ING Bank Śląski S.A. Group

Semi-annual consolidated report for the period of 6 months ending on 30 June 2020

Contents

Interim condensed consolidated financial statements (PLN million)

SELECTED FINANCIAL DATA FROM FINANCIAL STATEMENTS

Selected financial data

	2 quarter 2020 the period from 01 Apr 2020 to 30 Jun 2020	**1 half year 2020** the period from 01 Jan 2020 to 30 Jun 2020	**2 quarter 2019** the period from 01 Apr 2019 to 30 Jun 2019	**1 half year 2019** the period from 01 Jan 2019 to 30 Jun 2019
Net interest income	1 099.2	2 251.3	1 053.2	2 073.4
Net commission income	344.0	703.1	353.7	671.5
Result on basic activities	1 508.1	3 066.4	1 451.3	2 837.7
Result before tax	440.1	817.1	625.8	1 063.8
Net profit attributable to shareholders of ING Bank Śląski S.A.	316.2	583.5	469.1	793.6
Earnings per ordinary share (PLN)	2.43	4.49	3.61	6.10

	as at **30 Jun 2020**	as at **31 Dec 2019**	as at **30 Jun 2019**
Loans and other receivables to customers (net)	120 831.5	118 288.1	110 509.9
Liabilities to customers	150 979.3	130 473.5	122 992.0
Total assets	180 639.3	158 610.7	150 909.1
Equity attributable to shareholders of ING Bank Śląski S.A.	18 235.5	15 223.3	14 219.8
Share capital	130.1	130.1	130.1

Key performance indicators

	as at **30 Jun 2020**	as at **31 Dec 2019**	as at **30 Jun 2019**
C/I - Cost/Income ratio (%)	46.2	43.1	45.9
ROA - Return on assets (%)	0.9	1.1	1.2
ROE - Return on equity (%)	9.0	11.6	12.5
NIM - net interest margin (%)	2.83	2.95	2.94
L/D - Loans-to-deposits ratio (%)	80.0	90.7	89.9
Total capital ratio (%)	17.47	16.87	15.03

Explanations:

C/I - Cost to Income ratio – total costs to income from operating activity per type.

ROA - Return on assets – net profit attributable to shareholders of ING Bank Śląski S.A. for 4 subsequent quarters to average assets for 5 subsequent quarters.

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

NIM – total net interest income for 4 consecutive quarters to average interest assets for 5 consecutive quarters.

L/D - Loans-to-deposits ratio – loans and receivables to customers (net) excluding Eurobonds to liabilities due to customers.

Total capital ratio – equity to risk weighted assets and off-balance sheet liabilities.

Interim condensed consolidated financial statements (PLN million)

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

Interim condensed consolidated income statement

	note	**2 quarter 2020** the period from 01 Apr 2020 to Jun 2020	**1 half year 2020** the period from 01 Jan 2020 to 30 Jun 2020	**2 quarter 2019** the period from 01 Apr 2019 to Jun 2019	**1 half year 2019** the period from 01 Jan 2019 to 30 Jun 2019
Interest income, including:		1 304.0	2 690.6	1 314.1	2 577.2
Interest income calculated using effective interest rate method		1 303.3	2 689.1	1 313.0	2 575.0
Other interest income		0.7	1.5	1.1	2.2
Interest expenses		204.8	439.3	260.9	503.8
Net interest income	7.1	**1 099.2**	**2 251.3**	**1 053.2**	**2 073.4**
Commission income		448.3	908.9	443.8	843.4
Commission expenses		104.3	205.8	90.1	171.9
Net commission income	7.2	**344.0**	**703.1**	**353.7**	**671.5**
Net income on financial instruments at fair value through profit or loss and FX result	7.3	44.3	58.2	25.1	56.5
Net income on the sale of securities measured at amortised cost	7.4	0.0	7.3	0.0	0.0
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	7.4	18.8	20.6	16.4	32.2
Net income on hedge accounting	7.5	4.9	28.6	-0.9	-2.1
Net income on other basic activities		-3.1	-2.7	3.8	6.2
Net income on basic activities		**1 508.1**	**3 066.4**	**1 451.3**	**2 837.7**
General and administrative expenses	7.6	641.5	1 416.5	581.1	1 302.2
Impairment for expected losses	7.7	309.4	604.1	135.9	260.9
including profit on sale of receivables		0.0	4.1	0.0	9.8
Tax on certain financial institutions		121.1	237.1	108.4	210.6
Share of profit (loss) of associates accounted for using the equity method		4.0	8.4	-0.1	-0.2
Gross profit		**440.1**	**817.1**	**625.8**	**1 063.8**
Income tax		123.9	233.6	156.7	270.2
Net profit attributable to shareholders of ING Bank Śląski S.A.		**316.2**	**583.5**	**469.1**	**793.6**

Net profit (loss) attributable to shareholders of ING Bank Śląski S.A.	316.2	583.5	469.1	793.6
Weighted average number of ordinary shares	130 100 000	130 100 000	130 100 000	130 100 000
Earnings per ordinary share (PLN)	2.43	4.49	3.61	6.10

No material operations were discontinued during the 1 half year 2020 and 1 half year 2019.
The diluted earnings per share are the same as the profit per one ordinary share.

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

Interim condensed consolidated financial statements (PLN million)

Interim condensed consolidated statement of comprehensive income

	2 quarter 2020 the period from 01 Apr 2020 to Jun 2020	**1 half year 2020** the period from 01 Jan 2020 to 30 Jun 2020	**2 quarter 2019** the period from 01 Apr 2019 to Jun 2019	**1 half year 2019** the period from 01 Jan 2019 to 30 Jun 2019
Net profit for the period	**316.2**	**583.5**	**469.1**	**793.6**
Total other comprehensive income, including:	**578.3**	**2 428.7**	**337.3**	**559.8**
Items which can be reclassified to income statement, including:	**572.4**	**2 422.7**	**325.9**	**524.5**
debt instruments measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	154.2	-78.6	101.4	5.3
debt instruments measured at fair value through other comprehensive income – reclassification to the financial result due to sale	-8.3	-9.8	-22.8	-20.4
cash flow hedging – gains/losses on revaluation carried through equity	547.7	2 722.1	348.0	737.2
cash flow hedging – reclassification to profit or loss	-121.2	-211.0	-100.7	-197.6
Items which will not be reclassified to income statement, including:	**5.9**	**6.0**	**11.4**	**35.3**
equity instruments measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	6.0	6.0	11.4	35.3
revaluation of tangible fixed assets	-0.1	0.0	0.0	0.0
Net comprehensive income for the reporting period, including:	**894.5**	**3 012.2**	**806.4**	**1 353.4**
attributable to owners of ING Bank Śląski S.A.	894.5	3 012.2	806.4	1 353.4

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

Interim condensed consolidated financial statements (PLN million)

Interim condensed consolidated statement of financial position

	note	as at 30 Jun 2020	as at 31 Dec 2019	as at 30 Jun 2019
Assets				
Cash in hand and balances with the Central Bank		1 910.3	1 402.9	2 293.5
Loans and other receivables to other banks	7.8	744.4	798.5	694.3
Financial assets held for trading	7.9	878.0	1 224.2	2 796.9
Derivative hedge instruments		1 095.9	851.6	869.0
Investment securities	7.10	53 077.7	33 824.5	31 315.3
Loans and other receivables to customers	7.11	120 831.5	118 288.1	110 509.9
Investments in associates measured at equity method		166.4	181.0	0.7
Property, plant and equipment	7.13	925.2	956.0	937.8
Intangible assets		423.2	429.9	420.7
Assets held for sale		3.4	3.6	20.7
Deferred tax assets		380.1	445.6	419.8
Other assets		203.2	204.8	630.5
Total assets		**180 639.3**	**158 610.7**	**150 909.1**
Liabilities				
Liabilities to other banks	7.14	4 594.6	6 256.1	7 359.2
Financial liabilities at fair value through profit or loss	7.15	617.2	915.1	1 560.5
Derivative hedge instruments		480.9	546.0	505.1
Liabilities to customers	7.16	150 979.3	130 473.5	122 992.0
Liabilities under issue of debt securities		395.4	399.7	300.2
Subordinated liabilities		2 235.1	2 131.1	1 065.0
Provisions	7.17	203.0	205.7	158.7
Current income tax liabilities		426.2	381.3	212.3
Deferred income tax		5,3	0,0	0,0
Other liabilities	7.18	2 466.8	2 078.9	2 536.3
Total liabilities		**162 403.8**	**143 387.4**	**136 689.3**
Equity				
Share capital		130.1	130.1	130.1
Supplementary capital - issuance of shares over nominal value		956.3	956.3	956.3
Accumulated other comprehensive income		4 296.0	1 867.3	1 729.2
Retained earnings		12 853.1	12 269.6	11 404.2
Equity attributable to shareholders of ING Bank Śląski S.A.		**18 235.5**	**15 223.3**	**14 219.8**
Non-controlling interests		0.0	0.0	0.0
Total equity		**18 235.5**	**15 223.3**	**14 219.8**
Total equity and liabilities		**180 639.3**	**158 610.7**	**150 909.1**
Carrying amount		18 235.5	15 223.3	14 219.8
Number of shares		130 100 000	130 100 000	130 100 000
Carrying amount per share (PLN)		140.17	117.01	109.30

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

Interim condensed consolidated financial statements (PLN million)

Interim condensed consolidated statement of changes in equity

1 half year 2020
the period from 01 Jan 2020 to 30 Jun 2020

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total equity
Opening balance of equity	**130.1**	**956.3**	**1 867.3**	**12 269.6**	**0.0**	**15 223.3**
Profit for the current period	0.0	0.0	0.0	583.5	0.0	**583.5**
Other net comprehensive income, including:	**0.0**	**0.0**	**2 428.7**	**0.0**	**0.0**	**2 428.7**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	0.0	0.0	-72.6	0.0	0.0	-72.6
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	0.0	0.0	-9.8	0.0	0.0	-9.8
cash flow hedging – gains/losses on revaluation carried through equity	0.0	0.0	2 722.1	0.0	0.0	2 722.1
cash flow hedging – reclassification to profit or loss	0.0	0.0	-211.0	0.0	0.0	-211.0
fixed assets revaluation	0.0	0.0	0.0	0.0	0.0	0.0
disposal of fixed assets	0.0	0.0	0.0	0.0	0.0	0.0
actuarial gains/losses	0.0	0.0	0.0	0.0	0.0	0.0
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
valuation of share-based payments	0.0	0.0	0.0	0.0	0.0	0.0
profit distribution for dividend payment	0.0	0.0	0.0	0.0	0.0	0.0
Closing balance of equity	**130.1**	**956.3**	**4 296.0**	**12 853.1**	**0.0**	**18 235.5**

4 quarters 2019 YTD
the period from 01 Jan 2019 to 31 Dec 2019

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total equity
Opening balance of equity	**130.1**	**956.3**	**1 169.7**	**11 080.2**	**0.0**	**13 336.3**
adjustment in recognition the repo transactions	0.0	0.0	0.0	-14.7	0.0	**-14.7**
Opening balance of equity adjusted for changes to the accounting principles	**130.1**	**956.3**	**1 169.7**	**11 065.5**	**0.0**	**13 321.6**
Profit for the current period	0.0	0.0	0.0	1 658.7	0.0	**1 658.7**
Other net comprehensive income, including:	**0.0**	**0.0**	**697.6**	**0.6**	**0.0**	**698.2**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	0.0	0.0	39.5	0.0	0.0	39.5
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	0.0	0.0	-23.7	0.0	0.0	-23.7
cash flow hedging – gains/losses on revaluation carried through equity	0.0	0.0	1 083.3	0.0	0.0	1 083.3
cash flow hedging – reclassification to profit or loss	0.0	0.0	-391.0	0.0	0.0	-391.0
fixed assets revaluation	0.0	0.0	0.3	0.0	0.0	0.3
disposal of fixed assets	0.0	0.0	-0.6	0.6	0.0	0.0
actuarial gains/losses	0.0	0.0	-10.2	0.0	0.0	-10.2
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**-455.2**	**0.0**	**-455.2**
valuation of share-based payments	0.0	0.0	0.0	0.2	0.0	0.2
dividend paid	0.0	0.0	0.0	-455.4	0.0	-455.4
Closing balance of equity	**130.1**	**956.3**	**1 867.3**	**12 269.6**	**0.0**	**15 223.3**

Interim condensed consolidated financial statements (PLN million)

1 half year 2019
the period from 01 Jan 2019 to 30 Jun 2019

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	**Total equity**
Opening balance of equity	**130.1**	**956.3**	**1 169.7**	**11 080.2**	**0.0**	**13 336.3**
adjustment in recognition the repo transactions	0.0	0.0	0.0	-14.7	0.0	**-14.7**
Opening balance of equity adjusted for changes to the accounting principles	**130.1**	**956.3**	**1 169.7**	**11 065.5**	**0.0**	**13 321.6**
Profit for the current period	0.0	0.0	0.0	793.6	0.0	**793.6**
Other net comprehensive income, including:	**0.0**	**0.0**	**559.5**	**0.3**	**0.0**	**559.8**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	0.0	0.0	40.6	0.0	0.0	40.6
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	0.0	0.0	-20.4	0.0	0.0	-20.4
cash flow hedging – gains/losses on revaluation carried through equity	0.0	0.0	737.2	0.0	0.0	737.2
cash flow hedging – reclassification to profit or loss	0.0	0.0	-197.6	0.0	0.0	-197.6
disposal of fixed assets	0.0	0.0	-0.3	0.3	0.0	0.0
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**-455.2**	**0.0**	**-455.2**
valuation of share-based payments	0.0	0.0	0.0	0.2	0.0	0.2
profit distribution for dividend payment	0.0	0.0	0.0	-455.4	0.0	-455.4
Closing balance of equity	**130.1**	**956.3**	**1 729.2**	**11 404.2**	**0.0**	**14 219.8**

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

Interim condensed consolidated financial statements (PLN million)

Interim condensed consolidated cash flow statement

	1 H 2020 the period from 01 Jan 2020 to 30 Jun 2020	1 H 2019 the period from 01 Jan 2019 to 30 Jun 2019
Net profit (loss)	**583.5**	**793.6**
Adjustments	**17 497.8**	**588.8**
Share of (loss)/profit of associates accounted for using the equity method	-8.4	0.2
Depreciation and amortisation	143.6	139.1
Net interest income (from the profit and loss account)	-2 251.3	-2 073.4
Interest paid	-410.5	-486.1
Interest received	2 340.7	2 484.1
Dividends received	0.0	-7.0
Gains (losses) on investing activities	1.5	0.3
Income tax (from the income statement)	233.6	270.2
Income tax paid from the income statement	-117.9	-359.9
Change in provisions	-2.7	6.3
Change in loans and other receivables to other banks	-97.0	37.1
Change in financial assets held for trading	347.1	-862.1
Change in debt securities measured at fair value through other comprehensive income	-1 672.0	838.8
Change in hedge derivatives	2 201.7	474.0
Change in loans and other receivables to customers	-2 380.9	-7 307.0
Change in tangible fixed assets due to lease recognition	0.0	66.0
Change in other assets	347.0	-137.0
Change in liabilities to other banks	-1 532.6	1 750.3
Change in liabilities at fair value through profit or loss	-297.6	-126.7
Change in liabilities to customers	20 511.0	5 302.1
Change in other liabilities	142.5	579.5
Net cash flow from operating activities	**18 081.3**	**1 382.4**
Purchase of property plant and equipment	-20.7	-72.7
Disposal of property plant and equipment	1.3	0.8
Purchase of intangible assets	-34.0	-38.1
Disposal of assets held for sale	0.1	10.6
Purchase of shares in associates	-1.1	0.0
Purchase of debt securities measured at amortized cost	-20 590.0	-223.1
Disposal of debt securities measured at amortized cost	3 116.3	41.2
Dividends received	18.7	7.0
Net cash flow from investing activities	**-17 509.4**	**-274.3**
Long-term loans received	407.1	873.0
Long-term loans repaid	-559.2	-454.6
Interest on long-term loans repaid	-12.3	-12.0
Interests from issued debt securities	0.0	-3.8
Leasing liabilities repaid	-52.1	-45.7
Dividends paid	0.0	-455.4
Net cash flow from financing activities	**-216.5**	**-98.5**
Effect of exchange rate changes on cash and cash equivalents	137.5	43.8
Net increase/decrease in cash and cash equivalents	**355.4**	**1 009.6**
Opening balance of cash and cash equivalents	**1 997.4**	**1 956.4**
Closing balance of cash and cash equivalents	**2 352.8**	**2 966.0**

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

Additional information

1. Information on the Bank and the ING Bank Śląski S.A. Group

1.1. Key Bank data

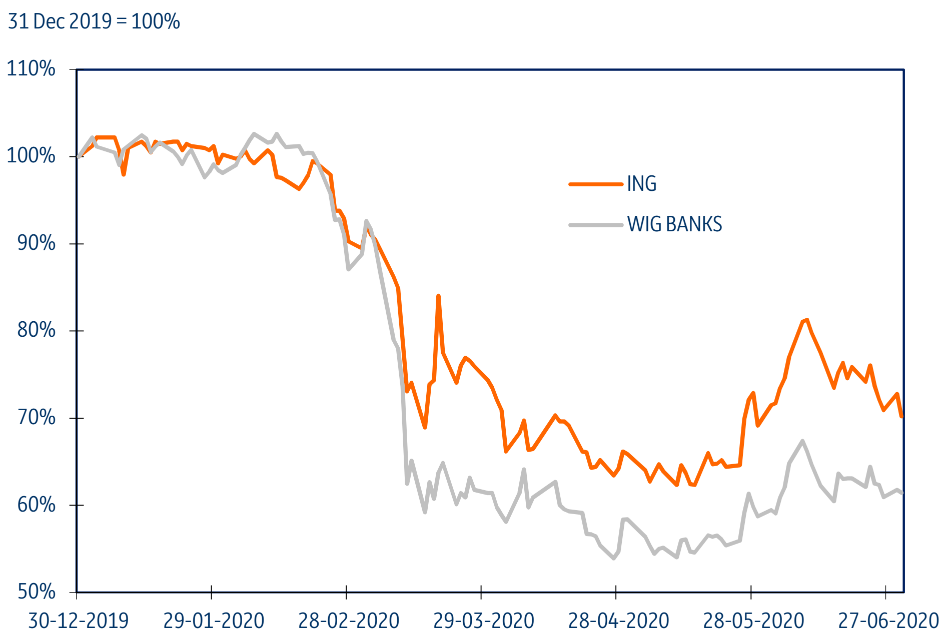
ING Bank Śląski S.A. ("Parent company", "parent entity", "Bank") with the registered office in Katowice, Sokolska Str. 34, was entered into the Entrepreneurs Register with the National Court Register maintained by the Commercial Division of the District Court in Katowice under the number KRS 5459.The parent entity statistical number is REGON 271514909, and the tax identification number is NIP 634-013-54-75.

1.2. Scope and duration of operations

ING Bank Śląski S.A. offers a broad range of banking services rendered to individual and institutional clients in line with the scope of services outlined in the Bank's charter. The Bank runs operations both in the home currency and in foreign currencies. The Bank is also active in the domestic and foreign financial markets. Additionally, through subsidiaries the Group conducts leasing and factoring activity, operates real estate, leasing of real estate and advisory and acts as a financial intermediary as well as provides other financial services. The duration of business of the parent entity and Group members is indefinite.

1.3. Share capital

The share capital of ING Bank Śląski S.A. is PLN 130,100,000 and is divided in 130,100,000 ordinary bearer shares of a par value of PLN 1.00 each. Bank's shares are quoted on the Warsaw Stock Exchange (sector: banks). As at 30 June 2020, the share price of ING Bank Śląski S.A. was PLN 142.2, whereas as at 30 June 2019 was at the level of PLN 202.0. In the 6 months of 2020, the price of ING Bank Śląski S.A. shares was as follows:



Interim condensed consolidated financial statements (PLN million)

1.4. ING Bank Śląski S.A. Group.

ING Bank Śląski S.A. is the parent company of the ING Bank Śląski S.A. Group ("Capital Group", "Group"). As at 30 June 2020, the composition of ING Bank Śląski S.A. Group was the following:

Name	Type of activity	Registered office	% of the Group share in equity	% of the Group share in the General Meeting votes	Recognition in the Group Financial Statements
ING Investment Holding (Polska) S.A.	financial holding	Katowice	100	100	full consolidation
ING Commercial Finance S.A.*	factoring services	Warszawa	100	100	full consolidation
ING Lease (Polska) Sp. z o.o.**	leasing services	Warszawa	100	100	full consolidation
ING Bank Hipoteczny S.A.	banking services	Katowice	100	100	full consolidation
ING Usługi dla Biznesu S.A.	accountancy services, payroll services	Katowice	100	100	full consolidation
Nowe Usługi S.A.	education and promotion for the financial market and TURBO Certificates	Katowice	100	100	full consolidation
Solver Sp. Z o.o.	holiday and training courses organisation	Katowice	100	100	full consolidation
NN Investment Partners TFI S.A.*	*investment funds*	Warsaw	45	45	equity method consolidation

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

**) ING Bank Śląski S.A. has an indirect share in the company via ING Investment Holding (Polska) S.A. The ING Lease (Polska) Sp. z o.o Group incorporates 5 special-purpose vehicles wherein ING Lease Polska Sp. z o.o holds 100% of shares.

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

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 30 June 2020 held 75% share in the share capital of ING Bank Śląski S.A. and 75% shares in the total number of votes at the General Meeting. ING Bank NV belongs to the Group, herein referred to as ING Group.

The remaining part of the Bank's shares (25.0%) is in free float. They are owned by institutional investors - in particular Polish pension funds and domestic and foreign investment funds, as well as individual investors. The largest of them as at 30 June 2020 was AVIVA Otwarty Fundusz Emerytalny AVIVA Santander, which, according to the semi-annual information on the structure of assets of Aviva Otwarty Fundusz Emerytalny AVIVA Santander, as at 30 June 2020, held 8.44% of the share capital and the total number of votes for The General Meeting:

No.	Entity	Number of shares and votes	% of total number of shares and votes at General Meeting
1.	ING Bank NV	97 575 000	75.00
2.	AVIVA Otwarty Fundusz Emerytalny AVIVA Santander	10 981 068	8.44

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

As at 30 June 2020, neither Management Board nor Supervisory Board members held shares of ING Bank Śląski S.A. So was the situation also at the date of rendering the financial statements for the previous reporting period into the public domain.

1.7. Approval of financial statements

The annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2019 to 31 December 2019 were approved by the General Meeting on 2 April 2020.

These interim condensed consolidated financial statements have been approved by the Bank Management Board on 4 August 2020.

2. Significant events in 1 half year 2020

- *Information on the impact of the coronavirus epidemic on the operations of the ING Bank Śląski S.A. Capital Group*

In the first half of 2020, the operating, business and financial activities of the Bank's Capital Group were affected by the COVID-19 coronavirus epidemic. Poland and the global economy are in a period of deep shock and uncertainty, and state institutions and regulators are taking a number of steps and offering assistance programs that are designed to reduce recession.

In its current communications on 3 March, 15 April and 3 June 2020, the Management Board of ING Bank Śląski S.A. informed about preliminary estimates of the impact of negative effects associated with the spread of the COVID-19 coronavirus epidemic on the operational, business and financial activities of the Bank's Capital Group and actions taken by public institutions, in particular by the Polish government and the Monetary Policy Council to mitigate this negative impact.

The Management Board of the Bank analyses the current economic situation on an ongoing basis and makes decisions aimed primarily at protecting the interests of the current customers of the Bank and its own enterprise.

The Bank and its subsidiaries maintain a good and stable liquidity and capital position. The Group's LCR ratio as at 30 June 2020 was 223% (130% as at 31 December 2019). The Tier 1 ratio and the total capital ratio of the Group contributed 14.94% and 17.47% respectively as at 30 June 2020 (14.41% and 16.87% as at 31 December 2019 respectively).

The impact of the epidemic on the Group's operations in the first half of 2020 is presented below.

Government measures supporting the economy

To mitigate the economic effects of the COVID-19 pandemic, the Government and the National Bank of Poland offer tax and financial support to enable companies and employees to continue operating, and to ensure access to liquidity for the financial sector. The tools used to support the economy include measures such as:

- co-financing of a part of employee remuneration costs,
- co-financing the business activity, e.g. in the form of subsidies,
- launching a system of sureties and guarantees for entrepreneurs,
- exemptions / delays in the payment of contributions and taxes,
- extension of deadlines for fulfilling selected reporting obligations,
- introducing a maximum level of non-interest costs,
- suspension of administrative proceedings,
- allowing the suspension of loan agreements for three months for borrowers who have lost their job or their main source of income.

On 17 March and 8 April 2020, the Monetary Policy Council decided to lower interest rates, including lowering the reference rate from 1.5% to 0.5% and the required reserve rate from 3.5% to 0.5%.

Another reduction took place on 28 May 2020 - the reference rate was lowered to 0.1%.

Bank support for customers in response to the COVID-19 crisis

The Bank and its subsidiaries actively encourage their clients to use mobile applications and online banking. In addition, in order to alleviate the situation of customers negatively affected by the coronavirus epidemic (except for the Wholesale Banking Division), the Bank allowed the suspension of loan instalments, leasing and factoring for up to 6 months (deferment of repayment).

Customers can use one of two options:

1) only repayment of principal is suspended, the customer will continue to pay interest, or

2) the entire principal and interest instalment is suspended, with interest being calculated and charged directly to the outstanding balance of debt.

In the Wholesale Banking Division, the applications of clients requiring possible support are considered individually.

The Bank's deferral option is part of a non-statutory moratorium as defined by the European Banking Authority ("EBA") guidelines on statutory and non-statutory loan repayment moratorium that banks are applying in connection with the COVID-19 crisis (the "Guidelines"). This moratorium was finalized in May 2020 by banks that are members of the Polish Bank Association and notified to the EBA by the Polish Financial Supervision Authority ("UKNF"). It covers aid instruments granted from 13 March to 30 June 2020.

