



Management Board Report on Operations of

ING Bank Śląski S.A. Group

in 2021

Covering the Report on Operations of ING Bank Śląski S.A.





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Introduction

After the events of 2020, everyone looked to 2021 with hope. And this year, in many respects, these hopes were fulfilled – the global and Polish economies (Polish GDP growth of less than 6% y/y) were in much better shape, our moods improved. Unfortunately, the COVID-19 pandemic was still with us and casting a shadow over 2021, which was evident in the increased number of cases (over 4 million cases since the beginning of the pandemic in Poland) and deaths (just under 100,000 deaths) caused by the disease. Unfortunately, vaccination levels in Poland remain below the European Union average.

We closed 2021 with high inflation, rising interest rates and subsiding pandemic. However, none of us has ever expected that we would witness escalating tensions, and eventually ruthless aggression of the Russian Federation against Ukraine in the first weeks of 2022. There is a brutal war going on right across our border. Innocent people are being killed, and there is an unprecedented wave of refugees. We are watching unspeakable acts of inhumanity. The war will change any expectations, the world and economic relationships.

The Management Board Report on Operations of ING Bank Śląski S.A. Group is our response to our stakeholders' expectations for information about us, how we operate and what the results are. We begin the report by presenting our Group, indicating where we are in the sector, identifying the trends we face and our response to them through our operating strategy

and our value creation model. In the next section, we provide information about the environment in which we operate. Corporate governance is a very important element for us and we have devoted a considerable section to that topic in the report. We then outline our approach to managing the security of the bank and our clients, describing the management of capital and the various risks (both financial and non-financial). In the following chapters we present our actions in relation to major areas, starting with clients, then climate and environment and moving on to communities and employees.

The Management Board Report is based on the 2013 version of the Integrated Reporting Framework published by the IIRC (now the Value Reporting Foundation). We are undertaking work to ensure that the 2022 report is based on the updated guidance published in January 2021. It also uses GRI Standards at Core level and additionally introduces the UN Sustainable Development Goals (SDGs) label. They are presented next to the text in the relevant designation: **GRI** and **SDG**. In addition, we use the Greenhouse Gas Protocol and the Global GHG Accounting and Reporting Standard for the Financial Industry in the report for counting our bank's GHG emissions. The company auditing the financial statements for 2021 was KPMG. Moreover, the Management Board's Report was audited in terms of GRI indicators by Bureau Veritas Polska.





Letter from the President

GRI [102-14] [102-15]

Dear Ladies and Gentlemen,

It is my pleasure to present you the 2021 Annual Report of the ING Bank Śląski S.A. Group. For the bank, it was another year of stable growth in line with its long-term strategy. However, it was a period full of unpredictability for the economy as a whole, marked by pandemic, but also by rising inflation and interest rate rises. The primary task remained to ensure the safety of our employees and clients.

We have consistently built our client base and achieved growth in commercial volumes. In 2021, the number of clients in retail banking increased by 112 thousand to 4.3 million, and in corporate banking we achieved a growth of 17 thousand to 503 thousand companies. In terms of credit growth, we were positively differentiated from the growth rate of the overall market. In the past months, we have financed a number of manufacturing companies whose clients have surged their orders by diversifying their geographical sources of supply. We have seen an increase in interest in investment credit and leasing and increasing economic turnover. As a result, our share of the corporate segment's loans increased to 12.62% and that of the consumer market to 8.86%, and excluding foreign currency mortgage portfolios, this share rose to 10.25%. In total, compared to the same period last year, the value of loans increased by 16% to PLN 146.5 billion. The growth in lending was accompanied by a concomitant improvement in the quality of the loan portfolio.

The bank also strengthened its position in the deposit market. During the year, the corporate segment's share of deposits increased to 9.77% and

the retail deposit market share increased to 10.11%. The total value of deposits by 13% up to 168.5 billion.

In the past year, we successively improved the quality and attractiveness of digital solutions, encouraging clients to use remote channels for contact with the bank and cashless transactions and operations. During the pandemic period, this was an important part of improving security. The measure for us in this case was an increase in the number of transfers and other non-cash transactions while the number of transactions in branches fell. In corporate banking, we recorded an increase in the number of payment terminals we offer and the number of shops with an active imoje internet gateway.

As a result, the bank's commercial activities translated into a significant increase in financial results. Last year, ING Bank Śląski Group's consolidated net profit amounted to PLN 2,308.3 million, compared to PLN 1,337.6 million in 2020. This translated into an ROE of 13.6%. The commercial and financial results we have achieved show that the Bank is fulfilling its mission well and operating efficiently regardless of the market situation.

In 2021, the bank undertook a number of initiatives beyond its standard activities. One such activity was participation in successive aid programmes aimed at entrepreneurs offered by the Polish Development Fund and Bank Gospodarstwa Krajowego. Throughout the year we also consistently implemented the Sustainability Strategy in 3 areas: ING for entrepreneurship, ING for equal opportunities and ING for the climate. In pursuit of these objectives, we adopted a new Environmental Declaration in mid-2021. Among other things, we have committed to allocate PLN 5.3 billion by the end of 2023 to finance renewable energy sources and environmentally friendly projects. In it, we reiterated our earlier commitment that after 2025 we will not fund clients whose business is directly dependent on thermal coal to the extent of more than 5%. In the

new declaration, we have committed to a number of tasks in the bank's operations aimed at reducing our negative impact on the environment. We have also announced the creation of a grant fund for start-ups and young scientists for pro-environmental projects and planned to continue our activities in the field of environmental education. At the same time, we see an increase in the relevance of ESG topics and new regulations in force in this area, such as the EU Taxonomy. This will have a bearing on our activities in the coming years.

An important decision of the past year was the launch, in accordance with the proposal of the Chairman of the PFSA, of a settlement programme for clients holding housing loans indexed to the CHF exchange rate. From 25 October, when we launched the programme, to the end of December, clients submitted 522 applications, of which 147 resulted in settlements being signed. As at 2021 yearend, the bank had 3.9 thousand active CHF-indexed mortgage loans.

Last year we started to implement Thought Machine's innovative cloud-based Vault central system. The new central system ensures the modularity of the system and its full scalability. It will contribute to higher levels of client satisfaction, accelerate the introduction of new products and allow for full personalisation of the offer tailored to the individual needs of each client.

These are just a selection of the initiatives implemented by the bank last year. I encourage you to read the report and see a detailed description of our activities.

Sincerely yours,

Brunon Bartkiewicz, President of the Bank Management Board

20 February 2022



Summary of 2021

Environment

-28.4% **87.0 MWh**

Decrease in CO_{2e} emissions relative to 2019 as a baseline

The electricity we produce (photovoltaic panels)

In caring for the environment, we pay great attention to the impact we ourselves have through our operational activities. One of our most important objectives is to achieve climate neutrality in Scope I and II by 2030. We present more on this topic in the [ING for climate](#) chapter.

PLN 4.5 billion **23.5%**

Declared value of new RES financing by 2023

Percentage of total assets that are Taxonomy-eligible

In 2021, we announced a new Environmental Declaration of the ING Bank Śląski S.A. Group. We continue to work on financing RES and supporting the environmental transformation of our clients. We present more on this topic in the [ING for climate](#) chapter.

Social

8,694 **2,109**

Number of our employees at the end of the year

Number of employees who participated in activities related to mental well-being

We are committed to creating a friendly workplace where we care about the well-being of our employees. We care about well-being and health but also support employees in their development. We present more on this topic in the [ING for employees](#) chapter.

PLN 2.7 million **1,045**

Total amount of financial donations made by the bank

Number of hours volunteered by employees

Social responsibility is one of the most important elements of our actions resulting from our values. We support organisations and social partners in various ways. We publish more about our community activities in the [ING for community](#) chapter.

Governance

50% **99%**

Participation of women in the Management Board

Ratio of total remuneration of women to men

We pay great attention to diversity and gender equality in our bank. That is why the policies we have adopted in this area have been in place for many years. You can read about the details of our activities in this area in the chapter on [Corporate Governance](#).

3.83 p.p. **PLN 5.10**

Excess of the total capital ratio over the required level

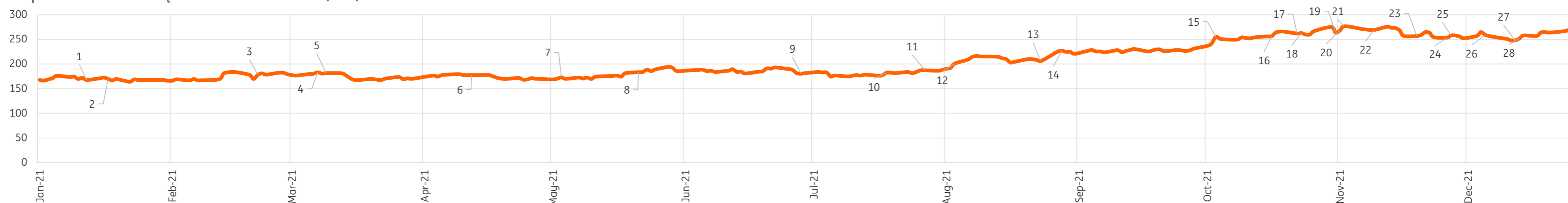
Dividend per share paid from 2020 net profit

We take the utmost care in managing the capital entrusted to us. We take care to maintain capital above regulatory minimum levels while maintaining high asset quality and profitability of our business. This allows us to share the profit with our shareholders. And all this with care and caution in protecting our clients and their data. You can read more about this in the chapter on [Bank and client safety](#).



2021 events

The price of ING Bank Śląski S.A. shares in 2021 (PLN)



1. **15 January** – decision of the Bank Management Board to comply with the PFSA’s individual recommendation on dividend policy in H1 2021 ([link](#)).
2. **20 January** – information on the estimated value of additional allowances for expected credit losses on CHF mortgages in Q4 2020 ([link](#)).
3. **24 February** – publication of preliminary, unaudited financial results for Q4 2020 ([link](#)).
4. **10 March** – decision of the Bank Management Board on the proposal to distribute net profit for 2020 and retained net profit from previous years ([link](#)).
5. **12 March** – publication of the annual report for 2020 ([link](#)).
6. **15 April** – Ordinary General Meeting of the bank, resolutions on, among other things, profit distribution for 2020, amendment of the bank’s articles of association and amendment of the Regulations of the General Meeting ([link](#)).
7. **6 May** – publication of interim report for Q1 2021 ([link](#)).
8. **24 May** – appointment of Ms Joanna Erdman as Vice-President of the Bank Management Board responsible for supervision over the material risk management ([link](#)).

9. **1 July** – publication of the bank’s new Environmental Declaration ([Polish link](#)).
10. **21 July** – opinion of the Bank’s Supervisory Board on compliance with the PFSA’s individual recommendation on dividend policy in H2 2021 ([link](#)).
11. **30 July** – publication of a report on the status of application of the Best Practice 2021 ([link](#)).
12. **6 August** – publication of interim report for the H1 2021 ([link](#)).
13. **26 August** – resignation of Ms Susan Poot from the position of a member of the Supervisory Board ([link](#)).
14. **31 August** – appointment of Ms Alicja Żyła as Vice-President of the Bank Management Board responsible for operations ([link](#)).
15. **6 October** – MPC’s decision to raise interest rates and increase the reserve requirement (reference rate raised from 0.1% to 0.5%, and reserve requirement raised from 0.5% to 2.0%; [link](#)).
16. **19 October** – decision of the Bank Management Board on the proposal to pay a dividend for 2020 ([link](#)).
17. **25 October** – launch of the settlement programme for clients with CHF-indexed housing loans ([Polish link](#)).
18. **25 October** – resignation of Mr Aleksander Kutela from the position of a member of the Bank’s Supervisory Board ([link](#)).

19. **3 November** – MPC’s decision to raise interest rates (reference rate raised from 0.5% to 1.25%; [link](#)).
20. **4 November** – publication of interim report for Q3 2021 ([link](#)).
21. **5 November** – PFSA’s decision on changing the level of the buffer of other systemically important institutions imposed on the bank ([link](#)).
22. **12 November** – PFSA’s approval for repayment of subordinated loan ([link](#)).
23. **22 November** – update on MREL requirement for the bank ([link](#)).
24. **29 November** – Extraordinary General Meeting of the bank’s shareholders, resolutions on, among other things, profit distribution for 2020 and changes to the Supervisory Board ([link](#)).
25. **30 November** – update on the status of application of the Best Practice 2021 ([link](#)).
26. **8 December** – MPC’s decision to raise interest rates (reference rate raised from 1.25% to 1.75%; [link](#)).
27. **15 December** – update of the Bank’s dividend policy ([link](#)).
28. **16 December** – information on the new central banking system ([Polish link](#)).



Outlook

Business strategy objectives and financial goals

Business strategy objectives for 2022-2024	
Objective	Selected ambitions for 2024
Clients activities and digitalisation	<ul style="list-style-type: none">Primary clients – 2.3 million in the retail segment and 215,000 in the corporate segment.Relational NPS around 29 for individual clients, 51 for entrepreneurs, 45 for medium and large companies and 69 for strategic clients.Moving entrepreneur services from Moje ING to ING Business.
Full regulatory compliance	<ul style="list-style-type: none">A non-financial risk level of no more than 2.4.Risk level Compliance not exceeding 2.4.Timely implementation of all audit recommendations.
Employee motivation and empowerment	<ul style="list-style-type: none">Employee NPS of around 60.OHI score of around 85.Percentage of internal recruitments for management positions around 80%.Recruitment time around 45 days.
Stability, availability and security of IT systems	<ul style="list-style-type: none">Availability of Moje ING and ING Business at a minimum of 99.94%.Percentage of applications migrated to the cloud minimum 50%.Control automation of a minimum of 90%.
Operational efficiency, AI and data management	<ul style="list-style-type: none">200 meeting points.50 cash points at meeting points.The number of clients per FTE of the Operations Division will increase by 15%.The ratio of general and administrative expenses to the average commercial balance will be 10 p.p. lower than in 2021 (2021 = 100%).
ESG	<ul style="list-style-type: none">Maintaining a gender pay gap ratio of no more than 1%.Setting a minimum of one ESG-related goal for 100% of managers and 50% of employees.Allocating PLN 4.5 billion to finance RES and green projects in the corporate area in line with the Environmental Declaration by the end of 2023.

*Based on the updated (implemented in 2022) definition of primary clients for entrepreneurs.

Our financial goals for 2024					
	Indicator	2019	2020	2021	2024 goal
Growth	CAGR* of gross loan portfolio	13.4%	6.5%	16.2%	~9%
	CAGR* of net fee and commission income	2.7%	14.0%	20.7%	>7%
Efficeincy	Cost to Income ratio**	43.1%	44.3%	43.0%	<40%
	Cost of risk margin	54 p.b.	88 p.b.	27 p.b.	<50 p.b.
Stability	Total Capital ratio	16.87%	19.52%	15.08%	>15%
	Loans to deposits ratio	90.7%	82.6%	85.9%	90-95%
Profitability	Return on equity (adjusted for MCFH)	11.6%	7.6%	13.6%	>13%
	Dividend payout ratio	0%	49.6%	-	30-50%

*Annual average in the years 2021-2024; **Income including the share in the profits of associates.

You can read more about our business strategy and its goals [here](#).



Impact of the situation in Ukraine on the Polish economy, banking sector and ING Bank Śląski S.A. Group

Macroeconomic environment

On 24 February 2022, Russia launched a large-scale military action against Ukraine. The international community reacted by introducing sanctions against Russia and Belarus.

According to preliminary estimates of the Bank's economists, the war in Ukraine may lower Poland's GDP. The main source of influence is likely to be trade with Ukraine, Russia and Belarus, although lower confidence will also affect the domestic investment environment. Nevertheless, the lower propensity of Polish households to invest should be compensated by private and government expenditure related to accepting refugees. As a result, consumption should be stronger. The final impact of the war on GDP will be further analyzed.

According to the Bank's economists, the government should extend the anti-inflationary shield until the end of 2022, thus counteracting the rise in oil prices and the rise in regulated gas prices in 2022. However, high food prices pose an additional inflationary threat. Ukraine and Russia are large food producers, there may be an effect of transferring price increases to other agricultural commodities.

The short-term weakness of the PLN exchange rate, labor shortages (some Ukrainians leave Poland to join the army) should also increase the risk of an increase in the CPI index. The above risks are captured by the new NBP inflation projection, which is very high and probably take into account a large jump in oil prices, a new shock in the food markets and the translation of the zloty depreciation into the CPI. At the same time, the central bank sees limited risk to GDP in 2022 from the war. Considering the above, there is a risk that the target interest rate may be higher than 4.5%.

The zloty is likely to remain under pressure as the conflict continues. The protracted conflict increases the risk of tightening sanctions which will affect the commodity markets and market concerns about a new energy shock. Moreover, investors cannot get rid of assets in rubles, which in the conditions of ongoing outflows from the emerging markets funds forces them to sell off other assets, such as Polish government bonds. Hence, the influence of the war on the position of the zloty is greater than indicated by economic analyzes. If the fighting in Ukraine shifted to the West, near the Polish border, it would certainly increase the geopolitical risk. With regard to the

activity of the National Bank of Poland, the Bank's economists expect that currency interventions will be continued and will continue to focus on limiting volatility, and not on defending specific levels of EUR / PLN.

Credit risk exposure

ING Bank Śląski S.A. Group does not operate directly in Ukraine, Russia or Belarus. Nevertheless, the Group is currently analyzing the portfolio of clients' receivables in terms of their links with these markets.

The retail loan portfolio to Ukrainian, Russian and Belarusian citizens is limited and its share in the retail portfolio does not exceed 1%. The vast majority (over 90%) relate to mortgage-secured loans for which the real estate as collateral is located in Poland.

The credit portfolio is also monitored on an ongoing basis and as at the date of approval of these financial statements there are no significant changes in the risk profile or in the share of loans in individual overdue ranges.

The Group's direct balance sheet and off-balance sheet exposure in the corporate segment to companies registered in Ukraine, Russia and Belarus, as well as companies whose ownership structure includes entities (over 50% of shares) registered in Ukraine, Russia or Belarus, amounts to 0.02% of the corporate portfolio. Moreover, as part of the ongoing analyzes of the loan portfolio, the Bank also identified corporate segment clients whose share of revenues or costs exceeds 25% in relation to the Ukrainian, Russian and / or Belarusian markets (indirect exposures). The share of exposures (combined on balance sheet and off-balance sheet) to these customers amounts to (as of 31 December 2021) 3.2% of the total corporate segment exposure. In the group of these identified clients, 91% of the total exposure are State Treasury companies which are strategic from the point of view of the Polish economy. The table below summarizes the exposure to these groups of entities as at 31 December 2021.

Consolidated balance sheet and off-balance sheet exposure in Ukraine, Russia and Belarus			
PLN million	Balance sheet exposures	Off-balance sheet exposures	Total exposure
Direct exposures	8.3	10.0	18.3
Indirect exposures*	2,105.5	1,729.8	3,835.3
of which strategic companies of the State Treasury	1,867.0	1,632.3	3,499.3

**Clients whose share of revenues or costs exceeds 25% in relation to the Ukrainian, Russian and / or Belarusian markets.*



The above analysis is preliminary and will be deepened by the Group in subsequent reporting periods, which may have an impact on a different definition of the exposures whose credit risk may be indirectly affected and on a change in the value of the credit portfolio subject to increased risk.

In addition, the analysis of the existing loan portfolio does not indicate a significant risk of its deterioration. As at the date of preparation of the consolidated financial statements the Group does not observe an increase in the share of customers in default status or with delays in repayment of exposures in the 1-30 days past due range. Both the share of Russia, Ukraine and Belarus destinations in foreign trade and the share of corporate clients with significant trade relations with these countries account for several percent of the loan portfolio.

In a situation where the risks related to the war in Ukraine translate into a deterioration in expectations about the economic situation, this may have an impact on the quality of the loan portfolio and the level of write-offs for expected losses of the Group.

Other aspects

The Group constantly monitors the situation and reacts adequately to the sanctions of the European Union, as well as to similar sanctions imposed by the United States of America and the United Kingdom of Great Britain and Northern Ireland. Economic relations with customers and their beneficial owners related to or coming from the Russian Federation, Belarus and separatist oblasts of Ukraine are monitored and, if necessary, sanctions are taken.

As of 1 March 2022, ING Bank Śląski resigned from settlements in the Russian ruble. This means that the Bank will not execute incoming and outgoing transactions in the Russian ruble and will not convert this currency. At the same time, the Bank ceases to open new accounts in this currency.

The bank is observing an increased level of cash withdrawals, both at cash points and at ATMs. Customers' demand for cash is a constant process occurring in periods of perception by customers of pandemic threats or general security. At the same time, the Bank does not monitor total withdrawals of funds from bank deposits, but only partial withdrawals in order to have cash securing current expenses over a period of 2-3 months. Consumption transactions remain stable at a slightly elevated level, with overall current account balances increasing and household deposit balances showing slight declines.

Household deposit balances in foreign currencies remain constant, as some customers make cash withdrawals in foreign currencies, while other customer groups convert their funds from PLN to foreign currencies. The total movement of changes in foreign currency deposit balances does not exceed 1-2% of the total balances.

It is worth emphasizing that the current inflows resulting from, inter alia, from top-ups from salaries. As a consequence, the Bank observes a stable level of the total balance of household deposits.

In the opinion of the Bank's Management Board, both the Bank and the entire Capital Group of the Bank have a stable liquidity and capital position. Nevertheless, given the scope, complexity and interpenetration of financial and economic effects, not all effects are currently possible to estimate, both in terms of the impact on the entire economy and on individual customers. As at the date of approval of these consolidated financial statements, it is not possible to predict the further development of the armed conflict and the international response to this conflict.

The above-described events that took place after the balance sheet date, i.e. 31 December 2021, are events that indicate the condition that occurred after the end of the reporting period and thus do not require adjustments to the amounts presented in these consolidated financial statements. As at the date of approval of these consolidated financial statements, it is not possible to estimate the financial impact of the above-mentioned events on the subsequent reporting periods.



