown.	The BRRD II Directive amends the provisions on forced restructuring of banks. It includes, among others provisions on the requirements for banks to maintain an appropriate level of eligible liabilities (MREL).
Recommendation Z on the principles of internal governance in banks	The PFSA expects the banks to implement the Recommendation by 1 January 2022.	Recommendation Z is a collection of good practices in the field of internal governance. The internal governance includes in particular: the bank management system, the bank's organization, principles of operation, powers, duties and responsibilities as well as mutual relations between the supervisory board, the management board and persons performing key functions in the bank.
Recommendation R on principles for classification of credit exposures, estimation and recognition of expected credit losses and management of credit risk	1 January 2022	The revised Recommendation R is a set of good practices concerning the classification of credit exposures, estimation and recognition of expected credit losses, in accordance with the accounting and credit risk management policies adopted and applied by banks. The need to develop Recommendation R in a new wording resulted in particular from the entry into force of International Financial Reporting Standard 9 (IFRS 9) in 2018.

Representations of the Management Board of ING Bank Śląski S.A.

Correctness and reliability of the presented financial statements

To the best knowledge of the Bank Management Board, the semi-annual abbreviated consolidated financial statements and the comparable data were prepared in line with the applicable accounting standards and in a manner reliably and clearly presenting the economic and financial condition of the Bank Group and its financial result. The semi-annual Management report from operations of the Bank Group contains a true picture of development and achievements and of the condition of the Bank Group in H1 2021, including a description of core hazards and risks.

This Management Board's Report on Operations of the ING Bank Śląski S.A. Group in H1 2021 has 81 consecutively numbered pages.

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

The original Polish document is signed with a qualified electronic signature

Brunon Bartkiewicz

President of the Bank's Management Board

The original Polish document is signed with a qualified electronic signature

Joanna Erdman

Vice-President of the Bank Management Board

The original Polish document is signed with a qualified electronic signature

Marcin Giżycki

Vice-President of the Bank Management Board

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Bożena Graczyk

Vice-President of the Bank Management Board

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Ewa Łuniewska

Vice-President of the Bank Management Board

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Michał H. Mrożek

Vice-President of the Bank Management Board

The original Polish document is signed with a qualified electronic signature

Sławomir Soszyński

Vice-President of the Bank Management Board

4 August 2021