On 19 June 2020, the EBA issued a communication on the extension of the application of the Guidelines until 30 September 2020. The non-statutory moratorium introduced by members of the Polish Bank Association was extended by the same date and notified by the KNF Office to the EBA.

Moreover, in June 2020, based on the introduced regulations, the Bank made it possible for consumers to suspend the loan agreement for a period of up to 3 months, without charging interest for the use of capital (statutory moratorium). This moratorium was also notified to the EBA by the KNF Office.

As at 30 June 2020, credit receivables with a value of PLN 9 310.3 million were covered by the repayment suspension programs offered by the Bank (including PLN 8.3 million due to statutory moratorium), of which retail banking PLN 2 736.3 million, corporate banking PLN 6 574.0 million.

In the second quarter, the Bank, like some commercial banks, joined the Polish Development Fund (PFR) program in the field of intermediation in granting entrepreneurs subsidies from the Government Program regarding financial support of the Polish Development Fund S.A. for micro, small and medium enterprises. The bank will support the government program by accepting clients' applications for payment of subsidies, executing withdrawals and servicing customer repayments.

On the basis of the Portfolio Guarantee Line Agreement of the Liquidity Guarantee Fund concluded with Bank Gospodarstwa Krajowego, the Bank also introduced a guarantee offer for securing revolving and non-revolving working capital loans (80% of the loan amount) to provide financial liquidity for medium and large enterprises. The total value of guarantees received from the Liquidity Guarantee Fund of Bank Gospodarstwa Krajowego (BGK) was PLN 606.3 million.

The Bank also cooperates with Bank Gospodarstwa Krajowego in the preparation of solutions enabling the implementation of interest subsidies for clients from the SME segment, in accordance with the implemented regulations.

Social support

ING Bank Śląski S.A. is socially involved to reduce the social impact of the COVID-19 epidemic. The Bank actively promotes online banking, including the financial education of seniors, and financially supports medical services.

The Bank donated PLN 4 million to help medical services, and an additional PLN 2 million from the fundraising conducted together with the ING Dzieciom Foundation was committed to 20 Polish hospitals as support from the Bank's employees and clients.

Impact of the epidemic on the Bank's operating activities

The Bank and its subsidiaries maintained operational continuity, and all key processes are carried out smoothly. At the same time, the Bank has taken measures that enable it to manage increased operational risk, fraud risk and data security.

Impact of the COVID-19 epidemic on the financial and capital situation of the Bank in the first half of the year

Lowering the level of the systemic risk buffer from 3% to 0% since 19 March effectively reduced the minimum capital requirement for the Bank and the Group to 9.0% for Tier 1 ratio and to 11.0% for total capital ratio. The Tier 1 ratio and the total capital ratio of the Group contributed 14.94% and 17.47% respectively as at 30 June 2020 (14.41% and 16.87% as at 31 December 2019 respectively). Details on the capital ratio and changes in risk management are presented in Note 7.20 *Total capital ratio* and Note 15 *Risk and capital management*.

In its current announcements on 3 March, 15 April and 3 June 2020, the Bank's Management Board announced that the decisions of the Monetary Policy Council regarding changes in interest rates will have a negative impact on the interest result of the Bank's Capital Group for 2020.

Impairment losses

The methodology for calculating the expected losses was presented in the annual consolidated financial statements of the ING Bank Śląski S.A. Capital Group for the period from 1 January 2019 to 31 December 2019 and in Item 5 *Significant accounting principles and key estimates*. In the first half of 2020, the Group continued the adopted approach, including in terms of probability-weighted macroeconomic scenarios, supplementing them with management adjustments where, in the opinion of management, recent economic events were not fully captured.

Macroeconomic forecasts

As at 30 June 2020, the Group revised its macroeconomic indicator forecasts, which also included the effect of COVID-19 on these assumptions.

The macroeconomic assumptions used to determine the expected credit losses are based on the June 2020 consensus built on the basis of macroeconomic forecasts collected from a wide range of institutions. These are disclosed in the table below.

In terms of macroeconomic forecasts, the Group lowered the forecast of the GDP ratio for 2020, assuming at the same time a rebound of this indicator in the following years and increased the expected unemployment rate in the forecast period. The level of write-offs for losses expected in the corporate segment is primarily sensitive to the GDP parameter, while in the retail segment - to the level of the unemployment rate and interest rates.

Due to the dynamic development of the pandemic, the forecasts adopted by the Group may not fully take into account its impact of the macroeconomic situation in both the short and long term on the level of expected losses. In making its estimate, the Group considered the statement of the International Accounting Standards Board of 27 March 2020 regarding the recognition of IFRS 9 expected losses taking into account the uncertainty related to the COVID-19 pandemic. The Group made appropriate judgments, however, taking into account the existing material uncertainty, in particular with regard to 1) future macroeconomic conditions and the impact of government actions to counteract the effects of the pandemic, and 2) assessing whether there has been a significant increase in credit risk for credit exposures.

The Group is reviewing macroeconomic assumptions in determining write-offs for expected losses on a quarterly basis. The estimated impact of COVID-19 on these parameters may change in subsequent quarters depending on, among others on the scale of the pandemic, its duration, the impact of government support on economy, and external conditions.

Interim condensed consolidated financial statements (PLN million)

Sensitivity analysis regarding a significant increase in credit risk and forecasts of macroeconomic factors and weights assigned to individual macroeconomic scenarios

In the first half of 2020, the Group used the same criteria for identifying a significant increase in credit risk (SICR) as disclosed in the financial statements of the ING Bank Śląski S.A. Capital Group for the period from 1 January 2019 to 31 December 2019.

In order to present the sensitivity of expected losses, the Group estimated changes in the level of the allowances for expected losses in Stage 1 and 2 with the following assumptions:

- all these financial assets would be below the threshold of significant increase in credit risk and would have 12-month expected losses assigned to them - in such a case, the Group would record lower expected losses for assets in Stage 1 and 2 by approximately PLN 310 million (as at 31 December 2019 PLN 255 million), including 180 million for the corporate portfolio and 130 million for the retail portfolio;
- all these assets would exceed this threshold of significant increase in credit risk and would have lifetime expected losses assigned to them - the expected losses would be approximately PLN 780 million higher (approximately PLN 660 million as at 31 December 2019), including PLN 460 million for the corporate portfolio and PLN 320 million for the retail portfolio.

The table below presents the macroeconomic forecasts adopted as at 30 June 2020 for the main indicators and the deviation of the expected losses in the positive, baseline and negative scenarios from the reported expected losses, weighted by the probability of the scenarios for the entire loan portfolio.

30.06.2020

Total portfolio							
		2020	**2021**	**2022**	**Expected losses not weighted by probability - deviation from losses reported in%**	**Weight assigned to the scenario**	**Reported expected losses (collective assessment in Stage 1, 2 and 3)**
Upside scenario	GDP	-4.0%	6.3%	5.3%	-13%	20%	2 129.23
	Unemployment	7.2%	5.2%	3.4%			
	Real estate price index	3.5%	7.9%	8.0%			
	3 months' interest rate	0.7%	1.8%	2.1%			
Baseline scenario	GDP	-4.2%	4.3%	3.3%	-5%	60%	
	Unemployment	7.2%	5.7%	4.2%			
	Real estate price index	3.4%	5.9%	5.0%			
	3 months' interest rate	0.2%	0.3%	0.4%			
Negative scenario	GDP	-4.7%	0.5%	-0.2%	25%	20%	
	Unemployment	8.2%	8.1%	7.9%			
	Real estate price index	1.0%	0.1%	2.5%			
	3 months' interest rate	-0.1%	0.1%	0.0%			

The table below presents the macroeconomic forecasts of the main indicators and the deviation of the expected losses in the positive, baseline and negative scenarios from the reported expected losses, weighted by the probability of the scenarios as at 31 December 2019.

Interim condensed consolidated financial statements (PLN million)

2019

Total portfolio							
		2020	**2021**	**2022**	**Expected losses not weighted by probability - deviation from losses reported in%**	**Weight assigned to the scenario**	**Reported expected losses (collective assessment in Stage 1, 2 and 3)**
Upside scenario	GDP	4.2%	6.1%	5.0%	-10%	20%	1 584.3
	Unemployment	2.5%	1.9%	1.5%			
	Real estate price index	5.9%	8.8%	7.5%			
	3 months' interest rate	1.8%	1.9%	2.3%			
Baseline scenario	GDP	3.5%	3.0%	2.9%	-2%	60%	
	Unemployment	2.8%	2.7%	2.7%			
	Real estate price index	5.1%	4.9%	4.9%			
	3 months' interest rate	1.6%	1.6%	1.6%			
Negative scenario	GDP	1.3%	-0.5%	0.6%	15%	20%	
	Unemployment	4.4%	5.6%	6.6%			
	Real estate price index	1.2%	0.1%	4.3%			
	3 months' interest rate	1.3%	1.0%	0.6%			

Management overlays

In times of volatility and uncertainty, where the quality of the portfolio and the economic environment changes rapidly, models have a weakened ability to accurately predict losses. To reduce the model risk, additional adjustments can be made to address data quality issues, model issues or based on expert opinion. They also include adjustments where the impact of updated macroeconomic scenarios is overestimated or underestimated by IFRS 9 models.

Looking ahead, the phasing out of COVID-19-related support programs in the second half of 2020 is expected to potentially lead to more business insolvencies and an increase in unemployment. This can lead to increased payment difficulties among retail customers who have benefited from bank deferral programs. In addition, in line with the EBA guidelines, credit holidays related to the functioning of the COVID-19 moratorium do not result in a delay in repayment. Taking into account the risk of underestimating the risk due to the decrease in contractual overdue for credit exposures covered by deferred repayment programs, a management adjustment was made in the form of additional write-offs for credit exposures in the retail portfolio subject to credit moratorium in the amount of PLN 13 million.

The risk models used by the Group were built on the basis of macroeconomic series based on empirical data from periods in which there were no shock changes in macroeconomic parameters and extensive state aid programs. In connection with the implementation of the macroeconomic scenario characterized by a strong decline in GDP and the expected strong economic rebound in the coming quarters, the macroeconomic models used by the Group forecast appropriately shock increases in risk parameters and write-offs. At the same time, the high scale of public aid programs provided directly to enterprises significantly improved their financial and liquidity situation. In order to take into account these aspects, an adjustment was made to reduce the amount of provisions calculated on the basis of macroeconomic shock scenarios and write-offs were reduced by PLN 42 million due to the estimated positive impact of public support programs.

Significant increase in credit risk (SICR)

The group does not identify the award of deferment of repayments offered to retail and corporate clients as part of non-legistlative moratorium from the end of March 2020 as an independent premise for a significant increase in credit risk. The Group performs a portfolio or individual assessment in such cases together with the remaining premises of a significant increase in credit risk.

Credit moratorium and modification of financial assets

Allowing clients to postpone loan payments resulted in a change in the distribution of future contractual cash flows over the original contractual arrangements.

Additionally, in the event of suspension of the loan agreement as a result of job loss or the main source of income, the agreement is suspended in its entirety, including the suspension of charging contractual interest, which results in a loss of cash flows for the period of suspension.

Deferral/suspension of repayment programs were assessed by the Group in the light of the requirements regarding the modification of financial assets. In the light of the Group's accounting policy, the change did not constitute grounds for removing financial assets from the statement of financial position.

Fair value

The appearance of the COVID-19 epidemic in the first quarter of 2020 had a significant impact on market conditions, including in particular those arising from:

- uncertainty and predictions of market participants regarding the impact of the epidemic on the economic situation in Poland and in the world, which affected market activity and fluctuations in exchange rates and benchmark interest rates,
- actions taken by regulators, governments and central banks to mitigate the effects of the epidemic, including
- interest rate cuts in Poland,
- excess liquidity in the banking sector related to the deposition of aid funds in bank accounts,
- NBP intervention and a significant strengthening of the value of Treasury bonds due to the increase in market demand,
- increased volatility in the currency market, in particular the weakening of the zloty against the euro.

Changing economic conditions had a significant impact on the fluctuations in the valuation of financial instruments at fair value (half-year to half-year), in particular:

- result on hedge accounting increased by PLN 30.7 million (PLN 28.6 million in the first half of 2020 compared to minus PLN 2.1 million in the first half of 2019), which was mainly due to the revaluation of the IRS variable leg constituting hedging instruments in fair value hedge accounting in connection with the reduction of interest rates in Poland,
- debt securities valued at fair value through other comprehensive income - a decrease in the result on revaluation charged to equity was recorded by PLN 83.9 million (minus PLN 78.6 million in the first half of 2020 compared to PLN 5.3 million in the first half of the year 2019),
- cash flow hedge - an increase in revaluation gains/losses on equity by PLN 1 984.90 million (PLN 2 722.10 million in the first half of 2020 compared to PLN 737.2 million in the first half of 2019) was recorded.

Legal and regulatory changes

Capital adequacy

In order to limit the impact of the coronavirus pandemic on the economy, market regulators have adopted a number of modifications to regulations. They mainly include:

- Amendments to the Regulation No. 575/2013 of 26 June 2013 on prudential requirements for credit and financial institutions (with subsequent amendments) - CRR;
- Amendments to the Prudential Regulation 101/2016 (AVA);
- EBA guidelines for dealing with deferral programs;

- Additional measures taken by Polish financial market regulators to reduce the capital burden on banks and the regulatory burden.

The EBA guidelines of 2 April 2020 assume no reclassification to forebearance and default of entities using deferred repayment programs offered to them by the banking sector or under legally regulated programs. This only applies to programs notified to the EBA. Originally, these guidelines were to apply until 30 June 2020, however, on 18 June 2020, their validity was extended until 30 September 2020.

On 28 April 2020, the European Commission proposed changes to the CRR, aimed at releasing additional capital to finance the crisis-affected economy. After consultations with the government and the financial sector as well as work in the European Parliament, the amendment was published on 24 June. It includes, among others:

- transitional period as regards risk weights for government and central bank exposures denominated in the currency of any EU Member State;
- transition for the recognition of unrealized gains and losses on securities valued through other comprehensive income issued by central governments and central banks;
- accelerating the implementation of the SME supporting factor;
- accelerate the implementation of the correction factor 0.75 to the risk weight for infrastructure exposures;
- modification of the transition period related to the implementation of IFRS 9. The changes include the possibility of applying a transition period and separating the dynamic part related to provisions established after 31 December 2019;
- changes to the treatment of software intangible assets (will take effect after publication of the relevant Delegated Regulation).

The above changes are also supported by the modifications of the Prudential Regulation 101/2016 (AVA), where in the formula used for aggregation purposes the parameter was changed from 50% to 66%.

In addition to the proposals at the European level, a number of local supporting activities were also undertaken, e.g.

- regulation of the Minister of Finance of 7 April 2020 on the determination of other deadlines for the performance of certain reporting and information obligations;
- possibility of applying a 0% risk weight to customer exposures up to the amount hedged by BGK, EIB, EIF and other development institutions;
- shifting the implementation of Recommendation S from 31 December 2020 to 30 June 2021.

Undoubtedly, the undertaken actions support the banking sector, however, further works are carried out, which may influence the detailed interpretations of the presented provisions.

The Group's capital ratio is presented in Note 7.20 *Total capital ratio*.

Liquidity adequacy

In the area of liquidity, the following actions were taken on the part of the National Bank of Poland and the Monetary Policy Council:

- Operations supplying banks with liquidity, so-called repo operations. Access to these operations will be a type of insurance in the event of a need to provide banks with liquidity.
- Purchase of large-scale government bonds on the secondary market as part of structural open market operations, which will change the long-term liquidity structure in the banking sector. The effect of these operations should also be maintaining the liquidity of the secondary government bond market.
- Bill of exchange credit for banks, which - like the TLTRO program introduced by the ECB - will allow refinancing of loans granted by banks to non-financial sector enterprises.

- A significant reduction in the required reserve rate from 3.5% to 0.5% and an increase in the interest rate on the provision from 0.1% to the reference rate. This will enable the creation of an additional liquidity buffer for banks and reduce their costs due to maintaining the reserve.

The indicators presenting the Group's liquidity position are presented in Note 15 *Risk and capital management*.

- *Termination of the agreement with the auditing firm.*

The Management Board of ING Bank Śląski S.A. notified about termination of the agreement of 13 November 2019 („Agreement") with the auditing firm Mazars Audyt Sp. z o.o. ("Mazars"), covering:

- review of semi-annual standalone and consolidated financial statements of the Bank and CapitalGroup for the periods from 1 January 2020 to 30 June 2020 and from 1 January 2021 to 30 June 2021,
- statutory audit of standalone and consolidated financial statements of the Bank and Capital Group for 2020-2021,
- review of interim and consolidated financial information.

Following the proposal sent by Mazars, the Agreement was terminated by the mutual arrangement of Parties on 17 June 2020.

The Agreement was terminated due to the risk of qualification of the service provided in 2020 by a firm from the Mazars network to a branch of ING Bank N.V. (parent entity of the Bank) as prohibited under Article 5 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. As a result, in conjunction with Article 66.6. of the Accounting Act, the statutory audit of the 2020 financial statements of the Bank and Bank Group by Mazars would bear the invalidity risk. At the same time, the Bank Management Board would like to stress that the afore-said circumstances occurred, and in consequence the Agreement was terminated before performance of reviews and statutory audits under the Agreement by Mazars.

On the part of the Bank, the decision to terminate the Agreement was made by the Bank Management Board following the recommendation of the Audit Committee and endorsement of the Bank Supervisory Board.

- *Appointment of the Vice President of the Bank's Management Board*

On 15 May 2020, the Supervisory Board appointed Mr. Michał Mrożek to the position of Vice-President of the Bank's Management Board starting from 1 July 2020.

- *Registration of amendments to the Charter of ING Bank Śląski S.A.*

On 12 May 2020 the Management Board of ING Bank Śląski S.A. received the decisions from the District Court for Katowice-Wschód in Katowice, Commercial Division No. 8 of the National Court Register, of 6 May 2020 providing for inter alia registration of amendments to the Bank Charter passed by Resolution No. 24 of the Ordinary General Meeting of 29 March 2019, and also Resolutions Nos. 22 and 23 of the Ordinary General Meeting of 2 April 2020.

The information on Resolution No. 24 adopted by the Ordinary General Meeting on 29 March 2019 was published in current report no. 13/2019 of 29 March 2019 and on Resolutions No. 22 and 23 adopted by the Ordinary General Meeting of 2 April 2020 in current report no. 19/2020 of 2 April 2020.

At the same time, on 29 January 2020, the changes to the Bank's Articles of Association adopted by Resolution No. 27 of the Ordinary General Meeting of 5 April 2018 were registered. The registration was made on the basis of the decision of the District Court Katowice-Wschód in Katowice, VIII Commercial Division of the National Court Register (KRS) of 24 January 2020, corrected by the decision of 29 January 2020. The registration includes the change in § 8 sec. 2 point 7) of the Articles of Association, which shall read as follows: "7) issuing electronic money,".

- *Amount of the 2020 annual contribution to the resolution fund of the Bank Guarantee Fund*

On 10 April 2020 the Management Board of ING Bank Śląski S.A. received a notice from the Bank Guarantee Fund on the amount of the 2020 annual contribution to the resolution fund of banks. The contribution amounts to PLN 124.4 million, including an adjustment of the contribution made in 2019. The entire amount was recognised in the Q1 2020 costs.

- *Upgrade of ratings by Fitch*

In a communication published on 5 March 2020, the Fitch agency placed the IDR rating for ING Bank Śląski S.A. on the list of "Under Criteria Observation" (UCO) ratings with the possibility of its upgrade.

The Fitch agency announced in its communication that the change in the rating status is related to the updated rating criteria for banks published on 28 February 2020.

In a communication published on 6 April 2020, the Fitch agency has taken two independent decisions on Bank ratings.

First, further to the information on the change of rating criteria for banks (published on 28 February 2020, explanation below), Fitch agency upgraded the Long-Term Issuer Default Rating (Long-Term IDR) of the Bank to "A+" from "A" and the Short-Term Issuer Default Rating (Short-Term IDR) of the Bank to "F1+" from "F1", while removing them from the Under Criteria Observation (UCO) status.

On 28 February 2020, Fitch published new Bank Rating Criteria which make it possible to account for parent junior debt buffers (raised via the subordinated debt) in the assessment of support for the subsidiary. In the opinion of Fitch, such a situation applied to the Bank since it is a significant subsidiary of ING Bank N.V. (the majority shareholder of the Bank) and ING Group has the resolution strategy based on the Single Point of Entry (SPE). In consequence, Fitch bases the IDR for the Bank on the IDR for ING Bank N.V. and not the Viability Rating as was the case before. At present, the IDR for ING Bank N.V. is one notch above its Viability Rating.

Second, Fitch has resolved to place both Bank IDRs on the Rating Watch Negative. This is the immediate consequence of a similar placement of ING Bank N.V. ratings. The IDR outlook for ING Bank N.V. was changed on 1 April 2020 and it stemmed from the risk of the coronavirus epidemic-driven economic crisis for ING Bank N.V. as assessed by Fitch.

In addition, in a statement of 14 April 2020, Fitch maintained its Viability rating at "bbb +". The Fitch agency in its announcement states that the economic crisis caused by the coronavirus epidemic poses a threat to the Bank's rating in the medium term. However, the Bank is entering the crisis in good shape thanks to high asset quality, a solid capital position and limited exposure to: 1) unsecured retail loans and 2) to sectors sensitive to the business cycle. Fitch expects the bank's asset quality and profitability to be under pressure. The Bank's results will suffer from 1) lower loan demand, 2) the progressive impact of interest rate cuts and 3) higher write-offs on the expected impairment of customer receivables.

In consequence of the above-discussed rating decisions of Fitch, the Bank ratings are as follows:

- Long-Term IDR: A+,
- Outlook: Negative,
- Short-term IDR: F1+,
- Viability Rating: bbb+,
- Support Rating: 1,
- National Long-Term Rating: AAA(pol),
- National Long-Term Rating Outlook: Stable,
- National Short-Term Rating: F1+(pol).

- *Bank Management Board decision on distribution of 2019 profit*

26 March 2020 Bank received a letter from the Polish Financial Supervision Authority (PFSA) regarding the dividend payout by banks. In the letter, the PFSA express their expectation that – regardless of all the decisions which had already been taken – banks will retain all the profit generated in the previous years, due to the announcement of epidemic in the Republic of Poland and possible further negative economic consequences resulting from the present situation.
Considering the foregoing, the Bank Management Board resolved to change the motion on 2019 profit distribution and the draft General Meeting resolution on distribution of 2019 profit, whereby the amount earlier earmarked for the dividend, i.e. PLN 494 380 000.00 will be retained and non-divided. In consequence, the Bank Management Board resolved to withdraw the draft General Meeting resolution on dividend payout.

- *General Meeting of ING Bank Śląski S.A.*

On 2 April 2020, the General Meeting of ING Bank Śląski S.A. was held, during which the following resolutions were passed:

- on approval of the 2019 annual financial statements (separate and consolidated financial statements),
- on approval of the Management Board's report on the operations of the Capital Group of ING Bank Śląski S.A. in 2019, including the report on the operations of ING Bank Śląski S.A., including statements on the application of corporate governance rules,
- on approval of the Supervisory Board's reports for 2019 and assessment of the Bank's remuneration policy,
- on granting a vote of approval for the performance of duties in 2019 to Members of the Management Board and Supervisory Board,
- on distribution of 2019 profit and past-year loss coverage,
- on amendments to the Articles of Association of ING Bank Śląski S.A.,
- on appointing the Supervisory Board Member for a new term of office,
- on the collective suitability assessment of the Supervisory Board,
- on the amendments to the Supervisory Board Members Remuneration Policy.

Ordinary General Meeting of ING Bank Śląski S.A. appointed Mr. Remco Nieland (Remco Nieland) and Mrs. Susan Poot to the Supervisory Board of ING Bank Śląski S.A., from 1 May 2020.

At the same time, the Management Board of the Bank informed that due to the adoption of the resolution on the distribution of the profit for 2019 and covering the loss from previous years in a manner that did not provide for the payment of the dividend for 2019, the General Meeting did not adopt a resolution on the payment of the dividend due to its pointlessness.

- *The minimum level of own funds and liabilities subject to redemption or conversion ("MREL") set by the Bank Guaranty Fund for ING Bank Śląski S.A.*

On 18 March 2020 the Bank received a letter from the Banking Guarantee Fund (BGF) concerning the joint decision of the resolution authorities, i.e. the Single Resolution Board and BGF on the minimum requirement for own funds and eligible liabilities (MREL). The MREL was set on the basis of the Single Point of Entry (SPE) resolution strategy applicable to ING Group.

The MREL requirement, which for the Bank is set on the consolidated level, is set at 11.679% of the total liabilities and own funds (TLOF), which corresponds to 21.280% of the total risk exposure (TRE). The requirement should be reached by 31 December 2022.

Further, the BGF confirmed interim MREL goals on the consolidated level which for:

- TLOF are 9.003% as at 2020 yearend and 10.341% as at 2021 yearend, and
- TRE are 16.405% as at 2020 yearend and 18.842% as at 2021 yearend.

The MREL was set with the use of the consolidated balance-sheet data as at 31 December 2018 while the required capital buffers were applied at the level required as of 1 January 2019.

The MREL target set by the BGF at the end of 2019 has been met.

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

On 6 March 2020 the Supervisory Board approved the updated ING Bank Śląski S.A. Dividend Policy ("Policy").

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

– adjusting the provisions of the Policy to the position of the Polish Financial Supervision Authority by resigning from indicating an additional 1.5 pp buffer. in the capital criteria, and
– adding in the Policy a provision that the Management Board of the Bank takes into account the position of the Polish Financial Supervision Authority regarding the dividend policy when taking into account the amount of dividend payment.