ING Bank Śląski

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In this chapter you will learn who we are, what is the history behind us and how we operate as a group in Poland. What’s more, you will also find information about the scale of our operations, market shares as well as the awards and distinctions we have received. You will also learn the answer to the question – how ING Bank Śląski creates value for its stakeholders. You will also learn about our business strategy, sustainable development strategy and value creation model.

Who we are

GRI [102-2] [102-3] [102-4] [102-6] [102-7]

Our history goes back to 1988. It was in that year, exactly on 11 April, that the Council of Ministers issued a decree on the establishment of Bank Śląski in Katowice, and this is where our head office is still located today. Less than a year later, at the beginning of February 1989, Bank Śląski began its activities. In 1992 our bank was transformed from a state-owned bank into a joint stock company. In 1993, we received approval from the Securities Commission to list our shares to the public. In January 1994, ING acquired 2.4 million shares in our bank, corresponding to 25.9% of the share capital. On 25 January 1994, the shares of Bank Śląski were quoted for the first time on the Warsaw Stock Exchange.

Since 6 September 2001 – after the merger of Bank Śląski with the ING branch – we have been operating under our current name, ING Bank Śląski S.A. At that time, ING Group became the majority shareholder in our bank (with a stake of 87.77%, which was reduced to 75.00% in March 2005).

The bank is effectively growing organically. The bank’s mission is to inspire and assist clients in making the right life decisions. Achieving this requires a committed and responsive workforce. We pursue this mission through our bank, its subsidiaries and, above all, through our group of over 8 thousand employees.

After more than 30 years of continuous development, we are currently ranked 4th in terms of asset size in the Polish commercial banking sector. Our scale of operations contributes to the development of the Polish economy, but it also brings with it an awareness of the enormous responsibility for our employees, clients, society and the environment.

We are a universal bank that serves both retail clients and businesses. The primary channel of communication with our nearly 5 million clients is the Internet, with mobile banking playing a strongly growing role. We also serve our clients through a network of 257 meeting points. These are meeting places where our clients can ask for advice and talk.

In 2021, ING continued the increase in brand power (Brand Power) from previous years and currently holds the leading position among banks in Poland. The Brand Power index indicates the brand’s differentiation from competitors, its fit with clients’ needs and the bank’s recognition. According to consumers, ING was the most preferred bank in 2021 when faced with the choice of: mobile app and savings account, and the second most considered brand for personal account, mortgage and loan. What distinguishes the brand from other banks is the perception of ING as an innovative bank introducing new solutions for clients, the high level of trust in the brand, the aspirational image of ING clients: “a bank for ‘resourceful and entrepreneurial people’” and the brand’s commitment to pro-environmental activities.

Since the very index formation (September 2013), we have been among the WIG30 companies. We are the only company from the finance sector which has been uninterruptedly present (for all its rounds) in the Respect Index (the index of most socially responsible WSE companies), which was replaced in September 2019 by the WIG-ESG index, to which we also belong. We are the company with the largest share in the mWIG40 index.

How does ING Group operate in Poland

GRI [102-1] [102-10] [102-45]

ING Bank Śląski S.A. is a parent company of the ING Bank Śląski S.A. Group. As a group, for 30 business years, we have managed to establish our position among the top financial institutions in Poland. We are number four as far as the balance sheet total is concerned and in terms of the commercial balance (the total of deposits and loans). Our core business is banking, which means, among other things, risking the funds entrusted to us by our clients (this is detailed in paragraph 8 of our Articles of Association). As a bank, together with our subsidiaries, we form a capital group in which we are also active in, among other things:

- leasing,
- factoring,



- payroll and accounting services.

The group members are also the founders of ING for Children Foundation and ING Polish Art Foundation.

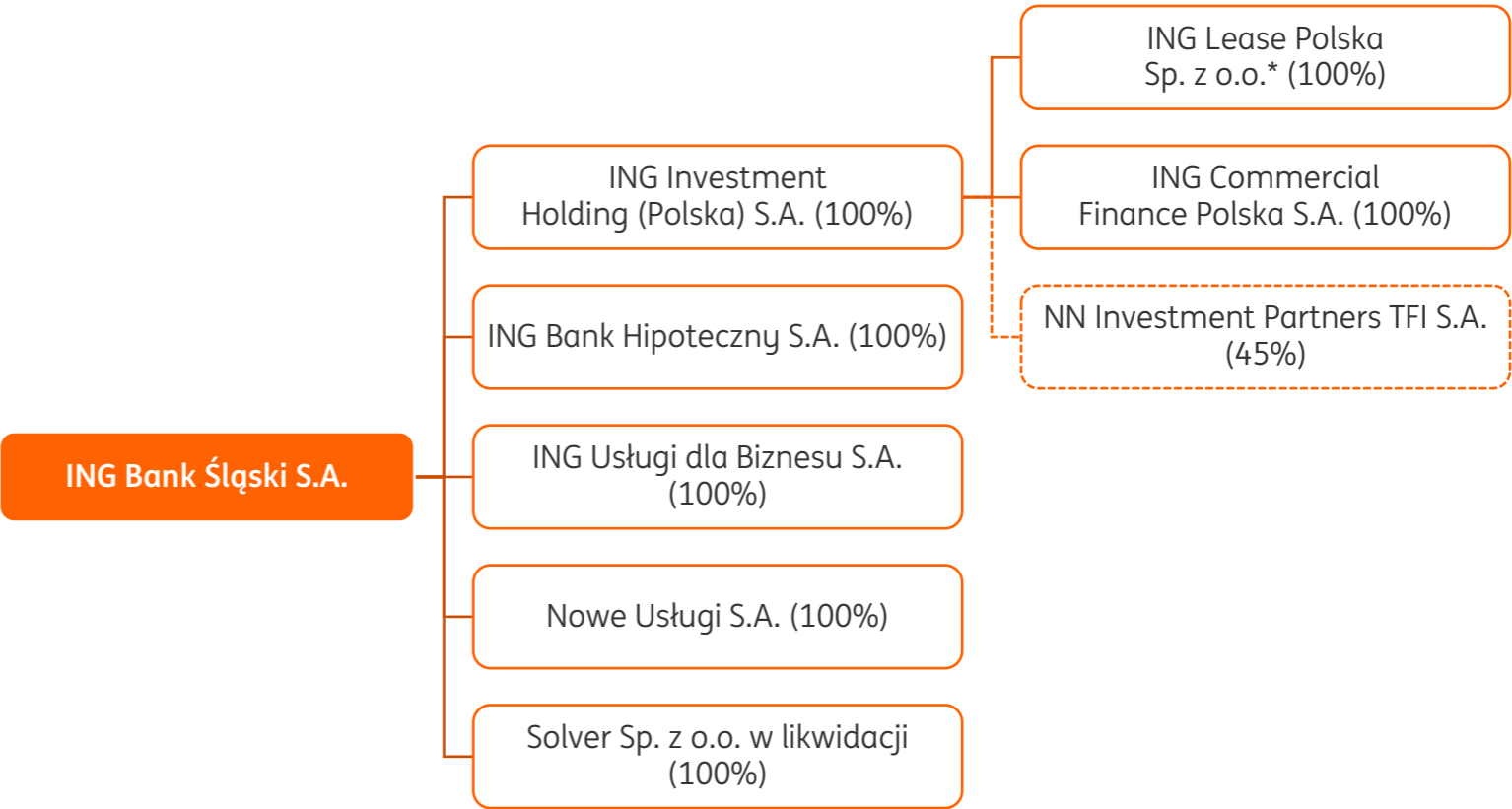
In 2021, the bank and its subsidiaries did not conclude any transactions with related entities that would be individually or jointly significant and concluded other than on the arm’s length basis.

ING Bank Śląski performs operations with ING Bank N.V. 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 entities from the ING Group as well as provides outsourcing and advisory services. All of the above transactions are carried out on an arm’s length basis.

The operating costs incurred by the bank in favour of the parent entity result mainly from agreements for consulting and advisory services, operational support, operational handling of payment cards and data processing and analysis, provision of software licences, or IT support. In terms of costs incurred by the bank for other related entities, outsourcing agreements play a dominant role regarding the provision of system resource hosting services for various applications, leasing of IT equipment, monitoring the availability and performance of applications and IT infrastructure as well as penetration testing and IT security monitoring. You can read more about transactions with related entities in the “Related entities” note in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for 2021.

ING Bank Śląski S.A. Group composition

Subsidiaries and associates within the ING Bank Śląski S.A. Group as at 31 December 2021



A solid frame line indicates a subsidiary and a dashed frame line indicates an associated company; *the ING Lease (Polska) Group comprises an additional 5 subsidiaries in which ING Lease (Polska) Sp. z o.o. holds 100% of the shares.

The Bank, through ING Investment Holding (Polska) SA, holds 45% of shares in NN Investment Partners TFI SA and treats this company as an associated company. Subsidiaries are consolidated by our bank using the full method, and the associated company (NN Investment Partners TFI SA) is consolidated using the equity method. In addition to its subsidiaries and associates, the bank has minority capital investments, including in the following companies:

- Biuro Informacji Kredytowej S.A. (9.0% of shares),
- Krajowa Izba Rozliczeniowa SA (5.7% of shares),
- Polski Standard Płatności Sp. z o.o. (14.3% of shares).



ING Investment Holding (Polska) S.A.

ING Investment Holding (Polska) S.A. is a holding company. Through that company, the bank holds shares in three companies: ING Lease (Poland) (100%), ING Commercial Finance (100%) and NN IP TFI (45%).

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

ING Lease (Polska) has been present in the market since 1995. Since 2012, it has been a member of the Group of ING Bank Śląski S.A. ING Lease (Polska) offers all basic types of leasing which allow to finance both movables (in the form of cars, vans, heavy transport vehicles, machinery and equipment, construction, medical, equipment and IT equipment) and real estate. The ING Lease (Polska) Group is composed of 5 subsidiaries wherein ING Lease (Polska) Sp. z o.o. holds 100% of shares. The company services are targeted at all market segments: large, medium and small enterprises as well as micro clients (entrepreneurs).

In 2021, the company's new leasing production amounted to PLN 6.3 billion (+64.0% y/y). As at 2021 yearend, the company served almost 36 thousand clients (an increase of 6.5% y/y) and the value of the portfolio amounted to PLN 11.5 billion (+11.6% y/y; based on management accounting data).

ING Commercial Finance Polska S.A.

ING Commercial Finance Polska offers factoring products. The company was incorporated in 1994 under the name of Handlowy Heller. Upon its incorporation into ING Group, since 2006 the company has been operative under the name of ING Commercial Finance Polska. Since 2012, it has been the member of the ING Bank Śląski S.A. Group – like ING Lease (Polska).

As per the Polish Factors Association's data, in 2021, ING Commercial Finance Polska was the second biggest factoring company in Poland. In 2021, the turnover of ING Commercial Finance Polska totalled PLN 53 billion (up +43% y/y), which accounted for 14.7% of the market turnover. In 2021, the Company served nearly 8.2 thousand clients (up by 49% y/y) and bought out 3.9 million invoices (up by 19% y/y).

ING Bank Hipoteczny S.A.

The main purpose of the operation of ING Bank Hipoteczny, which started operating in 2019, is the issue of long-term mortgage bonds with the underlying instruments being debt claims under the mortgage-backed loans acquired from ING Bank Śląski S.A. or other banks.

The set goal may be achieved through:

- strengthening of funding stability in the ING Bank Śląski S.A. Group,
- diversification of funding sources for the existing retail mortgage portfolio,
- adjusting maturity structure of assets and liabilities in the balance sheet,
- releasing liquidity of the ING Bank Śląski S.A. Group,
- lowering the cost of financing the conducted lending activity in the part of the loan portfolio financed with other long-term instruments.

ING Bank Hipoteczny has so far issued 5-year “green” mortgage bonds in 2019 for an amount of PLN 400 million. The funds obtained from the issue will be used to refinance mortgage loans in PLN for natural persons, secured with mortgage belonging to 15% of the most energy-efficient buildings in Poland. In recent years, due to the market situation caused by the COVID-19 pandemic, ING Bank Hipoteczny did not issue mortgage bonds, but in order to increase the diversification of its existing funding sources, it established an own bond programme under which it issued short-term debt securities.

ING Usługi dla Biznesu S.A.

Since 2013, the Company has been offering innovative business services beyond traditional banking. Expanding its business activities into new market segments, in 2019 the company entered for the first time into the market of services for individual clients.

ING Usługi dla Biznesu operates in the following business areas:

- online database of companies (registry data, financial data) and an online B2B trade and auction platform run under the ALEO brand,
- a platform for invoicing and payment management once accounting and payroll services – under the ING Księgowość brand,
- distribution of software for robotisation of business processes – under the SAIO brand,
- an application for individual clients aggregating bills from many providers in one place – under the brand of imoje accounts.



Nowe Usługi S.A.

Nowe Usługi S.A. conducts educational and marketing activities. In the field of education, it runs the website [Edukacjagiieldowa.pl](#). This is a website about investing and the stock market, both for debuting and fully-fledged investors. The knowledge database and investment-related materials are published on an ongoing basis on the website.

Marketing activity centres around popularisation of ING Turbo certificates on the Polish market. The instruments are issued by ING Bank N.V. Amsterdam and quoted at the Warsaw Stock Exchange. The main activities of the company are the organisation of marketing campaigns, ING Turbo helpline service or technical support while running the [ingturbo.pl](#) website.

Solver Sp. z o.o. in liquidation

The SOLVER company was established on 21 May 1996 in order to conduct business activities on behalf of the ING Children Foundation.

In recent years, the company's activities have mainly involved organising holidays for employees and their families and pensioners of ING Bank Śląski S.A. This activity was carried out in the Training and Recreation Centre "Pan Tadeusz" in Krynica-Zdrój. In April 2021, in accordance with the decision of the Supervisory Board and the Shareholders' Meeting, the company disposed of the said real estate. From that point on, it was no longer possible to carry out basic activities. As a result, the liquidation of the company began.

NN Investment Partners TFI S.A.

NN Investment Partners TFI S.A. has been present in Poland since 1997. It is the second largest TFI on the Polish market, managing PLN 26.2 billion (data of NN Investment Partners TFI S.A. as at the end of December 2021) located in funds and portfolios for a wide range of clients. It supports over 500 thousand clients by offering them a wide range of investment products. NN Investment Partners TFI SA is part of the international NN Group. It successfully combines global and local expertise to provide clients with investment solutions of the highest quality.

On 19 August 2021, NN Group announced that it has entered into an agreement under which Goldman Sachs Group will become the new owner of NN Investment Partners (NN IP) and will enter into a 10-year strategic partnership under which NN IP and Goldman Sachs Asset Management will continue to provide asset management services to NN Group. The transaction is expected to close by the end of Q1 2022, subject to customary closing

conditions, including regulatory approvals and antitrust clearances. This announcement follows NN IP's strategic review by NN Group.

The scale of our activity

GRI [102-2] [102-7]

Our clients

Acquisition of new clients remained at a satisfactory level relative to previous years, with 319 thousand new individual clients acquired in 2021 (359 thousand in 2020), 62 thousand entrepreneurs (64 thousand in 2020) and 13 thousand corporate clients (13 thousand in 2020).

Throughout the year, the Bank's client base increased by 128 thousand, versus growth of 219 thousand the year before. The relatively lower growth in total clients relative to new clients was due to the continuation of regulatory obligations and the revision of the client portfolio in terms of activation potential (this effect was also evident in 2019).

As at the end of December 2021, the number of clients was 4.85 million and it was broken down into the following business segments:

- 4.35 million individual clients (up by 112 thousand clients y/y),
- 502 thousand corporate clients (up by 17 thousand y/y), including:
 - 420 thousand entrepreneurs (up by 12 thousand),
 - 79 thousand medium-sized and large companies (up by 5 thousand),
 - 3.4 thousand strategic clients (flat y/y).

The growth of our client base is better described by the number of *primary* clients, i.e. those for whom we are the first choice bank and who hold several (specific) products. As at 2021 yearend, we had 2.18 million such clients in total, i.e. 105 thousand more than as at 2020 yearend, including:

- 2.02 million individual clients (up by 96 thousand clients y/y),
- 119 thousand entrepreneurs (up by 6 thousand y/y), and

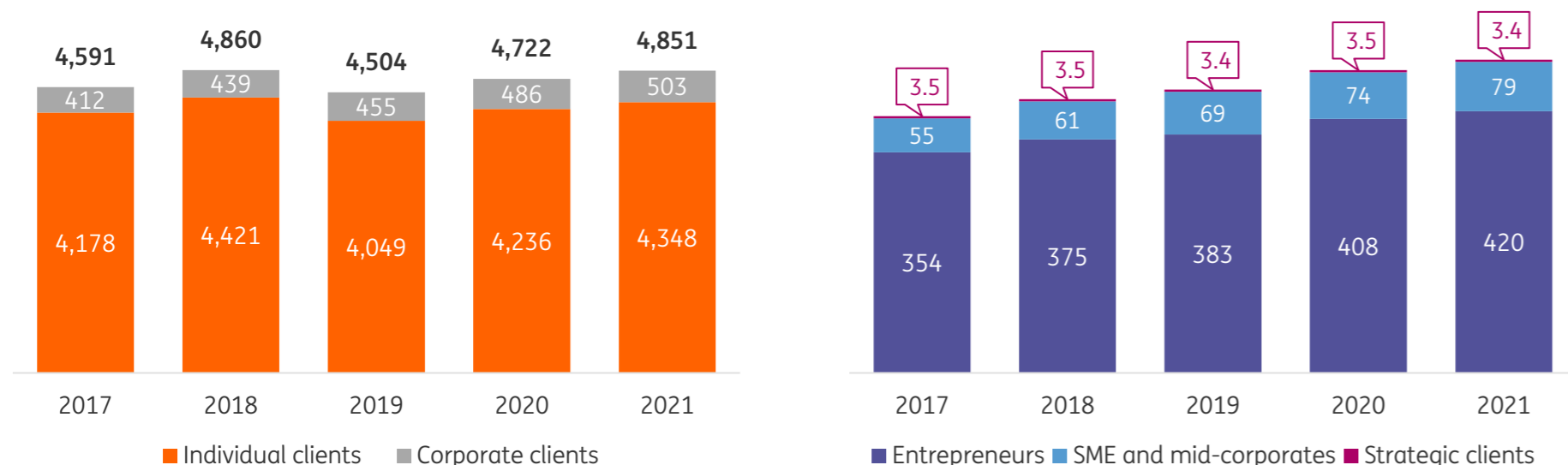


- 39 thousand corporate clients (excluding strategic clients; up by 3 thousand y/y).

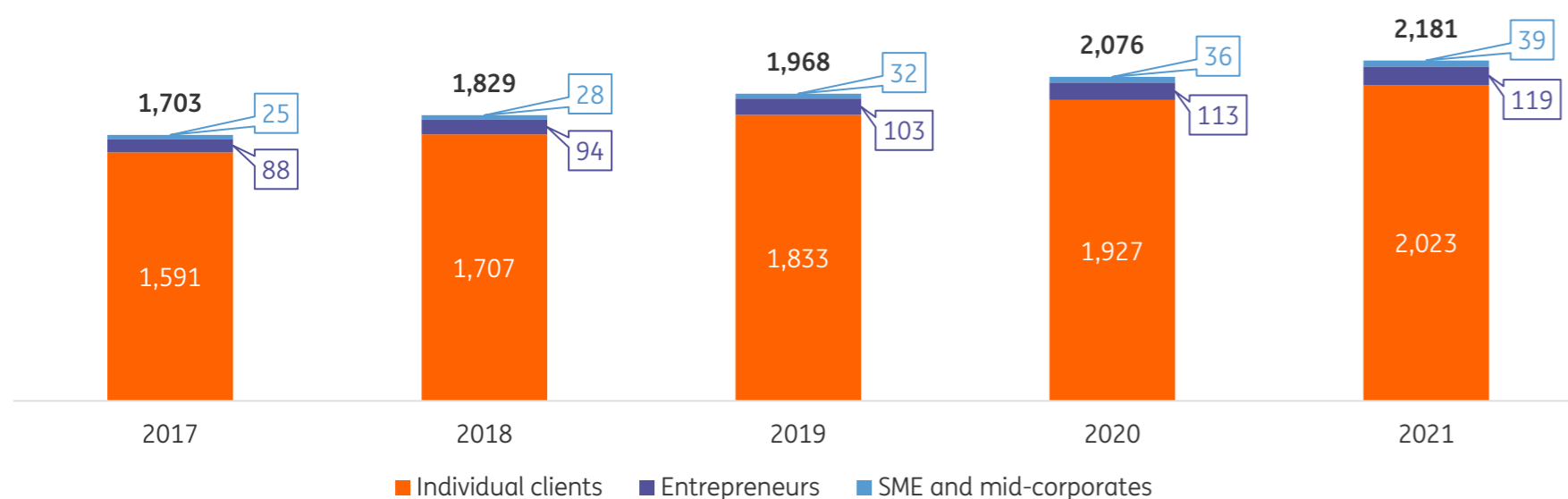
Primary clients accounted for 45% of all our clients as at 2021 yearend (similar to the end of 2020, but more than at the end of 2017 – 37%).

The constantly growing number of clients is the result of the activities pursued by us to foster long-term relationships with clients. These relationships are based on the trusted brand, transparent and flexible product offer and a continuously developed modern distribution and client service system.