ING Bank Śląski S.A. endorses a long-term stable process of dividend payout in adherence to the rules of prudent management and any and all regulatory requirements which the Bank shall comply with.

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

– minimum common equity Tier 1 (CET1) at the level of 4.5% + combined buffer requirement[1],
– minimum Tier 1 (T1) at the level of 6.0% + combined buffer requirement[1],
– minimum total capital ratio (TCR) at the level of 8.0% + combined buffer requirement[1].

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

When deciding on the amount of the dividend payment, the Bank's Management Board took into account the supervisory requirements provided for in the official announcement of the Polish Financial Supervision Authority regarding the dividend policy of banks.

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

– the current financial standing of the Bank and the Bank Group, including limitations in the case of sustaining financial loss or low profitability (low ROA/ROE),
– Bank's and Bank Group's assumptions of the management strategy and risk management strategy,
– limitations under Article 56 of the Act on macroprudential supervision over the financial system and crisis management in the financial system of 5 August 2015,
– the need to adjust profits of the present period or unapproved annual profits recognised as own funds with foreseeable dividends, according to art 26 of the Regulation EU 575/2013.

- *Resignations of members of the Supervisory Board of ING Bank Śląski S.A.*

The Management Board of ING Bank Śląski S.A. informed that:

– on 3 March 2020, the Bank received a declaration by Mr. Norman Tambach on his resignation from the function of a member of the Bank's Supervisory Board, as of the date of the General Meeting. Mr. Norman Tambach did not give reasons for his resignation,
– on 27 February 2020, Mr. Ad Kas resigned from the position of a member of the Supervisory Board of ING Bank Śląski S.A., as of the date of the General Meeting. As the reason for his resignation, Mr. Ad Kas mentioned the fact that he was appointed to the position of Acting Vice President of the Management Board responsible for the Risk Division for ING France.

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At the same time, on 2 April 2020, the General Meeting of ING Bank Śląski S.A. was held, at which resolutions were adopted, inter alia, on the appointment of members of the Supervisory Board for a new term.

3. Significant events after the balance sheet date

None.

4. Compliance with International Financial Reporting Standards

These interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for the 1 half year 2020 were prepared under the IAS 34 *Interim Financial Reporting* (International Accounting Standards) in a version approved by the European Commission effective as at the reporting date, that is 30 June 2020 as well as in accordance with the Ordinance of Finance Minister of 29 March 2019 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws of 2019, no. 33, item 757).

Presented financial statements have been prepared in a condensed version. The interim condensed financial statements do not provide all data or disclosures required in the annual financial statements and should be interpreted together with the Bank's financial statements for the year ended 31 December 2019 approved by the General Meeting on 2 April 2020.

Interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated cash flow statement for the period from 1 January 2020 to 30 June 2020 and interim condensed consolidated statement of financial position as at 30 June 2020, together with comparable data were prepared according to the same principles of accounting for each period.

4.1. Changes in accounting standards

In these interim condensed consolidated financial statements, the same accounting standards have been applied as in the case of annual consolidated financial statements for the year 2019 (Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Capital Group for the period started 1 Jan 2019 and ended 31 Dec 2019) and the standards and interpretations adopted by the European Union and applicable to the annual periods starting 1 Jan 2020 or afterwards, i.e.:

Change	Impact on the Group statements
Amendments to References to the Conceptual Framework in IFRS Standards	Implementation of this amendments have no impact on the financial statements of the Group.
IAS 1 and IAS 8 Definition of material	Implementation of this amendments have no impact on the financial statements of the Group.
IFRS 3 Definition of a business (the accounting year starting on 1 January 2020)	Implementation of this amendments have no impact on the financial statements of the Group.

Interim condensed consolidated financial statements (PLN million)

The standards and interpretations which were already issued but are still ineffective since not approved by the European Union or approved by the European Union but not previously applied by the Group were presented in the 2019 Group Annual Consolidated Financial Statements. In 1 half year 2020 the following changes to the accounting standards were published:

Change (EU effective date provided for in the parentheses)	Influence on the Group statements
IAS 1 Presentation of financial statements: classification of financial liabilities as short-term or long-term (financial year beginning on 1 January 2022)	The classification of financial liabilities as long-term will depend on the existence of rights to extend the liability for a period longer than 12 months and on the fulfilment of the conditions for such extension on the balance sheet date. The implementation of the change will not affect the Group's financial statements.
IFRS 16 Covid-19-Related Rent Concessions (for annual reporting periods beginning on after 1 June 2020. Earlier application is permitted, including in financial statements not authorised for issue at 20 May 2020	The amendment within the scope of lease modification intended to provide possibility to waive the assessment of lease modifications when the rent concessions occurring as a direct consequence of the covid-19 (e.g.: rent holidays or temporary rent suspensions/reductions). Applying of these amendments by lessee entail additional disclosures. The implementation of this amendment will not affect the Group's financial statements.
IFRS 3 Reference to the Conceptual Framework (financial year beginning on 1 January 2022)	Amendments introduced to the standard the references to the Conceptual Framework published in May 2018. The implementation of this amendment will not affect the Group's financial statements.
IAS 37 Onerous contracts - the costs of meeting the contract (the accounting year starting on 1 January 2022)	Change consisting in clarifying the concept of the costs of meeting obligations under contracts, where the costs exceed the economic benefits resulting from them. The implementation of the change will not have an impact on the financial statements of the Group.
IAS 16 Tangible fixed assets - benefits before planned use (the accounting year starting on 1 January 2022)	A change consisting in the exclusion of the possibility of deducting from the production costs of tangible fixed assets amounts received from the sale of products manufactured at the stage of pre-implementation tests. This type of sales revenues and the corresponding costs should be included in the income statement. The implementation of the change will not have an impact on the financial statements of the Group.
Changes resulting from the cyclical review of IFRS 2018-2020 (the accounting year starting on 1 January 2022)	Changes in the scope of: IFRS 1 - Subsidiary adopting accounting standards for the first time IFRS 9 - fees in the "10%" test (to determine the possibility of excluding financial liabilities from the statement of financial position) - in accordance with the change in the test, all fees paid or received should be included, including those settled by the borrower or lender on behalf of other entities Illustrative examples for IFRS 16 - lease incentives IAS 41 Agriculture: Taxation at fair value measurement. The implementation of the changes will not have an impact on the financial statements of the Group.
IFRS 4 Extension of the temporary exemption from the application of IFRS 9 (the accounting year starting on 1 January 2021)	The amendment extends the period of exemption from the application of IFRS 9 to the annual reporting periods beginning on January 1, 2023.The implementation of the change will not have an impact on the financial statements of the Group.
IFRS 17 Insurance contracts	Amendments to facilitate the implementation of the standard, published in June 2020, in response to comments submitted to the content of the standard's guidelines. The Group's analyzes show that the implementation of the changes will not have an impact on the Group's financial statements.

In view of the ongoing process of IFRS introduction in the EU and the business run by the Group, as at the approval date hereof, there were no differences between the already effective IFRSs and the IFRSs approved by the EU in terms of the accounting principles applied by the Group.

4.2. Going-concern

These interim consolidated financial statements of the ING Bank Śląski S.A. Group were prepared on a going-concern basis as regards the foreseeable future, namely as regards the period of minimum 12 months from the date of publication, i.e. from 6 August 2020. As at the approval date hereof, the Bank Management Board have not identified any events that could pose a threat to the Group members continuing their operations during the period of 12 months from the date of publication as a result of intentional or forced abandonment or significant limitation of its operations by the Capital Group.

4.3. Discontinued operations

No material operations of the Group were discontinued during the 1 half year 2020 and 1 half year 2019.

4.4. Financial statements scope and currency

These interim condensed consolidated financial statements of the Capital Group for the 1 half year 2020 comprise the Bank and its subsidiaries and associates (collectively referred to as "the Group"). These interim condensed consolidated financial statements have been prepared in Polish zlotys ('PLN'). Unless provided for otherwise, all values were given rounded up to PLN million. Therefore, some totals and individual notes can be inconsistent in mathematical terms.

4.5. Comparative data

The comparative data cover the following periods:

- for the interim condensed consolidated profit and loss account and the interim condensed consolidated statement of comprehensive income - the period from 1 January 2019 to 30 June 2019 and the period from 1 April 2019 to 30 June 2019,
- for the interim condensed consolidated cash flow statement - the period from 1 January 2019 to 30 June 2019,
- for the interim condensed consolidated statement of changes in equity - data as at 31 December 2019 and 30 June 2019,
- for the interim condensed consolidated statement of financial position - data as at 31 December 2019 and 30 June 2019.

5. Significant accounting principles and key estimates

The detailed accounting principles and key estimates were presented in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for the Period from 1 Jan 2019 to 31 Dec 2019, published on 6 March 2020 and available on the website of ING Bank Śląski S.A. (www.ingbank.pl).

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

In the first half of 2020, no significant changes in the accounting principles applied by the Group were introduced.

At the same time, as a result of the outbreak of the COVID-19 coronavirus, key estimates were changed, which are described in detail in point 2 of this report (Significant events in the first half of 2020, Information on the impact of the coronavirus outbreak on the operations of the ING Bank Śląski S.A.Capital Group).

The definition of exposures in default status, default exposures and non-performing exposures has also been clarified in accordance with the guidelines of the European Banking Authority (EBA) No. EBA/GL/2016/07 as a result, the Group standardized its approach to regulatory requirements in this respect. The debtor or exposure assessed as being in default status is considered to be both impaired and non-performing at the same time. This change resulted in charging the Group's financial result in the amount of PLN 7.8 million.

Detailed information in this respect is provided below, while previously used definitions are reflected in the annual consolidated financial statements of the ING Bank Śląski S.A.Capital Group. for the financial year ended 31 December 2019.

Impairment - the definition of default, credit impaired and non-performing exposures

Estimation of the loss allowances is based on the expected credit loss. This approach shall be applied to debt financial assets, credit exposures, lease receivables, irrevocable financial commitments and financial guarantees, except for investment in equity securities.

At each reporting date, the Bank measures the expected credit losses for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Bank measures the expected loss allowance for that financial asset at an amount equal to 12-month expected credit losses.

The Bank estimates expected credit losses in a way that takes account of:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes,
- the time value of money, and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Indicators and evidence for classification of assets at amortized cost to Stage 3

At each balance sheet date, the Bank assesses whether a financial assets item or a group of financial assets is impaired. A financial asset item or a group of financial assets is impaired if and only if, there is evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset item (a 'loss event') and that loss event (or events) has (have) an impact on the expected future cash flows of the financial asset item or a group of financial assets that can be reliably estimated. The Bank recognizes the expected credit losses based on reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The evidence of impairment

The evidence of impairment is:

- identification of an objective impairment evidence (for corporate and retail credit exposures), or
- the obligor is more than 90 days past due and the amount of arrears is higher than the absolute or the relative materiality threshold.

The objective impairment evidence does not require expert judgement – identification of an objective impairment evidence results in the conclusions that the credit exposure is considered defaulted and impaired without further consideration.

Objective impairment evidence of the corporate or retail credit exposure covers the occurrence of at least one of the following situations:

- classification of the exposure to the Stage 3,
- restructuring of the exposures for noncommercial reasons, significant financial difficulties resulting in the modification of the previous terms and conditions of the contract, total or partial refinancing of the exposure that would not have occurred if the Client does not experience a financial difficulties (including forbearance), resulting in loss more than 1% of the present value of the discounted futures cash flows, for retail credit exposures – restructuring of non-performing,
- the restructuring process resulting in forgiveness or writes off significant amount of the corporates client receivables, which leads to reduction in cash flows from a given financial assets item,
- forgiveness or writes off the retail credit exposure in the recovery process,
- the Bank, client's counterparty or other bank files a motion for the client's bankruptcy or initiation of the proceedings in accordance with the restructuring law,
- declaration of insolvency. In case of corporate credit exposures, the customer has been put in liquidation, ceased business operations,
- a credit exposure becomes due and payable as a result of the Bank terminating the loan agreement,
- the Bank disposed of its credit exposures (in whole or in part) with a loss of exceeding 5% of the on-balance sheet exposures and the sale was driven by deteriorating exposure quality,
- occurrence of a delay in excess of 30 days or granting another forbearance on exposures classified originally as Forbearance Non-Performing and cured afterwards and in the status of Forbearance Performing during the probation period,
- non-interest status (suspended interest accrual) for credit exposure,
- for retail credit exposures over 3-month delay in repayment of obligations under a loan with full principal repayment at maturity date,
- for corporate credit exposures, a decision is taken to pursue receivables in a collection strategy,
- questioning of the credit exposure by the customer by way of litigation.

The impairment indications

The identification of an impairment indicator requires expert assessment of the situation of the debtor and decision regarding classification of default as an impaired loan is justified.

The impairment indications for corporate credit exposures include:

- a natural person in default provides a guarantee to the Bank for material obligations of the company owned by the person; or when a natural person is an obligor of the Bank and the company owned by such person is at default,
- arrears in repayment over 3 months (including all interest, principal and fees) under a loan with full disbursed principal repayment at maturity date. (does not apply if the repayment frequency exceeds one month),
- the customer is a member of the same economic or legal group as the obligor at default,
- no re-financing possibilities,
- applies to exposures resulting from transactions in the financial market – disappearance of an active market (e.g. suspended trading at WSE) for the financial asset (shares, bonds, other securities), held by the Bank due to the issuer's/customer's financial problems which may adversely affect future cash flows from the financial asset,

- discontinued repayment of principal, interest or commissions by the customer and delay in repayment or the oldest of disallowed overdraft continues for over 45 calendar days,
- the threat of bankruptcy, filing a motion for restructuring proceedings or another financial reorganization that may result in no repayment or late repayment of debt,
- no willingness or potential on the part of the obligor to repay the obligations due to existing financial problems. In particular, events specified below may mean major financial problems:
  a) negative equity at the end of the financial period,
  b) negative cash flows from operating activities in three consecutive annual financial periods (on the basis of a cash flow statement, and if this is not made – on the basis of a simplified cash flow),
  c) revenues from basic operations are materially reduced (over 50% year on year on the basis of results of annual reporting periods) or revenues from core operations are reduced (over 30% year to year on the basis of results of annual reporting periods) and debt/EBITDA (earnings before interest, taxes, depreciation and amortization) > 4 or EBITDA < 0 (if the contract contains another debt / EBITDA clause, the occurrence of an event is a default indicator if the value of the contract clause is exceeded 4. If the contract contains debt / EBITDA clause higher than 4, the occurrence of an event is a default indicator if the value of the contract clause is exceeded the threshold from contract.),
  d) negative EBITDA in two consecutive annual financial periods,
  e) accomplishment of financial projections by the Customer is under those accepted by the Bank by minimum 20% which results in material breaches of financial indicators,
  f) the events specified in items a)-e) occurred during the financial year as long as they are in amounts considered as material and the Bank anticipates that the situation will not improve until the end of the financial year and the situation may result in non-repayment of delayed repayment of debt,
  g) active seizures to customers' accounts with the Bank if the oldest active seizure continues to apply for over 90 days and the total amount of such seizures is in excess of PLN 100 thousand for customers of the corporate sales network or PLN 500 thousand for strategic customers,
  h) uncovered claims under guarantees issued by the Bank (no customer's funds) if the customer's overdue obligations to the Bank under drawn guarantees continues for over 45 days since disbursement under guarantees,
- a major breach of contractual terms and conditions by the customer if this may have adverse impact on future cash flows from the financial asset. (if the contractual terms and conditions have been materially breached but the Bank – having reviewed and assessed the reasons and effects of such breach – has (temporarily or permanently) accepted such breach or has modified the relevant conditions, such event shall not be treated as an impairment indication,
- termination of a loan agreement of a significant value with another bank,
- unknown whereabouts of the customer resulting in no representation in contacts with the Bank and undisclosed assets of the customer,
- a crisis of the sector in which the customer operates combined with the customer's weak position in the sector,
- restructuring of debt for non-commercial reasons related to the customer's major financial problems, resulting in changes to the previous contractual terms and conditions or partial refinancing of the endangered exposure that would not have occurred if the customer did not have such financial problems (including forbearance) and the NPV loss is equal or less than 1%,
- credit fraud by the obligor to ING or other entity of ING Group,
- over the last 5 years, the exposure was provided with forbearance two or more times.

- material deterioration of the customer's rating resulting in re-classification to risk class minimum 17 with a simultaneous one-off drop by minimum 4 classes.

Bank determines also additional impairment indicators apply to leveraged transactions:

- a material breach of a major financial covenant or no return to the status before the breach, in particular in a situation when the customer also applies for forbearance in repayment,
- forbearance refinancing of an existing borrower at an increased level of leverage (interest bearing debt to earnings before interest, taxes, depreciation and amortisation, i.e. IBD /EBITDA ratio) compared with the respective leverage levels at origination or previous refinancing,
- refinancing of exposures full disbursed principal repayment at maturity in case of financial problems on the part of the customer and low refinancing likelihood by another bank in the prevailing market conditions,
- base case scenarios and stress case scenarios indicate insufficient stable cash flows to service the debt in accordance with the approved time schedule;

and additional impairment indicators apply for financing transactions of income generating properties:

- LTV (Loan to Value) > 90% which is not a temporary situation,
- historic ratio DSCR (debt service cover ratio) <1.0 or ICR (interest coverage ratio) <1.0 (depending on which indicator is used for transaction risk assessment) for two consecutive annual financial periods and cash flows generated by the property – according to expert judgement – are insufficient to repay and service the loan in compliance with the approved repayment schedule.

Impairment indications for retail credit exposures include:

- minimum three consecutive arrangements of debt repayment were not complied with in the recent period of delay in debt repayment,
- a natural person who provided a guarantee to the Bank for material obligations of his/her company is at default or a natural person who is an Obligor of the Bank and his/her company is at default,
- a customer of the Enterprise segment related within the same Obligor group (economic or legal relations) in which one obligor is at default,
- no willingness or ability to repay (not willing or not able) – the Bank assesses if the Obligor is not willing to repay its obligations or is not able to repay. No ability to repay obligations occurs when the obligor's income sources are insufficient to repay the instalments due:
  - for the retail segment: job loss, discontinued payments of social benefits, divorce, serious illness, Obligor's death, the Bank obtains information on delayed repayment of material debt with another bank (delay in excess of 90 DPD) or another bank commences enforced collection activities,
  - for enterprise segment: (anticipated) shortage of current funds, (anticipated) high financial leverage or a sudden growth thereof, (anticipated) breach of contractual clauses, (anticipated) deterioration of market situation in which the obligor's position is weak,
- approving a forbearance to the customer that is not able to repay its financial obligations under a loan agreement with Bank due to existing or anticipated financial difficulties,
- credit fraud – credit fraud on the part of the obligor against the Bank - a suspicion of loan fraud is justified – debt whose credit documentation or ascertained facts show that the loan has been granted as a result of fraud by submission of documents, certificates, statements incompliant with facts,
- occurrence of minimum two forbearance instances within 5 years of granting the first forbearance

During the impairment identification process, the Bank first assesses whether there exist objective impairment triggers for financial assets items.

The entire lending portfolio of retail, strategic and corporate clients is tested for exposure impairment. The debtor's credit exposure is tested for impairment automatically on a daily basis for retail clients and at ongoing and at the monitoring dates in place for the regular and irregular portfolios for strategic and corporate clients. Occurrence of impairment evidence requires reclassification of the customer to the non-performing portfolio.

The identification of an impairment indicator of strategic and corporate network client credit exposure requires individual expert assessment of the situation of the debtor and decision regarding classification of default as an impaired loan is justified:

- assessment of the customer's potential to repay all credit obligations to the Bank in compliance with the agreement which should be documented,
- when no default or impairment is identified – the results of the assessment should be documented and a written justification should be made to leave the customer in the performing portfolio,
- if the review identified a default or impairment situation – the customer reclassification to the portfolio of non-performing exposure.

If after the assessment we find that for a given financial assets item there are no reasons for impairment, the item is included in the group of financial assets with similar credit risk characteristics, which indicate that the debtor is capable to repay the entire debt under to the contractual terms and conditions. Impairment loss for such groups is subject to collective assessment based on measurement of expected credit losses.

If there is any evidence of impairment loss for financial assets measured at amortised cost, then the amount of the impairment loss is the difference between the carrying amount of an asset and the present value of estimated future cash flows, discounted with the initial effective interest rate of a given financial instrument item.

Practically, for assets from portfolio of Stage 3 individually assessed exposures, impairment is calculated per assets item using the discounted future cash flows of a given assets item; and for assets from portfolio of Stage 3 collectively assessed exposures (individually not significant financial assets) – it is calculated collectively with use of lifetime expected credit losses. When estimating future cash flows, the available debtor data are considered; the debtor's capacity to repay the exposure is assessed in particular. For backed credit exposures, the expected future cash flows on collateral execution are also used in the estimation, considering the time, costs and impediments of payment recovery under collateral sale, among other factors.

If the existing evidence of impairment of an assets item or financial assets group measured at amortised cost indicate that there will be no expected future cash flows from the abovementioned financial assets, the impairment loss of assets equals their carrying amount.

If in a consecutive period, the amount of loss due to the impairment decreases as a result of an event that took place after the impairment (e.g. improved credit capacity assessment of the debtor), the previous impairment loss is reversed through the statement of profit or loss by a proper adjustment. With regard to strategic clients and corporate clients of the sales network the Bank determined the events whereunder it is possible to reverse credit exposure impairment (all of the below mentioned conditions have to be met jointly).

The Bank applies the same criteria for customer's exit from default and reversal of impairment allowance. The process of opening the probation period followed by curing – transfer from the non-performing portfolios to the performing portfolio.

If obligor is in the impaired portfolio and does not have forbearance exposures then is found as cured and qualified to the performing portfolio if the following conditions are satisfied in the sequence specified below:

- no evidence of impaired or indicator of impaired underlying default or indicating a high likelihood of failure to repay – is not active,
- minimum 3 months (probation period) have passed since the end date of evidence of impaired or indicator of impaired and in the period the obligor's behaviour (willingness to repay) and the debtor's situation (ability to repay) were positively assessed; in case of a corporate obligor, the assessment of its financial condition was documented,
- the obligor made regular repayments – no arrears >30 days in the probation period,
- at the end of the probation period the obligor is considered able to pay its credit obligations in full, without recourse to collateral,
- without arrears in repayment exceeding the amount of the absolute limit; if any arrears exist in an amount in excess of the absolute limit, the probation period is extended until the time the amount of arrears drops below the limit.

The obligor who is in the impaired portfolio and has forbearance exposures – this obligor is found as cured and qualified to the performing portfolio if the following conditions are satisfied in the sequence specified below:

- no evidence of impaired or indicator of impaired underlying default or indicating a high likelihood of failure to repay – is not active,
- minimum 12 months (probation period) have passed since the last of the events specified below:
  - granting of the last forbearance,
  - the exposure has been classified as defaulted;
  - end of the grace period set forth in the restructuring agreement,
- in the probation period, the obligor made material/regular repayments:
  - the obligor within its regular payments in line with the agreed restructuring conditions repaid a total amount equivalent to the earlier arrears (if any arrears in repayment occurred) or repaid the mount equal to write-down (if no arrears in repayment occurred),
  - the obligor made regular repayments in compliance with the new repayment schedule in line with the restructuring terms and conditions – no arrears > 30 days in the probation period.
- at the end of the probation period, the obligor has no arrears and no concerns exist as to full repayment of the exposure in compliance with the terms and conditions of restructuring;

Bank applied additional default exit criteria for all obligors:

- If impairment evidence or indicator of impairment is identified in the probation period which is the source of default/ indicates a high likelihood of non-repayment, the end date of the probation period will be reset and the probation period is re-started until expiry of such evidence/indicator.
- If in the probation period and after the end of the grace period, DPD > 30 occurred, the probation period end date will be reset and the probation period will restart until DPD returns to below 31 days.
- All conditions of exit from default and reversal of impairment should be met also with regard to new exposures to the obligor, in particular where the previous defaulted and

restructured exposures of the obligor were sold or written off.

- Classification to Stage3/provision is an exception to the rule of no active ODUW/ PUW being the source of default if such existence does not block the opening of the probation period (since it is the effect and not the reason of default) – classification to Stage3 and provision are also maintained in the probation period.

6. Comparability of financial data

In these interim condensed consolidated financial statements for the period from 1 January 2020 to 30 June 2020, compared to the interim condensed consolidated financial statements for previous periods, the Group changed the presentation of individual items of the consolidated profit and loss account, consolidated statement of financial position and consolidated statement of cash flows. The changes are as follows:

- *adjustment of the recognition of purchase and sale transactions of Treasury bonds* (***change a***)

In the third quarter of 2019, following the accounting principle of the advantage of economic content over the legal form, the Group changed the treatment of treasury bonds from outright buy - outright sell transaction (separate buy and sell transactions) to buy-sell-back (BSB) and sell -buy-back (SBB). The result of the adjustment was also the recognition of an additional charge for tax on financial institutions in the amount of PLN –2.1 million in the financial result and PLN –14.7 million in the result of previous years.

- *change in the presentation of commissions for the purchase of invoices under factoring* (***change b***)

The Group changed the presentation of the commission for the purchase of invoices under factoring - in the previous periods it was recognized in commission income, while now it is recognized in interest income. In the opinion of the Group, this change increases the transparency and information value of the consolidated profit and loss account.

- *change in cash flows from securities* (***change c***)

The Group changed the presentation resulting from the reclassification of cash flows from the portfolio measured at amortized cost and the presentation of reclassifications related to the implementation of IFRS 9 in 2018.

- *change in cash flows from lease payments* (***change d***)

The Group changed the presentation of the repayment of lease liabilities (IFRS 16).

The table below presents individual items of the consolidated profit and loss account according to the values presented in the interim condensed consolidated financial statements for the period from 1 January 2019 to 30 June 2019 and according to the values presented in these financial statements.