Number of the ING Bank Śląski S.A. Group clients (as at yearend)

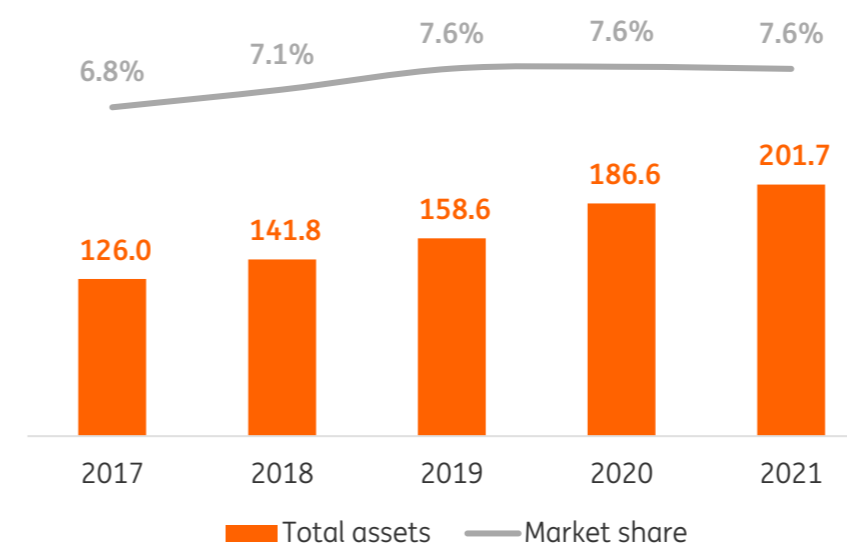


Primary clients (thousand)



Asset value and market share

The value of the assets of the ING Bank Śląski S.A. Group (PLN billion) and the market share in the sector's assets



Source: Market data – NBP (Aggregate balance sheet of other monetary financial institutions)

Value of amounts due from clients and market share

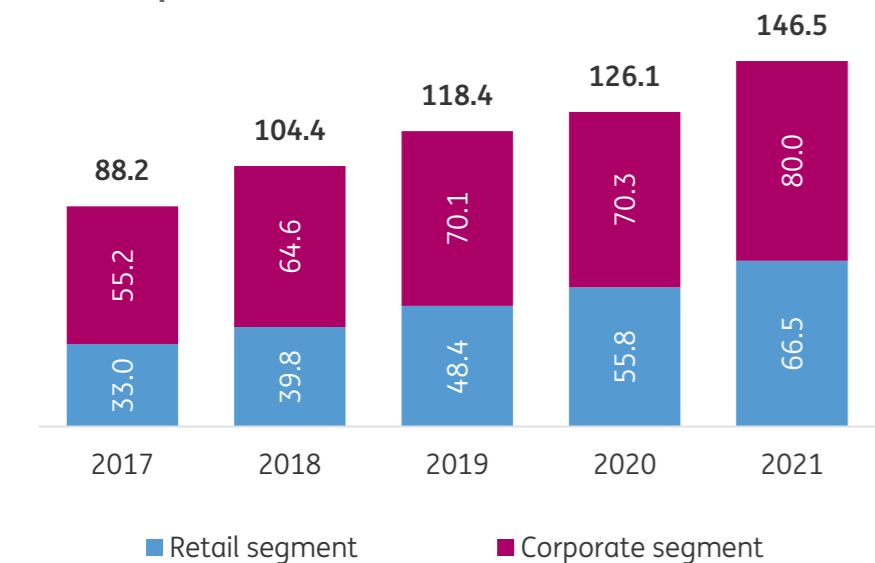
The volume of gross receivables (including loans measured at fair value) from our clients as at the end of 2021 amounted to PLN 146.5 billion and was by 16.2% higher than as at 2020 yearend. The above was translated into an increase of our market share in loans up to 10.3% or by 1.0 p.p. more than as at 2020 yearend.

Receivables from corporate clients continue to be the major part of our gross receivable portfolio; however, their share in the structure has been decreasing successively (from 63% at the end of 2017 to 55% as at 2021 yearend).

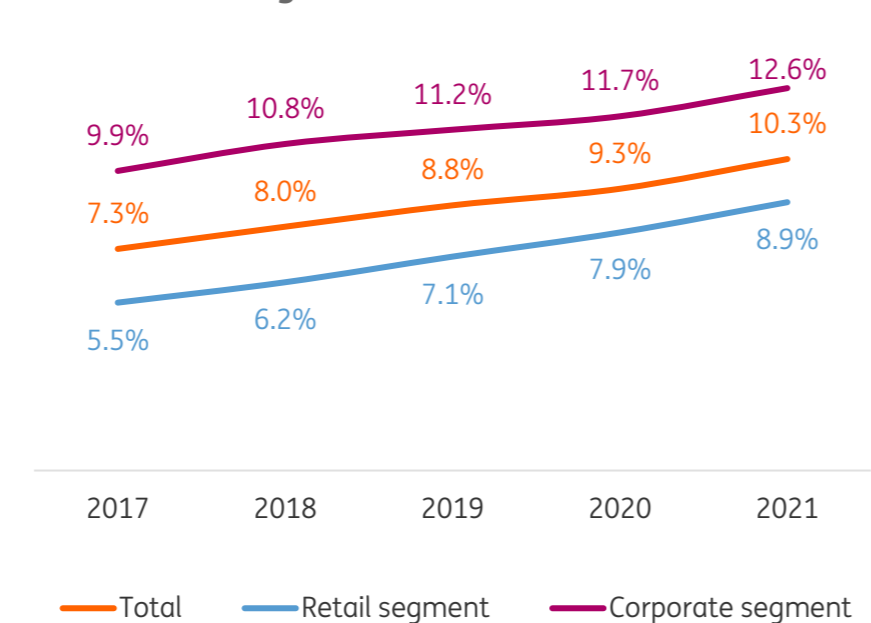
In terms of the size of the portfolio of amounts due from clients, we were the fourth bank on the market as at 2021 yearend.



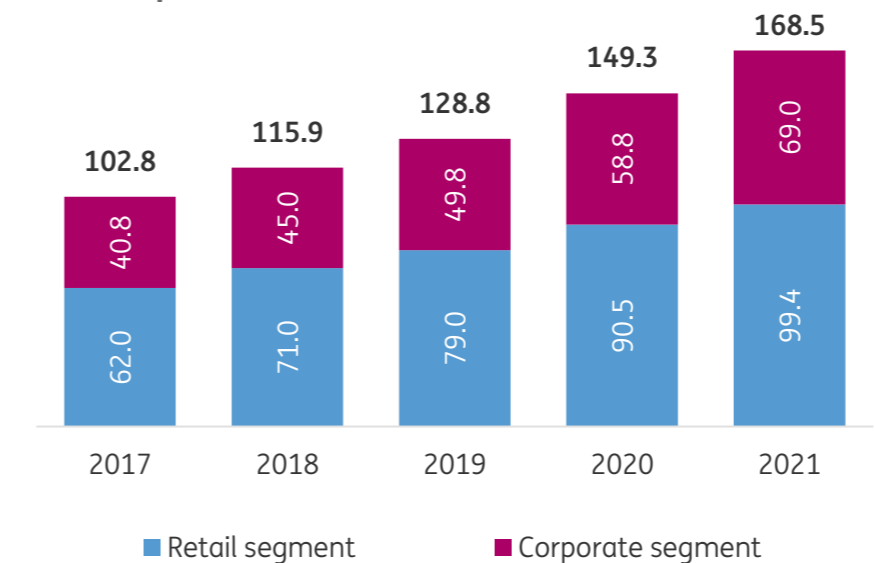
Gross receivables from clients in the ING Bank Śląski S.A. Group (PLN billion)



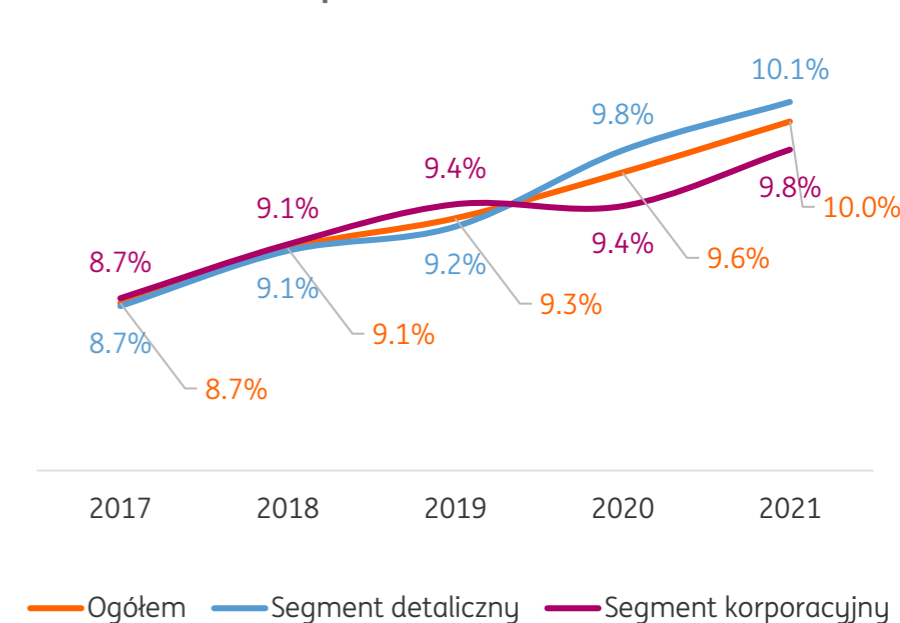
Market share in gross receivables



Amounts due to clients of the ING Bank Śląski S.A. Group (PLN billion)



Market share in deposits



Deposits value and market share

The savings of our clients (including off-balance sheet assets of the retail Banking segment) as at 2021 yearend amounted to PLN 168.5 billion and were higher by 12.9% y/y. This allowed us to increase our market share in deposits by 0.4 p.p. versus 2020 yearend to 10.0% as at 2021 yearend.

Liabilities to the retail segment remain the major part of the balance sheet savings of our clients' savings (they accounted for 59% of all deposits as at 2021 yearend).

In terms of the size of the client liabilities portfolio, we were the fourth bank on the market as at 2021 yearend.

Our competitive position

We are the fourth bank in Poland based on the size of assets, deposits, or receivables from customers – based on the data as at the end of Q4 2021 on a consolidated basis. In terms of profitability, we are a leader among Polish banks listed on the WSE, taking into account the return on equity. We were also the third largest bank by market capitalisation (PLN 34.7 billion) as at 2021 yearend, with our Price to Book Value ratio being the highest at 2.6x.

Our competitive position

Metric	Value	Value date	Market position
Number of clients (million)	4.85	31 December 2021	4
Total assets (PLN billion)	201.7	31 December 2021	4
Client deposit portfolio (PLN billion)	168.5	31 December 2021	4
Gross loans and advances to clients (PLN billion)	146.5	31 December 2021	4
Commercial balance (PLN billion)	314.9	31 December 2021	4
Return on equity (ROE)	13.6%	2021*	1
Capitalization (PLN billion)	34.7	30 December 2021	3
P/BV ratio	2.6x	30 December 2021**	1

*calculated as the sum of the net profit for 2021 to the average value of equity for the five consecutive quarters ending in Q4 2021; ** ratio calculated based on the share price at the end of a 2021.



Awards and distinctions

Our daily efforts in offering attractive products to our clients, attention to high service quality, sustainability actions and practices as well as outstanding commercial and financial results are honoured by the market. Below please find selected 2021 awards. Their full list is available on [our website](#).

For overall performance

- ING Bank Śląski has won the “Stars of Banking 2021” ranking, which evaluates the overall performance of the bank, for the sixth time in a row. ING also received first places in categories summarising growth, efficiency, innovation and client relations. The ranking is organised by Dziennik Gazeta Prawna and the consulting firm PwC.
- ING Bank Śląski was ranked 3rd in the general classification of the Banks Ranking of the financial monthly BANK – Client Choice.
- ING Bank Śląski was awarded the “Institution of the Year” title in as many as six categories. The bank won first place in two of them: “Best mobile app” and “Best online banking”. At the same time, the bank took second place in the “General Ranking”.
- ING Bank Śląski has been named Best Bank in Poland 2021 in the international Awards for Excellence competition.
- ING received the Eagle award of “Rzeczpospolita” 2021 in the category “Financial services”.
- ING Bank Śląski received two awards in the XXVI edition of the Bank Ranking of the Financial Monthly Bank 2021.
- Bruno Bartkiewicz Banker of the Year 2021.
- In the third edition of the Cashless.pl ranking, Barbara Borgieł-Cury, Director of the Daily Banking Centre at ING Bank Śląski, was ranked

among the TOP 10 “Most influential women in the Polish payments industry”.

- In the Golden Banker ranking, ING Bank Śląski was recognised in as many as three categories: “Cash loan”, “Social media” and “Best advertising spot”.

For the quality of client service and innovation

- ING Bank Śląski has become the leader of the client satisfaction ranking, according to the report “2020 Bank Client Satisfaction Monitor” prepared by ARC Rynek i Opinia.
- Moje ING with the highest mobile application rating on the Polish banking market.
- ING Bank Śląski was recognised in the Forbes ranking of private banking services.
- ING Bank Śląski has received an award for its Investo Robo-Advisor in this year’s edition of Gazeta Bankowa’s “TechnoBiznes 2021” competition.
- Robo-consultant Investo from ING with the title of Banking Innovation of the Year.
- In this year’s edition of Invest Cuffs, ING was nominated in two categories: “Investment product of the year” and “Brokerage of the year”.
- ING once again recognised for its development of digitalisation. ING has been awarded triple distinction in the Best Digital Solutions for SMEs in the CEE region 2021 Ranking.
- ING Best Bank for SME in Central and Eastern Europe.
- ING Bank Śląski has become the leader among banks in terms of participation in the distribution of EU funds under the “Credit for technological innovation” initiative.

- ING a leader in lending for technological innovation.

For CSR actions and practices

- ING Bank Śląski was awarded the Gold Leaf for sustainable development activities for the third time. In addition, the Bank’s good practice – Counteracting the effects of the COVID-19 pandemic – was highlighted.
- ING on the podium of the Responsible Companies Ranking.
- ING with the Consumer Golden Laurel award in the category of green strategies in business.
- ING Business Ethics Leader.

For communication with clients, market and employees

- ING awarded “The Best Annual Report” 2020.
- ING the winner of the 2021 Sustainability Reports Competition.
- ING awarded by UN Global Compact Network Poland for its contribution to the promotion and implementation of the “2030 Agenda for Sustainable Development” and the achievement of the UN Goals.
- ING with the title of Poland’s Best Employers 2021.
- ING Bank Śląski was awarded the Top Employer Polska certificate for the twelfth time in a row.
- ING received the HR Highest Quality certificate for applying best practices and promoting high standards in the area of human resources management.
- ING one of the capital market leaders in the categories: “WSE Award for Information Distributors” for the largest increase in the number of real-time exchange data subscribers in 2020 and “BondSpot Award” for the leader of the Treasury BondSpot Poland contingent trading market.



For marketing actions

- In the Effie Awards Poland competition, ING Bank Śląski received two statuettes for the most effective advertising campaigns: a silver one in the “Finance” category for the campaign “We do our thing, only differently”, and a bronze one in the “Business to business” category for the campaign “I’m working on the internet with my company”.
- ING with YouTube Works 2021 award – ING’s social action “Let’s talk about money” with Czesław Mozil and Maria Rotkiel has won 1st place in the “Ingenious Insight” category of the first Polish edition of the YouTube Works Awards 2021.
- ING was awarded the Grand Prix at the Power of Content Marketing Awards 2021, organised by the Content Marketing Association Poland. The bank was recognised as a trendsetter in technology, formats and content and received 9 awards, including as many as 7 gold awards.
- ING Bank Śląski won bronze in the “Data Driven & Precision Marketing” category and a distinction in the “Content Marketing” category at this year’s IAB MIXX Awards.
- In this year’s edition of the PR industry competition #ZloteSpinacze2020, ING Bank Śląski was awarded a Silver Paperclip, in the ‘Finance’ category, for the #remotehelp (#zdałnidopomocy) project.
- ING Bank Śląski was once again recognised by experts from the Studio of Simple Polish at the University of Wrocław.

Creating value for stakeholders

The trends we face

Market trends are factors influencing the future, including our bank, sector, economy or society. The time horizon in which we identify and describe them is the next 2-3 years.

2020 was an exceptional year – it outlined a new framework for the functioning of many economies, industries or societies. 2021, despite the efforts of governments and the start of vaccination against coronavirus, has not allowed a return to the reality we knew before the pandemic. We are at a turning point, and activity in many post-pandemic areas will need to be redefined. This may result in the trends that we observe today may not materialize or new ones may arise which, with their strength and influence, will change a lot.

Economy

Tensions in global supply chains, the energy crisis and rising commodity prices are some of the elements that have imposed clear inflationary pressures on the global economy, including Poland. Countries in our region have already started raising interest rates since mid-2021, and the Monetary Policy Council started its monetary tightening cycle in October 2021. We assume that the tightening cycle will continue in 2022.

In addition to monetary measures, inflationary pressures also trigger changes in fiscal policy and temporary reductions in indirect taxes on fuel, energy and food to smooth the path of price increases. Our economists expect elevated inflation to be observed at least until the end of 2023, forcing further interest rate hikes in Poland. This is a sharp change in the economic trend, relative to what we described in the 2020 Annual Report, where we expected low interest rates to be with us for longer. This undeniably increases the banking sector’s profitability from interest

income. At the same time, there are growing concerns about the impact of higher interest rates on the deterioration of the quality of banks’ loan portfolios.

Green transformation

We expect an acceleration of the green transition in Poland and increased investment in renewable energy sources and energy efficiency in the face of high fossil fuel prices (record gas prices). This is necessary in order to achieve climate neutrality of our economy in 2050 in accordance with the Paris resolution. As a bank, we support this trend by financing energy investments – such as photovoltaic farms – as well as on the educational side. We emphasise the importance of environmental protection or improving air quality in our marketing communications, educational campaigns for our employees, publications and participation in public debate. In addition, new legal regulations for the financial sector at European level require greater transparency of actions in this area, greater involvement of the sector in climate protection and more broadly in sustainable development activities.

Terminology

From the technological side – the development and universality of digital solutions will accelerate. The coronavirus pandemic and the shutdown of economies have proved that we are able – as an economy and society – to quickly and significantly shift our operations to remote mode. Work, entertainment, shopping, socialising, official matters – in both 2020 and 2021, the Internet was the primary channel for these. E-commerce sales in Poland grew by 12% in 2021 compared to 2020 and our market is one of the fastest growing in Europe. Double-digit growth rates are forecast to be maintained over the next two years. After the pandemic is over, some of the activities will probably return to the form we knew before 2020, but the digitization of some of them will certainly accelerate in the coming years.



We are aware that the consequence of technological progress is the digitization of banking services, and thus – new channels of interaction with the client and the increased importance of online security. New client needs require a personalized approach. These factors influence the need to focus on banking services from the perspective of the experience we offer to the client. That is why the client’s experience at our bank determines the technological solutions that we implement. We focus on availability, speed and intuitiveness, legibility and simplicity of communication, as well as client safety.

Society

In terms of social trends, two important aspects should be noted. The first trend is global – it is the polarization of social groups. From the perspective of companies and people building the brand, it is a challenge when building marketing communication or the company’s image. The second challenge is to improve the knowledge and good financial habits of Poles. We must constantly work to change this. Knowledge in this area should be built from school age. The aging society and low financial literacy pose a threat to finances in the form of frauds carried out mainly in remote channels.

Labour market

The coronavirus pandemic and periodic lockdowns have forced and accelerated some changes in the labour market. Remote and hybrid work is a trend that begins to consolidate and spread in the long term. The key will continue to be to ensure the safety of employees, strive to reduce the level of stress and take care of their psychophysical condition. All activities that make up the area of well-being will gain importance. It may also be important to make working hours more flexible and to support managers in building trust within the team and a sense of belonging of employees to the organisation. Working models based on the interaction of people and technology, as well as more personalised internal communication, may also play an increasingly important role. It will serve to create and maintain

committed, integrated teams despite the limitations in social contacts. The challenge will also be to design and implement such a work model that – as a remote and hybrid form – will provide attractive opportunities for employees’ self-development, unlocking their potential, talent management and effective recruitment. An active presence in digital channels that they have not used before (e.g. outside the catalogue of popular social media) may turn out to be a permanent element of building the image of employers.

Business strategy

GRI [203-2]

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

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

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

Purpose

Empowering people to stay a step ahead in life and in business.

Customer Promise



Clear and easy



Anytime, anywhere



Empower



Keep getting better

Creating a differentiating customer experience

Strategic Priorities

- 1 Earn the primary relationship
- 2 Develop analytics skills to understand our customers better
- 3 Increase the pace of innovation to serve changing customer needs
- 4 Think beyond traditional banking to develop new services and business models

Enablers

Simplify & Streamline

Operational Excellence

Performance Culture

Lending Capabilities

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

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



Strategic priorities

We wish to be the house bank for our clients

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

We develop our competencies to understand clients better

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

We implement innovations to provide for clients' needs

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

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

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

Lines of action

Streamlining and simplifying

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

Operational excellence

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

Effectiveness of operation

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

Wide range of product possibilities

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





Accounting for the goals of the business strategy for 2021

As part of the implementation of the business strategy, we have set ourselves a few key areas that we worked on in 2021. The results of achieving these goals are presented in the table below:

Business strategy objectives for 2021 (1/2)

Objective	Metric	Ambition for 2021	Implementation in 2021
Increase in client activity and digitization	<ul style="list-style-type: none">• Increase in the number of clients, including primary clients, and their activity.• Increasing activity in self-service channels.• Maintaining a high level of client satisfaction (NPS), with priority on client experience.	<ul style="list-style-type: none">• We want to have over 2 million primary clients in the retail banking segment and over 160 thousand primary clients in the corporate banking segment.	<ul style="list-style-type: none">• As at 2021 yearend, we had 2.2 million <i>primary</i> clients, of which more than 2.0 in the retail segment and 158,000 in the corporate segment.• Relational NPS averaged 29 in the retail segment in 2021, 51 for entrepreneurs, 45 for medium and large businesses and 69 for strategic clients.• The average daily number of electronic transactions increased by 16% y/y in the retail segment, by 10% y/y in the entrepreneurs, medium and large companies and by 13% y/y in strategic clients.
Compliance with regulatory requirements	<ul style="list-style-type: none">• Improvement of the Compliance control efficiency index and the Compliance risk level index.• Maintaining the level of operational risk in line with the declared risk appetite.	<ul style="list-style-type: none">• The stated level of non-financial risk appetite is below 2.5.	<ul style="list-style-type: none">• The non-financial risk ratio was 2.5 as at 2021 yearend.• We have aligned banking regulations with the provisions of Recommendations R and Z.
Employee motivation and empowerment	<ul style="list-style-type: none">• Implementation of a hybrid work model for identified organizational units.• Further development of the <i>well-being</i> programme.• Promotion of brand value in the area of sustainable development, with priority for volunteering in the field of ecology and forestry.	<ul style="list-style-type: none">• Development of the benefit offer (including development of the cafeteria).• Continue to simplify the job structure.• Developing a new approach to working conditions for the post-pandemic period.• A series of health conferences for employees.• Development of activities aimed at Talents.	<ul style="list-style-type: none">• We have completed preparations for the implementation of the hybrid working model, which will be implemented once the pandemic is over.• We have launched a new group insurance offer for employees.• We have conducted a number of well-being initiatives for our employees, including a focus on mental health.• We have paid special benefits to employees in connection with the pandemic.