Interim condensed consolidated financial statements (PLN million)

	1 H 2019 the period from 1 Jan.2019 to 30 Jun 2019			
	in consolidated financial statements for 1 H 2019 (approved data)	change a)	change b)	in consolidated financial statements for 1 H 2020 (comparable data)
Interest income	2 562.0		15.2	2 577.2
Interest expenses	503.9			503.9
Net interest income	**2 058.1**		**15.2**	**2 073.3**
Commission income	858.6		-15.2	843.4
Commission expenses	171.9			171.9
Net commission income	**686.7**		**-15.2**	**671.5**
Net income on financial instruments at fair value through profit or loss and FX result	56.6			56.6
Net income on the sale of securities measured at amortised cost	0.0			0.0
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	32.2			32.2
Net income on hedge accounting	-2.1			-2.1
Net income on other basic activities	6.2			6.2
Net income on basic activities	**2 837.7**		**0.0**	**2 837.7**
General and administrative expenses	1 302.2			1 302.2
Impairment losses on financial assets and provisions for off-balance sheet liabilities	260.9			260.9
Tax on certain financial institutions	208.5	2.1		210.6
Share in net profit of associates accounted for using the equity method	-0.2			-0.2
Gross profit (loss)	**1 065.9**	**-2.1**	**0.0**	**1 063.8**
Income tax	270.2			270.2
Net profit	**795.7**	**-2.1**	**0.0**	**793.6**

The table below presents individual items of the consolidated statement of financial position according to the values presented in the interim condensed consolidated financial statements for the period from 1 January 2019 to 30 June 2019 and according to the values presented in these financial statements.

Interim condensed consolidated financial statements (PLN million)

	As at **30.06.2019** in Consolidated Financial Statements for the period from 1 Jan 2019 to 30 Jun 2019 (approved data)	As at **30.06.2019** change a)	As at **30.06.2019** in Consolidated Financial Statements for the period from 1 Jan 2020 to 30 Jun 2020 (comparable data)
Assets			
Cash in hand and balances with the Central Bank	2 293.5		2 293.5
Loans and other receivables to other banks	694.3		694.3
Financial assets held for trading	2 497.6	*299.3*	2 796.9
Derivative hedge instruments	869.0		869.0
Investment securities	31 315.3		31 315.3
Loans and other receivables to customers	110 509.9		110 509.9
Investments in associates	0.7		0.7
Property, plant and equipment	937.8		937.8
Intangible assets	420.7		420.7
Assets held for sale	20.7		20.7
Deferred tax assets	419.8		419.8
Other assets	630.5		630.5
Total assets	**150 609.8**	***299.3***	**150 909.1**
Liabilities			
Liabilities to other banks	7 359.2		7 359.2
Financial liabilities at fair value through profit or loss	1 261.2	*299.3*	1 560.5
Derivative hedge instruments	505.1		505.1
Liabilities to customers	122 992.0		122 992.0
Liabilities under issue of debt securities	300.2		300.2
Subordinated liabilities	1 065.0		1 065.0
Provisions	158.7		158.7
Current income tax liabilities	212.3		212.3
Other liabilities	2 519.5	*16.8*	2 536.3
Total liabilities	**136 373.2**	***316.1***	**136 689.3**
Equity			
Share capital	130.1		130.1
Share premium	956.3		956.3
Accumulated other comprehensive income	1 729.2		1 729.2
Retained earnings	11 421.0	*-16.8*	11 404.2
Total equity	**14 236.6**	***-16.8***	**14 219.8**
Total equity and liabilities	**150 609.8**	***299.3***	**150 909.1**

The table below presents individual items of the consolidated cash flow statement according to the values presented in the interim condensed consolidated financial statements for the period from 1 January 2019 to 30 June 2019 and according to the values presented in these financial statements.

	As at **30.06.2019** in Consolidated Financial Statements for the period from 1 Jan 2019 to 30 Jun 2019 (approved data)	change a)	change c)	change d)	As at **30.06.2019** other changes	As at **30.06.2019** in Consolidated Financial Statements for the period from 1 Jan 2020 to 30 Jun 2020 (comparable data)
Net cash flow from operating activities	**1 423.7**	**0.0**	**-41.3**	**0.3**	**-0.3**	**1 382.4**
Net profit	795.7	-2.1				793.6
Depreciation and amortisation	139.4				-0.3	139.1
Change in financial assets held for trading	-786.1	-76.0				-862.1
Change in liabilities at fair value through profit or loss	-202.7	76.0				-126.7
Change in other assets	-91.6			-45.4		-137.0
Change in other liabilities	531.7	2.1		45.7		579.5
Change in debt securities measured at fair value through other comprehensive income	880.1		-41.3			838.8
Change in loans and other receivables to customers	-7 307.0					-7 307.0
Net cash flow from investing activities	**-315.6**	**0.0**	**41.3**	**0.0**	**0.0**	**-274.3**
Purchase of debt securities measured at amortized cost	-223.2		0.1			-223.1
Disposal of debt securities measured at amortized cost	0.0		41.2			41.2

Interim condensed consolidated financial statements (PLN million)

7. Supplementary notes to interim condensed consolidated financial statements

7.1. Net interest income

	2 quarter 2020 the period from 01 Apr 2020 to Jun 2020	**1 half year 2020** the period from 01 Jan 2020 to 30 Jun 2020	**2 quarter 2019** the period from 01 Apr 2019 to Jun 2019	**1 half year 2019** the period from 01 Jan 2019 to 30 Jun 2019
Interest income, including:	**1 304.0**	**2 690.6**	**1 314.1**	**2 577.2**
Interest income calculated using effective interest rate method, including:	**1 303.3**	**2 689.1**	**1 313.0**	**2 575.0**
Interest on financial instruments measured at amortized cost	**1 194.5**	**2 463.9**	**1 210.5**	**2 366.3**
interest on loans and receivables to other banks measured at amortised cost	4.7	14.9	10.2	19.9
interest on loans and receivables to customers measured at amortised cost	1 092.5	2 292.7	1 136.0	2 218.8
interest on securities measured at amortised cost	97.3	156.3	64.3	127.6
Interest on securities measured at fair value through other comprehensive income	**108.8**	**225.2**	**102.5**	**208.7**
Other interest income, including:	**0.7**	**1.5**	**1.1**	**2.2**
interest on loans and receivables to other customers measured at fair value through profit or loss	0.7	1.5	1.1	2.2
Interest expense on financial liabilities not measured at fair value through profit or loss, including:	**204.8**	**439.3**	**260.9**	**503.8**
interest on deposits from other banks	3.8	16.6	15.6	30.7
interest on deposits from customers	189.9	400.2	237.6	457.8
interest on issue of debt securities	2.1	4.9	1.9	3.8
interest on subordinated liabilities	8.0	15.4	4.2	8.3
interest on lease liabilities	1.0	2.2	1.6	3.2
Net interest income	**1 099.2**	**2 251.3**	**1 053.2**	**2 073.4**

Interim condensed consolidated financial statements (PLN million)

7.2. Net commission income

	2 quarter 2020 the period from 01 Apr 2020 to 30 Jun 2020	1 half year 2020 the period from 01 Jan 2020 to 30 Jun 2020	2 quarter 2019 the period from 01 Apr 2019 to 30 Jun 2019	1 half year 2019 the period from 01 Jan 2019 to 30 Jun 2019
Commission income, including:				
transaction margin on currency exchange transactions	98.6	204.1	96.0	186.9
account maintenance	76.2	156.3	73.7	144.2
lending	86.2	179.1	81.4	163.9
payment and credit cards*	79.3	163.7	101.7	174.8
participation units distribution	17.7	37.8	18.5	34.5
insurance product offering	40.3	78.7	33.1	62.9
factoring and lease agreements	7.1	14.4	6.0	13.1
brokerage activity	20.6	31.3	4.7	10.5
fiduciary and custodian	7.5	15.5	7.4	14.2
foreign commercial business	6.6	13.1	9.5	18.5
other	8.2	14.9	11.8	19.9
Total commission income	**448.3**	**908.9**	**443.8**	**843.4**
Commission expenses	**104.3**	**205.8**	**90.1**	**171.9**
including payment and credit cards	56.9	112.8	46.3	87.7
Net commission income	**344.0**	**703.1**	**353.7**	**671.5**

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

	2 quarter 2020 the period from 01 Apr 2020 to 30 Jun 2020	1 half year 2020 the period from 01 Jan 2020 to 30 Jun 2020	2 quarter 2019 the period from 01 Apr 2019 to 30 Jun 2019	1 half year 2019 the period from 01 Jan 2019 to 30 Jun 2019
FX result and net income on interest rate derivatives, including:	14.9	38.5	12.9	28.0
FX result	142.5	135.8	7.2	-22.6
currency derivatives	-127.6	-97.3	5.7	50.6
Net income on interest rate derivatives	20.6	-12.4	1.5	12.4
Net income on debt instruments held for trading	8.8	31.9	10.7	16.1
Result on measurement of loans to customers which are measured at fair value through profit or loss	0.0	0.2	0.0	0.0
Net income on financial instruments at fair value through profit or loss and FX result	**44.3**	**58.2**	**25.1**	**56.5**

Interim condensed consolidated financial statements (PLN million)

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

	2 quarter 2020 the period from 01 Apr 2020 to 30 Jun 2020	1 half year 2020 the period from 01 Jan 2020 to 30 Jun 2020	2 quarter 2019 the period from 01 Apr 2019 to 30 Jun 2019	1 half year 2019 the period from 01 Jan 2019 to 30 Jun 2019
Net income on the sale of securities measured at amortised cost	0.0	7.3	0.0	0.0
Net income on sale of securities measured at fair value through other comprehensive income and dividend income, including:	**18.8**	**20.6**	**16.4**	**32.2**
sale of debt securities	10.4	12.2	9.4	25.2
dividend income	8.4	8.4	7.0	7.0
Total	**18.8**	**27.9**	**16.4**	**32.2**

7.5. Net income on hedge accounting

	2 quarter 2020 the period from 01 Apr 2020 to 30 Jun 2020	1 half year 2020 the period from 01 Jan 2020 to 30 Jun 2020	2 quarter 2019 the period from 01 Apr 2019 to 30 Jun 2019	1 half year 2019 the period from 01 Jan 2019 to 30 Jun 2019
Fair value hedge accounting for securities:	**7.0**	**36.6**	**3.1**	**5.4**
valuation of the hedged transaction	108.6	423.2	21.6	51.8
valuation of the hedging transaction	-101.6	-386.6	-18.5	-46.4
Cash flow hedge accounting:	**-2.1**	**-8.0**	**-4.0**	**-7.5**
ineffectiveness under cash flow hedges	-2.1	-8.0	-4.0	-7.5
Net income on hedge accounting	**4.9**	**28.6**	**-0.9**	**-2.1**

7.6. General and administrative expenses

	2 quarter 2020 the period from 01 Apr 2020 to 30 Jun 2020	1 half year 2020 the period from 01 Jan 2020 to 30 Jun 2020	2 quarter 2019 the period from 01 Apr 2019 to 30 Jun 2019	1 half year 2019 the period from 01 Jan 2019 to 30 Jun 2019
Personnel expenses	**310.3**	**618.5**	**292.7**	**579.1**
Other general and administrative expenses, including:	**331.2**	**798.0**	**288.4**	**723.1**
cost of marketing and promotion	24.2	51.8	28.4	58.1
depreciation and amortisation	71.9	143.4	67.8	139.1
obligatory Bank Guarantee Fund payments, including:	42.1	205.0	17.8	166.6
for a compulsory restructuring fund	1.0	125.4	0.0	131.2
to the bank guarantee fund	41.1	79.6	17.8	35.4
fees to the Polish Financial Supervision Authority	0.0	13.3	0.0	16.1
IT costs	70.0	138.9	55.5	113.8
maintenance and rental of buildings	26.7	51.3	24.3	50.3
costs of short-term leasing and low-value assets	2.6	6.4	5.4	12.0
other	93.7	187.9	89.2	167.1
Total	**641.5**	**1 416.5**	**581.1**	**1 302.2**

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7.6.1. Headcount

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

	as at 30 Jun 2020	as at 31 Dec 2019	as at 30 Jun 2019
FTEs	8 131.4	8 071.6	8 119.3
Individuals	8 181	8 135	8 170

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

	as at 30 Jun 2020	as at 31 Dec 2019	as at 30 Jun 2019
FTEs	7 699.9	7 640.7	7 693.1
Individuals	7 737	7 690	7 740

7.7. Impairment for expected losses

	2 quarter 2020 the period from 01 Apr 2020 to 30 Jun 2020	1 half year 2020 the period from 01 Jan 2020 to 30 Jun 2020	2 quarter 2019 the period from 01 Apr 2019 to 30 Jun 2019	1 half year 2019 the period from 01 Jan 2019 to 30 Jun 2019
corporate banking	241.6	426.8	103.5	199.2
retail banking	67.8	177.3	32.4	61.7
Total	**309.4**	**604.1**	**135.9**	**260.9**

7.8. Loans and other receivables to other banks

	as at 30 Jun 2020	as at 31 Dec 2019	as at 30 Jun 2019
Current accounts	242.7	258.3	184.6
Interbank deposits	12.0	74.1	5.1
Loans and advances	302.2	204.1	234.9
Placed call deposits	187.7	262.1	269.8
Total (gross)	**744.6**	**798.6**	**694.4**
Impairment for expected losses, including:	-0.2	-0.1	-0.1
concerning loans and advances	-0.2	-0.1	-0.1
Total (net)	**744.4**	**798.5**	**694.3**

7.9. Financial assets held for trading

	as at 30 Jun 2020	as at 31 Dec 2019	as at 30 Jun 2019
Valuation of derivatives	**700.3**	**554.3**	**554.1**
Other financial assets held for trading, including:	**177.7**	**669.9**	**2 242.8**
debt securities:	177.7	498.4	1 299.9
Treasury bonds	160.9	480.6	1 281.3
European Investment Bank bonds	16.8	17.8	18.6
repo transactions	0.0	171.5	942.9
Total	**878.0**	**1 224.2**	**2 796.9**

Interim condensed consolidated financial statements (PLN million)

7.10. Investment securities

	as at 30 Jun 2020	as at 31 Dec 2019	as at 30 Jun 2019
Measured at fair value through other comprehensive income (FVOCI), including:	**22 912.6**	**21 244.1**	**19 165.4**
debt securities, including:	22 789.1	21 133.4	19 038.6
treasury bonds	20 222.3	18 682.4	16 589.4
treasury bonds in EUR	1 016.1	982.6	983.7
European Investment Bank bonds	1 075.2	1 021.5	1 015.2
Austrian government bonds	475.5	446.9	450.3
equity instruments, including:	123.5	110.7	126.8
Biuro Informacji Kredytowej S.A.	57.8	63.8	81.0
Krajowa Izba Rozliczeniowa S.A.	15.1	14.7	14.9
other	50.6	32.2	30.9
Measured at amortised cost, including:	**30 165.1**	**12 580.4**	**12 149.9**
debt securities, including:	30 165.1	12 580.4	12 149.9
treasury bonds	17 218.1	5 962.9	5 961.9
treasury bonds in EUR	3 960.9	3 272.7	3 257.3
BGK bonds	520.2	508.5	524.6
European Investment Bank bonds	3 476.9	2 606.4	2 253.1
bonds of the Polish Development Fund	2 989.0	0.0	0.0
NBP bills	2 000.0	229.9	153.0
Total	**53 077.7**	**33 824.5**	**31 315.3**

7.11. Loans and receivables to customers

	as at 30 Jun 2020	as at 31 Dec 2019	as at 30 Jun 2019
Measured at amortised cost	120 598.1	118 127.8	110 316.4
Measured at fair value through profit or loss	233.4	160.3	193.5
Total (net)	**120 831.5**	**118 288.1**	**110 509.9**

Interim condensed consolidated financial statements (PLN million)

Loans and other receivables measured at amortised cost

	as at 30 Jun 2020			as at 31 Dec 2019			as at 30 Jun 2019		
	gross	impairment	**net**	gross	impairment	**net**	gross	impairment	**net**
Portfolio of loans, including:	**121 505.6**	**-3 090.4**	**118 415.2**	**118 312.3**	**-2 481.3**	**115 831.0**	**111 280.0**	**-2 422.8**	**108 857.2**
households	62 569.1	-1 531.5	61 037.6	58 524.1	-1 239.2	57 284.9	53 434.3	-1 224.2	52 210.1
business entities	55 989.5	-1 558.3	54 431.2	56 769.0	-1 241.8	55 527.2	54 600.8	-1 198.5	53 402.3
the government and self-government institutions' sector	2 947.0	-0.6	2 946.4	3 019.2	-0.3	3 018.9	3 244.9	-0.1	3 244.8
Total, including:	**121 505.6**	**-3 090.4**	**118 415.2**	**118 312.3**	**-2 481.3**	**115 831.0**	**111 280.0**	**-2 422.8**	**108 857.2**
Corporate banking segment	**68 854.4**	**-2 110.5**	**66 743.9**	**69 916.7**	**-1 686.0**	**68 230.7**	**67 579.0**	**-1 614.0**	**65 965.0**
loans in the current account	10 095.9	-565.6	9 530.3	11 515.3	-515.8	10 999.5	12 478.4	-503.9	11 974.5
term loans and advances	42 455.3	-1 375.6	41 079.7	41 166.6	-1 067.4	40 099.2	38 453.8	-1 017.5	37 436.3
leasing receivables	9 477.2	-113.2	9 364.0	9 396.8	-62.1	9 334.7	9 135.1	-57.2	9 077.9
factoring receivables	4 597.6	-55.2	4 542.4	5 333.4	-40.1	5 293.3	5 173.9	-35.1	5 138.8
corporate and municipal debt securities	2 228.4	-0.9	2 227.5	2 504.6	-0.6	2 504.0	2 337.8	-0.3	2 337.5
Retail banking segment	**52 651.2**	**-979.9**	**51 671.3**	**48 395.6**	**-795.3**	**47 600.3**	**43 701.0**	**-808.8**	**42 892.2**
mortgages	44 975.2	-266.5	44 708.7	40 807.0	-209.6	40 597.4	36 464.6	-200.1	36 264.5
loans in the current account	612.5	-53.4	559.1	645.2	-48.7	596.5	611.9	-51.8	560.1
leasing receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
other loans and advances	7 063.5	-660.0	6 403.5	6 943.4	-537.0	6 406.4	6 624.5	-556.9	6 067.6
Other receivables, including:	**2 183.0**	**-0.1**	**2 182.9**	**2 296.8**	**0.0**	**2 296.8**	**1 459.2**	**0.0**	**1 459.2**
call deposits placed as collateral	1 368.3	-0.1	1 368.2	1 598.6	0.0	1 598.6	1 081.1	0.0	1 081.1
other receivables	814.7	0.0	814.7	698.2	0.0	698.2	378.1	0.0	378.1
Total	**123 688.6**	**-3 090.5**	**120 598.1**	**120 609.1**	**-2 481.3**	**118 127.8**	**112 739.2**	**-2 422.8**	**110 316.4**

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Quality of loan portfolio

	as at 30 Jun 2020			as at 31 Dec 2019			as at 30 Jun 2019		
	gross	impairment	**net**	gross	impairment	**net**	gross	impairment	**net**
Corporate banking	**68 854.4**	**-2 110.5**	**66 743.9**	**69 916.7**	**-1 686.0**	**68 230.7**	**67 579.0**	**-1 614.0**	**65 965.0**
assets in stage 1	55 541.6	-172.4	55 369.2	61 733.3	-67.0	61 666.3	59 693.8	-78.9	59 614.9
assets in stage 2	10 185.7	-252.4	9 933.3	5 261.7	-144.9	5 116.8	5 248.0	-142.9	5 105.1
assets in stage 3	3 125.8	-1 685.7	1 440.1	2 920.2	-1 474.1	1 446.1	2 637.2	-1 392.2	1 245.0
POCI assets	1.3	0.0	1.3	1.5	0.0	1.5	0.0	0.0	0.0
Retail banking	**52 651.2**	**-979.9**	**51 671.3**	**48 395.6**	**-795.3**	**47 600.3**	**43 701.0**	**-808.8**	**42 892.2**
assets in stage 1	48 111.9	-79.5	48 032.4	44 045.1	-56.2	43 988.9	38 003.8	-52.4	37 951.4
assets in stage 2	3 751.7	-321.9	3 429.8	3 741.9	-304.2	3 437.7	5 023.7	-252.3	4 771.4
assets in stage 3	785.0	-578.5	206.5	608.6	-434.9	173.7	673.5	-504.1	169.4
POCI assets	2.6	0.0	2.6	0.0	0.0	0.0	0.0	0.0	0.0
Total loan portfolio	**121 505.6**	**-3 090.4**	**118 415.2**	**118 312.3**	**-2 481.3**	**115 831.0**	**111 280.0**	**-2 422.8**	**108 857.2**

Additionally, the Group identifies POCI financial assets whose carrying value as at 30 June 2020 is PLN 3.9 million (PLN 0.0 million as at 30 June 2019). This group covers exposures under impaired receivables purchased in connection with the takeover of Bieszczadzka SKOK in 2017 and exposures that were significantly modified as a result of restructuring, which required the removal of the original credit exposure and re-recognition of the asset in the statement of financial position.

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Changes in impairment for expected losses

	1 H 2020 the period from 01 Jan 2020 to 30 Jun 2020				1 H 2019 the period from 01 Jan 2019 to 30 Jun 2019			
	Stage 1	Stage 2	Stage 3	**Total**	Stage 1	Stage 2	Stage 3	**Total**
Opening balance of impairment	**123.2**	**449.1**	**1 909.0**	**2 481.3**	**114.2**	**424.8**	**1 731.0**	**2 270.0**
Changes in the period, including:	**128.7**	**125.2**	**355.2**	**609.1**	**17.1**	**-29.6**	**165.3**	**152.8**
impairments for granted loans during the period	79.5	0.0	0.0	**79.5**	42.7	0.0	0.0	**42.7**
transfer to stage 1	12.9	-75.8	-4.0	**-66.9**	9.9	-76.5	-3.4	**-70.0**
transfer to stage 2	-27.9	230.9	-17.7	**185.3**	-15.5	137.2	-20.4	**101.3**
transfer to stage 3	-2.0	-60.6	317.4	**254.8**	-3.1	-46.0	309.7	**260.6**
changed provisioning under expected losses	66.3	29.6	51.4	**147.3**	-16.8	-44.3	-11.6	**-72.7**
derecognition from the balance sheet (write-downs, sale)	0.0	0.0	-22.0	**-22.0**	0.0	0.0	-123.6	**-123.6**
calculation and write-off of effective interest	0.0	0.0	45.3	**45.3**	0.0	0.0	20.1	**20.1**
other	-0.1	1.1	-15.2	**-14.2**	-0.1	0.0	-5.5	**-5.6**
Closing balance of impairment	**251.9**	**574.3**	**2 264.2**	**3 090.4**	**131.3**	**395.2**	**1 896.3**	**2 422.8**

7.12. Debt securities

	as at **30 Jun 2020**	as at **31 Dec 2019**	as at **30 Jun 2019**
Debt securities held for trading (Note 7.9)	177.7	498.4	1 299.9
Debt securities measured at fair value through other comprehensive income in the investment securities portfolio (Note 7.10)	22 789.1	21 133.4	19 038.6
Debt securities measured at amortised cost in the investment securities portfolio (Note 7.10)	30 165.1	12 580.4	12 149.9
Debt securities measured at amortised cost in the loans and other receivables to customers portfolio (Note 7.11)	2 227.5	2 504.0	2 337.5
Total	**55 359.4**	**36 716.2**	**34 825.9**

7.13. Property, plant and equipment

	as at **30 Jun 2020**	as at **31 Dec 2019**	as at **30 Jun 2019**
Right-of-use assets	400.1	398.4	420.3
Real estate and leasehold improvements	329.1	330.8	316.7
Computer hardware	102.0	106.8	100.4
Other property, plant and equipment	72.0	76.0	73.0
Construction in progress	22.0	44.0	27.4
Total	**925.2**	**956.0**	**937.8**

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7.14. Liabilities to other banks

	as at 30 Jun 2020	as at 31 Dec 2019	as at 30 Jun 2019
Current accounts	281.9	474.9	1 123.2
Interbank deposits	119.2	1 559.5	2 026.3
Loans received*	3 487.3	3 639.5	3 616.1
Repo transactions	0.0	31.1	0.0
Call deposits received	700.6	549.2	584.6
Other	5.6	1.9	9.0
Total	**4 594.6**	**6 256.1**	**7 359.2**

*) The financing of the long-term leasing contracts in EUR ("the matched funding") received by the subsidiary ING Lease Polska Sp. z o.o. from ING Bank NV is presented in item Loans received.