Business strategy objectives for 2021 (2/2)

Objective	Metric	Ambition for 2021	Implementation in 2021
Stability, availability and security of IT systems	<ul style="list-style-type: none">Building the awareness of employees and clients in the area of cybercrime.Further work on the use of cloud solutions.	<ul style="list-style-type: none">Availability of Front-End systems at a level not worse than in 2020.Reducing negative events felt by clients by 15% y/y.	<ul style="list-style-type: none">The average availability of Moje ING in 2021 is 99.93% and ING Business 99.92% (99.91% and 100.00% in 2020 respectively).We have run two banking applications in the public cloud on a test environment.We have implemented a state-of-the-art Vault central system from Thought Machine.We have carried out a number of initiatives to educate clients and employees on cyber security.
Operational efficiency, AI and data management	<ul style="list-style-type: none">Continuing the transformation of the profile of the retail and distribution network.Developing a concept for full digitization of processes.Raising knowledge and awareness of data, including personal data.	<ul style="list-style-type: none">Continuing the reduction in the number of meeting places in line with the trend of previous years.	<ul style="list-style-type: none">The number of meeting places decreased by 33 during 2021 (-27 in 2020).We have reorganised the cash withdrawal process at cash service points.We have introduced an automatic onboarding system for entrepreneurs and medium and large companies using video verification.
Sustainable development priorities	<ul style="list-style-type: none">Developing and implementing a sustainable finance strategy.Developing and implementing an approach to climate risk management.	<ul style="list-style-type: none">We have developed and implemented a sustainable funding strategy.We have implemented a risk management approach.	<ul style="list-style-type: none">Publication of a new Green Statement.Implementation of the definition and indication of ESG risk factors in internal regulations.Implementing the ESG risk heatmap in the corporate segment - identification of high, medium and low risk sectors.Including ESG risk in the credit process, credit analysis standards and in management reports within the corporate segment.



The objectives of the business strategy and the main risks of achieving them in the period 2022-2024

Business strategy objectives for 2022-2024		
Objective	Metric	Selected ambitions for 2024
Clients activities and digitalisation	<ul style="list-style-type: none">We will continue to grow the number of primary clients.We continue to work on increasing digital interactions with clients.We improve client self-service.We maintain our position as a strong brand.We are developing our <i>beyond banking</i> offering.	<ul style="list-style-type: none">Primary clients – 2.3 million in the retail segment and 215,000 in the corporate segment.Relational NPS around 29 for individual clients, 51 for entrepreneurs, 45 for medium and large companies and 69 for strategic clients.Moving entrepreneur services from Moje ING to ING Business.
Full regulatory compliance	<ul style="list-style-type: none">We ensure compliance with regulatory requirements.We maintain non-financial risks in line with designated limits.We are working to further automate processes to reduce the occurrence of fraudulent activities.	<ul style="list-style-type: none">A non-financial risk level of no more than 2.4.Risk level Compliance not exceeding 2.4.Timely implementation of all audit recommendations.
Employee motivation and empowerment	<ul style="list-style-type: none">We continue to promote healthy lifestyles.We will conduct a comprehensive review of employee benefits.We will carry out a transformation towards a hybrid working model.We will work on the quality of the succession model.We will continue to promote a strong science and development culture.	<ul style="list-style-type: none">Employee NPS of around 60.OHI score of around 85.Percentage of internal recruitments for management positions around 80%.Recruitment time around 45 days.
Stability, availability and security of IT systems	<ul style="list-style-type: none">We will implement a new central system.We continue to strengthen our cyber security practices.	<ul style="list-style-type: none">Availability of Moje ING and ING Business at a minimum of 99.94%.Percentage of applications migrated to the cloud minimum 50%.Control automation of a minimum of 90%.
Operational efficiency, AI and data management	<ul style="list-style-type: none">We will continue to transform meeting places.We will reduce the volume and cost of handling cash transactions.We will manage and use data effectively.	<ul style="list-style-type: none">200 meeting points.50 cash points at meeting points.The number of clients per FTE of the Operations Division will increase by 15%.The ratio of general and administrative expenses to the average commercial balance will be 10 p.p. lower than in 2021 (2021 = 100%).
ESG	<ul style="list-style-type: none">We will develop a pro-climate offer for clients.We will support clients in their transformation towards sustainable operations.We will continue to nurture diversity and inclusion among employees.We will support local environmental activities	<ul style="list-style-type: none">Maintaining a gender pay gap ratio of no more than 1%.Setting a minimum of one ESG-related goal for 100% of managers and 50% of employees.Allocating PLN 4.5 billion to finance RES and green projects in the corporate area in line with the Environmental Declaration by the end of 2023.

*Based on the updated (implemented in 2022) definition of primary clients for entrepreneurs; the state at the end of 2021, based on the new definition of primary clients would amount to 193 thousand for the corporate segment while it was 158 thousand according to the previous definition.

A full presentation summarising our strategy and plans to 2024 is available at [this link](#).



Our financial goals for 2024

	Indicator	2019	2020	2021	2024 goal
Growth	CAGR* of gross loan portfolio	13.4%	6.5%	16.2%	~9%
	CAGR* of net fee and commission income	2.7%	14.0%	20.7%	>7%
Efficeincy	Cost to Income ratio**	43.1%	44.3%	43.0%	<40%
	Cost of risk margin	54 p.b.	88 p.b.	27 p.b.	<50 p.b.
Stability	Total Capital ratio	16.87%	19.52%	15.08%	>15%
	Loans to deposits ratio	90.7%	82.6%	85.9%	90-95%
Profitability	Return on equity (adjusted for MCFH)	11.6%	7.6%	13.6%	>13%
	Dividend payout ratio	0%	49.6%	-	30-50%

* Annual average in the years 2021-2024; ** Income including the share in the profits of associates

Risks and opportunities related to the implementation of the business strategy in 2022

	Comment
Risk	
COVID-19 pandemic	Risk of further pandemic restrictions in the wake of low vaccination levels and new variants of the coronavirus.
Macroeconomy	Geopolitical risks, in particular the conflict between Russia and Ukraine. Reduced effectiveness of forecasts due to a sharp increase in inflation (which may lead to measures such as interest rate increases, anti-inflation shields).
Labor market limitations	Competition for talents on the labor market. The ambiguity of the new tax system increases wage pressure. Low level of unemployment.
Regulations	Growing burden on the banking sector. Continuation of mediation processes in the area of FX-mortgage loans. Ongoing discussions and implementation of ESG guidelines. Implementation of new, pro-consumer regulations (MIFID, personal data protection). Anti-Money Laundering Requirements.
Technology regulations	New rules for resilience, vendor management and cloud technology.
Cybersecurity / fraud	High dependence on the security and stability of IT systems.
Opportunity	
Clients	<ul style="list-style-type: none">Acquisition of new clients.An increase of the share of primary clients in the overall number of clients.Use of the potential of electronic banking.
Sustainable development	<ul style="list-style-type: none">Increased environmental awareness of the society.Increased access to green energy sources.EU climate neutrality.Access to new technologies.Recovery plan for Europe and distribution of its funds.
Financial results	<ul style="list-style-type: none">Growing business volumes.The impact of interest rate increases on the net interest income.Increased importance of the result on fees and commissions in revenues.Cost effectiveness.



Sustainability Strategy “Our Responsibility”

SDG 3, 4, 7, 8, 10, 11, 13

In 2021, we implemented the Sustainability Strategy “Our responsibility”. We focused on activities under 3 priorities: #ING for entrepreneurship, #ING for equal opportunities, #ING for the climate.

As part of our entrepreneurship activities, we supported Poles in making rational financial decisions so that they could be one step ahead in life and business, and we supported clients in setting up a company and growing their business. We also provided financial education aimed at all age groups. We encouraged employees to be more financially aware.

In pursuit of our equal opportunities objectives, we strive to make our products and services fully accessible. When offering our solutions we paid attention to the needs of all our clients. We also helped them take their first steps into digital reality and safety was our priority. All the time we make sure that everyone feels comfortable with us and can be themselves, because we believe that diversity is strength.

The most important action related to climate action was the announcement of a new Environmental Declaration. But we continue to inspire others and build partnerships on sustainability, circular economy, climate change. We also reduce our negative impact on the environment.

The entire Sustainable Development Strategy for 2021 can be found at this [link](#). A summary of the implementation of the strategy for 2021 is available at this [link](#).



ESG Strategy

SDG 3, 4, 5, 7, 8, 10, 12, 13, 16

In the years 2022-2024, ING Bank Śląski will implement the ESG Strategy as part of its business strategy. The ESG Strategy will replace the Sustainability Strategy.

	Environment (E)	Entrepreneurship and equal chances (S)	Ethics and compliance with regulations (G)
Priorities WE (we act by setting an example)	<ul style="list-style-type: none">• We run sustainable internal administration.• We digitalise processes considering their environmental footprint.• We consider climate factors in our business decisions.	<ul style="list-style-type: none">• We create work environment, where we care for the employees' wellbeing (health, energy, activity and finances).• We support the employees in being enterprising.• We care for diversity and inclusion among the Bank employees.	<ul style="list-style-type: none">• We build ESG awareness and culture among the employees, we develop ESG competences.• We include ESG in the Bank's strategy, its organisational structure, product development processes, risk management, procurement policy and corporate governance.• We adapt to regulations – risk, finances, compliance and client portfolio.
Key goals	Achieving emission neutrality within scope I and II by 2030.	Keeping the Gender Pay Gap at 1% by 2024.	Setting at least 1 ESG-related goal for 100% of managers and 50% of employees by 2024.
Priorities CLIENTS (we inspire and support)	<ul style="list-style-type: none">• We develop a pro-climate product offer for our clients.• We finance sustainable projects.• We support clients in their environmental transformation and in assessment of their business sustainability.	<ul style="list-style-type: none">• We support clients in managing their finances and we educate them how to be enterprising.• We facilitate technological and digital transformation to our business clients.• We facilitate banking to groups at risk of exclusion.	<ul style="list-style-type: none">• We build awareness and understanding of ESG business and regulatory issues among the clients.• We care for our clients' security.
Key goals	Providing PLN 4.5 billion to financing of renewable energy sources and pro-ecological projects in the corporate area, in line with the Green Statement, by the end of 2023.	Full adaptation of Moje ING mobile application, Moje ING online banking system and the Bank's website to the WCAG 2.1 guidelines by 2024.	Achieving the clients' satisfaction of the educational activities at the level of 4/5 by 2024.
Priorities SOCIETY (we build a better world together)	<ul style="list-style-type: none">• We support innovations for climate (grants for startups and scientists).• We support local environmental activities.	We support local social activities.	We share good practices and knowledge as part of our industry cooperation and with our stakeholders. We develop joint solutions.
Key goals	Organizing 6 editions of the grant program and providing PLN 6 million by 2024.	150 voluntary activities, as part of the Good Idea program, carried out with the ING for Children Foundation, 40 Smile Camps in Wisła organised by the Foundation by 2024.	Perception of ING as an active ecosystem facilitator, by organizing cyclical events, including 10 all-Poland conferences in cooperation with NGOs and industry organisations by 2024.



Value creation model

SDG 3, 4, 5, 8, 10, 13

Together with the Management Board and senior leaders, we have developed a detailed value creation model. It is based on the methodology of the International Integrated Reporting Council (as published in 2013). The value creation model is our answer to the questions: what value do we create for clients, shareholders, employees, society and the environment, how do we measure it and how we maximize it. All this is to help us constantly improve the strategic management of our organisation.

Our business model

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

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

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

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

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

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

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

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

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

Electronic and mobile banking are the core interaction channel with both retail and corporate clients. We want our clients to be able to access tools that will support their modern payments and remote handling of simple matters.

We also note the changing role of branch offices. That is why in 2019 we modified our distribution. Therefore, we do not refer to branches any more but to venues where we help in daily banking, in business development and in caring about financial future.

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





Capitals used



Human capital

These are our employees, their knowledge, competences and commitment. It is also our clients cooperating with us in the development of products and services.

How do we manage capital?

We support our employees in development, we give them the tools and the opportunity to use their potential. We also care about diversity and well-being. We introduce new elements of *well-being*. We are with our clients at every stage of their lives and decision-making. We co-create products with them and introduce improvements within the PACE methodology.

Capital as at yearend		
Metric	2020	2021
Headcount (persons)	8,507	8,694
Turnover ratio	6.3%	6.9%
Females in management positions	349	364
Number of primary clients (thousand)	2,076	2,181

Result of processing in 2021

- 493 employees graduated from the AI Academy.
- 62% of employees participated in the OHI Pulse survey in November.
- We acquired 318.8 thousand new retail clients and 74.8 thousand new corporate clients.

An exemplary impact on other capitals

- Impact on financial capital through the remuneration costs incurred.
- Impact on intellectual capital through internal training for our employees and knowledge sharing.
- Impact on environmental capital through internal and external environmental awareness campaigns.



Financial capital

By which we mean the funds entrusted to us by clients, capital provided by shareholders and bondholders and the net result generated by our bank.

How do we manage capital?

We manage financial capital in such a way as to maximize the effectiveness of its use within the defined risk appetite, measured by the ratio of costs to income and return on equity. At the same time, we care for the security of the deposits entrusted to us and meet the requirements of, among others capital and liquidity.

Capital as at yearend		
Metric	2020	2021
Equity (PLN million)	18,618.3	13,531.4
Collected deposits (PLN million)	151,028.5	170,609.9
Subordinated liabilities (PLN million)	2,309.2	1,610.3
Total capital ratio	19.52%	15.08%

Result of processing in 2021

- The cost-to-income ratio was 43.0%.
- ROE (return on equity) was 13.6%.
- Interest expenses amounted to PLN 462.7 million.

An exemplary impact on other capitals

- Impact on human capital through staff salary costs incurred.
- Impact on intellectual capital through costs incurred for training and development activities for employees.
- Impact on environmental capital through the issuance of green bonds.



Intellectual capital

It is our skills and knowledge that we use to create cutting-edge products and services that meet current and future client needs.



Environmental capital

It is the environment that we mainly affect indirectly through the projects we fund. We try to minimise our direct impact.

How do we manage capital?

We organise training, in-house internships. We give access to e-learning. Our employees are speakers at conferences. We work on the basis of our own PACE methodology. We use Agile in the organisation of work..

Capital as at yearend		
Metric	2020	2021
Number of development activities per employee	22	25
Share of employees that took part in at least one development activity	99%	98%
Number of participants in the Internship with the Lion	264	269

Result of processing in 2021

- We have organized over 30 webinars for our clients.
- 4 new people have joined the International Talent Programme.
- We sold 83% of cash loans through remote channels.
- 8.4% of mortgages sold were fixed rate loans.

An exemplary impact on other capitals

- Impact on social capital by creating new products and services tailored to clients’ needs.
- Impact on financial capital by reducing training costs due to the promotion of internal training.
- Impact on human capital by enhancing the competences and skills of employees.
- Impact on environmental capital by creating solutions that have a positive impact on the environment.

How do we manage capital?

We do not agree to destruction of the environment. In 2021 we announced new Green Statement. In this document, we committed ourselves to achieving specific goals in the coming years.

Capital as at yearend		
Metric	2020	2021
Power consumption (MWh)	27,666	25,710
Water consumption (m³)	65,693	40,438
Emissions CO _{2e} (tonnes)	8,588	8,243
Share of recycled waste	100%	100%

Result of processing in 2021

- 100% of agreements with counterparties include a clause relating to respect for the environment.
- 100% of the energy used comes from renewable sources.
- We reduced our carbon emissions by 28.4% compared to 2019.
- We have provided financing for RES to the amount of PLN 302.3 million.

An exemplary impact on other capitals

- Impact on human capital by promoting sustainable transport.
- Impact on financial capital by increasing funding for green projects.
- Impact on intellectual capital by seeking a solution for an urban mobility platform.
- Impact on social capital through the implementation of eco-friendly products for clients.



Social capital

These are relationships with stakeholders in our environment: clients, employees, suppliers, local communities and social and charitable organisations.

How do we manage capital?

We nurture our relationships with all stakeholders. We know that we have a direct impact on our stakeholders, but we also have an indirect impact on those around us, e.g. the families of our employees, the clients of the social organisations we work with, the participants in our partnerships, etc. We engage in dialogue, are open and available in all communication channels.

Capital as at yearend		
Metric	2020	2021
Volunteer hours	1,072	1,045
Number of students in the “Professional Artist” programme	1,280	2,012
Number of ING participants in the “Run Warsaw”	2,962	639

Result of processing in 2021

- We have completed nearly 1,500 preventive examinations for employees as part of the oncological prevention program.
- We have provided over PLN 2.7 million in financial donations.
- 68 teams applied to complete the ING Challenge in partnership with the Exempt from the Theory.

An exemplary impact on other capitals

- Impact on financial capital through the remuneration costs incurred.
- Impact on intellectual capital through internal training for our employees and knowledge sharing.
- Impact on environmental capital through internal and external environmental awareness campaigns.



Our value creation model





Client experience



Fast and intuitive

We enable easy and quick access to your account – it’s available through all channels and on all devices. We facilitate communication with the bank and take into account the needs of people with disabilities.

How we measure it

	2017	2018	2019	2020	2021
Meeting places	357	337	317	290	257
Meeting places with sign language support	100%	100%	100%	100%	100%
Network of cash handling machines	1 081	1 051	1 012	1 001	932
Retail transfers ordered via e-banking	99.75%	99.88%	99.90%	99.94%	99.96%
Share of clients actively using Moje ING	46.9%	49.4%	58.8%	60.5%	63.5%
Average waiting time for a call from a contact centre advisor (seconds)	20	48	65	104	167
Problems solved during the first phone call to the Contact Centre	80%	81%	80%	79%	86%

Dialogue and simple communication

We listen to our clients. Thanks to their feedback, we implement new solutions, products and functionalities in applications and change our facilities. Even banks can write without jargon and official phrases. We write our texts simply, so that the client can quickly understand the content.

How we measure it

	2017	2018	2019	2020	2021
Messages and documents aligned with plain language principles (thousands)*	1.4	2.0	2.5	3.0	12 (prostomat**)
Number of fans on ING Bank Śląski’s Facebook profile (thousand)	214	247	249	254	256
Number of interactions by Contact Centre on Facebook (thousands)	52	78	95	156	140
Number of users visiting ING Community every month (thousands)	80	100	113	139	127

*cumulative number since the beginning of the project; **application simplifying texts

Independence and awareness in elections

We prepare clients for independent and informed financial decisions – this is facilitated by financial education programmes and technological solutions offered by the bank.

How we measure it

	2017	2018	2019	2020	2021
Regular investment disposition (thousands)	82.1	89.4	107.3	109.7	108.4
Number of brokerage accounts (thousands)	70.2	80.4	91.0	133.6	151.1
Number of subscribers on YouTube (thousands)	59	126	195	204	234
Place in the brand survey – “bank for the resourceful and entrepreneurial” indicator	TOP 1	TOP 1	TOP 1	TOP 1	TOP 1
Place in the brand study – indicator “bank to make better financial decisions	TOP 1	TOP 1	TOP 1	TOP 1	TOP 1



Sustainable growth and CSR



We support green investment projects

We support and promote solutions related to environmental protection. We take initiatives to develop and offer new products, support environmentally friendly projects, create environmental awareness and manage environmental and social risks. We help our clients with their energy transition.

How we measure it

	2017	2018	2019	2020	2021
Corporate segment projects reviewed for compliance with the ESR policy	100%	100%	100%	100%	100%
Percentage of total assets that are Taxonomy-eligible	-	-	-	-	23.5%

We reduce our environmental impact

We endeavour to mitigate the adverse impact we have on the environment. We carry out information actions that reduce the consumption of resources and improve pro-ecological awareness and sensitivity of our staff.

How we measure it

	2017	2018	2019	2020	2021
Energy produced in the bank's photovoltaic panels (kWh)	-	-	-	43,270	86,965
Water consumption (m³)	55,541	57,130	58,284	65,693	40,438
Waste recycling rate	99.4%	100%	100%	100%	100%

Social responsibility and financial education

Our activities are primarily aimed at children and young people. They serve the development of entrepreneurship, financial education, as well as local communities.

How we measure it

	2017	2018	2019	2020	2021
Number of teams implementing the ING challenge as part of Exempt from Theory	-	-	-	36	68
Hours devoted by employees to volunteering	-	5,221	7,052	1,072	1,045
Amount of charity donations made by the bank (PLN thousand)	1,041.5	717.0	1,006.9	5,544.6	2,731.7



Risk management and safety



Stability of IT systems and security of transactions

We provide secure and stable IT systems that allow clients to use their finances safely.

How we measure it

	2017	2018	2019	2020	2021
Percentage of employees trained in compliance	97%	98%	98%	97%	99%
Percentage of employees trained in fraud prevention	98%	94%	80%	91%	97%
Average availability My ING	99.65%	99.87%	99.92%	99.91%	99.93%
Average availability of ING Business	99.91%	99.81%	99.83%	100.00%	99.92%
Number of blocked logins to Moje ING on suspicion of fraud attempt	-	-	5,860	13,228	40,744

Personal data security

We ensure the digital and physical security of all data entrusted to us. We educate our clients and employees.

How we measure it

	2017	2018	2019	2020	2021
Substantiated complaints about breaches of client privacy	0	0	0	0	0
Percentage of employees trained in personal data security	100%	99%	97%	97%	99%

Security of funds

Our risk management system includes the continuous identification, measurement and monitoring of the level of risk incurred by the bank to ensure the safety of the funds entrusted to us by our clients.

How we measure it

	2017	2018	2019	2020	2021
Tier 1 ratio	15.77%	14.74%	14.41%	16.91%	13.47%
Total capital ratio	16.71%	15.58%	16.87%	19.52%	15.08%
Share of loans in stage 3 (opening balance 2018 for 2017 column)	3.0%	2.8%	3.0%	3.3%	2.6%
Credit coverage ratio in stage 3 (opening balance 2018 for 2017 column)	59.6%	59.6%	54.1%	60.7%	65.2%
LCR	145%	133%	130%	220%	164%
NSFR	122%	131%	130%	144%	157%



Committed employees and a strong employer



Reliable employer

We create a friendly, flexible and diversity-friendly workplace. We care about well-being. We regularly ask employees about their job satisfaction.

How we measure it

	2017	2018	2019	2020	2021
Ratio of remuneration of entry-level employees to the market	143%	125%	119%	114%	120%
Retention rate of workers after returning from parental leave	99.0%	99.7%	98.9%	99.3%	99.6%
Percentage of women in management positions	52%	52%	51%	49%	48%
Redundancy of employees in the Employee Pension Programme	70%	77%	77%	77%	75%

Culture of innovation and staff development

We encourage our employees to experiment when creating and developing products. We also involve our clients in this in line with the PACE approach. We care about the competences of our employees, we provide tools and development opportunities.

How we measure it

	2017	2018	2019	2020	2021
The percentage of employees took part in at least one development activity	-	-	97%	99%	98%
Percentage of employees who took part in annual interviews	97%	96%	93%	94%	96%
Number of employees who participated in internal internships	170	180	151	102	47
Number of participants in the Internship with the Lion	131	331	530	264	269



Stability and predictability



Consistent and stable development

We are consistently implementing our business strategy. We are focused on increasing the number of clients and business volumes, which translates into an increase in our market share.

How we measure it

	2017	2018	2019	2020	2021
LTD ratio	83.8%	87.6%	90.7%	82.6%	85.9%
Value of granted mortgage loans (PLN billion)	6.7	8.5	11.4	11.4	16.4
Value of cash loans granted (PLN billion)	2.9	3.5	4.1	3.1	5.1
Market share in factoring turnover	15.1%	13.0%	12.7%	12.8%	14.7%
Market share in value of leasing agreements concluded	5.5%	5.6%	6.5%	5.7%	7.1%
Market share in loans	7.3%	8.0%	8.8%	9.3%	10.3%
Market share in deposits	8.7%	9.1%	9.3%	9.6%	10.0%

Predictable results

We take care of the capital entrusted to us and try to ensure that it is allocated efficiently. We work to deliver medium to long-term returns that satisfy our capital providers.

How we measure it

	2017	2018	2019	2020	2021
Interest margin	2.88%	2.92%	2.95%	2.63%	2.58%
Cost/income ratio	44.8%	44.5%	43.1%	44.3%	43.0%
Cost of risk margin	0.50%	0.52%	0.54%	0.88%	0.27%
Return on equity (ROE)	12.7%	12.5%	11.6%	7.6%	13.6%



Business segments

We divide our business activities into two segments – the retail banking segment and the corporate banking segment. Other areas of activity, including e.g. treasury activities, are allocated between these two segments. Individual clients are served in the retail banking segment. As part of the corporate banking segment, we provide services to entrepreneurs and companies run on the basis of full accounting. We divide the corporate banking segment into three groups of clients, which depend on the value of the annual turnover – as per the diagram below:



Entrepreneurs up to EUR 1.2 million



MID and BIG companies up to EUR 125 million



Strategic clients above EUR 125 million





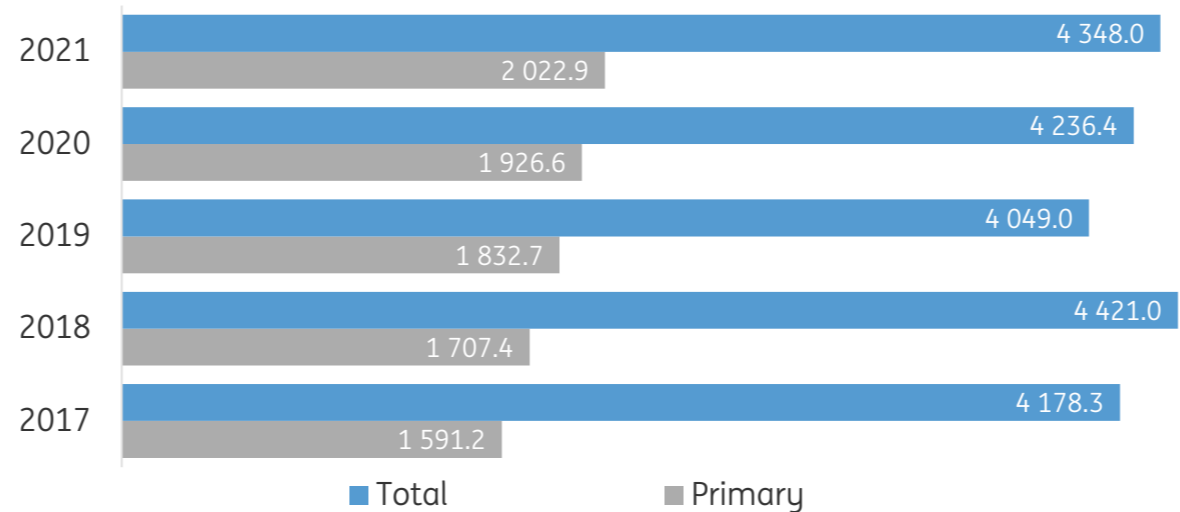
Retail segment

Within the retail segment, we serve individual clients – we already have 4.3 million of them, of which 2.0 million are primary clients, for whom we are the bank of first choice.

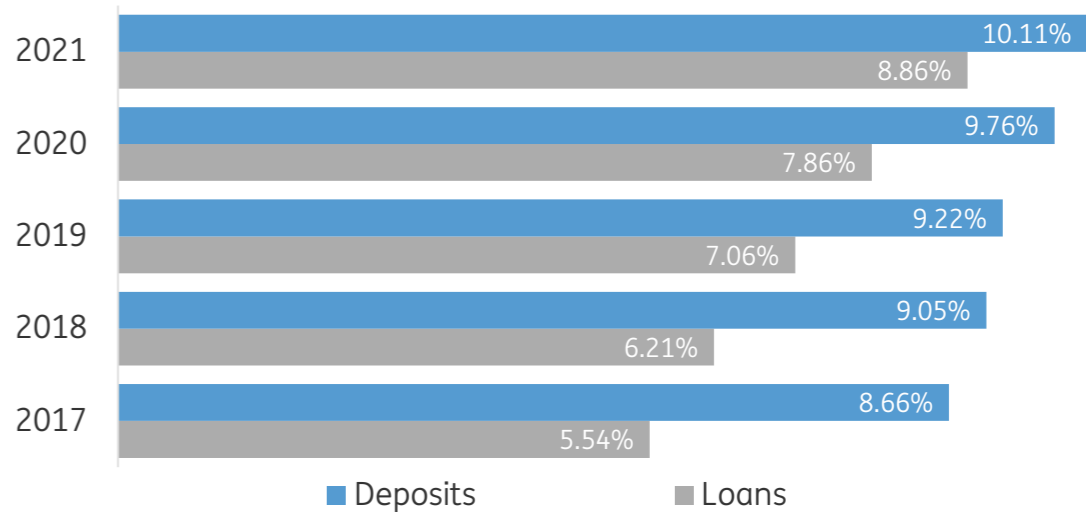
Commentary on segment results

Retail segment gross profit was higher in 2021 by PLN 656.0 million (+88.8% y/y), mainly due to a decrease in risk costs by PLN 451.9 million (-77.1% y/y), including lower costs of provisions for legal risk of foreign currency mortgages (PLN 56.4 million in 2021 against PLN 270.3 million in 2020). Another important factor contributing to the improvement in gross profit is net interest income (up by PLN 275.5 million, +11.3% y/y) due to, among other things, higher loan volumes. Net fee and commission income also recorded positive dynamics (higher by PLN 98.0 million, +21.3% y/y) due to the higher activity and transaction volume of our clients and the insurance products offered. Operating expenses were higher than in the previous year (by PLN 104.0 million, +7.2% y/y) due to, among other things, higher salary costs. Due to the increase in segment assets, bank tax was also higher by 18.1% y/y (up by PLN 35.6 million).

Number of clients (thousand)



Market shares



Profit and loss account (PLN million)					
	2019	2020	2021	y/y (PLNm)	r/r (%)
Net interest income	2,309.9	2,439.9	2,715.4	+275.5	+11.3%
Net fee and commission income	417.9	460.0	558.0	+98.0	+21.3%
Other revenue*	71.9	61.5	31.6	-29.9	-48.6%
Revenue	2,799.7	2,961.4	3,305.0	+343.6	+11.6%
General and administrative expenses	-1,323.9	-1,439.6	-1,543.5	-103.9	+7.2%
Income before risk costs	1,475.8	1,521.8	1,761.5	+239.7	+15.8%
Risk cost*	-193.6	-586.3	-134.4	+451.9	-77.1%
Bank levy	-167.3	-196.4	-232.0	-35.6	+18.1%
Gross profit	1,114.9	739.1	1,395.0	+656.0	+88.8%

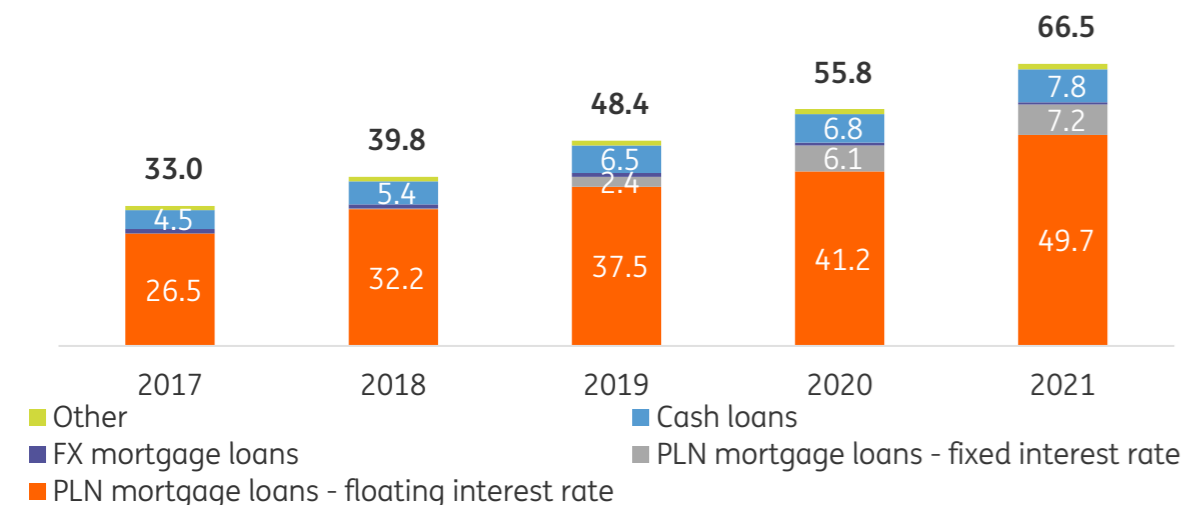
Balance sheet and key indicators (PLN billion)					
	2019	2020	2021	y/y (PLNbn)	r/r (%)
Total Assets	67.9	83.1	92.0	+9.0	+10.8%
Amounts due from clients (gross)	48.4	55.8	66.5	+10.7	+19.1%
Liabilities to clients	79.0	90.5	99.4	+8.9	+9.8%
Loans to deposits	60.3%	60.5%	65.9%	-	+5.4 p.p.
Costs to income	47.3%	48.6%	46.7%	-	-1.9 p.p.
Cost of risk margin	0.44%	1.12%	0.22%	-	-90 b.p.

* Including share of profit of associates; **Including legal costs of foreign currency mortgage loans



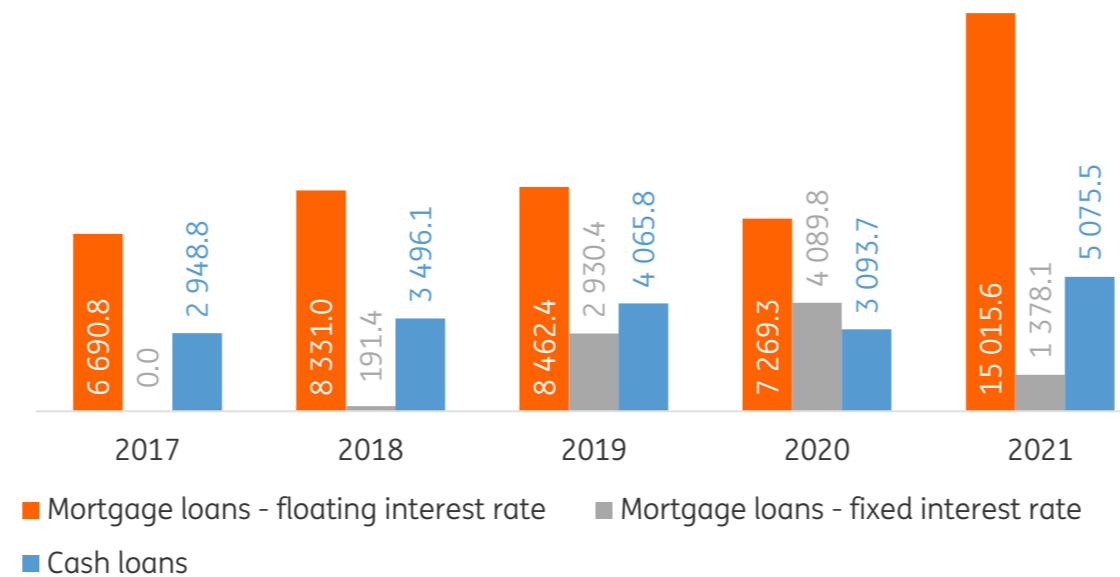
Retail segment

Gross receivables portfolio from segment clients by product (PLN billion)



As at 2021 yearend, the total value of gross receivables from retail clients grew by 19.1% y/y up to PLN 66.5 billion. The main category that contributed to the growth of this portfolio were PLN mortgage loans (up by +20.4% y/y). Foreign currency loans in foreign currencies decreased by 21.3% y/y. The decline was driven by natural amortisation of the portfolio and higher legal risk provision (at the end of 2021, the adjustment amounted to PLN 345.6 million compared to PLN 300.0 million as at 2020 yearend). Those two effects were partly offset by the depreciation of Polish Zloty. The cash loan portfolio grew by 15.4% y/y, faster than in 2020 due to higher sales of these loans in 2021 (+64.1% y/y).

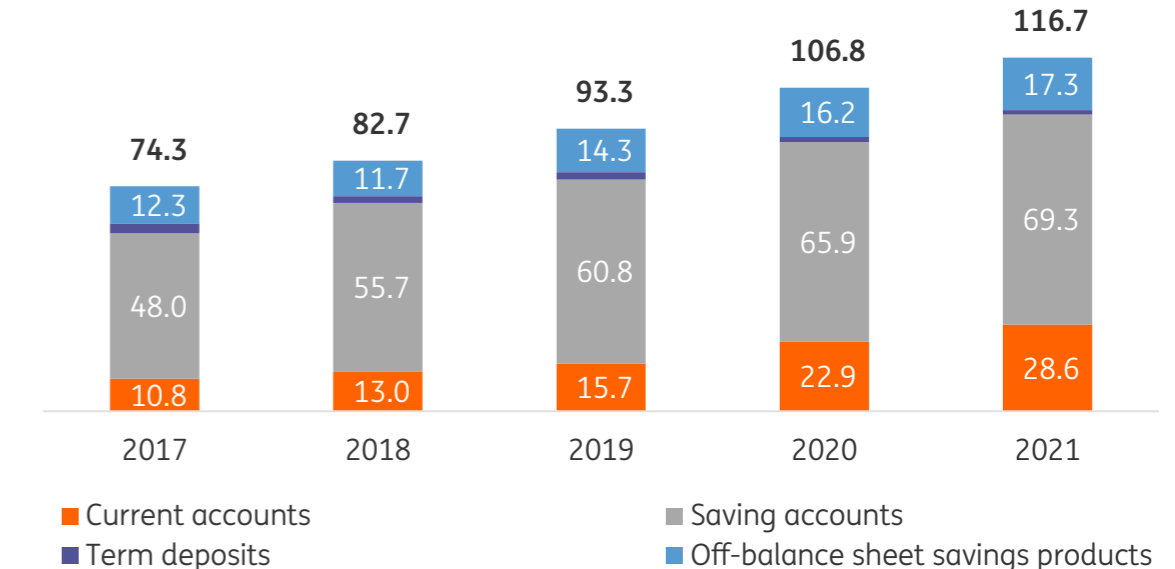
Retail credit sales (PLN million)



In 2021, we granted a total of PLN 16.4 billion in mortgages (up by 44.3% y/y). This allowed us to maintain second place in the market in terms of new sales with a market share of 19.6% (19.2% a year earlier). In 2021, sales of temporarily fixed-rate mortgages reached PLN 1.4 billion and accounted for 8.4% of total mortgage sales (PLN 4.1 billion and 36% in 2020, respectively). Our clients are increasingly choosing the EKO mortgage offer – in 2021 we granted loans in this product variant with a total value of PLN 1.8 billion (PLN 0.7 billion the year before).

In 2021, we granted PLN 5.1 billion in cash loans to natural persons, up by 64.1% y/y. This increase was due to higher demand from clients as well as a reduction in the tightening of this product, which the bank introduced during the COVID-19 pandemic outbreak in 2020. We sold 83.1% of these credits through the online channel (79.4% in 2020), which translated into a saving of 3.9 million sheets of paper in 2021.

Segment's portfolio of liabilities to clients by product (PLN billion)



The portfolio of on-balance sheet liabilities to retail clients increased by 9.9% y/y to PLN 99.4 billion. Current accounts recorded the highest y/y growth (+24.9% y/y to PLN 28.6 billion). Funds held in savings accounts grew at a slower pace (+5.1% y/y to PLN 69.3 billion), while term deposits fell (-11.4% y/y to PLN 1.5 billion). Thus, current accounts gained in importance within the portfolio of balance sheet commitments to retail clients (28.8% of the portfolio as at 2021 yearend compared to 25.3% a year earlier), which contributed to improving (lowering) the bank's cost of funding.

Off-balance sheet products include brokerage services and the sale of funds managed by TFIs. At the end of 2021, savings accumulated in our clients' brokerage accounts amounted to PLN 5.4 billion (+18.5% y/y), and our clients' savings accumulated in TFIs amounted to PLN 12.0 billion (stable y/y).



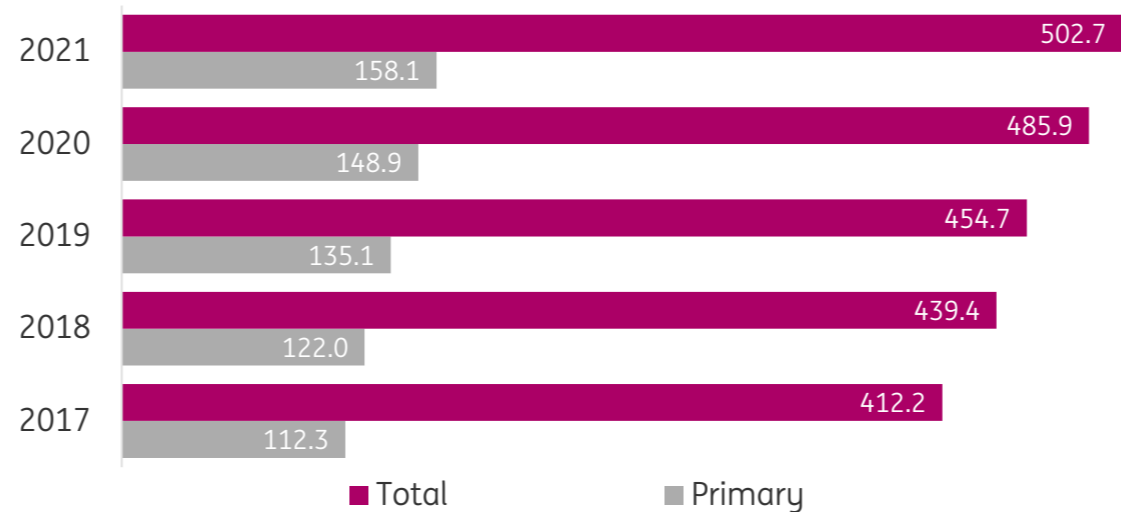
Corporate segment

Within the corporate segment, we serve corporate clients, of which we had 502,700 as at 2021 yearend, of which 158,100 were primary clients for whom we are the main bank.