7.15. Financial liabilities at fair value through profit or loss

	as at 30 Jun 2020	as at 31 Dec 2019	as at 30 Jun 2019
Valuation of derivatives	**613.6**	**667.2**	**613.1**
Other financial liabilities at fair value through profit or loss, including:	**3.6**	**247.9**	**947.4**
book short position in trading securities	0.0	167.2	556.7
financial liabilities held for trading, including:	3.6	80.7	390.7
repo transactions	3.6	80.7	390.7
Total	**617.2**	**915.1**	**1 560.5**

7.16. Liabilities to customers

	as at 30 Jun 2020	as at 31 Dec 2019	as at 30 Jun 2019
Deposits, including:	**149 301.0**	**128 800.1**	**121 131.2**
households	99 065.9	87 643.7	81 911.5
business entities	48 100.3	36 191.2	35 857.6
the government and self-government institutions' sector	2 134.8	4 965.2	3 362.1
Total (gross), including:	**149 301.0**	**128 800.1**	**121 131.2**
Corporate banking	**61 911.3**	**49 848.1**	**46 486.2**
current accounts	45 550.1	34 707.2	28 566.8
savings accounts	15 497.5	13 513.1	12 478.6
term deposits	863.7	1 627.8	5 440.8
Retail banking	**87 389.7**	**78 952.0**	**74 645.0**
current accounts	18 942.0	15 706.7	14 488.6
savings accounts	66 078.4	60 812.0	57 652.5
term deposits	2 369.3	2 433.3	2 503.9
Other liabilities, including:	**1 678.3**	**1 673.4**	**1 860.8**
liabilities under cash collateral	460.2	400.1	399.9
other liabilities	1 218.1	1 273.3	1 460.9
call deposits	19.9	11.6	8.3
liabilities under repo transactions	0.0	0.0	0.0
other liabilities	1 198.2	1 261.7	1 452.6
Total	**150 979.3**	**130 473.5**	**122 992.0**

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7.17. Provisions

	as at **30 Jun 2020**	as at **31 Dec 2019**	as at **30 Jun 2019**
Provision for off-balance sheet liabilities	103.6	107.1	78.4
Provision for retirement benefits	57.5	55.9	42.4
Provision for disputes	18.3	18.1	37.9
Other provisions	23.6	24.6	0,0
Total	**203.0**	**205.7**	**158.7**

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

7.18. Other liabilities

	as at **30 Jun 2020**	as at **31 Dec 2019**	as at **30 Jun 2019**
Accruals, including:	**354.5**	**417.1**	**337.3**
due to employee benefits, including:	176.7	281.1	168.8
variable remuneration programme	*35.8*	63.0	47.1
due to commissions	172.9	131.4	163.2
other	4.9	4.6	5.3
Other liabilities, including:	**2 112.3**	**1 661.8**	**2 199.0**
lease liability	413.5	404.5	424.6
interbank settlements	770.8	569.4	984.0
settlements with suppliers	372.0	317.1	281.8
public and legal settlements	92.8	97.2	101.6
other	463.2	273.6	407.0
Total	**2 466.8**	**2 078.9**	**2 536.3**

7.19. Fair value

Please find below the breakdown of carrying amounts of financial assets and liabilities measured at fair value into individual categories of valuation levels. In the first half of 2020, as well as 2019, there were no movements between particular valuation levels.

Interim condensed consolidated financial statements (PLN million)

as at **30 Jun 2020**

	Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	**22 966.8**	**1 796.2**	**356.9**	**25 119.9**
Valuation of derivatives	**0.0**	**700.3**	**0.0**	**700.3**
Financial assets held for trading, including:	**177.7**	**0.0**	**0.0**	**177.7**
debt securities, including:	177.7	0.0	0.0	177.7
treasury bonds	160.9	0.0	0.0	160.9
European Investment Bank bonds	16.8	0.0	0.0	16.8
Derivative hedge instruments	**0.0**	**1 095.9**	**0.0**	**1 095.9**
Financial assets measured at fair value through other comprehensive income, including:	**22 789.1**	**0.0**	**123.5**	**22 912.6**
debt securities, including:	22 789.1	0.0	0.0	22 789.1
treasury bonds	20 222.3	0.0	0.0	20 222.3
treasury bonds in EUR	1 016.1	0.0	0.0	1 016.1
European Investment Bank bonds	1 075.2	0.0	0.0	1 075.2
Austrian Government bonds	475.5	0.0	0.0	475.5
equity instruments	0.0	0.0	123.5	123.5
Loans and other liabilities measured at fair value through profit or loss	**0.0**	**0.0**	**233.4**	**233.4**
Financial liabilities, including:	**3.6**	**1 094.5**	**0.0**	**1 098.1**
Valuation of derivatives	**0.0**	**613.6**	**0.0**	**613.6**
Other financial liabilities measured at fair value through profit or loss, including:	**3.6**	**0.0**	**0.0**	**3.6**
book short position in trading securities	0.0	0.0	0.0	0.0
financial liabilities held for trading	3.6	0.0	0.0	3.6
Derivative hedge instruments	**0.0**	**480.9**	**0.0**	**480.9**

Interim condensed consolidated financial statements (PLN million)

as at **31 Dec 2019**

	Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	**21 803.3**	**1 405.9**	**271.0**	**23 480.2**
Valuation of derivatives	**0.0**	**554.3**	**0.0**	**554.3**
Financial assets held for trading, including:	**669.9**	**0.0**	**0.0**	**669.9**
debt securities, including:	498.4	0.0	0.0	498.4
treasury bonds	480.6	0.0	0.0	480.6
European Investment Bank bonds	17.8	0.0	0.0	17.8
Repo transactions	171.5	0.0	0.0	171.5
Derivative hedge instruments	**0.0**	**851.6**	**0.0**	**851.6**
Financial assets measured at fair value through other comprehensive income, including:	**21 133.4**	**0.0**	**110.7**	**21 244.1**
debt securities, including:	21 133.4	0.0	0.0	21 133.4
treasury bonds	18 682.4	0.0	0.0	18 682.4
treasury bonds in EUR	982.6	0.0	0.0	982.6
European Investment Bank bonds	1 021.5	0.0	0.0	1 021.5
Austrian Government bonds	446.9	0.0	0.0	446.9
equity instruments	0.0	0.0	110.7	110.7
Loans and other liabilities measured at fair value through profit or loss	**0.0**	**0.0**	**160.3**	**160.3**
Financial liabilities, including:	**247.9**	**1 213.2**	**0.0**	**1 461.1**
Valuation of derivatives	**0.0**	**667.2**	**0.0**	**667.2**
Other financial liabilities measured at fair value through profit or loss, including:	**247.9**	**0.0**	**0.0**	247.9
book short position in trading securities	167.2	0.0	0.0	167.2
financial liabilities held for trading	80.7	0.0	0.0	80.7
Derivative hedge instruments	**0.0**	**546.0**	**0.0**	**546.0**

In 1 half year 2020 the measurement techniques for Stages 1 and 2 did not change. The financial assets classified to measurement stage 3 as at 30 Jun 2020 include unquoted equity instruments and loans which did not meet the SPPI criterion as per IFRS 9.

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

Methodology of the fair value measurement of the lending portfolio is based on the discounted cash flow method. In this method, the expected cash flows and individual payment dates discount factors are estimated for each measured contract; the value of the discounted cash flows as at the measurement date is also determined. Pricing models are fed with business parameters for individual contracts and parameters observable by the market such as interest rate curves, liquidity cost and capital cost. The change of the parameters used in the measurement did not have a material impact on the measurement as at 30 June 2020.

In 1 half year 2020 the revaluation of the equity instruments classified to measurement level 3 recognised in the comprehensive income totalled PLN 7.4 million.

The impact of the valuation of equity instruments and loans classified under level 3 on the profit and loss account was immaterial.

Interim condensed consolidated financial statements (PLN million)

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

as at **30 Jun 2020**

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	TOTAL
Investment securities measured at amortised cost	**30 165.1**	**28 498.7**	**1 999.7**	**0.0**	**30 498.4**
treasury bonds	17 218.1	17 382.6	0.0	0.0	17 382.6
treasury bonds in EUR	3 960.9	3 990.8	0.0	0.0	3 990.8
Bank Gospodarstwa Krajowego bonds	520.2	546.3	0.0	0.0	546.3
European Investment Bank bonds	3 476.9	3 593.6	0.0	0.0	3 593.6
bonds of the Polish Development Fund	2 989.0	2 985.5	0.0	0.0	2 985.5
NBP bills	2 000.0	0.0	1 999.7	0.0	1 999.7
Loans and receivables to customers at amortised cost	**120 598.1**	**0.0**	**0.0**	**120 789.3**	**120 789.3**
Corporate banking segment, including:	**66 743.9**	**0.0**	**0.0**	**67 069.3**	**67 069.3**
loans and advances (in the current account and term ones)	50 610.0	0.0	0.0	50 917.2	50 917.2
leasing receivables	9 364.0	0.0	0.0	9 422.0	9 422.0
factoring receivables	4 542.4	0.0	0.0	4 542.4	4 542.4
corporate and municipal debt securities	2 227.5	0.0	0.0	2 187.7	2 187.7
Retail banking segment, including:	**51 671.3**	**0.0**	**0.0**	**51 537.1**	**51 537.1**
mortgages	44 708.7	0.0	0.0	44 541.1	44 541.1
other loans and advances	6 962.6	0.0	0.0	6 996.0	6 996.0
Other receivables	2 182.9	0.0	0.0	2 182.9	2 182.9
Liabilities to customers	**150 979.3**	0.0	0.0	**150 986.1**	**150 986.1**
Liabilities from the issue of securities	**395.4**	0.0	0.0	**412.9**	**412.9**
Subordinated liabilities	**2 235.1**	**0.0**	**0.0**	**2 108.1**	**2 108.1**

as at **31 Dec 2019**

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	TOTAL
Investment securities measured at amortised cost	**12 580.4**	**12 127.2**	**229.9**	**0.0**	**12 357.1**
treasury bonds	5 962.9	5 806.5	0.0	0.0	5 806.5
treasury bonds in EUR	3 272.7	3 223.2	0.0	0.0	3 223.2
Bank Gospodarstwa Krajowego bonds	508.5	525.3	0.0	0.0	525.3
European Investment Bank bonds	2 606.4	2 572.2	0.0	0.0	2 572.2
NBP bills	229.9	0.0	229.9	0.0	229.9
Loans and receivables to customers at amortised cost	**118 127.8**	**0.0**	**0.0**	**117 932.6**	**117 932.6**
Corporate banking segment, including:	**68 230.7**	**0.0**	**0.0**	**68 141.2**	**68 141.2**
loans and advances (in the current account and term ones)	51 098.7	0.0	0.0	51 169.7	51 169.7
leasing receivables	9 334.7	0.0	0.0	9 333.3	9 333.3
factoring receivables	5 293.3	0.0	0.0	5 293.3	5 293.3
corporate and municipal debt securities	2 504.0	0.0	0.0	2 344.9	2 344.9
Retail banking segment, including:	**47 600.3**	**0.0**	**0.0**	**47 494.6**	**47 494.6**
mortgages	40 597.4	0.0	0.0	40 461.7	40 461.7
other loans and advances	7 002.9	0.0	0.0	7 032.9	7 032.9
Other receivables	2 296.8	0.0	0.0	2 296.8	2 296.8
Liabilities to customers	**130 473.5**	**0.0**	**0.0**	**130 473.6**	**130 473.6**
Liabilities from the issue of securities	**399.7**	**0.0**	**0.0**	**399.7**	**399.7**
Subordinated liabilities	**2 131.1**	**0.0**	**0.0**	**2 139.0**	**2 139.0**

Interim condensed consolidated financial statements (PLN million)

7.19.2. Change in financial assets classified to measurement level 3

In the first half of 2020, the change in the valuation of equity instruments classified under level 3 of the valuation recognized in other comprehensive income amounted to PLN 12.8 million (in first half of 2019: PLN 43.5 million). In 2019, the impact of the valuation of loans classified under level 3 of valuation amounted to PLN -0.2 million (in first half of 2019: PLN -0.1 million) and was recognized in the profit and loss account under the item "Result on financial instruments measured through profit or loss and result on foreign exchange ".

	as at 30 Jun 2020			as at 30 Jun 2019		
	Equity instruments measured at fair value through other comprehensive income	Loans and other liabilities measured at fair value through other comprehensive income	Loans and other liabilities measured at fair value through profit or loss	Equity instruments measured at fair value through other comprehensive income	Loans and other liabilities measured at fair value through other comprehensive income	Loans and other liabilities measured at fair value through profit or loss
Opening balance	**110.7**	**0.0**	**160.3**	**83.3**	**0.0**	**218.4**
Increases, including:	**12.8**	**0.0**	**97.1**	**43.5**	**0.0**	**0.0**
loans granted in the period / investment acquisition	1.1	0.0	97.1	0.0	0.0	0.0
TWISTO shares reclassification	4.3	0.0	0.0	0.0	0.0	0.0
valuation carried through other comprehensive income	7.4	0.0	0.0	43.5	0.0	0.0
Decreases, including:	**0.0**	**0.0**	**-24.0**	**0.0**	**0.0**	**-24.9**
repayment of loans	0.0	0.0	-23.8	0.0	0.0	-24.8
valuation carried through profit or loss	0.0	0.0	-0.2	0.0	0.0	-0.1
Closing balance	**123.5**	**0.0**	**233.4**	**126.8**	**0.0**	**193.5**

Interim condensed consolidated financial statements (PLN million)

7.20. Total capital ratio

	as at 30 Jun 2020	as at 31 Dec 2019	as at 30 Jun 2019
Own funds			
A. Own equity in the statement of financial position, including:	**18 235.5**	**15 223.3**	**14 236.6**
A.I. Own equity included in the own funds calculation	13 606.3	12 879.3	12 059.0
A.II. Own equity excluded from own funds calculation	4 629.2	2 344.0	2 177.6
B. Other elements of own funds (decreases and increases), including:	**1 815.0**	**1 712.4**	**752.2**
subordinated debt*	2 233.0	2 129.3	1 063.0
goodwill and other intangible assets	-514.3	-521.5	-410.8
AIRB shortfall/surplus of credit risk adjustments to expected losses	-76.6	-67.4	-148.8
adjustment in the transitional period due to adaptation to IFRS 9 requirements**	202.7	220.3	267.3
value adjustments due to the requirements for prudent valuation	-29.8	-48.3	-18.5
Own funds taken into account in total capital ratio calculation (A.I. + B), including:	**15 421.3**	**14 591.7**	**12 811.2**
Core Tier 1 capital	13 188.3	12 462.4	11 748.2
Tier 2 capital	2 233.0	2 129.3	1 063.0
Risk weighted assets	**88 259.0**	**86 477.3**	**85 260.9**
for credit risk	78 065.4	75 706.5	74 515.6
for operational risk	9 344.0	8 762.9	8 762.9
other	849.6	2 007.9	1 982.4
Total capital requirements	**7 060.7**	**6 918.2**	**6 820.9**
Total capital ratio (TCR)	**17.47%**	**16.87%**	**15.03%**
Minimum required level	11.002%	13.955%	13.963%
Surplus TCR ratio (p.p)	6.47	2.91	1.07
Tier 1 ratio (T1)	**14.94%**	**14.41%**	**13.78%**
Minimum required level	9.002%	11.955%	11.963%
Surplus T1 ratio (p.p)	5.94	2.45	1.82

*) In the calculation of capital ratios, the Group used the transitional provisions to mitigate the impact of the implementation of IFRS 9 on the level of own funds. If the impact of the implementation of IFRS 9 was fully recognized, the total capital ratio would be 17.27% and the Tier 1 capital ratio at 14.73% (16.64% and 14.18%, respectively, as at 31 December 2019 and 14.75% and 13.50% as at 30 June 2019).

8. Off-balance sheet items

	as at 30 Jun 2020	as at 31 Dec 2019	as at 30 Jun 2019
Off-balance sheet liabilities granted	39 330.8	36 547.7	34 762.5
Off-balance sheet liabilities received	103 662.7	96 981.1	97 477.4
Off-balance sheet financial instruments	766 352.9	646 273.0	600 053.5
Total off-balance sheet items	**909 346.4**	**779 801.8**	**732 293.4**

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

In the first half of 2020, as well as in the first half of 2019, there were no issues, redemption or repayment of debt and equity securities.

As at 30 June 2020 the Group had liabilities under the issue of mortgage bonds issued as part of the 2019 Mortgage Bond Issue Program established in ING Bank Hipoteczny S.A. ("Program"). The purpose of establishing the Program was to create a legal infrastructure under which the Group will be able to issue covered bonds both on the local and foreign market. The funds obtained from the inaugural 5-

year "green" issue, carried out under the Program, were used to refinance PLN mortgage loans of natural persons secured on real estate belonging to 15% of the most energy-efficient buildings in Poland. The issue will be redeemed in October 2024.

10. Dividends paid

The Management Board of the Bank decided to change the proposal regarding the distribution of the profit for 2019 and the draft resolution submitted to the General Meeting on the distribution of the profit for 2019 in such a way that the amount previously allocated to the dividend, i.e. PLN 494,380,000.00, will be left undivided. Detailed information can be found in the interim condensed consolidated financial statements in chapter Additional information in item no. 2. Significant events in the first half of 2020.

On 29 March 2019, the General Meeting adopted a resolution on the payment of dividends for 2018, on the basis of which the Bank paid a dividend for 2018 in the total amount of PLN 455.35 million, i.e. in the gross amount of PLN 3.50 per share. Shareholders acquired the right to dividend on 18 April 2019, the dividend was paid on 6 May 2019.

11. Settlements due to disputable cases

The values of provisions created by the Group are presented in note 7.17 *Provisions*.

Provision for disputes

The value of the proceedings conducted in the first half of 2020, as well as in the first half of 2019, concerning liabilities and debt claims did not exceed 10% of the Group's equity. The Group is of the opinion that none of the proceedings conducted in first half of the year 2020 before court, competent authority for arbitration proceedings or public administration authority, pose a risk to the Group's financial liquidity, individually or in total.

Changes to the litigation reserves (in PLN million)

	2 quarter 2020 the period from 01 Apr 2020 to 30 Jun 2020	**1 half year 2020** the period from 01 Jan 2020 to 30 Jun 2020	**2 quarter 2019** the period from 01 Apr 2019 to 30 Jun 2019	**1 half year 2019** the period from 01 Jan 2019 to 30 Jun 2019
Opening balance	**18.1**	**18.1**	**35.0**	**32.5**
provisions recognised	0.5	0.8	3.1	6.4
provisions reversed	-0.1	-0.4	0.0	-0.4
provisions utilised	-0.1	-0.1	0.0	-0.3
reclassifications	-0.1	-0.1	-0.2	-0.3
Closing balance	**18.3**	**18.3**	**37.9**	**37.9**

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

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

On 1 April 2019 The President of OCCP instituted proceedings regarding the recognition of a standard contract as prohibited in the scope of provisions that may be considered as prohibited contractual provisions and may violate Art. 23a of the Act on competition and consumer protection. The proceedings concern provisions providing for the possibility of changing the standard contract, contract or table of fees and commissions for important reasons, the so-called modification clauses.

The scope of the proceedings refers to the provisions in various general terms of contracts, regulations and contracts concluded with consumers: for cash loans, account debt limit, granting and repayment of loans in a brokerage account, using a credit card - in the version effective from 7 March 2016; for savings and billing accounts and savings accounts - in the version in force from 9 November 2015; for keeping payment accounts - in the version in force from 6 August 2019; for pre-paid cards - in the version effective from 1 January 2016.

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

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

By letter of 25 March 2020, UOKiK extended the proceedings.

- *Proceedings regarding the application of practices violating collective consumer interests*

Before the President of the OCCP there are the proceedings pending which were initiated ex officio by the Office President on 9 July 2014 regarding the application of the practices infringing collective consumer interests by the Bank. The practices consist in: making cards replacement during the payment card contract from cards which are not equipped with the contactless function to the contactless cards without changing the content of the contract, derive the legal consequences from Announcement to General terms and conditions of providing by ING Bank Śląski S.A. services as part of maintaining personal accounts and savings accounts for individuals, not provided consumers with information about the opportunities and principles for using payment cards to contactless transactions, spending limits for payment transactions executed by these cards, on paper or on another durable medium, in time before conclusion of the contract All proposals of the bank's liabilities towards OCCP in the framework of the above-mentioned proceedings have been implemented. On 18 December 2018, OCCP decided to extend the proceedings.

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

Following the antimonopoly proceedings conducted against ING Bank Śląski S.A. and other banks upon the request of the Polish Trade and Distribution Organization – Employers' Confederation, on 29 December 2006, the President of the Office of Competition and Consumer Protection issued a decision stating that the Bank applied the practices limiting competition. The Office of Competition and Consumer Protection deemed as competition limiting the practice whereby various Polish banks, the Bank included, participated in the arrangement limiting competition on the market of acquiring services for clearance of consumer liabilities towards merchants under the payment of goods and services acquired by consumers using payment cards in Poland by setting together the interchange fees charged on the transactions made using the Visa and MasterCard system cards in Poland. In consequence of recognition of the practices limiting competition, the Office of Competition and Consumer Protection imposed fines on banks, the Bank included – of PLN 14.1 million.

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

With its judgment of 21 November 2013, the Court did not change the decision of the Office of Competition and Consumer Protection on the allegation of limiting competition, but reduced the Bank's fine to PLN 403,209. Nonetheless, the judgement of the Court of Competition and Consumer Protection was changed with the judgment of the Court of Appeal of 6 Oct 2015 which ruled to change the judgment of the Court of Competition and Consumer Protection in that all appeals were dismissed in their entirety. Following the ruling, the President's decision became final and binding and in October 2015 the Bank paid the fine of PLN 14.1 million as ruled.

The Bank and other banks participating in the proceedings alike lodged a complaint for annulment of the judgment of the Court of Appeal. On 25 October 2017, the Supreme Court repealed the judgment of the Court of Appeal and referred the case thereto for re-review. In line with the position of the Office of Competition and Consumer Protection, the fine paid was refunded to the Bank. Currently proceedings are pending before the Appellate Court, which on 24 October 2019 postponed the hearing without setting the date of the next hearing, and at the same time imposing certain obligations on the plenipotentiaries with regard to submitting statements or documents.

As final decisions have not been taken yet, the amount of the reimbursed fine was not recognised in the income statement. As at 30 June 2020, the Group holds the provision of PLN 14.1 million.

Other provisions

This item includes provisions for repaid mortgage loans indexed by the Swiss franc and provisions for the refund of commission on consumer loans pre-paid by customers.

Legal risk related to the portfolio of loans indexed to CHF

The court cases, including those relating to the CHF-indexed mortgage portfolio, are subject to regular assessment pursuant to the Bank's internal procedures.

As at 30 June 2020, the Bank had PLN 936.4 million gross worth of retail mortgage loans indexed in CHF (in total loans indexed to various currencies amounted to PLN 954.7 million). The Bank does not have any loans denominated in foreign currencies. At the end of 2019, these amounts were, respectively: PLN 915.9 million and PLN 986.7 million.

As at 30 June 2020, the Bank had 278 pending court cases relating to agreements on PLN-loans indexed to the Swiss franc, comparing to 156 pending court cases as at 31 December 2019. The total balance sheet value of the exposures covered by the said proceedings was PLN 77.6 million (PLN 50.2 million as at 31 December 2019).

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

The Bank is observing the diverse jurisprudence of court cases initiated by clients with foreign currency mortgages.

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

On 3 October 2019, the CJEU gave a judgement that did not refer to an assessment of clauses of loan contracts indexed to CHF in terms of their unfairness, but rather focused on the possible consequences if a given term is found unfair by a national court. The judgement gives some guidance to the national courts. The CJEU again confirmed that contracts should not be assessed automatically. It is also for the national court to assess whether or not, upon determining that a given term is unfair, the contract may continue to be binding in the absence of such a term. Only after the court finds that the contract may not continue in force without a condition that had been found unfair, the client either consents to keeping the terms that were found unfair or explicitely rejects them. The assessment of potential consequences for the consumer if a given loan contract is found invalid is also up to the national court. CJEU also expressed its concerns regarding the possibility of transforming the loan into a PLN loan bearing interest based on LIBOR. According to CJEU the option of transforming FX loans into PLN loans and keeping the LIBOR rate might be a too far reaching intrusion into the main subject matter of the contract.

In July 2019 the Polish Bank Association (hereinafter PBA) requested the President of the Supreme Court that the Supreme Court analyse the concept of turning the agreement on a loan indexed to CHF into a PLN-loan based on LIBOR, which is expressed in the opinion of the CJEU Advocate General and which is flawed from both the legal- and economic perspective. In August 2019 The Supreme Court issued a publication in which the above solution was, however, accepted.

In light of the above, the Bank is of the opinion that the verdicts of national courts in such cases may still vary.

At the same time, the information recently provided by proxies representing banks in franc disputes shows that a few months after the judgment of the CJEU, in many courts the practice of not examining the premises of abusiveness of indexation clauses is starting to take shape. More and more judges are of the opinion that it has already been decided that if the indexation clause refers to the bank's exchange rate table it is abusive. Therefore, the judges refrain from assessing a given specific contractual provision, and their considerations focus only on analyzing whether the contract can continue to be performed without that provision. Recent rulings show that most often courts do not see this possibility and annul the loan agreement. The above practice is manifested in the increase in the number of court cases lost by banks in the first half of the year. If this approach continues and other courts take them (at the moment such a conclusion seems premature) there is a possibility that in the future the Bank will lose other cases. However, due to the overall number of cases and the number of courts, this will be a process spread over time. One should also take into account the current state of the epidemic in the country, which will certainly result in extending the time limit for courts to consider cases, as well as temporarily reducing the impact of new lawsuits.

As at 30 June 2020, the total amounts of impairment allowances and provisions arising from legal risk for the portfolio of mortgage loans indexed to CHF amounted to PLN 42.4 million (PLN 35.0 million as at 31 December 2019), respectively, for loans still disclosed in the statement of financial position (the amount presented as a reduction of receivables from the said loans) and PLN 12.6 million (PLN 9.6 million as at 31 December 2019) for loans already removed from the statement of financial position (amount presented in liabilities under "Provisions").

<u>Provision for commission refunds on prepaid consumer loans</u>

On 11 September 2019, the European Court of Justice (CJEU) announced its 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 Act on consumer credit in force in Poland (UKK) contains in art. A similar provision, which up to 2016 had no interpretation doubts, and banks, as a rule, charging a commission for granting a loan, did not return to the client in the event of early repayment (except for withdrawal from the contract). Discussion on the interpretation of art. 49 UKK started UOKiK by issuing a joint position with the Financial Ombudsman in 2016, according to which in the event of early repayment of a consumer loan all possible costs of such a loan should be reduced, irrespective of their nature and regardless of when these costs were actually borne by the borrower this reduction is to be proportional, i.e. refer to the period from the date of actual repayment of the loan to the date of final repayment specified in the contract. The judgment of the CJEU resolves this issue in such a way that in the event of early repayment of consumer credit, the Bank 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 currently automatically returns proportionally the commission in the event of early repayment of consumer credit (for repayments made after 11 September 2019). For early repayments made before 11 September 2019, the Group makes returns if the customer submits a complaint and its verification shows that the return is justified.