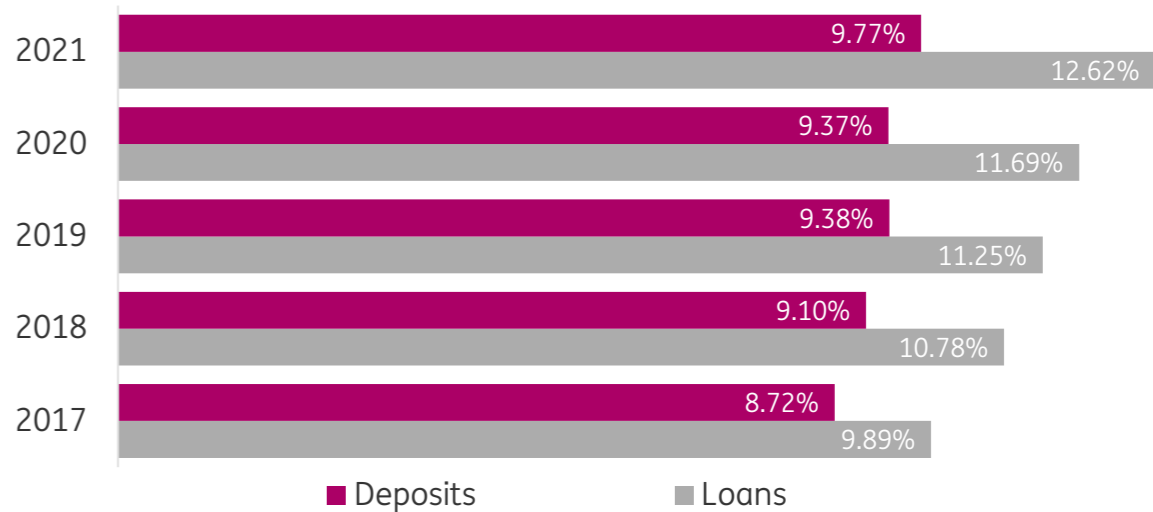
Commentary on segment results

The gross profit of the corporate segment was higher in 2021 by PLN 447.6 million (+38.2% y/y), mainly due to lower risk costs by PLN 250.6 million (-51.3% y/y), including a slightly positive impact from changes in macroeconomic assumptions in the models (PLN 9.0 million in 2021 against a negative impact of PLN 242.5 million in 2020). As a result of growing business volumes and higher activity and transactional volumes, segment revenue increased significantly (by PLN 322.6 million, +9.9% y/y). Particularly noteworthy is the net fee and commission income, which increased by PLN 218.4 million (+20.4%) compared to 2020, due in part to the strong improvement in foreign exchange transactions and client account maintenance. The segment’s operating expenses were higher than in the previous year (by PLN 98.0 million, +7.4% y/y) due to, among other things, higher salary costs. Due to the increase in segment assets, bank tax was also higher by 9.6% y/y (up by PLN 27.5 million).

Number of clients (thousand)



Market shares



Profit and loss account (PLN million)					
	2019	2020	2021	y/y (PLNm)	y/y (%)
Net interest income	2,015.2	2,101.9	2,254.3	+152.4	+7.2%
Net fee and commission income	922.6	1,068.4	1,286.8	+218.4	+20.4%
Other revenue*	58.9	99.0	50.8	-48.2	-48.7%
Revenue	2,996.7	3,269.3	3,591.9	+322.6	+9.9%
General and administrative expenses	-1,173.5	-1,322.9	-1,421.0	-98.0	+7.3%
Income before risk costs	1,823.2	1,946.4	2,171.0	+224.5	+11.5%
Risk cost	-411.9	-488.6	-238.0	+250.6	-51.3%
Bank levy	-268.4	-285.2	-312.7	-27.5	+9.6%
Gross profit	1,142.9	1,172.7	1,620.2	+447.6	+38.2%

*Including share in profit of associates

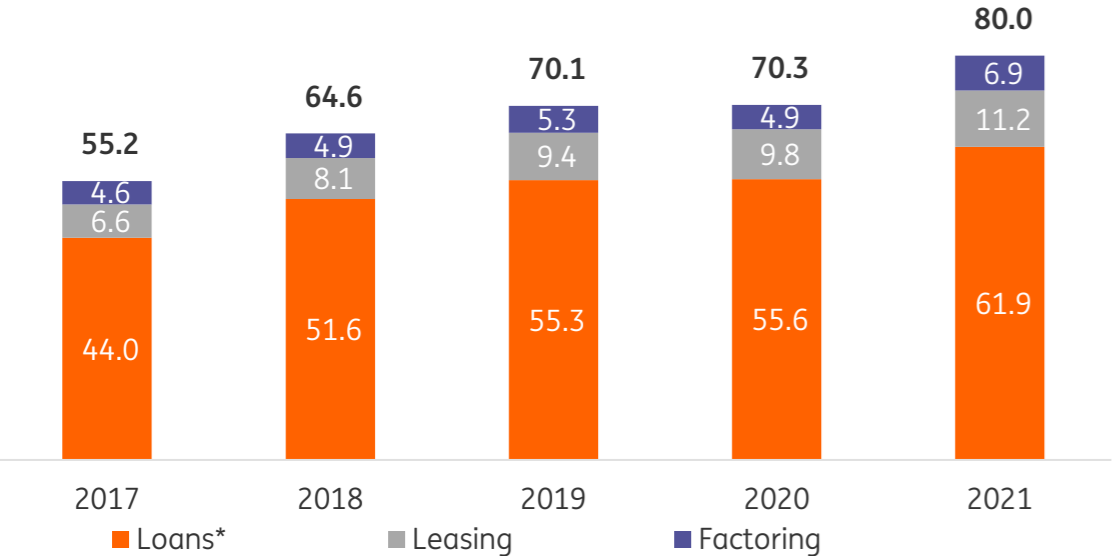
Balance sheet and key indicators (PLN billion)					
	2019	2020	2021	y/y (PLNbn)	y/y (%)
Total Assets	88.8	101.7	106.4	+4.5	+4.6%
Amounts due from clients (gross)	70.1	70.3	80.0	+9.7	+13.8%
Liabilities to clients	49.9	58.8	69.0	+10.3	+17.5%
Loans to deposits	137.2%	115.9%	112.8%	-	-3.1 p.p.
Costs to income	39.2%	40.5%	39.6%	-	-0.9 p.p.
Cost of risk margin	0.61%	0.69%	0.32%	-	-37 b.p.

*Including loans measured at fair value



Corporate segment

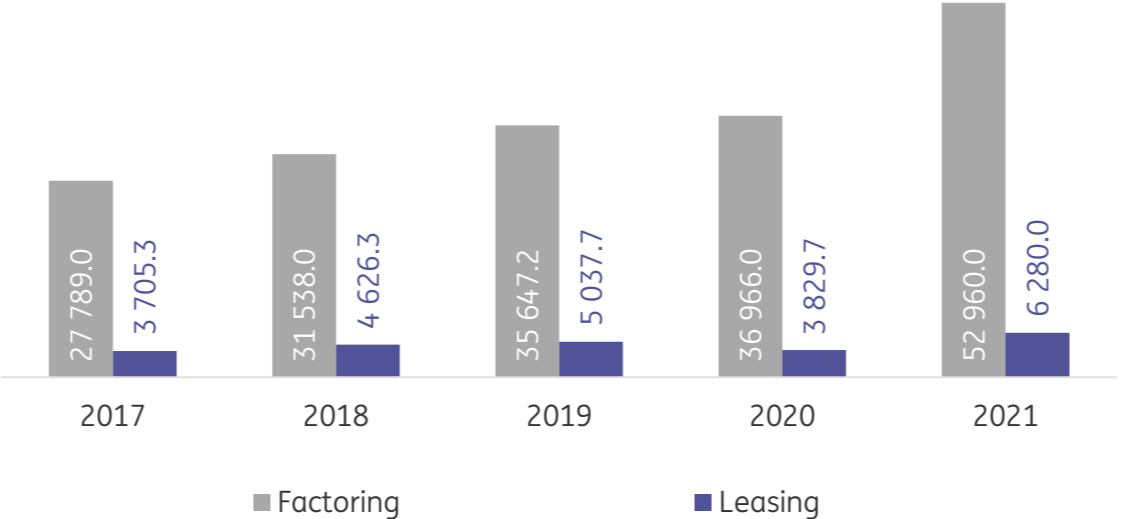
Gross receivables portfolio from segment clients by product (PLN billion)



*Including loans measured at fair value

As at 2021 yearend, total gross receivables (including loans at fair value) from corporate segment clients increased by 13.8% y/y to PLN 80.0 billion. The loan portfolio grew by 11.4% y/y (by PLN 6.3 billion to PLN 61.9 billion) – all three client groups recorded growth relative to 2020. The leasing receivables portfolio increased by 13.7% y/y to PLN 11.2 billion (mainly due to the portfolio of small and medium-sized companies). The factoring portfolio, on the other hand, grew by 41.9% y/y to PLN 6.9 billion (portfolios of small and medium-sized companies and strategic clients were responsible for the increase).

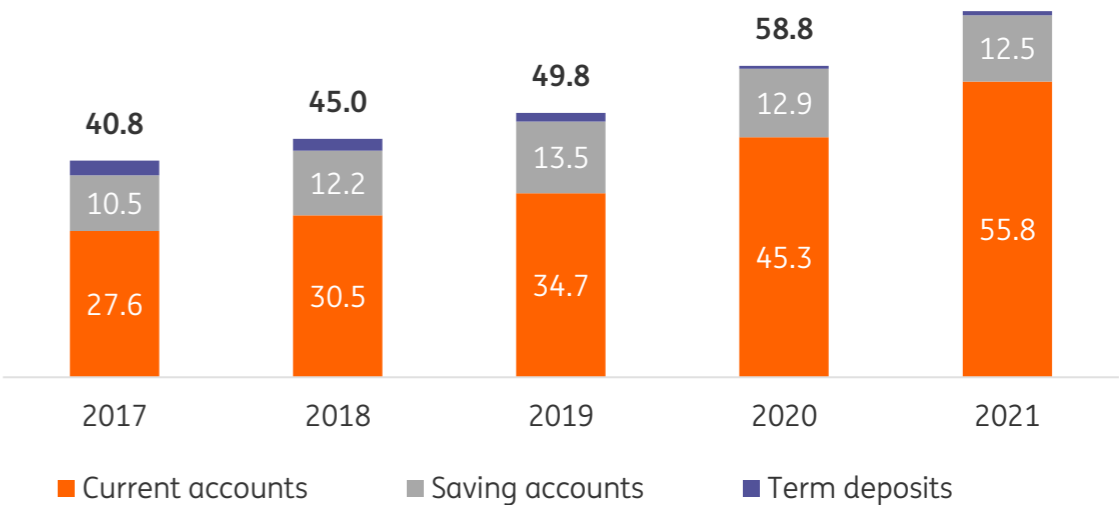
Turnover in factoring and leasing sales (PLN million)



Factoring turnover in 2021 was PLN 53.0 billion, 43.3% higher than in 2020. Each successive quarter of 2021 was better than the previous one. Turnover in 2021 allowed us to achieve 14.7% market share. The number of our factoring clients increased by 49% y/y to 8,200. In 2021, we bought 3.9 million invoices – 19% more than last year.

Sales of leasing products amounted to PLN 6.3 billion in 2021, 64.0% higher than a year earlier. Each of the quarters in 2021 was better than the strongest fourth quarter in 2020. Our market share in sales of leasing products was 7.1% in 2021 (5.7% in 2020). The number of leasing clients is 36 thousand. (+6.5% y/y).

Segment’s portfolio of liabilities to clients by product (PLN billion)



The funds deposited by our corporate clients as at the end of 2021 amounted to PLN 69.0 billion and were by 17.5% higher than at the end of the previous year. The most significant part of liabilities towards this group of clients are funds accumulated on current accounts (81% against 77% the year before). This was conducive to improving the bank’s cost of funding.

Funds collected on current accounts increased by 23.3% y/y to PLN 55.8 billion, with the strongest growth in current accounts of small and medium-sized companies (+26.7%), and to a lesser extent current accounts of entrepreneurs (+19.6%) and strategic clients (+17.9%).

Funds accumulated in savings accounts fell by 3.5% y/y to PLN 12.5bn, mainly due to the outflow of funds accumulated by small and medium-sized companies (-5.8% y/y) and strategic clients (-48.0%). On the other hand, funds accumulated by entrepreneurs increased y/y (+4.3% y/y).



The environment in which we operate

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The environment in which we operate is very complex. As a capital group, we interact with a wide range of stakeholders. It is therefore very important for us to manage our relations with the environment. In this chapter you will find information on how we approach this, our presence in the capital market, what characterises the current economic situation and what our economists expect in this respect. Managing the relationship with the environment.

Relationship management

GRI [102-40] [102-42] [102-43]

Our activities have an impact on clients, employees, shareholders, vendors and the wider social environment. We



are aware that our stakeholders' expectations are different. In our daily work, we work to respond to these different expectations. We ensure that our bank communicates in a professional yet straightforward manner with both the internal and external environment. We use specialised tools to develop the best practices of cooperation and dialogue with stakeholders.

We operate with awareness of and respect for international standards – the Universal Declaration of Human Rights and the UN Global Compact. We also apply the Principles of Good Banking Practice – we ensure equal treatment of all shareholders and attach importance to broad access to information and effective communication with capital market participants.

All our stakeholder groups are important from the perspective of business strategy, sustainability strategy, direct and indirect impacts of the organisation. We give a strategic dimension to the topics that are most relevant to them. This enables us to implement them effectively and quickly. Our stakeholders were identified during the production of the 2011-2012 CSR report. Since

that time no changes have been made to the identification of stakeholders and at the workshop with employees in 2019 we decided that no changes were necessary in our map of stakeholders.

Communication with the environment is a key element of our core business. It is also a natural consequence of the bank's social activity and the important role we play in local communities. In our dialogue with stakeholders we apply both highly parametrised tools (satisfaction surveys, audits) and daily contacts.

Clients

Clients are one of our most important stakeholder groups, because without them our organisation would not exist. Their opinions and needs are extremely important to us, so we collect them on an ongoing basis, analyse them and try to implement them into our products and services (the so-called voice of the client). Satisfaction surveys and other surveys e.g. NPS and FCR are conducted on a continuous basis. Our clients can contact us through various communication channels.

Investors, analysts and rating agencies

We are committed to equal treatment of all shareholders and attach importance to broad access to information and effective communication with capital market participants. We maintain regular contact and hold quarterly (and, due to the prevailing pandemic, virtual) meetings with management on the occasion of the publication of financial results. More information about our bank's investor relations can be found on [our website](#).

Media

We contact the media, including by answering questions on an ongoing basis, distributing press releases and initiating meetings. More information about the press office is available on [our website](#) (Polish link).

Employees

We learn about employee opinions and evaluations through, among other things, the Organisational Health Interview (OHI) survey (conducted every 18 months, up to every two years) and the Pulse Check survey (once or



twice a year). On the intranet, employees discuss via the community and blog with the CEO. We also organise anonymous chats with board members, where any employee can ask a question, which is answered every time. The interests of employees and their rights are represented by the employees' organisations – the employees' council and the trade unions. The employee council provides information and consults on the issues most important to employees.

ING volunteers

Communication with ING Volunteers is very important to us. Daily we use all tools available at the Bank – Intranet, communities, "Good Idea" (Dobry Pomysł) platform. We conduct a survey once a year. Every year, the ING for Children Foundation organises dedicated training for volunteers. Ongoing dialogue is an element which enhances the employees' commitment to local projects and actions. In 2021, most training and communication took place online.

NGOs

Communication with NGOs is very important to us. We keep in touch with them through a variety of tools. We invite you to meetings, enter into partnerships, engage in joint initiatives. In addition, we make financial and in-kind charitable donations to NGOs every year.

Academic environment

The academic community, especially students, is a very important stakeholder for us. We organise meetings with students and participate in initiatives organised for them. Every year we also organise an Internship with the Lion aimed at students who want to develop their career in banking. We are present at universities, among other things through our Ambassadors among students.

Vendors

The evaluation of vendor cooperation is examined once a year. Since 2018, we have introduced additional extended surveys in the area of social responsibility.

Our presence on the capital market

Investor relations

ING Bank Śląski S.A. strives after the highest standards of capital market communications. The Bank pays particular attention to reliable and transparent information and to equal treatment of all stakeholders as well as observes all the laws regarding disclosure duties of listed companies. These tasks, among others, are carried out on the basis of principles of corporate governance [information policy](#) (described in more detail in chapter [ING Bank Śląski S.A. Management Board report on observance of principles of corporate governance](#)).

Important financial and business information in the form of financial reports, current reports, investor presentations and editable files with key Bank data are presented to the broad capital market. The Investor Relations Bureau is responsible for investor, share analyst and rating agency's communications



Contact details to the Investor Relations Bureau

e-mail: investor@ing.pl | phone : +48 (22) 820 44

In 2021, representatives of the Management Board and the Investor Relations Office participated in individual and group meetings with investors and also attended key investor conferences.

As a rule, open meetings for investors, analysts and journalists are organised by the Investors Relations Bureau and Press Office once a quarter, at the quarterly report publication date. Due to the COVID-19 pandemic, the conferences organised in 2021 were only broadcast over the Internet (without the possibility of physical attendance at the bank's premises as before the outbreak of the pandemic). Conference participants invariably had the opportunity to ask questions via the broadcast website or by contacting the Investor Relations Bureau's e-mail address directly. Recordings of our conference broadcasts are available for viewing on the website of the Investor Relations Bureau.

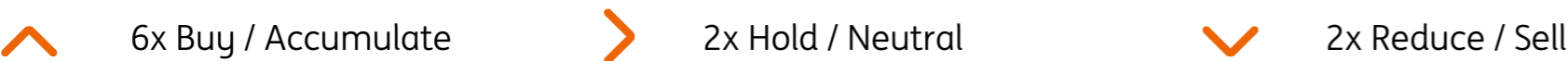
The Bank pays a lot of attention to the quality of communication with stakeholders through its website via [our website](#). The website offers up-to-date information such as shares quotations on the WSE, company shareholding structure, General Meetings, dividend payout track or ratings. Current, interim and annual reports, results presentations, Excel sheets with key financial and business information are also published on the website. The website has been designed in the RWD technology, so it is adjusted to mobile devices – tablets and smartphones.



Our bank is one of the companies that are watched and analysed by the market. As at 2021 yearend, analysts representing 10 domestic and foreign financial institutions published reports and recommendations for the ING Bank Śląski's shares.

On the website of the Investor Relations Bureau and in a separate Analyst tab (located [at this address](#)), the Investor Relations Bureau constantly updates the list of recommendations issued by analysts along with the average target price and market consensus based on average expectations.

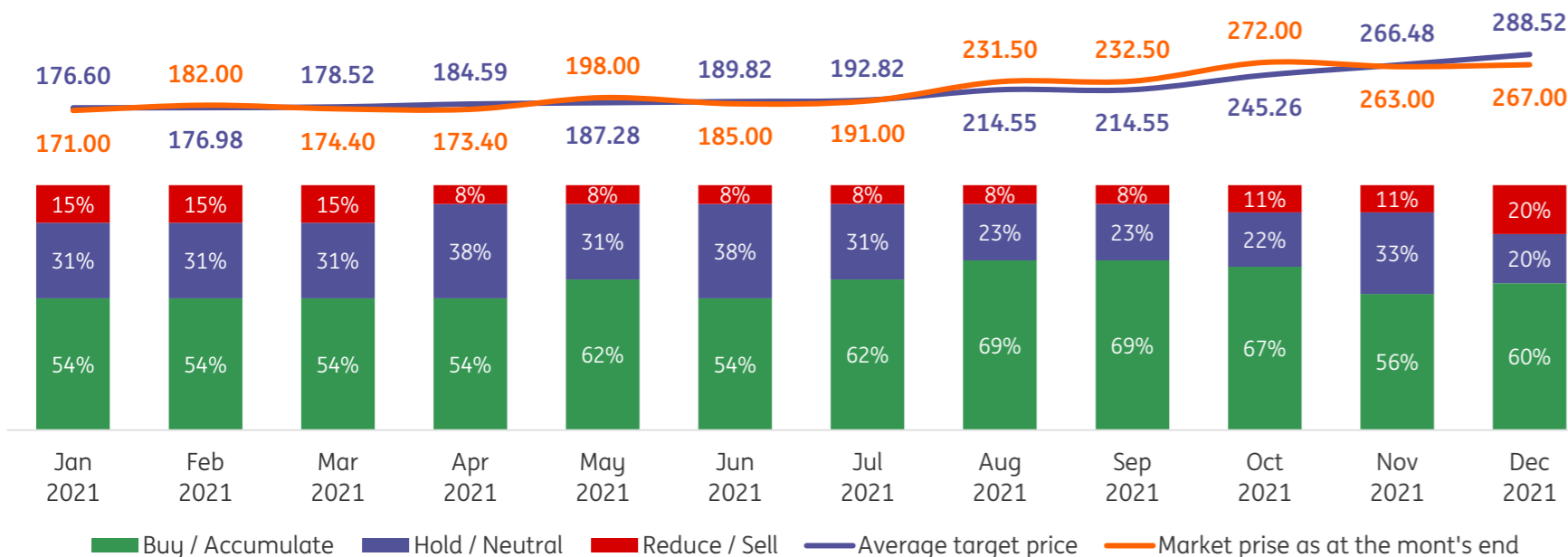
Structure of share recommendations for ING Bank Śląski S.A. as at 31 December 2021



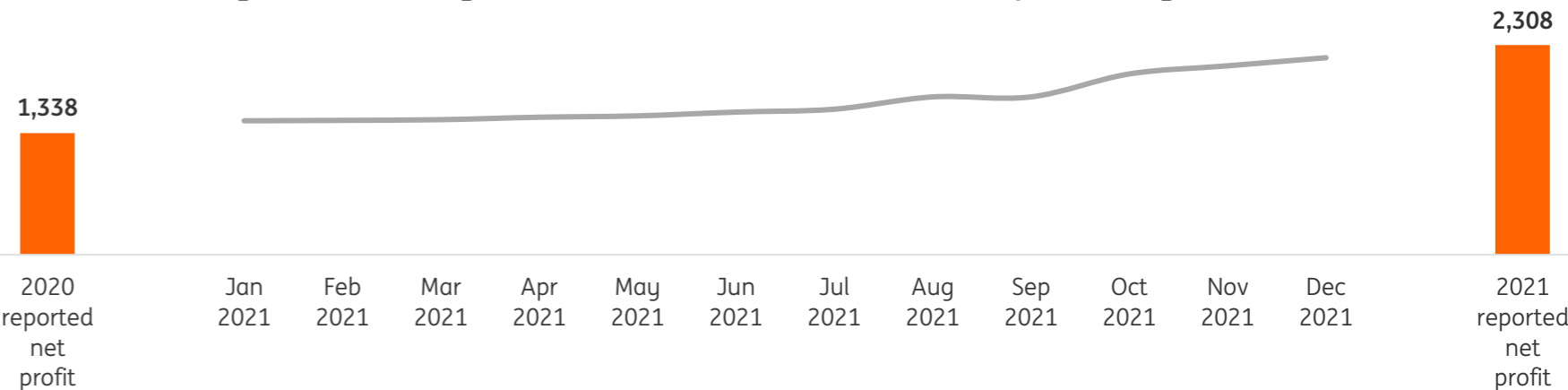
Average target price for ING Bank Śląski S.A.'s shares as at 31 December 2021

PLN 288.52

Structure of share recommendations and average target price over 2021



Expectations of analysts concerning consolidated result of ING Bank Śląski throughout 2020 (PLN million)



Share price

In 2021, the price of ING Bank Śląski shares on the WSE fluctuated from PLN 167.2 to PLN 282.0. On 30 December 2021, the share price of our bank at the close of the session was PLN 267.0, i.e. it was 56.1% higher than on the last trading day of 2020 (the average price weighted by the trading volume was PLN 277.6867 as at 30 December 2021 and PLN 171.0374 a year earlier). For comparison, the WIG-banks sector index increased by 81.3% at that time.