On 9 October 2019, the Bank was notified of the initiation of the investigation by the Office of Competition and Consumer Protection and a call for information regarding banking products on offer from 16 May 2016, to which the provisions of the Consumer Credit Act apply, including art. 49 of this Act. The explanatory proceedings concern the bank's settlement of commission returns in cases of early repayment of consumer loans. The bank provided the requested information to UOKIK by letter of 29 October 2019. On 24 December 2019, the Bank received another letter from UOKIK in the same proceedings with a request for additional information. The Bank replied by letter of 03 January 2020.

The amount of the provision for returns made on the complaint path in 2019 amounted to PLN 17.1 million. Additionally, the gross value of consumer loan receivables measured at amortized cost decreased by PLN 21.0 million as a result of including expected future payments in the calculation of the effective interest rate.

In the first half of 2020, the Bank did not create additional provisions for commission returns made on the complaint path.

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

12. Seasonality or cyclicity of activity

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

13. Transactions with related entities

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 30 June 2020 held 75% share in the initial capital of ING Bank Śląski and 75% shares in the total number of votes at the General Meeting of Shareholders.

ING Bank Śląski performs operations with ING Bank NV and its subsidiaries on the inter-bank market. These are both short-term deposits and loans, as well as operations in derivatives. The Bank also maintains bank accounts of ING Group entities, and also receives and grants guarantees to entities from the ING Group. Moreover, ING Lease Sp. z o.o. received long-term funding for leasing contracts in EUR ("matched funding").

The abovementioned transactions are carried out on an arm's length basis.

There were also other transactions between the related entities and ING Bank Śląski. They originated from agreements concluded as to co-operation, sublease of premises, lease of equipment, data processing as well as employees' insurance contributions.

Costs are presented as per their net value (VAT excluded).

Transactions between related entities (PLN million)

	ING Bank NV	other ING Group entities	associated entities	ING Bank NV	other ING Group entities	associated entities
	as at **30 Jun 2020**			as at **31 Dec 2019**		
Receivables						
Current accounts	0.8	2.3	0.0	6.6	17.9	0.0
Deposits placed	0.0	12.0	0.0	74.1	0.0	0.0
Loans	27.7	23.6	0.0	32.0	35.6	0.0
Positive valuation of derivatives	77.3	7.5	0.0	49.8	34.9	0.0
Other receivables	7.3	3.2	0.0	9.9	2.9	0.0
Call deposits placed	31.7	0.0	0.0	0.0	0.0	0.0
Liabilities						
Deposits received	52.5	62.0	26.8	791.0	47.8	4.6
Loans received	3 343.2	0.0	0.0	3 472.8	0.0	0.0
Subordinated loan	2 235.2	0.0	0.0	2 131.1	0.0	0.0
Loro accounts	20.3	43.9	0.0	11.7	33.6	0.0
Negative valuation of derivatives	96.2	6.2	0.0	38.4	32.6	0.0
Other liabilities	85.6	0.9	0.0	82.6	2.7	0.0
Off-balance-sheet operations						
Off-balance sheet liabilities granted	479.5	675.5	0.1	470.7	750.3	0.0
Off-balance sheet liabilities received	1 071.9	738.8	0.0	740.7	720.5	0.0
FX transactions	8 640.6	66.7	0.0	6 666.5	0.0	0.0
IRS	1 611.7	501.6	0.0	2 312.7	2 403.9	0.0
Options	2 736.0	29.1	0.0	2 851.9	31.3	0.0

	1 H 2020 the period from 1 Jan 2020 to 30 Jun 2020			**1 H 2019** the period from 1 Jan 2019 to 30 Jun 2019		
Income and expenses						
Income, including:	**-23.0**	**7.7**	**23.1**	**45.6**	**15.4**	**0.0**
interest and commission income/expenses	-24.6	2.3	23.1	-12.3	6.1	0.0
income on financial instruments	1.4	5.4	0.0	58.1	5.2	0.0
net income on other basic activities	0.2	0.0	0.0	-0.2	4.1	0.0
General and administrative expenses	69.7	3.3	0.0	28.1	5.6	0.0
Outlays for fixed assets						
Outlays for intangible assets	2.6	0.0	0.0	0.0	1.4	0.0

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

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

Period	Remuneration	Other benefits*	Total
1 H 2019	4.9	1.1	6.0
1 H 2020	5.3	1.3	6.6

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

Emoluments of Members of the ING Bank Śląski S.A. Management Board for 2020 under the Variable Remuneration Programme have not been awarded yet.

In keeping with the Bank's remuneration system, the Bank Management Board Members may be entitled to the 2020 bonus to be paid out in the years 2021-2028. Accordingly, a reserve was formed for the payment of the 2020 bonus for the Bank Management Board Members, which as at 30 Jun 2020 was PLN 2.8 million. The Bank Supervisory Board will take the final decision on the bonus amount.

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

Period	Remuneration	Awards*	Other benefits**	Total
1 H 2019	4.9	4.1	1.0	10.0
1 H 2020	5.3	5.0	1.3	11.6

*) Awards for 1 half year 2019 cover the following items:

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

Awards for 1 half year 2020 cover the following items:

- Bonus under the Variable Remuneration Programme: for 2019 non-deferred cash, for 2017 1st tranche of deferred cash and for 2016 3rd tranche of deferred cash;
- Phantom Stocks under the Variable Remuneration Programme: for 2018 retained stock, for 2016 2nd tranche of deferred stock, for 2015 3rd tranche of deferred stock.

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

The remuneration due and paid out by ING Bank Śląski S.A. in 1 half year 2020 to its Supervisory Board Members totalled PLN 0.4 million.

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

Period	Remuneration and awards	Other benefits	Total
1 H 2019	0.4	0.0	0.4
1 H 2020	0.4	0.0	0.4

As at 30 June 2020, neither Bank Management Board nor Supervisory Board Members held shares of ING Bank Śląski S.A.

14. Segment reporting

Segments of operation

The management of Group's activity is conducted within the areas defined in the Group's business model. The Group's business model, above all for the purpose of management reporting, includes division of clients into two main segments:

- retail banking segment,
- corporate banking segment.

The segments are separated based on the financial (especially turnover, level of collected assets) and subject-related criteria. The specific rules of putting clients to respective segments are governed by the clients segmentation criteria specified in the Group's internal regulations.

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

Retail banking segment

Within the framework of retail banking, the Group provides services for individual customers - segments of mass customers and wealthy customers.

This activity is analysed by the leading products, including i.e.: credit products (overdraft on the savings and settlement account - ROR, loans related to cards, hire purchase loans, housing loans, mortgage loans), deposit products (current accounts, term deposits, savings accounts), structured product, ING fund units, brokerage services and bank cards.

Corporate banking segment

Corporate banking area encompasses as follows:

- providing services to institutional clients,
- providing services to individual entrepreneurs,
- Financial Markets products.

Services to institutional clients encompasses strategic clients, large corporate entities, mid-sized companies and individual entrepreneurs. For corporate activity, the Bank provides reporting broken down by leading products covering i.e. loan products (working loans, investment loans), deposit products (current accounts, term deposits and negotiated deposits, savings accounts), financial markets products, trust services, capital market operations conducted by the parent, products related to leasing and factoring services offered by ING Lease (Polska) Sp. z o.o. and ING Commercial Finance Polska S.A.

Financial Markets products encompass operations performed in money and capital markets, conducted both on the proprietary basis as well as for the customers' benefit. Within the framework of this activity, currency, money and derivative instrument market products and securities operations (treasury securities, shares and notes) are specified.

Measurement

The measurement of the segment's assets and liabilities, segment's revenue and costs is based on the accounting standards applied by the Group, included in notes describing applied accounting standards. In particular, both internal and external interest income and costs for individual segments are determined with the use of the transfer price system within the Risk Transfer System (RTS). Transfer prices are defined based on the yield curve for a given currency that is common for assets and liabilities. The transfer price that is determined for the products being assets and liabilities with the same position on the yield curve is identical. The original transfer price – coming from the product measurement regarding the yield curve can be modified and the factors adjusting the transfer price can be the following: a premium for obtainment of long-term liquidity, matching of the Group's position, a hedging cost for sophisticated products and the pricing policy. Thereafter, based on quotation rates available at news services, yield curves are developed using mathematical equations. Revenue, costs, results, assets and liabilities for a given segment account for elements that are directly attributable to the segment in question, as well as element that may be attributed to that segment based on reasonable premises. The Group presents segment's interest income reduced by the cost of the interest.

Interim condensed consolidated financial statements (PLN million)

1 half year 2020 the period from 1 Jan 2020 to 30 Jun 2020

	Retail banking segment	Corporate banking segment	TOTAL
Income total	**1 442.4**	**1 624.0**	**3 066.4**
net interest income	1 193.8	1 057.5	2 251.3
net commission income	209.8	493.3	703.1
commission income	344.6	564.3	908.9
transaction margin on currency exchange transactions	31.4	172.7	204.1
keeping payment accounts	48.1	108.2	156.3
granting credits	10.8	168.3	179.1
payment and credit cards	120.2	43.5	163.7
distribution of participation units	37.8	0.0	37.8
offering insurance products	65.1	13.6	78.7
factoring and leasing services	0.0	14.4	14.4
other commissions	31.2	43.6	74.8
commission costs	134.8	71.0	205.8
other income/expenses	38.8	73.2	112.0
Expenses total	**739.1**	**677.4**	**1 416.5**
Segment result	**703.3**	**946.6**	**1 649.9**
Impairment for expected losses	177.3	426.8	604.1
Tax on certain financial institutions	95.9	141.2	237.1
Investments in associates measured at equity method	8.4	0.0	8.4
Segment profit before tax	**438.5**	**378.6**	**817.1**
Income tax	-	-	233.6
Result after tax	-	-	**583.5**
attributable to shareholders of ING Bank Śląski S.A.	-	-	583.5
Allocated equity	7 435.4	10 800.1	18 235.5
ROE - Return on equity (%)*	11.5	7.4	9.0
Segment assets	79 191.7	99 569.4	178 761.1
Segment investments in associates accounted for using the equity method	166.4	0.0	166.4
Other assets (not allocated to segments)	-	-	1 711.8
Total assets	**79 358.1**	**99 569.4**	**180 639.3**
Segment liabilities	91 167.8	68 134.7	159 302.5
Other liabilities (not allocated to segments)	-	-	3 101.3
Total equity	-	-	18 235.5
Total liabilities	**91 167.8**	**68 134.7**	**180 639.3**

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

Interim condensed consolidated financial statements (PLN million)

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

	Retail banking segment	Corporate banking segment	TOTAL
Income total	**1 366.0**	**1 471.7**	**2 837.7**
net interest income	1 106.8	966.6	2 073.4
net commission income	216.1	455.4	671.5
commission income	329.3	514.1	843.4
transaction margin on currency exchange transactions	25.3	161.6	186.9
keeping payment accounts	49.2	95.0	144.2
granting credits	13.8	150.1	163.9
payment and credit cards	134.9	39.9	174.8
distribution of participation units	34.5	0.0	34.5
offering insurance products	51.3	11.6	62.9
factoring and leasing services	0.0	13.1	13.1
other commissions	20.3	42.8	63.1
commission costs	113.2	58.7	171.9
other income/expenses	43.1	49.7	92.8
Expenses total	**685.0**	**617.2**	**1 302.2**
Segment result	**681.0**	**854.5**	**1 535.5**
Impairment for expected losses	61.7	199.2	260.9
Tax on certain financial institutions	79.2	131.4	210.6
Share in net profits (losses) of associates valued using the equity method	0.0	-0.2	-0.2
Segment profit before tax	**540.1**	**523.7**	**1 063.8**
Income tax	-	-	270.2
Result after tax	-	-	**793.6**
attributable to shareholders of ING Bank Śląski S.A.	-	-	793.6
Allocated equity	5 166.1	9 053.7	14 219.8
ROE - Return on equity (%)	17.3	9.4	12.5
Segment assets	62 508.2	86 194.0	148 702.2
Segment investments in associates accounted for using the equity method	0.0	0.7	0.7
Other assets (not allocated to segments)	-	-	2 206.2
Total assets	**62 508.2**	**86 194.7**	**150 909.1**
Segment liabilities	80 507.3	53 274.7	133 782.0
Other liabilities (not allocated to segments)	-	-	2 907.3
Total equity	-	-	14 219.8
Total liabilities	**80 507.3**	**53 274.7**	**150 909.1**

Geographical segments

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

15. Risk and capital management

15.1. Qualitative information

Capital management

In 1 half year 2020, the Group continued actions aimed at implementation of the capital management strategy. In the internal capital adequacy assessment process in Q1 2020, the Group held another Workshops on risk materiality assessment. . The Workshop confirmed the materiality of the risks of 2019 and a decision was made to resign from identifying general and specific risks of securities in the trading book due to non-existence of such product.

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

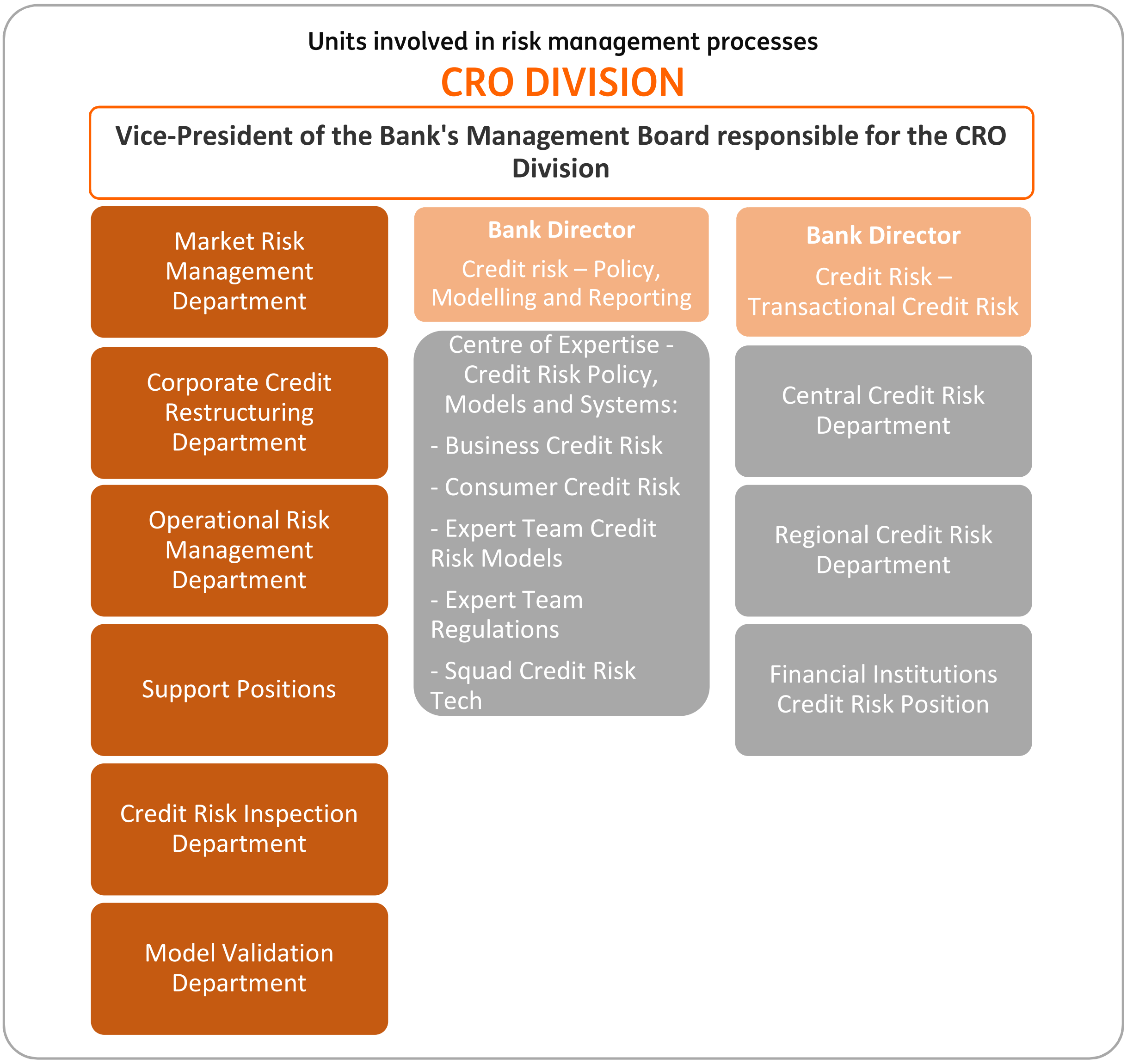
- CET1 >= 7.5%,
- T1 >= 9.0%,
- TCR >= 11.0%

The Group adapted dividend policies to the guidelines of the Polish Financial Supervision Authority by removing the additional buffer of 1.5 pp from the capital criteria. Additionally, flexibility to the policy specifying that the Bank Management Board takes a decision on the volume of dividend payment subject to PFSA's position was added. The most recent version of our Bank dividend policy can be found at: en.ing.pl/company-profile/investor-relations.

Credit risk

Risk management organisational structure

The sole organisational change in the CRO Division that took place in H1 2020 was to incorporate the Model Validation Department. That was an organisational change so that all units reporting to CRO were grouped within the CRO Division. In accordance with Recommendation W, the principle was preserved that the Director of the Model Validation Department reports directly to CRO.



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

On 15 February 2020, ING Bank Śląski was the first bank in Poland to implement a new definition of default, compliant with the Guidelines of the European Banking Authority EBA/GL/2016/07 of 18 January 2017, effective on 1 January 2021. The timetable and core principles of the implementation were adapted to the implementation in the ING Group and regularly consulted with the European Central Bank and the Polish Financial Supervision Authority and were due to the need to apply the new definition of default in the re-development of the credit risk models covered with the IRB (Advanced Internal Ratings Based Approach) method.

Now, the new definition of default is applied in all credit and management processes in the ING Group, in line with supervisory expectations. The new requirements apply in particular to the method of counting the number of days past due, materiality thresholds initiating the calculation of days past due and premises underlying default and criteria to exit default. Comprehensive implementation of the new definition in the Group covered adaptation of systems and applications, reporting principles and regulations, development of a local “Default Engine” to calculate days past due in compliance with the EBA Guidelines.

Credit risk in the COVID-19 pandemic

Retail Segment

Interim modifications have been introduced to mitigate our bank's credit risk due to the COVID-19 pandemic, including:

- measures were implemented to support regular clients of the Bank in the COVID-19 pandemic, including a possibility of loan repayment for 3 or 6 months (principal or principal-interest instalments),
- the maximum LTV level for mortgage loans was reduced (z 80% to 70%),
- with respect to consumer loans, the maximum limit for unsecured exposures was reduced,
- restrictions were introduced – and withdrawn afterwards – concerning lending to new clients,
- the acceptable sources of income of clients were reduced.

Corporate Segment

Enterprises

In connection with the COVID-19 pandemic, temporary modifications were made to the credit policy applicable to enterprises, including:

- possibilities were implemented to suspend repayment of loan instalments and automatic renewals, in compliance with the joint position of banks and PBA,
- a possibility was implemented to grant credit lines with a guarantee of Bank Gospodarstwa Krajowego,
- automatically pre-approved offers were suspended for 3 months,
- restrictions were introduced – and withdrawn afterwards – concerning lending to new clients subject to new conditions providing for the current economic situation,
- calculation rules of income from business activity were changed.

Small, medium-sized and large enterprises

The Group kept adjusting our approach to client financing, at the beginning of the pandemic focusing on supporting our existing borrowers:

- repayment terms of loan instalments and automatic renewals were extended, in compliance with the joint position of banks and PBA,
- additional reviews of the loan portfolio were introduced and carried out to identify and support clients most affected by the pandemic,
- the principles of remote renewal of revolving loans were made more flexible adding the possibility to renew loans with a guarantee from Bank Gospodarstwa Krajowego,
- financing was offered to clients affected by the pandemic in cooperation with Bank Gospodarstwa Krajowego under the Liquidity Guarantee Fund,
- deadlines were postponed to submit financial data for 2019 and Q1 2020 and to account for contractual conditions related to financial data,
- for 3 months the following automatic offers were suspended: Pre-approved and On-demand,
- restrictions were introduced – and withdrawn afterwards – concerning new lending to clients subject to new conditions providing for the current economic situation.

Retail Segment

- In the credit process, a possibility was introduced to accept documents with a qualified electronic signature.
- With reference to consumer loans:

- rules were changed to the application of a simplified offer, including: higher amounts available to clients with a good risk profile and limitation of the entire debt within the offer,
- the following tests were continued: simplified consolidation of loans from other banks, applying preferences to ultra-low risk clients, an enhanced e-cash process for new clients of the bank (temporarily suspended due to COVID-19).

Corporate Segment

Small enterprises

- Continued optimisation of the Easy Lending path by excluding the involvement of the CKRKFT Risk Unit (Credit Risk Corporate Centre Fast Track) from the lending process and transfer of the competence to Front Office Decision Makers.
- Modifications were made to Easy Lending algorithms in order to consolidate the calculation methods of limits in the Easy Lending process with the limits calculated in the Fast Track process.

Medium-sized and large enterprises

- Modifications were made to policies due to process simplification and digitisation of flow of credit applications for Letters of Credit and guarantees and with respect to one-off transactions secured with advance cash (Letters of Credit).
- Internal regulations were adjusted that relate to Local Government Units to statutory changes.
- Modifications were made to policies related to appraising properties by clarifying guidelines to appraisers and to the drafting process of appraisal reports.
- Processing rules were introduced for common loan applications – One Financing for ING Bank Śląski, ING Lease Polska and ING Commercial Finance.
- Internal regulations were adapted to the requirements of the European Central Bank as specified in the document: "ECB guidelines for leveraged transactions".

Core activities in the modelling area

- The PD model was completed as part of re-development of SME capital models.
- The pre-approved model was completed for retail segment clients.
- The first automatic monitoring was held for the PD capital model for retail segment clients.
- In the risk management process of models used in LLP (loan loss provision):
  - in a periodic monitoring of the early stage recoveries (ESR) rates, the rates were updated for retail clients, mortgage clients, enterprises and medium-sized and large companies;
- Self-assessment was held of the models used to calculate the capital requirement with the advanced internal rating-based method, compliant with the Regulator's requirements.

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's Management Board and Supervisory Board.

As at 31 December 2019, the Bank held stress tests on a consolidated basis relying on scenarios developed by the 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.

Additionally, stress tests covered two additional scenarios to assess the impact of the COVID-19 pandemic.

Market risk

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

Funding and liquidity risk

In H1 2020 the Group continued actions to mitigate liquidity and funding risk - in compliance with the principles of the liquidity, funding risk management policy, Bank strategy and regulatory requirements. In particular, the Group monitored the liquidity situation during the economic lockdown due to the COVID-19 pandemic. With respect to regulatory requirements - all the monitored metrics remained within the required limits. The Model Risk Management Policy at ING Bank Śląski S.A. was also reviewed and updated.

Model risk

In H1 2020 the Group 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.

In that period, aggregated model risk in the model group classified as moderately material exceeded the tolerance level approved by the bank in 3 models with an increased model risk. The Group identified 4 such models. Economic capital due to model risk was below the limit for the risk approved by the bank.

The Management Policy of Model Risk at ING Bank Śląski S.A. was also subject to a review and update.

Operational risk

In H1 2020 security the Bank clients and employees related to the COVID-19 pandemic was the top subject. Coordination of crisis-related actions, assuring security of remote work and preparations for employees returning to offices have always been the most important focus.

In order to enhance our internal control system, we supplemented the assessment criteria of the effectiveness and adequacy of the internal control system with measurable quantitative criteria, we took measures to assure ongoing validity of the list of material processes and immediate updates of the data in the Control Function Matrix. We continued work to assure full compliance with EBA requirements concerning outsourcing, including the development and approval of a new Outsourcing Policy. We have also developed guidelines relating to PFSA's communication concerning computing clouds. We continue optimising risk measuring methodologies in relation to the risk of IT security, business continuity and physical security.

Business continuity

Undisturbed access to all services by clients has always been top priority of the Group.

At ING Bank Śląski S.A. the objective is accomplished in two stages. Firstly, the offered services are designed so that they can be very resilient to all kinds of failures thus assuring operational resilience. Secondly, the Group maintain and keep improving the business continuity management system.

In the business continuity management system the Group identifies processes for which access is crucial for clients and the bank. For those processes contingency plans are developed so that the Bank can function in case of failures or other hazards. Apart from contingency plans, disaster recovery plans (IT area) are developed and tested to restore access to key applications within the required plans. The systems are stored in two parallel computer centres and also in a cloud (Private Cloud).

The Group always strives to prevent all disturbances and should problems occur – clients are immediately notified of such problems and the Bank offers alternative solutions.

Should incidents occur that materially affect client services or internal processes, a crisis management team is established to coordinate the activities of all involved units of the bank.

Business continuity in the COVID-19 pandemic

The COVID-19 pandemic that the Group has never faced earlier is an example of such event. The Group had to introduce a number of restrictions related to the declared state of pandemic and there were the indispensable changes to our clients' behaviour, needs and economic situations. The Group's response consisted in defining a new strategy of functioning, implementation and adaptation of changes beyond existing contingency plans and development of a crisis structure adequate for the scale of the challenge.

A Crisis Team was established to assure effective coordination and transfer of decisions to organisational units; the Team is composed of representatives of all areas of the bank. The Team covers all units of the Bank Group.

In view of the lasting and unpredictable nature of the pandemic, the actions of the Group focus on flexible reactions and fast adjustment to the current and projected situation. To this end the Group has developed an Operating Plan during the pandemic which sets forth the Bank actions in the following areas: organisation of the crisis structure, method/form of work, applied sanitary measures, internal and external communication, and monitoring and reporting.