As at 2021 yearend, the market value of our bank was PLN 34.7 billion, while the book value of the bank's capital group was PLN 13.5 billion.

Our Bank has been listed in the WIG (current share in the index 2.3694%), mWIG40 (current share 9.7038%) and WIG-ESG (current share 2.0845%) indices since their beginnings. Our shares are also part of the WIG-banks index (estimated share 8.769% at the last session in 2021 and 9.926% a year earlier).

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

	2018	2019	2020	2021
WIG	2.0300%	2.2023%	1.8181%	2.3694%
mWIG40	9.9700%	9.9998%	9.7038%	9.9999%
WIG-ESG	-	-	2.0845%	3.3669%



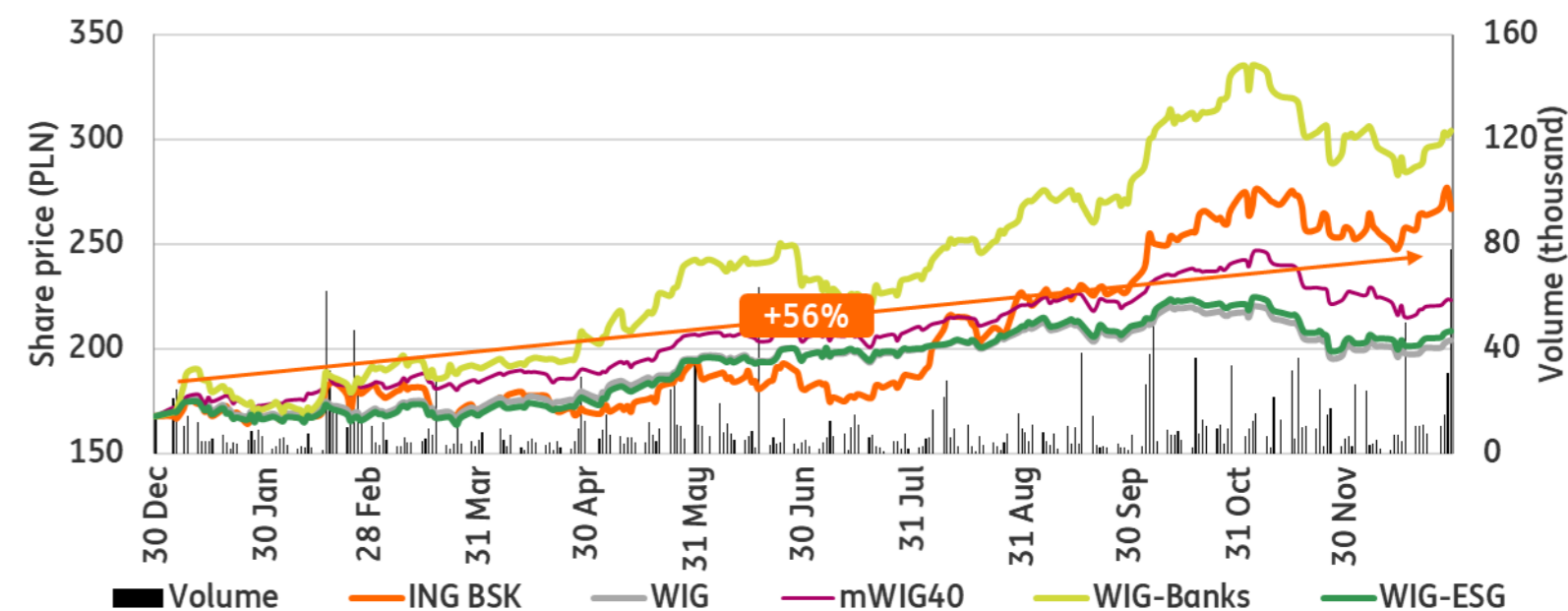
ING Bank Śląski S.A. shares data

	2018	2019	2020	2021
Share price as at the yearend (PLN)	180.0	202.5	171.0	267.0
Top share price (PLN)	221.5	204.5	207.0	282.0
Bottom share price (PLN)	160.6	180.0	102.6	167.2
Turnover weighted average spread (basis points)	36	35	43	43
Yearend capitalization (PLN billion)	23.4	26.3	21.8	34.7
Number of shares	130,100,000	130,100,000	130,100,000	130,100,000
Total number of transactions	52,863	39,974	88,567	60,865
Number of block trades	7	3	0	2
Average number of transactions per session	214	161	351	242
Trading volume	2,892,622	1,949,283	3,799,640	2,404,219
Average trading volume per session	11,711	7,860	17,078	9,579
Market makers' share in turnover	6.39%	9.85%	12.41%	8.78%
Dealers' share in turnover	13.00%	11.93%	3.50%	2.50%
Earnings per share in PLN	11.71	12.75	10.3	17.7
Share book value (PLN)	102.40	117.01	143.1	104.0
Dividend paid per share in the year (PLN)	3.20	3.50	0.00	5.10
P/E ratio (x)*	15.3	15.9	16.6	15.0
P/B ratio (x)*	1.8	1.7	1.2	2.6

*ratio computed based on the share price at a given yearend

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

ING Bank Śląski S.A. share quotations in 2021 versus comparable selected WSE indexes



ING Bank Śląski S.A. ratings

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

Fitch Ratings Ltd.

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



Fitch Ratings Ltd.	
Long-Term IDR	A+
Outlook for sustaining the rating	Stable
Short-Term IDR	F1+
Viability rating	bbb+
Shareholder Support Rating	a+
National Long-Term Rating	AAA (pol)
Outlook for sustaining the above rating	Stable
National Short-Term Rating	F1+ (pol)

In the press release published by Fitch on 01 December 2021, as part of the annual review, the Agency sustained the ratings for ING Bank Śląski SA

The outlook on the entity’s long-term rating is Stable and was changed from Negative. Fitch indicated that this follows directly from a similar change in the rating outlook for the bank’s parent company, ING Bank N.V. The perspective of the long-term rating on the national scale is Stable.

In addition, Fitch has withdrawn the Support Rating assigned and introduced a Shareholder Support Rating (at a+) as a result of the November 12, 2021 update to the methodology for assigning credit ratings to banks.

Moody’s Investors Service Ltd.

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

Moody’s Investors Service Ltd.	
LT Rating	A2
ST Rating	P-1
Baseline Credit Assessment (BCA)	baa2
Adjusted Baseline Credit Assessment (Adjusted BCA)	baa1
Outlook	Stable
Counterparty Risk Assessment (CR Assessment) long-term/ short-term	A1 (cr) / P-1 (cr)
Counterparty Risk Rating (CR Rating)	A1 / P-1

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

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

ING Bank Hipoteczny S.A. ratings

Moody’s Investors Service Ltd.

Moody’s Investors Service (the Agency) assigns ING Bank Hipoteczny S.A. a full rating. On 13 July 2021, as a result of the Agency’s revised methodology for assessing risks to highly integrated entities, ING Bank Hipoteczny’s long-term ratings were upgraded. As of the date of signature of the 2021 Annual Report, the rating of ING Bank Hipoteczny assigned by the Agency is as follows:



Moody's Investors Service Ltd.

LT Counterparty Risk	A1
ST Counterparty Risk	P-1
LT Issuer Ratings	A3
ST Issuer Ratings	P-2
Outlook	Stable
Long-term/ short-term CR Assessment	A1 (cr) / P-1 (cr)

As a result of its assessment, the Agency concluded that it is likely that the parent company – i.e. ING Bank Śląski S.A. - in a stressful situation may change its priorities in fulfilling its obligations in a way that is detrimental to ING Bank Hipoteczny is small. In addition, the Agency highlighted in its announcement that ING Bank Hipoteczny’s current rating reflects:

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

Responsibility in the supply chain

GRI [102-9] [308-1] [403-7] [414-1]

Professional management of relations with vendors rely on review of comprehensive information on vendors. In the Vendor Management process which includes the establishment and maintenance of relations, we set the following goals:

- a coherent vision and strategy for cooperation with the bank’s vendors,
- risk mitigation in cooperation with vendors.

- covering vendors with a uniform management process, including comprehensive management information on vendors.

Centre of Expertise Procurement creates and maintains standards of cooperation with vendors, sets goals and responsibilities of participants in the process. Vendor qualification is a major element in vendor management.

In compliance with the Procurement Policy, in 2021 we continued activities related to vendor classification. The process mitigates the risk of cooperation with vendors that may be involved in undesirable criminal, financial and economic activity, including such as are characteristic for bribery and corruption, or such that have an uncertain financial, social or environmental situation.

As at 2021 yearend, out of 725 vendors in the purchasing area, 701 vendors had positive qualification status which gives us 97% of qualified vendors.

Vendors are verified on the basis of set criteria in compliance with the ethical values and principles as set forth in the bank’s mission and strategy.

The vendor qualification process covers:

- company identification in a credit information agency, verification of their financial condition,
- verification on control lists,
- verification for negative press,
- verification concerning the policies on counteraction to financial and economic crime, on counteraction to bribery and corruption and on environmental and social policies.

90% of the vendors the bank cooperates with come from Poland. The remaining 10% are foreign vendors. In 2021 alone, we completed 420 procurement processes.

An approach guaranteeing compliance with the vendor code is a major aspect in vendor qualification. Vendors who declare compliance with the Vendor Code (the Code is available on [our website](#)) thereby commit themselves to complying with the basic standards. The key standards include: observing the applicable laws in relations with the employees, including the employees’ rights, as well as respecting their personal dignity, privacy, and individual rights. Vendors should also provide their employees with safe and harmless workplace in health terms and consider environment protection by striving for reducing environmental burden as part of their business and they ought to



undertake actions leading to environment improvement. Moreover, vendors should observe prohibition of forced labour, child labour, corruption, and discrimination. It is important for us to be able to evidence compliance with the above standards. To this end, the Bank may request vendors to provide such Evidence:

- certificates issued by third parties confirming compliance with regulations by vendors, if any,
- copies of valid internal documents, confirming the vendor’s actions taken to implement and comply with the standards.

Good communication is a basis to find understanding in cooperation and therefore, when selecting a partner, the bank pays attention to financial and non-financial aspects of the cooperation. The bank expects from its vendors an innovative approach and support, sharing of knowledge, flexible response to the bank’s needs and development of partner relations.

In 2021, there were 36 strategic vendors that assessed cooperation with the Bank as very good and good. Additionally, on the basis of counterparty cards received from vendors, we analyse:

- how vendors comply with contractual requirements under Employment Screening,
- if vendors comply with the principles set forth in the Code of Conduct for vendors to ING Bank Śląski S.A.,
- how they minimise the burden to the environment in their business.

Additionally, vendors are requested to provide information on innovations already implemented or to be implemented in the company.

In 2021, we coordinated the process of inspections with vendors concerning the provision of personal data for processing. The audit was performed for selected contracts (106 of 1120). The inspection covered the following:

- security of bank data and personal data,
- physical security,
- identity and access management,
- management and configuration of the system infrastructure,
- monitoring and incident management.

The vendors to ING Bank Śląski S.A. also used the trading and auction platform for companies called Aleo. Having registered at www.aleo.com/pl vendors could participate in auctions within the Bank’s tender proceedings. In 2021, via the platform – over 65 auctions were held; the total number of auctions on the platform was 132. The bank’s vendors and clients could continue to use the platform to support their own procurement processes.

Involvement in industry initiatives and organisations

GRI [102-12] [102-13]

Involvement in industry initiatives and organisations is very important to us. This allows us to exchange knowledge and experience, to point out what is important to us, to co-create and participate in industry projects that are important to us.

ING Group is a signatory to, among others

United Nations Global Compact (UNGC)
United Nations Guiding Principles on Business and Human Rights (UNGPs)
UN Environment Finance Initiative Principles for Responsible Banking
United Nations-backed Principles for Responsible Investment (PRI)

ING Group is also a member of, among others:

Circle Economy
Equator Principles Association (EPA)
International Integrated Reporting Council (IIRC)
United Nations Environment Programme Finance Initiative (UNEP FI)

All ING Group partnerships are available [here](#).



In Poland, we are a member of:

Polish Bank Association

Foundation for the Development of Cashless Services

Polish Leasing Association

Polish SWIFT Users' Committee

National Clearing House

Credit Information Bureaus

Polish Payment Standard

Banking Law Council

Council of Bank Card Issuers

Polish Association of Capital Investors

Coalition for Polish Innovation

Responsible Business Forum

Coalition for Friendly Recruitment

Polish Alternative Fuels Association

Business environment

GRI [102-15]

2021

Gross Domestic Product

The CSO's preliminary estimate indicates economic growth of 5.7% in 2021, following a recession of 2.5% in 2020. The dynamic growth in private consumption (6.2%) and the rebound in investment (8%) were accompanied by a high contribution from the change in inventories (~2.6 percentage points) and a negative impact from net exports (-1.9 percentage points).

Based on data for the whole of 2021 and previously published data for the first three quarters of 2021, economists at ING Bank Śląski have estimated GDP and its structure in Q4 2021. In the last quarter of last year, GDP growth was

close to 7% y/y, with dynamic (8% y/y) private consumption growth and double-digit investment growth (close to 12% y/y). As much as 4 p.p. of the GDP growth in Q4 2021 can be attributed to the change in inventories. In contrast, foreign trade reduced the annual GDP growth rate in the last quarter of 2021 by just over 3 p.p.

The performance of the economy in Q4 2021 indicates that it is heating up and the economic climate is highly favourable. This environment is conducive to the persistence of inflationary pressures.

Heightened global uncertainty and rapid rise in interest rates in Poland

Despite progressive COVID-19 vaccination programmes, economic uncertainty remained elevated during 2021. Problems with access to COVID-19 vaccines in H1 2021 have been replaced by a similarly, if not more, acute demand-side barrier. This was due to the reluctance of a sizeable percentage of citizens to vaccination campaigns and the reticence of some governments to promote a prevention campaign. Countries or regions have introduced sanitary restrictions in an uncoordinated manner. The Zero-Covid policy of the Chinese authorities has resulted in port shutdowns and lockdowns of some regions, which, with an uneven rebound in demand in global markets and substitution of less unavailable services for goods, has resulted in disruptions in global supply chains. The cost of international transport has risen several times over, which has translated quickly into producer prices and gradually into consumer prices.

The Polish monetary authorities reacted quickly and decisively to the outbreak of the pandemic in 2020, but held back when the economy was recovering and inflationary pressures were rapidly building up, triggered by external shocks (rising prices of energy commodities, food, CO₂ emission allowances in the EU). The Czech Republic and Hungary started their monetary tightening cycle in mid-2021, while the MPC started in October 2021. In the preceding months, the purchase from the secondary market of bonds issued and guaranteed by the State Treasury was gradually phased out, and the programme was discontinued at the end of the year. In response to rapidly accelerating inflation and raised inflation forecasts, the NBP's rate hiking cycle also took place at a rapid pace. From October 2021 to March 2022, the benchmark rate rose from 0.1% to 3.50% after six increases, and the MPC clearly communicated further increases in the following months.

ING Bank Śląski economists believe that rates will be raised in Poland (they expect another 50 bps hike in March 2022) to the target level of the reference rate of 4.5% at the end of 2022. The economy has become immune to successive waves of pandemics. The fifth wave of infections, although record-breaking in terms of number of infections compared to previous waves, does not translate as significantly into numbers of hospitalisations and deaths. This helps avoid placing restrictions on economic activity. The NBP's determination to fight inflation has



increased recently. The increase in base interest rates to levels above those before the pandemic was accompanied by the restoration of the pre-pandemic reserve requirement rate of 3.5% and the announcement of measures to strengthen the zloty, such as the partial exchange of budgeted foreign currency funds into zloty on the foreign exchange market rather than at the central bank.

International economic environment

The world economy is recovering unevenly from the pandemic collapse. The COVID-19 pandemic has determined the global economic situation since the beginning of 2020. While China managed to return to its pre-pandemic real GDP level as early as 2020, the US economy reached that level in mid-2021, and the eurozone economies are taking much longer. Although France returned to its pre-pandemic GDP in Q3, the German economy disappointed with its performance in Q4 and probably also in Q1 2022, and the pre-pandemic GDP level will only be reached in Q2 2022. This has to do with its strong export orientation and the disruption to global supply chains, particularly the shortage of semiconductors in the automotive sector.

Since mid-2021, accelerating inflation has become a key concern in the global economy. Inflation rates recorded in the US (around 7% on an annual basis) are the highest in 40 years, while inflation of over 5% in the euro area is the highest since the introduction of the single European currency more than 20 years ago. While high inflation in the US is related to the strong economic situation and approaching full employment, high inflation in the euro area is due to high prices for energy commodities and energy carriers, in particular natural gas, and to record high prices for CO₂ emission allowances, with the economic situation in most euro area economies subdued.

These disparities translate into official announcements by the Fed and the ECB regarding the normalisation of monetary policy. Already at the end of 2021, the Fed announced the expiration of the QE (*Quantitative Easing*) programme by March 2022 and the start of the interest rate hike cycle most likely also in March. Economists at ING Group expect up to 5 interest rate rises in 2022. At the same time, the Fed Chairman suggested that the monetary tightening programme of reducing the Fed's balance sheet will be faster than it was after the 2008 financial crisis. A rapid tightening of monetary policy parameters in the US and a rise in *Treasuries* yields would be supportive of the dollar this year and result in investment flows into the US.

Although the recovery in the euro area is moderate and a stronger rebound is still awaited in the German economy thanks to the easing of international trade tensions, high current inflation and elevated inflation forecasts for early 2022 have forced a hawkish turn in the ECB's rhetoric. At the same time, the ECB announced an accelerated

phasing out of its asset purchase programmes and suggested interest rate rises earlier than market instruments had priced in.

Announcements from the ECB in early 2022 have prompted market participants to change their expectations of future interest rates in the euro area. It is now not out of the question to start a cycle of hikes as early as 2022/23, following concerns about a sustained upward revision of inflation expectations due to external shocks. The European economy will be served by mobilising additional financial investment from the Reconstruction Fund. The scenario of moderately rapid interest rate hikes in the euro area limits the room for dollar appreciation that would arise with a quick Fed response.

A weaker euro may limit the room for appreciation of the zloty and other currencies of the region, in particular the Hungarian forint. Poland and Hungary are among a small group of several EU countries that have not had their National Recovery Plans approved. The blockade of the National Recovery Plans due to a legal dispute over the rule of law is a constraint on the appreciation of the zloty and complicates the fight against record inflation. It is probably for this reason that the EUR/PLN exchange rate has struggled to break through 4.50 and is falling relatively slowly, despite a clear hawkish turn in the rhetoric and actions of the NBP.

2022

The forecasts and expectations of ING Bank Śląski economists presented below were made at the turn of 2021 and 2022.