Legal risk related to CHF mortgage loan portfolio

The Group keeps monitoring the incoming legal claims concerning clients' objections to clauses in FX (CHF) indexed mortgage loan agreements. As a result of such claims, the Group held the following provisions as at 30 June 2020:

- portfolio provision for on-balance sheet loan exposures – PLN 42.4 million,
- portfolio provision for repaid exposures – PLN 12.6 million.

The provisions overall of PLN 55.0 million accounted for 5.3% of the portfolio amount.

Compliance risk

In H1 2020 we continued efforts to ensure compliance with regulatory requirements. Similarly to the previous year, we have been enhancing control mechanisms in business processes, in particular related to Know Your Customer and personal data protection. Regularly we have been developing and consolidating awareness of employees at the bank with respect to professional ethics and regulations in the compliance area, including personal data.

Business risk

Introduction

Business risk encompasses the following material risks:

- macroeconomic risk,
- risk of FX mortgage portfolio.

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 2020 the Bank held complete capital tests as at Q4 2019.

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 results of the stress tests demonstrated that the materialisation of a mild recession scenario would not result in a drop of capital adequacy below the required level; however, in view of the COVID-19 pandemic, a decision was taken to maintain an increased economic level of capital requirement for macroeconomic risk calculated in the basis of tests as at Q2 2019.

Risk of FX mortgage portfolio

Risk of the FX mortgage portfolio is the risk resulting from financial losses due to the need to convert FX mortgage-backed loans to PLN loans.

In risk management, the Group relies on the recent legislative proposals with respect to currency conversion of mortgage FX loans. As at 30 June 2020, additional economic capital was kept for the risk in pillar II.

15.2. Quantitative information

Business risk

Measurement of market risk in the trading book

The VaR measured by the Bank is compliant with the best market practices. In the calculation of VaR, the Bank applies the following assumptions:

- one-day positions, 99% confidentiality level,
- 260-day observation period.

The adequacy of the VaR model for trading books is verified in daily VaR backtesting. The "daily" and "hypothetical" financial result (determined as the daily change of the value of positions kept at the day end and thus excluding all intra-day transactions) is compared to VaR. Instances of exceeded results are investigated and clarified in detail.

In order to reinforce risk control, in the area of FX risk books the Bank has additionally implemented the measurement and monitoring of the risk in the context of the approved limits on intra-day basis.

The Bank is aware of the fact that VaR does not provide a full picture of market risk of each portfolio since it fails to provide for losses in case of extreme changes of market conditions. In his connection, the Bank calculates Stressed VaR. Stressed VaR is a measure replicating the calculation of historic simulations with an assumption that the current portfolio is used for the measurement and historic market data from a continuous 12-month period characterised with major fluctuations of market parameters that are material for the portfolio.

Every six months, a general stress-test is performed covering inter alia market risk, liquidity risk and credit risk on the basis of a regulatory scenario and scenarios developed by the Bank's economists and approved by ALCO. Additionally, on a quarterly basis a stress test i held of derivative instruments showing the impact of shock market changes on the valuation of those instruments.

Value at Risk (VaR)

The Financial Markets Area has been actively opening trading positions in interest rates while mitigating commercial FX risk. The average use of VaR limits in the first half of 2020 was:

- 58% for interest rates, and
- 9% for FX positions.

In the first half of 2020, several VaR limits were exceeded for trading activities (all previously approved by the Vice President of the Management Board). The exceedances mentioned above occurred in connection with the purchase of PFR and BGK securities issued in the first half of 2020 under the COVID-19 anti-crisis shield program. The VaR limit for currency risk was maintained at the level of EUR 400 thousand, similarly, the VaR limit for interest rate risk - at the level of EUR 900 thousand.

The tables below present VaR* (PLN thousand) for the first half of 2020 and for the year ended 2019:

Area	Limit	as at 30.06.2020	Medium	Min.	Max.
Interest rate	4 019	766.4	2 323.5	238.1	13 480.0
FX	1 786	100.0	157.4	9.7	662.0
Area	**Limit**	**as at 31.12.2019**	**Medium**	**Min.**	**Max.**
Interest rate	3 833	676.0	1 038.9	203.3	3 017.1
FX	1 958	121.6	127.9	28.5	305.0

*) All VaR limits and their utilisation at ING Bank Śląski S.A. are expressed in EUR. Limit levels and their utilisation in the tables and in charts were translated into PLN at NBP's daily fixing exchange rates specially for this document; the "limit" column the amounts calculated at the fixing FX rates are as at 30 June 2020.

The tables below show BPV (in EUR) as total and for main currencies as at 30 June 2020 and 31 December 2019:

30.06.2020

Area	TOTAL	PLN	EUR	USD
BPV in the banking book	590 243	472 000	46 046	156 600
BPV in the trading book	586	-2 791	3 090	-247

31.12.2019

Area	TOTAL	PLN	EUR	USD
BPV in the banking book	-264 603	-654 871	182 011	224 458
BPV in the trading book	-21 081	-19 232	-524	-1 128

Sensitivity of profit and equity to interest rate risk

The tables below present a review of the Bank's consolidated sensitivity to interest rate risk:

- banking book – the changes observed in the measurements both for NII and EVE result primarily from two factors:
  - changes (growth) of product volumes,
  - changes to model parameters applied to determine the economic value of product portfolios without maturity,
  - in connection with the reduction of interest rates by the Monetary Policy Council, the activation of the minimum zero level on the client's price takes place in scenarios of falling interest rates (mainly activation at 0% on the client's price for retail clients' savings accounts).

The sensitivity of consolidated results to interest rate changes resulting from the banking book:

(PLN million)	Changes to economic results with an amended curve		Changes to the reported financial results with an amended curve	
	-2%	2%	-2% gradual	2% gradual
30.06.2020	596.5	-955.6	-404.3	96
31.12.2019	-503.9	-1 433.7	-115.5	15.8

The table below presents sensitivity of net interest to changes in interest rate scenarios:

	Change to net interest income
	30.06.2020
parallel +125 bps	84.3
parallel -125 bps	-261.4
growth of short-term interest rates	60.7
drop of short-term interest rates	-185.8
growth of long-term interest rates	23.7
drop of long-term interest rates	-27.9
"twist" drop of short-term interest rates	- 16.0
"twist" growth of short-term interest rates	11.4

	Change to net interest income
	31.12.2019
parallel +120 bps	9.1
parallel -120 bps	-54.7
growth of short-term interest rates	-4.1
drop of short-term interest rates	-29.3
growth of long-term interest rates	16.8
drop of long-term interest rates	-15.1
"twist" drop of short-term interest rates	3.6
"twist" growth of short-term interest rates	-9.9

The sensitivity of own funds to rate movements due to HTC&S debt securities (held to receive contractual cash flows or to sell):

(PLN million)	Approximate change in the regulatory capital base with a curve shift			
	-2%	-1%	+1%	+2%
30.06.2020	209.5	104.75	-104.75	-209.5
31.12.2019	225.5	112.7	-112.7	-225.5

Interim condensed consolidated financial statements (PLN million)

Liquidity and funding risk

As at 30 June 2020 and 31 December 2019, supervisory liquidity measures for the ING Bank Śląski S.A.Group were as follows:

	Liquidity measures	Minimum value	30.06.2020	31.12.2019
LCR	Liquidity coverage ratio	100%	223%	130%
NSFR	Stable funding ratio	n/a*	144%	130%

*) in compliance with Regulation (EU) No 575/2013 of the European Parliament and of the Council, the target regulatory limit for NSFR was not yet in force; starting from 28.06.2021, in accordance with Regulation (EU) No 2019/876 of the European Parliament and of the Council, the minimum ratio value will be at least 100%.

Interim condensed consolidated financial statements (PLN million)

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

2020-08-05	**Brunon Bartkiewicz** *President*	*The original Polish document is signed with a qualified electronic signature*
2020-08-05	**Michał Bolesławski** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-08-05	**Joanna Erdman** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-08-05	**Marcin Giżycki** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-08-05	**Bożena Graczyk** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-08-05	**Michał Mrożek** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-08-05	**Sławomir Soszyński** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-08-05	**Lorenzo Tassan-Bassut** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2020-08-05	**Jolanta Alvarado Rodriguez**	Director of Accounting Department Chief Accountant	*The original Polish document is signed with a qualified electronic signature*

Interim condensed standalone financial statements (PLN million)

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

Interim condensed standalone income statement

	2 quarter 2020 the period from 01 Apr 2020 to 30 Jun 2020	**1 half year 2020** the period from 01 Jan 2020 to 30 Jun 2020	**2 quarter 2019** the period from 01 Apr 2019 to 30 Jun 2019	**1 half year 2019** the period from 01 Jan 2019 to 30 Jun 2019
Interest income, including:	1 235.0	2 550.1	1 257.0	2 468.8
Interest income calculated using effective interest rate method	1 234.3	2 548.6	1 255.9	2 466.6
Other interest income	0.7	1.5	1.1	2.2
Interest expenses	201.4	432.5	260.7	502.9
Net interest income	**1 033.6**	**2 117.6**	**996.3**	**1 965.9**
Commission income	436.4	886.8	434.8	826.4
Commission expenses	105.7	208.9	92.9	177.5
Net commission income	**330.7**	**677.9**	**341.9**	**648.9**
Net income on financial instruments at fair value through profit or loss and FX result	44.7	57.6	25.2	57.0
Net income on the sale of securities measured at amortised cost	0.0	7.3	0.0	0.0
Net income on the sale of financial assets measured at fair value through other comprehensive income and dividend income	18.8	9.0	7.2	19.9
Net income on hedge accounting	4.9	28.6	-0.9	-2.1
Net income on other basic activities	-3.6	-3.7	2.5	2.9
Net income on basic activities	**1 429.1**	**2 894.3**	**1 372.2**	**2 692.5**
General and administrative expenses	606.1	1 346.0	548.7	1 239.6
Impairment for expected losses	254.8	529.7	133.6	250.2
including profit on sale of impaired receivables	0.0	4.1	0.0	9.8
Tax on certain financial institutions	121.1	237.1	108.4	210.6
Share of profit (loss) of subsidiaries and associates accounted for using the equity method	-12.0	23.3	36.4	58.0
Gross profit	**435.1**	**804.8**	**617.9**	**1 050.1**
Income tax	118.9	221.3	148.8	256.5
Net profit	**316.2**	**583.5**	**469.1**	**793.6**

Weighted average number of ordinary shares	130 100 000	130 100 000	130 100 000	130 100 000
Earnings per ordinary share (PLN)	2.43	4.49	3.61	6.10

No material operations were discontinued during the 1 half year 2020 and 1 half year 2019.
The diluted earnings per share are the same as the profit per one ordinary share.

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

Interim condensed standalone financial statements (PLN million)

Interim condensed standalone statement of comprehensive income

	2 quarter 2020 the period from 01 Apr 2020 to 30 Jun 2020	1 half year 2020 the period from 01 Jan 2020 to 30 Jun 2020	2 quarter 2019 the period from 01 Apr 2019 to 30 Jun 2019	1 half year 2019 the period from 01 Jan 2019 to 30 Jun 2019
Net profit for the period	**316.2**	**583.5**	**469.1**	**793.6**
Total other comprehensive income, including:	**533.8**	**2 353.5**	**337.6**	**488.4**
Items which can be reclassified to income statement, including:	**527.9**	**2 347.5**	**326.2**	**453.1**
debt instruments measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	154.2	-78.6	101.4	5.3
debt instruments measured at fair value through other comprehensive income – reclassification to the financial result due to sale	-8.3	-9.8	-22.8	-20.4
loans measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-44.5	-75.2	0.3	-71.4
cash flow hedging – gains/losses on revaluation carried through equity	547.7	2 722.1	348.0	737.2
cash flow hedging – reclassification to profit or loss	-121.2	-211.0	-100.7	-197.6
Items which will not be reclassified to income statement, including:	**5.9**	**6.0**	**11.4**	**35.3**
equity instruments measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	6.0	6.0	11.4	35.3
revaluation of fixed assets	-0.1	0.0	0.0	0.0
Net comprehensive income for the reporting period	**850.0**	**2 937.0**	**806.7**	**1 282.0**

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

Interim condensed standalone financial statements (PLN million)

Interim condensed standalone statement of financial position

	note	as at 30 Jun 2020	as at 31 Dec 2019	as at 30 Jun 2019
Assets				
Cash in hand and balances with the Central Bank		1 910.3	1 402.9	2 293.5
Loans and other receivables to other banks		3 905.7	3 285.3	2 294.6
Financial assets held for trading		878.0	1 224.2	2 796.9
Derivative hedge instruments		1 095.9	851.6	869.0
Investment securities		53 026.8	33 559.6	31 137.6
Loans and other receivables to customers	4.1	112 422.4	110 536.5	105 129.0
Investments in subsidiaries and associates measured at equity method		1 301.1	1 112.2	1 056.4
Property, plant and equipment		902.2	932.8	913.8
Intangible assets		401.6	408.4	401.6
Assets held for sale		3.4	3.6	20.7
Deferred tax assets		209.6	270.8	227.5
Other assets		162.3	329.4	175.9
Total assets		**176 219.3**	**153 917.3**	**147 316.5**
Liabilities				
Liabilities to other banks		1 176.2	2 622.5	4 113.3
Financial liabilities at fair value through profit or loss		617.3	915.1	1 560.5
Derivative hedge instruments		480.9	546.0	505.1
Liabilities to customers		150 672.8	130 036.8	122 797.0
Liabilities under issue of debt securities		0.0	0.0	300.3
Subordinated liabilities		2 235.1	2 131.1	1 065.0
Provisions		198.8	201.9	155.9
Current income tax liabilities		429.0	377.9	209.8
Other liabilities		2 357.4	1 971.2	2 461.2
Total liabilities		**158 167.5**	**138 802.5**	**133 168.1**
Equity				
Share capital		130.1	130.1	130.1
Supplementary capital - issuance of shares over nominal value		956.3	956.3	956.3
Accumulated other comprehensive income		4 112.3	1 758.8	1 657.8
Retained earnings		12 853.1	12 269.6	11 404.2
Total equity		**18 051.8**	**15 114.8**	**14 148.4**
Total equity and liabilities		**176 219.3**	**153 917.3**	**147 316.5**
Carrying amount		18 051.8	15 114.8	14 148.4
Number of shares		130 100 000	130 100 000	130 100 000
Carrying amount per share (PLN)		138.75	116.18	108.75

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

Interim condensed standalone financial statements (PLN million)

Interim condensed standalone statement of changes in equity

1 half year 2020
the period from 01 Jan 2020 to 30 Jun 2020

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	**Total equity**
Opening balance of equity	**130.1**	**956.3**	**1 758.8**	**12 269.6**	**0.0**	**15 114.8**
Profit for the current period	0.0	0.0	0.0	583.5	0.0	**583.5**
Other net comprehensive income, including:	**0.0**	**0.0**	**2 353.5**	**0.0**	**0.0**	**2 353.5**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	0.0	0.0	-147.8	0.0	0.0	-147.8
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	0.0	0.0	-9.8	0.0	0.0	-9.8
cash flow hedging – gains/losses on revaluation carried through equity	0.0	0.0	2 722.1	0.0	0.0	2 722.1
cash flow hedging – reclassification to profit or loss	0.0	0.0	-211.0	0.0	0.0	-211.0
fixed assets revaluation	0.0	0.0	0.0	0.0	0.0	0.0
disposal of fixed assets	0.0	0.0	0.0	0.0	0.0	0.0
actuarial gains/losses	0.0	0.0	0.0	0.0	0.0	0.0
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
valuation of share-based payments	0.0	0.0	0.0	0.0	0.0	0.0
profit distribution for dividend payment	0.0	0.0	0.0	0.0	0.0	0.0
Closing balance of equity	**130.1**	**956.3**	**4 112.3**	**12 853.1**	**0.0**	**18 051.8**

4 quarters 2019 YTD
the period from 01 Jan 2019 to 31 Dec 2019

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	**Total equity**
Opening balance of equity	**130.1**	**956.3**	**1 169.7**	**11 080.2**	**0.0**	**13 336.3**
adjustment in recognition the repo transactions	0.0	0.0	0.0	-14.7	0.0	-14.7
Opening balance of equity adjusted for changes to the accounting principles	**130.1**	**956.3**	**1 169.7**	**11 065.5**	**0.0**	**13 321.6**
Profit for the current period	0.0	0.0	0.0	1 658.7	0.0	**1 658.7**
Other net comprehensive income, including:	**0.0**	**0.0**	**589.1**	**0.6**	**0.0**	**589.7**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	0.0	0.0	-69.0	0.0	0.0	-69.0
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	0.0	0.0	-23.7	0.0	0.0	-23.7
cash flow hedging – gains/losses on revaluation carried through equity	0.0	0.0	1 083.3	0.0	0.0	1 083.3
cash flow hedging – reclassification to profit or loss	0.0	0.0	-391.0	0.0	0.0	-391.0
fixed assets revaluation	0.0	0.0	0.3	0.0	0.0	0.3
disposal of fixed assets	0.0	0.0	-0.6	0.6	0.0	0.0
actuarial gains/losses	0.0	0.0	-10.2	-	0.0	-10.2
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**-455.2**	**0.0**	**-455.2**
valuation of share-based payments	0.0	0.0	0.0	0.2	0.0	0.2
dividend paid	0.0	0.0	0.0	-455.4	0.0	-455.4
Closing balance of equity	**130.1**	**956.3**	**1 758.8**	**12 269.6**	**0.0**	**15 114.8**

Interim condensed standalone financial statements (PLN million)

1 half year 2019
the period from 01 Jan 2019 to 30 Jun 2019

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	**Total equity**
Opening balance of equity	**130.1**	**956.3**	**1 169.7**	**11 080.2**	**0.0**	**13 336.3**
adjustment in recognition the repo transactions	0.0	0.0	0.0	-14.7	0.0	**-14.7**
Opening balance of equity adjusted for changes	**130.1**	**956.3**	**1 169.7**	**11 065.5**	**0.0**	**13 321.6**
Profit for the current period	-	-	-	793.6	-	**793.6**
Other net comprehensive income, including:	**0.0**	**0.0**	**488.1**	**0.3**	**0.0**	**488.4**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	0.0	0.0	-30.8	0.0	0.0	-30.8
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	0.0	0.0	-20.4	0.0	0.0	-20.4
cash flow hedging – gains/losses on revaluation carried through equity	0.0	0.0	737.2	0.0	0.0	737.2
cash flow hedging – reclassification to profit or loss	0.0	0.0	-197.6	0.0	0.0	-197.6
disposal of fixed assets	0.0	0.0	-0.3	0.3	0.0	0.0
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**-455.2**	**0.0**	**-455.2**
valuation of share-based payments	0.0	0.0	0.0	0.2	0.0	0.2
dividend paid	0.0	0.0	0.0	-455.4	0.0	-455.4
Closing balance of equity	**130.1**	**956.3**	**1 657.8**	**11 404.2**	**0.0**	**14 148.4**

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

Interim condensed standalone financial statements (PLN million)

Interim condensed standalone cash flow statement

	1 H 2020 the period from 01 Jan 2020 to 30 Jun 2020	1 H 2019 the period from 01 Jan 2019 to 30 Jun 2019
Net profit (loss)	**583.5**	**793.6**
Adjustments	**17 745.0**	**1 223.0**
Share of profit (loss) of subsidiaries and associates accounted for using the equity method	-23.3	-58.0
Depreciation and amortisation	138.0	135.4
Interest accrued (from the income statement)	-2 117.6	-1 965.9
Interest paid	-422.4	-485.4
Interest received	2 208.2	2 378.9
Dividends received	0.0	-7.0
Gains (losses) on investing activities	1.6	0.7
Income tax (from the income statement)	221.3	256.5
Income tax paid from the income statement	-109.0	-329.7
Change in provisions	-3.1	6.4
Change in loans and other receivables to other banks	-771.5	-1 776.0
Change in financial assets held for trading	347.1	-862.1
Change in debt securities measured at fair value through other comprehensive income	-1 751.1	985.0
Change in hedge derivatives	2 201.7	474.0
Change in loans and other receivables to customers	-1 731.0	-5 969.4
Change in property, plant and equipment due to lease recognising	0.0	65.2
Change in other assets	498.5	93.0
Change in liabilities to other banks	-1 446.2	2 307.4
Change in liabilities at fair value through profit or loss	-297.5	-126.7
Change in liabilities to customers	20 641.2	5 495.6
Change in other liabilities	160.1	605.1
Net cash flow from operating activities	**18 328.5**	**2 016.6**
Purchase of property plant and equipment	-19.3	-90.4
Disposal of property plant and equipment	0.0	0.3
Purchase of intangible assets	-29.5	-32.1
Disposal of assets held for sale	0.1	10.6
Purchase of shares in associates	-170.0	-421.8
Purchase of debt securities measured at amortized cost	-20 574.7	-223.1
Disposal of debt securities measured at amortized cost	2 886.3	41.2
Dividends received	0.0	7.0
Net cash flow from investing activities	**-17 907.1**	**-708.3**
Repayment of interest on long-term loans	-15.4	-8.1
Interests from issued debt securities	0.0	-3.8
Leasing liabilities repaid	-50.6	-44.4
Dividends paid	0.0	-455.4
Net cash flow from financing activities	**-66.0**	**-511.7**
Effect of exchange rate changes on cash and cash equivalents	137.5	43.8
Net increase/decrease in cash and cash equivalents	**355.4**	**796.6**
Opening balance of cash and cash equivalents	**1 997.4**	**1 956.4**
Closing balance of cash and cash equivalents	**2 352.8**	**2 753.0**

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

Additional information to the interim condensed standalone financial statements

1. Introduction

1.1. Going-concern

These interim condensed standalone financial statements of the ING Bank Śląski S.A. were prepared on a going-concern basis as regards the foreseeable future. namely as regards the period of minimum 12 months from the balance sheet date. As at the date of approving this statement, the Bank Management Board has not identified any events that could indicate that the continuation of the operations by the Bank is endangered.

1.2. Discontinued operations

No material operations were discontinued during the 1 half year 2020 and 1 half year 2019.

1.3. Compliance with International Financial Reporting Standards

These interim condensed standalone financial statements of the ING Bank Śląski S.A. for the 1 half of 2020 were prepared under the IAS 34 Interim Financial Reporting (International Accounting Standards) in a version approved by the European Commission effective as at the reporting date, that is 31 March 2020 as well as in accordance with the Ordinance of Finance Minister of 29 Mar 2018 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws of 2018, item 757).

Presented financial statements have been prepared in a condensed version. The interim condensed financial statements do not provide all data or disclosures required in the annual financial statements and should be interpreted together with the Group's interim condensed consolidated financial statements for 1 quarter 2020 and the Bank's financial statements for the year ended 31 Dec 2019 approved by the General Meeting on 2 April 2020.

Interim condensed standalone income statement, interim condensed standalone statement of comprehensive income, interim condensed standalone statement of changes in equity and interim condensed standalone cash flow statement for the period from 1 Jan 2020 to 31 Mar 2020 and interim condensed standalone statement of financial position as at 31 Mar 2020, together with comparable data were prepared according to the same principles of accounting for each period.

1.4. Comparative data

The comparative data cover the following periods:

- for the interim condensed profit and loss account and the interim condensed statement of comprehensive income - the period from 1 January 2019 to 30 June 2019 and the period from 1 April 2019 to 30 June 2019,
- for the interim condensed cash flow statement - the period from 1 January 2019 to 30 June 2019,
- for the interim condensed statement of changes in equity - data as at 31 December 2019 and 30 June 2019,
- for the interim condensed statement of financial position - data as at 31 December 2019 and 30 June 2019.

1.5. Financial statements scope and currency

From the Bank's point of view all significant disclosures are presented in interim condensed consolidated financial statements.

These interim condensed financial statements have been developed in Polish zloties ('PLN'). Unless provided for otherwise, all values were given rounded up to PLN million. Therefore, some totals and individual notes can be inconsistent in mathematical terms.

1.6. Approval of financial statements

These interim condensed standalone financial statements have been approved by the Bank Management Board on 4 August 2020.

1.7. Changes in accounting standards

In these interim condensed standalone financial statements, the same accounting standards have been applied as in the case of annual financial statements for the year 2019 (Annual Financial Statements of the ING Bank Śląski S.A. for the period started 1 Jan 2019 and ended 31 Dec 2019) and the standards and interpretations adopted by the European Union and applicable to the annual periods starting 1 Jan 2020 or afterwards.

Change	Impact on the Group statements
Amendments to References to the Conceptual Framework in IFRS Standards	Implementation of this amendments have no impact on the financial statements of the Group.
IAS 1 and IAS 8 Definition of material	Implementation of this amendments have no impact on the financial statements of the Group.
IFRS 3 Definition of business	Implementation of this amendments have no impact on the financial statements of the Group.

2. Significant accounting principles and key estimates

The detailed accounting principles were presented in the Annual Financial Statements of the ING Bank Śląski S.A. for the period started 1 Jan 2019 and ended 31 Dec 2019, published on 1 March 2020 and available on the website of ING Bank Śląski S.A. (www.ingbank.pl).

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

In the first half of 2020, no changes in accounting principles were introduced, however, key estimates were made regarding the expected losses due to the effects of the COVID-19 coronavirus epidemic, as well as the definition of default, as described in the interim condensed consolidated financial statements in the Supplementary Information chapter, in item 5 *Significant accounting principles and key estimates*.

3. Comparability of financial data

In these interim condensed standalone financial statements for the period from 1 January 2020 to 30 June 2020, compared to the interim condensed standalone financial statements for previous periods, the Bank changed the presentation of individual items of the consolidated profit and loss account, consolidated statement of financial position and consolidated statement of cash flows. The changes are as follows:

- *adjustment of the recognition of purchase and sale transactions of Treasury bonds* (***change a***)

In the third quarter of 2019, following the accounting principle of the advantage of economic content over the legal form, the Bank changed the treatment of treasury bonds from outright buy - outright sell transaction (separate buy and sell transactions) to buy-sell-back (BSB) and sell -buy-back (SBB). The result of the adjustment was also the recognition of an additional charge for tax on financial institutions in the amount of PLN –2.1 million in the financial result and PLN –14.7 million in the result of previous years.

- *change in the business model for mortgage loans that can be sold to ING Bank Hipoteczny S.A. (change b)*

The Bank updated its assumptions regarding the issue of covered bonds. The Bank defined the pool of mortgage loans financing energy-saving real estate as the target portfolio of assets that will constitute the basis for the issue of green covered bonds. These loans are designated for the business model "Holding and Selling" and are measured at fair value through other comprehensive income. As a result of the change, the balance of Loans and other receivables granted to customers valued at amortized cost as at 30 June 2019 decreased by PLN 3,921.5 million, while the balance of Loans and other receivables granted to customers measured at fair value through other comprehensive income increased by PLN 3,871.1 million.

- *change in cash flows from securities (change c)*

The Bank changed the presentation resulting from the reclassification of cash flows from the portfolio measured at amortized cost and the presentation of reclassifications related to the implementation of IFRS 9 in 2018.

- *change in cash flows from lease payments (change d)*

The Bank changed the presentation of the repayment of lease liabilities (IFRS 16).

The table below presents individual items of the profit and loss account according to the values presented in the interim condensed standalone financial statements for the period from 1 January 2019 to 30 June 2019 and according to the values presented in these financial statements.

Interim condensed standalone financial statements (PLN million)

	1 H 2019 the period from 1 Jan.2019 to 30 Jun 2019		
	in standalone financial statements for 1 H 2019 (approved data)	change a)	in standalone financial statements for 1 H 2020 (comparable data)
Interest income	2 468.8		2 468.8
Interest expenses	502.9		502.9
Net interest income	**1 965.9**		**1 965.9**
Commission income	826.4		826.4
Commission expenses	177.5		177.5
Net commission income	**648.9**		**648.9**
Net income on financial instruments at fair value through profit or loss and FX result	57.0		57.0
Net income on the sale of securities measured at amortised cost	0.0		0.0
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	19.9		19.9
Net income on hedge accounting	-2.1		-2.1
Net income on other basic activities	2.9		2.9
Net income on basic activities	**2 692.5**		**2 692.5**
General and administrative expenses	1 239.6		1 239.6
Impairment losses on financial assets	250.2		250.2
Tax on certain financial institutions	208.5	2.1	210.6
Share in net profit of associates accounted for using the equity method	58.0		58.0
Gross profit (loss)	**1 052.2**	**-2.1**	**1 050.1**
Income tax	256.5		256.5
Net profit	**795.7**	**-2.1**	**793.6**

The table below presents individual items of the statement of financial position according to the values presented in the interim condensed standalone financial statements for the period from 1 January 2019 to 30 June 2019 and according to the values presented in these financial statements.

Interim condensed standalone financial statements (PLN million)

	As at 30.06.2019 in standalone financial statements for the period from 1 Jan 2019 to 30 Jun 2019 (approved data)	As at 30.06.2019 change a)	As at 30.06.2019 change b)	As at 30.06.2019 in standalone financial statements for the period from 1 Jan 2020 to 30 Jun 2020 (comparable data)
Assets				
Cash in hand and balances with the Central Bank	2 293.5			2 293.5
Loans and other receivables to other banks	2 294.6			2 294.6
Financial assets held for trading	2 497.6	*299.3*		2 796.9
Derivative hedge instruments	869.0			869.0
Investment securities	31 137.6			31 137.6
Loans and other receivables to customers	105 179.4		-50.4	105 129.0
Investments in associates	1 056.4			1 056.4
Property, plant and equipment	913.8			913.8
Intangible assets	401.6			401.6
Assets held for sale	20.7			20.7
Deferred tax assets	216.9		10.6	227.5
Other assets	175.9			175.9
Total assets	**147 057.0**	***299.3***	**-39.8**	**147 316.5**
Liabilities				
Liabilities to other banks	4 113.3			4 113.3
Financial liabilities at fair value through profit or loss	1 261.2	*299.3*		1 560.5
Derivative hedge instruments	505.1			505.1
Liabilities to customers	122 797.0			122 797.0
Liabilities under issue of debt securities	300.3			300.3
Subordinated liabilities	1 065.0			1 065.0
Provisions	155.9			155.9
Current income tax liabilities	209.8			209.8
Other liabilities	2 444.4	*16.8*		2 461.2
Total liabilities	**132 852.0**	***316.1***		**133 168.1**
Equity				
Share capital	130.1			130.1
Share premium	956.3			956.3
Accumulated other comprehensive income	1 697.60		-39.8	1 657.8
Retained earnings	11 421.00	*-16.8*		11 404.2
Total equity	**14 205.0**	***-16.8***	**-39.8**	**14 148.4**
Total equity and liabilities	**147 057.0**	***299.3***	**-39.8**	**147 316.5**

Interim condensed standalone financial statements (PLN million)

The table below presents individual items of the cash flow statement according to the values presented in the interim condensed standalone financial statements for the period from 1 January 2019 to 30 June 2019 and according to the values presented in these financial statements.

	As at **30.06.2019** in standalone financial statements for the period from 1 Jan 2019 to 30 Jun 2019 (approved data)	change a)	change b)	change c)	change d)	As at **30.06.2019** other changes	As at **30.06.2019** in standalone financial statements for the period from 1 Jan 2020 to 30 Jun 2020 (comparable data)
Net cash flow from operating activities	**2 058.0**	**0.0**	**0.0**	**-41.3**	**0.0**	**-0.1**	**2 016.6**
Net profit	795.7	-2.1					793.6
Depreciation and amortisation	135.5					-0.1	135.4
Share of profit (loss) of subsidiaries and associates accounted for using the equity method	-58.0						-58.0
Income tax paid from the income statement	-319.1		-10.6				-329.7
Change in financial assets held for trading	-786.1	-76.0					-862.1
Change in loans and other receivables to customers	-5 980.0		10.6				-5 969.4
Change in loans and other receivables to other banks	-1 776.0						-1 776.0
Change in other assets	137.4				-44.4		93.0
Change in debt securities measured at fair value through other comprehensive income	1 026.3			-41.3			985.0
Change in liabilities at fair value through profit or loss	-202.7	76.0					-126.7
Change in other liabilities	558.6	2.1			44.4		605.1
Net cash flow from investing activities	**-749.6**	**0.0**	**0.0**	**41.3**	**0.0**	**0.0**	**-708.3**
Purchase of debt securities measured at amortized cost	-223.2			0.1			-223.1
Disposal of debt securities measured at amortized cost	0.0			41.2			41.2

4. Supplementary notes to interim condensed consolidated financial statements

4.1. Loans and other receivables to customers

	as at **30 Jun 2020**	as at **31 Dec 2019**	as at **30 Jun 2019**
Measured at amortised cost	103 549.1	102 524.2	96 831.9
Measured at fair value through other comprehensive income	8 639.9	7 852.0	8 103.7
Measured at fair value through profit or loss	233.4	160.3	193.4
Total (net)	**112 422.4**	**110 536.5**	**105 129.0**

Some mortgage loans may be sold to ING Bank Hipoteczny S.A. as part of a so-called pooling. In connection with receipt by ING Bank Hipoteczny S.A. of the consent to start operations in the first quarter of 2019, some of the mortgage loans were designated by the Bank in that quarter for the new business model “hold to collect and sell" and are currently valued at fair value through other comprehensive income. Carrying amount of reclassified loans as at the reclassification date was PLN 7 904.6 million (gross amount was PLN 7 906.7 million) and fair value PLN 7 820.6 million.

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

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

Interim condensed standalone financial statements (PLN million)

Loans and other receivables measured at amortised cost

	as at 30 Jun 2020			as at 31 Dec 2019			as at 30 Jun 2019		
	gross	impairment	**net**	gross	impairment	**net**	gross	impairment	**net**
Portfolio of loans, including:	**104 206.4**	**-2 840.2**	**101 366.2**	**102 523.3**	**-2 295.9**	**100 227.4**	**97 626.7**	**-2 254.0**	**95 372.7**
households	47 693.1	-1 502.7	46 190.4	45 328.1	-1 227.1	44 101.0	41 919.1	-1 212.9	40 706.2
business entities	53 573.0	-1 336.9	52 236.1	54 183.0	-1 068.5	53 114.5	52 470.5	-1 041.0	51 429.5
the government and self-government institutions' sector	2 940.3	-0.6	2 939.7	3 012.2	-0.3	3 011.9	3 237.1	-0.1	3 237.0
Total gross, including:	**104 206.4**	**-2 840.2**	**101 366.2**	**102 523.3**	**-2 295.9**	**100 227.4**	**97 626.7**	**-2 254.0**	**95 372.7**
Corporate banking segment	**64 333.0**	**-1 868.7**	**62 464.3**	**65 193.1**	**-1 504.7**	**63 688.4**	**63 452.4**	**-1 446.4**	**62 006.0**
loans in the current account	12 466.2	-565.6	11 900.6	14 048.4	-515.8	13 532.6	15 790.2	-503.9	15 286.3
term loans and advances	49 638.4	-1 302.2	48 336.2	48 640.1	-988.3	47 651.8	45 324.4	-942.2	44 382.2
corporate and municipal debt securities	2 228.4	-0.9	2 227.5	2 504.6	-0.6	2 504.0	2 337.8	-0.3	2 337.5
Retail banking segment	**39 873.4**	**-971.5**	**38 901.9**	**37 330.2**	**-791.2**	**36 539.0**	**34 174.3**	**-807.6**	**33 366.7**
mortgages	32 197.4	-258.1	31 939.3	29 741.6	-205.6	29 536.0	26 937.9	-198.9	26 739.0
loans in the current account	612.5	-53.4	559.1	645.2	-48.7	596.5	611.8	-51.8	560.0
other loans and advances	7 063.5	-660.0	6 403.5	6 943.4	-536.9	6 406.5	6 624.6	-556.9	6 067.7
Other receivables, including:	**2 183.0**	**-0.1**	**2 182.9**	**2 296.8**	**0.0**	**2 296.8**	**1 459.2**	**0.0**	**1 459.2**
call deposits placed as collateral	1 368.3	-0.1	1 368.2	1 598.6	0.0	1 598.6	1 081.1	0.0	1 081.1
other receivables	814.7	0.0	814.7	698.2	0.0	698.2	378.1	0.0	378.1
Total	**106 389.4**	**-2 840.3**	**103 549.1**	**104 820.1**	**-2 295.9**	**102 524.2**	**99 085.9**	**-2 254.0**	**96 831.9**

Interim condensed standalone financial statements (PLN million)

Quality of loan portfolio

	as at 30 Jun 2020			as at 31 Dec 2019			as at 30 Jun 2019		
	gross	impairment	**net**	gross	impairment	**net**	gross	impairment	**net**
Corporate banking	**64 333.0**	**-1 868.7**	**62 464.3**	**65 193.1**	**-1 504.7**	**63 688.4**	**63 452.4**	**-1 446.4**	**62 006.0**
assets in stage 1	54 915.8	-152.7	54 763.1	59 501.9	-62.8	59 439.1	57 639.6	-68.8	57 570.8
assets in stage 2	6 964.1	-221.7	6 742.4	3 430.3	-138.6	3 291.7	3 661.2	-132.6	3 528.6
assets in stage 3	2 451.8	-1 494.3	957.5	2 259.4	-1 303.3	956.1	2 151.6	-1 245.0	906.6
POCI assets	1.3	0.0	1.3	1.5	0.0	1.5	0.0	0.0	0.0
Retail banking	**39 873.4**	**-971.5**	**38 901.9**	**37 330.2**	**-791.2**	**36 539.0**	**34 174.3**	**-807.6**	**33 366.7**
assets in stage 1	35 419.3	-75.2	35 344.1	33 023.6	-53.7	32 969.9	28 501.6	-51.8	28 449.8
assets in stage 2	3 667.5	-318.2	3 349.3	3 698.6	-302.7	3 395.9	4 999.3	-251.7	4 747.6
assets in stage 3	784.0	-578.1	205.9	608.0	-434.8	173.2	673.4	-504.1	169.3
POCI assets	2.6	0.0	2.6	0.0	0.0	0.0	0.0	0.0	0.0
Total loan portfolio	**104 206.4**	**-2 840.2**	**101 366.2**	**102 523.3**	**-2 295.9**	**100 227.4**	**97 626.7**	**-2 254.0**	**95 372.7**

The Group identifies POCI financial assets whose carrying value as at 30 June 2020 is PLN 1.3 million (PLN 0.0 million as at 30 June 2019). These are exposures due to impaired receivables acquired in connection with the acquisition of SKOK Bieszczadzka in 2017 and exposures that have been significantly modified as a result of restructuring, which necessitated the removal of the original credit commitment and the re-recognition of the asset in the statement of financial position.

Interim condensed standalone financial statements (PLN million)

4.2. Fair value

In the first half of 2020, as well as 2019, there were no movements between particular valuation levels.

as at **30 Jun 2020**

	Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	**22 917.0**	**1 796.2**	**8 995.7**	**33 708.9**
Valuation of derivatives	**0.0**	**700.3**	**0.0**	**700.3**
Financial assets held for trading, including:	**177.7**	**0.0**	**0.0**	**177.7**
debt securities, including:	177.7	0.0	0.0	177.7
treasury bonds	160.9	0.0	0.0	160.9
European Investment Bank bonds	16.8	0.0	0.0	16.8
Repo transactions	0.0	0.0	0.0	0.0
Derivative hedge instruments	**0.0**	**1 095.9**	**0.0**	**1 095.9**
Financial assets measured at fair value through other comprehensive income, including:	**22 739.3**	**0.0**	**8 762.3**	**31 501.6**
debt securities, including:	22 739.3	0.0	0.0	22 739.3
treasury bonds	20 172.5	0.0	0.0	20 172.5
treasury bonds in EUR	1 016.1	0.0	0.0	1 016.1
European Investment Bank bonds	1 075.2	0.0	0.0	1 075.2
Austrian Government bonds	475.5	0.0	0.0	475.5
equity instruments	0.0	0.0	122.4	122.4
Loans and other liabilities measured at fair value through other comprehensive income	0.0	0.0	8 639.9	8 639.9
Loans and other liabilities measured at fair value through profit or loss	**0.0**	**0.0**	**233.4**	**233.4**
Financial liabilities, including:	**3.6**	**1 094.6**	**0.0**	**1 098.2**
Valuation of derivatives	**0.0**	**613.7**	**0.0**	**613.7**
Other financial liabilities measured at fair value through profit or loss, including:	**3.6**	**0.0**	**0.0**	**3.6**
book short position in trading securities	0.0	0.0	0.0	0.0
financial liabilities held for trading	3.6	0.0	0.0	3.6
Derivative hedge instruments	**0.0**	**480.9**	**0.0**	**480.9**

Interim condensed standalone financial statements (PLN million)

as at **31 Dec 2019**

	Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	**21 768.4**	**1 405.9**	**8 123.0**	**31 297.3**
Valuation of derivatives	**0.0**	**554.3**	**0.0**	**554.3**
Financial assets held for trading, including:	**669.9**	**0.0**	**0.0**	**669.9**
debt securities, including:	498.4	0.0	0.0	498.4
treasury bonds	480.6	0.0	0.0	480.6
European Investment Bank bonds	17.8	0.0	0.0	17.8
Repo transactions	171.5	0.0	0.0	171.5
Derivative hedge instruments	**0.0**	**851.6**	**0.0**	**851.6**
Financial assets measured at fair value through other comprehensive income, including:	**21 098.5**	**0.0**	**7 962.7**	**29 061.2**
debt securities, including:	21 098.5	0.0	0.0	21 098.5
treasury bonds	18 647.5	0.0	0.0	18 647.5
treasury bonds in EUR	982.6	0.0	0.0	982.6
European Investment Bank bonds	1 021.5	0.0	0.0	1 021.5
Austrian Government bonds	446.9	0.0	0.0	446.9
equity instruments	0.0	0.0	110.7	110.7
Loans and other liabilities measured at fair value through other comprehensive income	0.0	0.0	7 852.0	7 852.0
Loans and other liabilities measured at fair value through profit or loss	**0.0**	**0.0**	**160.3**	**160.3**
Financial liabilities, including:	**247.9**	**1 213.2**	**0.0**	**1 461.1**
Valuation of derivatives	**0.0**	**667.2**	**0.0**	**667.2**
Other financial liabilities measured at fair value through profit or loss, including:	**247.9**	**0.0**	**0.0**	**247.9**
book short position in trading securities	167.2	0.0	0.0	167.2
financial liabilities held for trading	80.7	0.0	0.0	80.7
Derivative hedge instruments	**0.0**	**546.0**	**0.0**	**546.0**

4.2.1. Change in financial assets classified to measurement level 3

During the first half of 2020, the change in the valuation of equity instruments classified under level 3 of the valuation recognized in other comprehensive income amounted to PLN 11.7 million (H1 2019: PLN 43.5 million). The impact of the valuation of loans classified under level 3 of valuation amounted to PLN -0.2 million (H1 2019: PLN -0.1 million) and was recognized in the income statement under "Result on financial instruments valued through the profit and loss account and and FX result ".

Interim condensed standalone financial statements (PLN million)

		as at 30 Jun 2020			as at 30 Jun 2019	
	Equity instruments measured at fair value through other comprehensive income	Loans and other liabilities measured at fair value through other comprehensive income	Loans and other liabilities measured at fair value through profit or loss	Equity instruments measured at fair value through other comprehensive income	Loans and other liabilities measured at fair value through other comprehensive income	Loans and other liabilities measured at fair value through profit or loss
Opening balance	**110.7**	**7 852.0**	**160.3**	**83.3**	**0.0**	**218.4**
reclassification of the portfolio held for sale	0.0	0.0	0.0	0.0	7 904.6	0.0
Opening balance, after reclassification	**110.7**	**7 852.0**	**160.3**	**83.3**	**7 904.6**	**218.4**
Increases, including:	**11.7**	**2 128.9**	**97.1**	**43.5**	**1 896.3**	**0.0**
loans granted in the period / investment acquisition		2 128.9	97.1	0.0	1 896.3	0.0
TWISTO shares reclassification	4.3	0.0	0.0	0.0	0.0	0.0
valuation carried through other comprehensive income	7.4	0.0	0.0	43.5	0.0	0.0
Decreases, including:	**0.0**	**-1 341.0**	**-24.0**	**0.0**	**-1 697.2**	**-24.9**
repayment of loans	0.0	-229.4	-23.8	0.0	-244.4	-24.8
valuation carried through accumulated other comprehensive income	0.0	-79.1	0.0	0.0	-94.1	0.0
valuation carried through profit or loss	0.0	0.0	-0.2	0.0	0.0	-0.1
sale to ING Bank Hipoteczny	0.0	-1 032.5	0.0	0.0	-1 358.7	0.0
Closing balance	**122.4**	**8 639.9**	**233.4**	**126.8**	**8 103.7**	**193.5**

4.3. Total capital ratio

	as at 30 Jun 2020	as at 31 Dec 2019	as at 30 Jun 2019
Own funds	15 359.0	14 603.0	12 796.2
Total capital requirements	6 516.5	6 383.6	6 303.2
Total capital ratio	**18.86%**	**18.30%**	**16.24%**
Tier 1 ratio	**16.12%**	**15.63%**	**14.89%**

When calculating the capital ratios, the Bank was using the transitional provisions concerning alleviation of the IFRS 9 implementation impact on own funds. If the IFRS 9 implementation impact had been recognised in full, the total capital ratio would have arrived at 18.64% and the Tier 1 capital ratio at 15.89% (18.05% and 15.38% respectively as at 31 December 2019 and 15.94% and 14.59% respectively as at 30 June 2019).

5. Significant events in 1 half year 2020

Significant events that occurred in 1 half year 2020 are described in the interim condensed consolidated financial statement in chapter *Additional information* in item 2. *Significant events in 1 half year 2020.*

6. Significant events after the balance sheet date

Significant events after the balance sheet date are described in the interim condensed consolidated financial statement in chapter *Additional information* in item 3. *Significant events after the balance sheet date.*

7. Seasonality or cyclicity of activity

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

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

None.

9. Dividends paid

The Management Board of the Bank decided to change the proposal regarding the distribution of the profit for 2019 and the draft resolution submitted to the General Meeting on the distribution of the profit for 2019 in such a way that the amount previously allocated to the dividend, i.e.

PLN 494 380 000.00, will be left undivided. Detailed information can be found in the interim condensed consolidated financial statements in chapter Additional information in item no. 2. Significant events in the first half of 2020.

On 29 March 2019, the General Meeting adopted a resolution on the payment of dividends for 2018, on the basis of which the Bank paid a dividend for 2018 in the total amount of PLN 455.35 million, i.e. in the gross amount of PLN 3.50 per share. Shareholders acquired the right to dividend on 18 April 2019, the dividend was paid on 6 May 2019.

10. Acquisitions

In 1 half year 2020 ING Bank Śląski S.A. did not make any acquisitions, as in 1 half year 2019.

11. Off-balance sheet items

	as at **30 Jun 2020**	as at **31 Dec 2019**	as at **30 Jun 2019**
Off-balance sheet liabilities granted	45 669.0	37 583.1	34 457.3
Off-balance sheet liabilities received	102 986.4	96 621.1	97 070.5
Off-balance sheet financial instruments	766 352.9	646 273.0	600 053.5
Total off-balance sheet items	**915 008.3**	**780 477.2**	**731 581.3**

12. Transactions with related entities

Transactions between related entities (PLN million)

	ING Bank NV	Other ING Group entities	Subsidiaries	Associated entities	ING Bank NV	Other ING Group entities	Subsidiaries	Associated entities
	as at 30 Jun 2020				as at 31 Dec 2019			
Receivables								
Current accounts	0.8	2.3	0.0	0.0	6.6	17.9	0.0	0.0
Deposits placed	0.0	12.0	0.0	0.0	74.1	0.0	0.0	0.0
Loans	0.0	0.1	12 031.5	0.0	0.0	0.2	11 734.0	0.0
Positive valuation of derivatives	77.3	7.5	2.5	0.0	49.8	34.9	2.5	0.0
Other receivables	7.3	3.2	1.2	0.0	9.9	2.9	172.4	0.0
Call deposits placed	31.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities								
Deposits received	52.5	62.0	262.3	26.8	791.0	47.8	202.4	4.6
Subordinated loan	2 235.2	0.0	0.0	0.0	2 131.1	0.0	0.0	0.0
Loro accounts	20.3	43.9	2.3	0.0	11.7	33.6	0.3	0.0
Negative valuation of derivatives	96.2	6.2	0.1	0.0	38.4	32.6	0.0	0.0
Other liabilities	85.6	0.9	2.0	0.0	82.6	2.7	0.6	0.0
Off-balance-sheet operations								
Off-balance sheet liabilities granted	462.0	648.9	10 647.2	0.1	419.4	677.4	5 143.2	0.0
Off-balance sheet liabilities received	395.6	738.8	8 650.0	0.0	380.7	720.5	8 650.0	0.0
FX transactions	8 640.6	66.7	0.0	0.0	6 666.5	0.0	0.0	0.0
Forward transactions	0.0	0.0	13.7	0.0	0.0	0.0	40.8	0.0
IRS	1 611.7	501.6	59.4	0.0	2 312.7	2 403.9	59.0	0.0
Options	2 736.0	29.1	0.0	0.0	2 851.9	31.3	0.0	0.0
	1 H 2020 the period from 1 Jan 2020 to 30 Jun 2020				1 H 2019 the period from 1 Jan 2019 to 30 Jun 2019			
Income and expenses								
Income. including:	**-20.5**	**7.3**	**105.2**	**23.1**	**48.9**	**10.4**	**95.2**	**0.0**
interest and commission income/expenses	-21.9	1.9	115.7	23.1	-8.9	5.5	105.1	0.0
income on financial instruments	1.4	5.4	0.0	0.0	58.1	5.2	1.3	0.0
net income on the sale of securities measured at fair value through other comprehensive income	0.0	0.0	-11.6	0.0	0.0	0.0	-12.3	0.0
net income on other basic activities	0.0	0.0	1.1	0.0	-0.3	-0.3	1.1	0.0
General and administrative expenses	69.7	1.8	0.4	0.0	28.6	4.2	-0.9	0.0
Outlays for non-current assets	2.6	0.0	0.0	0.0	0.0	1.4	0.8	-

In the first half year of 2020, the Bank made two sales transactions to ING Bank Hipoteczny S.A. (a subsidiary of the Bank) of the portfolio of mortgage-backed housing loans in the total amount of PLN 1 032.5 million. The purchase price was set on an arm's-length basis. The amount due from ING Bank Hipoteczny S.A. concerning deferred payment under these sale transactions in the amount of PLN 421.9 million was recognized as at 30 June 2020 in the *Loans and other receivables to other banks* item.

On 9 January 2020, an entry was made in the Register of Entrepreneurs of the National Court Register regarding the increase of the share capital of ING Bank Hipoteczny S.A. by the amount of PLN 170,000,000.00 through the issue of 170,000 ordinary registered series C shares with a par value of PLN 1,000 each. The issue price of the shares is equal to their nominal value. The shares were fully covered by a cash contribution.

Interim condensed standalone financial statements (PLN million)

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

2020-08-05	**Brunon Bartkiewicz** *President*	*The original Polish document is signed with a qualified electronic signature*
2020-08-05	**Michał Bolesławski** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-08-05	**Joanna Erdman** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-08-05	**Marcin Giżycki** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-08-05	**Bożena Graczyk** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-08-05	**Michał Mrożek** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-08-05	**Sławomir Soszyński** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-08-05	**Lorenzo Tassan-Bassut** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2020-08-05	**Jolanta Alvarado Rodriguez**	Director of Accounting Department Chief Accountant	*The original Polish document is signed with a qualified electronic signature*