Gross Domestic Product

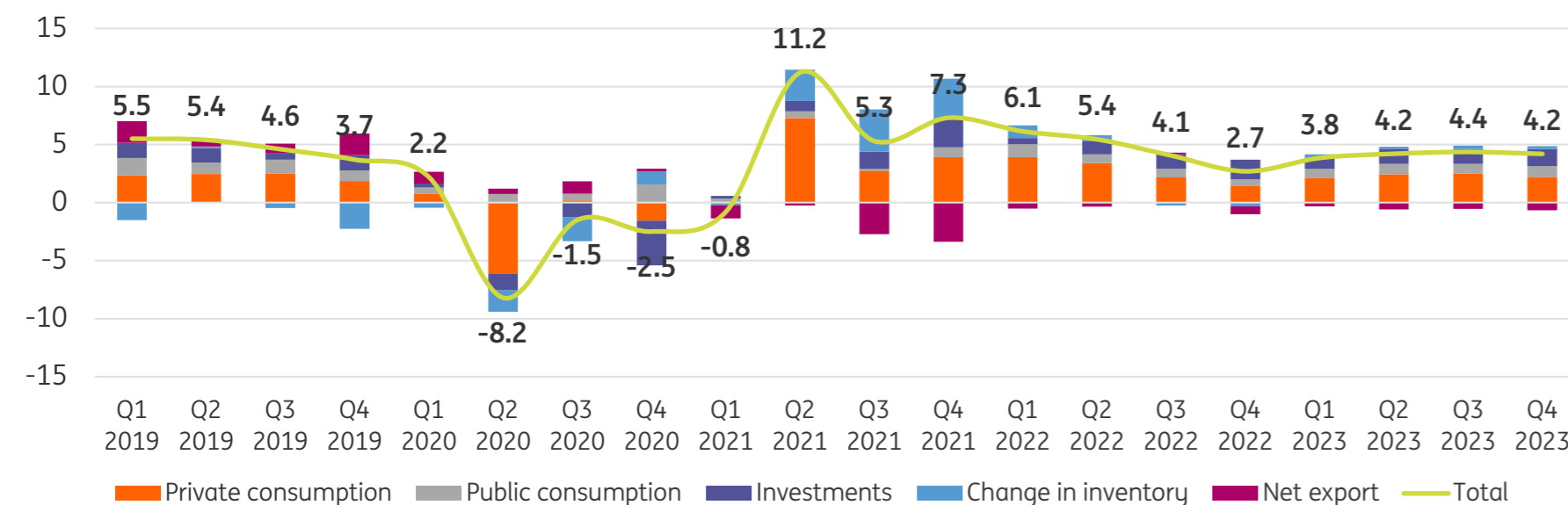
Economists at ING Bank Śląski estimate that Poland's GDP in 2022 will grow by 4.5%, slower than in 2021 (5.7%). High consumption dynamics will be tempered by slower real income growth due to strong price increases and monetary tightening. Higher interest rates will reduce access to credit and increase the cost of servicing existing loan commitments. This pressure will be mitigated by reductions in direct taxes for lower earners (the Polish Deal) and indirect taxes on energy carriers and food (anti-inflationary shields). Consumption growth should clearly slow down to 4.7% in 2022 from 6.2% a year earlier.

Investment recovery is expected to continue in 2022, but this scenario is subject to a number of risks. Outlays are expected to increase by 7.1%, up from 8.0% a year earlier. Public investment will be negatively affected by the reduction in EU funding due to delays in the launch of the National Recovery Plans and possible shifts in the disbursement of structural and cohesion funds due to the 'money for rule of law' mechanism. Private investment is



threatened by protracted disruptions in global (and indirectly European) supply chains and rising prices for capital goods. The presidential draft reform of the Supreme Court offers hope of settling the dispute with the European Commission, but the full legislative process will take time and it is uncertain whether it will meet the requirements of the European side. The consequence of domestic demand-led growth is likely to be a continued negative contribution of net exports to GDP and a weakening of external balance indicators.

Decomposition of GDP growth (%)



Source: GUS, projection by ING

Labour market and salary levels

The labour market situation remains good, close to full employment. By launching support programmes at the height of the pandemic, it was possible to halt the rise in the unemployment rate at the most difficult time. As a result, Poland will emerge from the pandemic with the second lowest unemployment in the European Union. As at 2022 yearend, the registered unemployment rate should be 4.8%. Available research (e.g. from the National Bank of Poland) suggests a recovery in labour demand in industries strongly affected by the pandemic, such as services. Employment is also likely to grow in manufacturing industries as disruptions in supply chains that have held back output growth in 2021 unravel. According to economists at ING Bank Śląski, this will result in high wage growth, which in the corporate sector this year will be around 12% y/y against 8.6% a year earlier. Strong wage demands are indicated by surveys (e.g. of the National Bank of Poland) as well as by data on unfilled vacancies. The increase in wage demands is motivated by the high inflation rate, which results in rising inflationary expectations of

households, as these are largely adaptive, i.e. linked to current inflation. Also, tax changes under the Polish Deal will force wage increases in many industries to offset the effective increase in the tax burden.

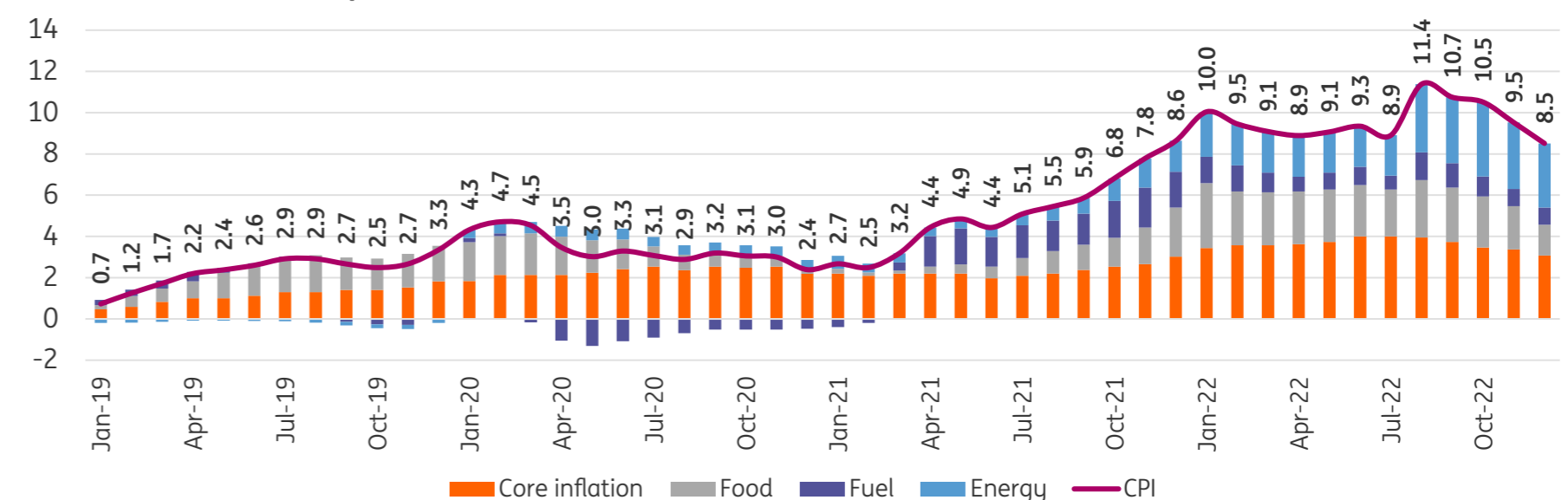
Inflation

Despite the implementation of two anti-inflation shields, ING Bank Śląski economists' average inflation forecasts for 2022 have increased. This reflects the following factors:

- a shock increase in energy and gas prices for retail consumers, but also for companies,
- historically high price increases in November and December 2022,
- strong GDP growth in Q4 2021: continuation of the consumption boom, high growth in overall GDP (closing of the demand gap); the structure of GDP is also pro-inflationary, based on strong household demand,
- the expected second-round effects, i.e. the ease with which companies can pass on high costs to retail prices and the risk of a wage-price spiral; surveys (e.g. PMI) suggest that companies are still in the process of passing on high commodity or energy prices to retail clients.

According to ING Bank Śląski economists, average inflation in 2022 and 2023 will be 9.1% and 6.1% respectively if the shields are maintained until July 2022. If they were extended for a full year, price increases in 2022 and 2023 should be 8.1% and 7.1% respectively.

Inflation (CPI) – decomposition (%)



Source: GUS, projection by ING



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

There has been a renewed strengthening of the dollar in 2021, with the €/US\$ exchange rate approaching 1.12 from over 1.22 at the beginning of last year. This reflected, among other things, a deterioration in the prospects of emerging economies (including the effect of aggressive sanitary tightening in Asia, despite the low number of COVID-19 infections), making them unable to absorb capital from the US. At the same time, the strong fiscal stimulus in the US, surrounded by rising prices of, among others, raw materials, has led to inflation in the US economy not seen in decades. As a result, expectations of a rapid normalisation of the Federal Reserve's monetary policy were raised, supporting the dollar.

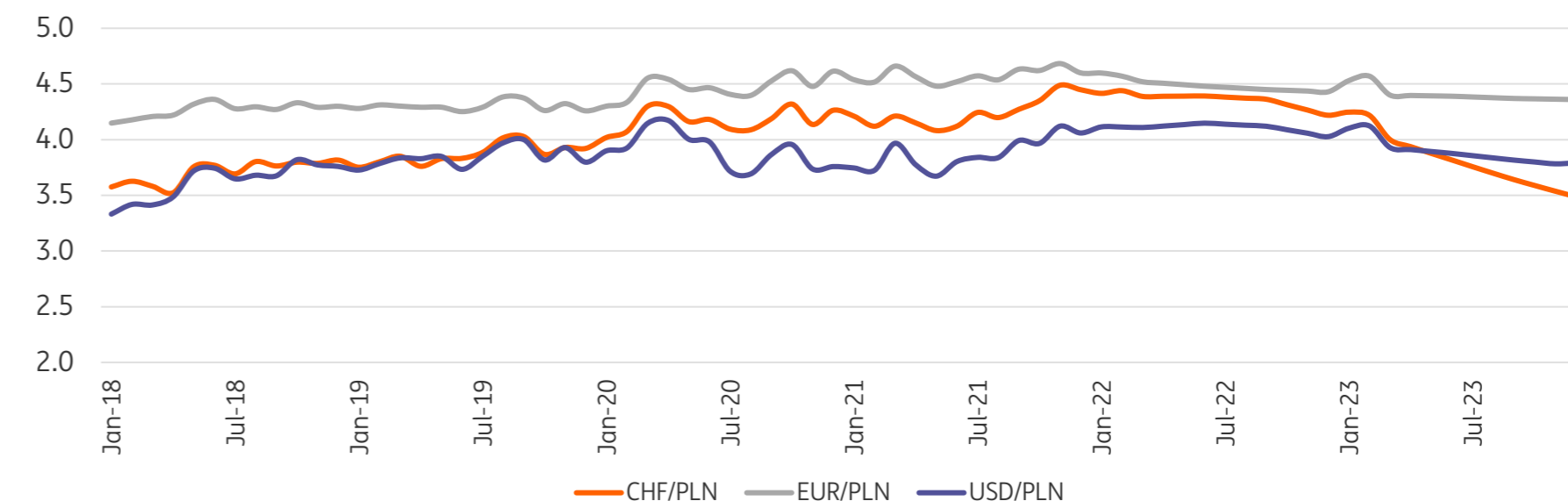
According to economists at ING Bank Śląski, the €/US\$ pair will remain close to 1.13 in H1 2022. Momentary disturbances caused by the peak of the omicron wave will not deter the Federal Reserve from starting to raise rates, most likely as early as March, according to economists at ING Bank Śląski. Such a scenario is supported by, among other things, recent comments by FOMC members. However, this is a scenario already priced by the market and will not be enough to bring the pair lower.

Economists at ING Bank Śląski believe that the dollar could start losing against the euro in the second half of the year. The ECB's further tightening rhetoric is then expected to prepare investors for the start of interest rate hikes in late 2022 or early 2023.

In 2022, the zloty is expected to strengthen further, to close to 4.40 against the euro by the end of the year. A big support for the zloty at the moment is the NBP policy. According to the estimates of economists at ING Bank Śląski, the equilibrium level for the €/PLN pair, with the NBP rate path currently priced in, is close to 4.40. In addition, the NBP is considering limiting the scale of the exchange of euros, which are at the disposal of the budget from EU funds, into zlotys directly at the central bank. Exchange in the market could strengthen the national currency.

Economists at ING Bank Śląski also see chances that the presidential Supreme Court reform project will strengthen investors' expectations of reaching an agreement with the European Union and accessing funds from the Reconstruction Fund. This would be an important factor supporting demand for the zloty.

PLN exchange rates



Source: NBP, projection by ING

Public finances

After a strong increase in the public finance deficit (7.1% of GDP) and public debt in 2020 due to costly anti-crisis shields during the pandemic, the public finance outcome improved significantly in 2021. ING Bank Śląski economists estimate them at around PLN 45 billion (1.7% of GDP), due to a strong increase in the tax base, which in turn was affected by surprisingly high GDP growth and inflation, especially in Q4 2021. At the same time, the costs of shields, which were largely transferred to development institutions, have been retained (PFR) or gradually extinguished (BGK).

With 5.7% real GDP growth and high inflation, the relatively low fiscal deficit was mainly shaped by cyclical factors, with strong growth in direct and indirect tax revenues, which can be linked to the record financial performance of the corporate sector, low unemployment and solid growth in the corporate payroll fund.

Economists at ING Bank Śląski estimate that the public finance sector balance will deteriorate significantly in 2022 compared to 2021, and its forecast is subject to extremely high uncertainty. It stems from the significant tax changes under the Polish Deal, which came into force from the beginning of 2022 and caused a number of unexpected effects due to overly complex or inconsistent regulations. Moreover, the current budget law is based on macroeconomic indicators that have become significantly outdated. In particular, the budget is based on a significantly understated inflation and interest rate path.

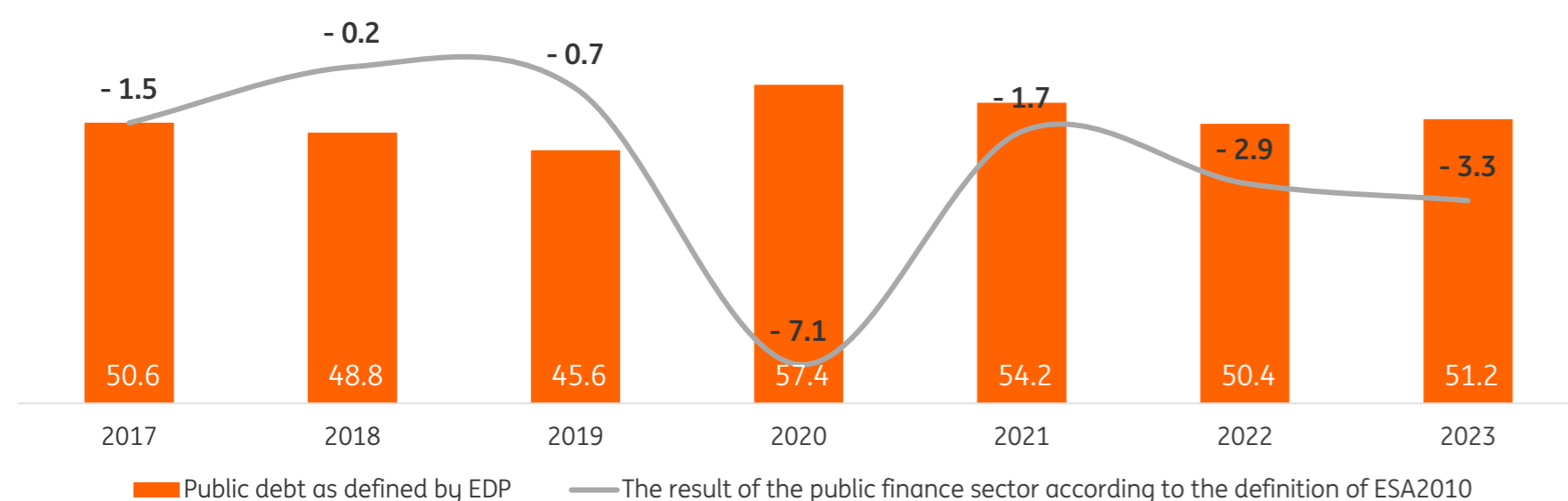


In addition, the government adopted two anti-inflationary shields, providing temporary (until July) reductions in indirect taxes on food and energy carriers, and recently announced a more generous pension indexation than previously assumed, and announced the payment of the so-called 14th pension. These changes result, respectively, in a loss of government revenue of 1% of GDP and an increase in government expenditure of around 0.5% of GDP. Finally, due to the blockage of the funds of the National Recovery Plans, the pre-financing of investments from national budgetary funds will worsen the balance of the public finance sector.

According to ING economists, unblocking the EU funds from the National Recovery Plans would not only support the zloty's quotations and help fight inflation, but would also allow avoiding additional costs of financing public investments and limiting the scale of the treasury securities issue. In the baseline scenario, ING economists assume access to the funds of the National Recovery Plans in H2 2022, but the materialisation of this scenario requires the realisation of milestones set by the European Commission, in particular regarding changes in the judiciary, e.g. the liquidation of the Supreme Court's Disciplinary Chamber. The priority areas of the National Recovery Plans are green and digital transformation, areas in which Poland's investment needs are very high.

The projection of the path of the public deficit and debt in the following years is as uncertain as for 2022. Importantly, 2023 will be an election year, which may present additional risks of fiscal loosening. However, due to the expected need to return to existing EU fiscal rules once the pandemic is contained, ING economists assume a moderate deterioration in the public finance balance and deficit slightly above 3% of GDP in 2023.

Public debt and budget deficit according to EU methodology (ESA2010; %)



Source: GUS, projection by ING

Monetary policies

ING Bank Śląski economists expect the Monetary Policy Council to continue tightening its policy by bringing the reference rate to 4.5% still in 2022.

This reflects a change in the attitude of the MPC, particularly Chairman A. Glapiński, since its January meeting. A. Glapiński stated, among other things, that rates would reach a level higher than the one valued by the market (around 4% at the time). According to economists at ING Bank Śląski, the change in rhetoric is due, among other things, to increased fears of a growing wage-price spiral, especially in the context of very strong data for Q4 2021.

The MPC also decided to increase the reserve requirement rate to 3.5% from 2.0%, which will apply from the reserve requirement held from 31 March 2022. This marks a return to the pre-pandemic reserve ratio and may be due to the persistence of high excess liquidity in the banking system (the NBP issued PLN 217 billion worth of 7-day bills at a tender in February 2022) and the persistence of the short-term POLONIA rate clearly below the reference rate. According to ING economists, the decision is consistent with the cycle of tightening monetary policy parameters, which was also confirmed by President Adam Glapiński.

NBP interest rates are (after the MPC meeting in March 2022):

- deposit rate – 3.00%,
- reference rate – 3.50%,
- bill discounting – 3.60%,
- bill re-discount rate – 3.55%,
- lombard rate – 4.00%.

The NBP does not currently carry out operations to buy Treasury bonds or bonds guaranteed by the Treasury. The central bank has not provided a detailed strategy for managing the portfolio it already holds. In particular, it did not state whether funds from maturing instruments would be reinvested.

Summary

The global economy is becoming immune to the next wave of pandemics. The waveform caused by the omicron variant showed that despite the high number of cases, the number of severe cases, such as those requiring hospitalisation, was low. This suggests that no reintroduction of economically severe sanitary restrictions will be



necessary in the coming months, either in the major economies or domestically. Industry analyses also suggest that disruptions in supply chains will gradually unravel or the availability of, for example, electronic components will improve.

Economists at ING Bank Śląski expect Poland's economic situation to remain favourable. However, it is likely to be accompanied by high inflation, caused, for example, by tensions on the labour market, forcing further increases in NBP interest rates.

The coming years should be a breakthrough for the green transformation in Poland, but the impetus from the funds of the National Recovery Plans, whose priority is the green and digital transformation, will be important. The adoption of a more ambitious EU emissions reduction target (55% reduction instead of 40% from 1990 levels) is consistent with the 2050 climate neutrality goal and the pursuit of the 1.5°C target. Accordingly, the proposed policies and regulations in the Fit for 55 Package, announced in July 2021, are based on a greater use of existing instruments, and new solutions, such as a border carbon tax, can improve the playing field.

The short-term costs of low-carbon transformation will be important, but should be estimated based on the whole life cycle and benefits of the investment. Related environmental benefits (improved air quality) and opportunities for the economy (development of new industries, specialisation, space for innovation) should also be considered. The transition towards climate neutrality requires appropriate management of risks and an agile state to exploit emerging development opportunities.

Excluding the natural gas price explosion in Europe at the end of 2021, in recent years the average cost of electricity production in Poland has been higher than the EU average. This is due to falling prices for renewable energy (mainly photovoltaics, onshore and offshore wind) and rising costs for conventional technologies with rising fuel prices and CO₂allowances. However, the price of energy for the end user remains lower in Poland than in the EU, due to the relatively low taxation of energy in Poland compared to Western Europe. Recent changes in indirect taxes, aimed at curbing the rise in inflation, are narrowing the gap between cost and price and causing a loss of tax revenue. Their side effect could be to undermine investment in energy efficiency. Reconciling the fight against inflation with environmental policy requires a proper balancing act.

Macroeconomic projections

	2019	2020	2021	2022P	2023P
GDP growth (%)	4.7	-2.5	5.7	4.5	4.2
General government sector debt according to EU methodology (% GDP)	45.9	57.4	54.2	50.4	51.2
Average annual inflation (CPI) (%)	2.3	3.4	5.1	9.0	6.1
Unemployment rate (%; GUS)	5.2	6.3	5.5	4.8	4.4
USD/PLN exchange rate (year-end)	3.80	3.76	4.06	4.03	3.79
EUR/PLN exchange rate (year-end)	4.30	4.44	4.58	4.48	4.40
WIBOR 3M (year-end)	1.71	0.21	2.54	4.65	4.65

Financial market and its regulations

The financial results and condition of the banking sector, including ING Bank Śląski, in 2021 were influenced by many external factors. They have a direct impact on the sector profitability.

We look at sector data, just like our business, broken down into two segments:

- retail segment:
 - physical people,
 - individual farmers;
- corporate segment:
 - individual entrepreneurs,
 - enterprises,
 - non-profit institutions serving households,
 - non-monetary financial institutions,
 - local government institutions and the Social Security Funds (FUS).



Banking sector

Liabilities

As of the end of December 2021, the basic cash categories were as follows:

- Total liabilities increased by 8.8% y/y to a total of PLN 1,651.4 billion (up by PLN 133.0 billion y/y) and were characterised by a higher growth rate on the deposits side of the corporate segment than on the retail segment.
- Liabilities to the retail segment reached PLN 974.5 billion, an increase of PLN 56.9 billion y/y (+6.2% y/y) compared to the end of 2020.
- Liabilities to the corporate segment amounted to PLN 676.9 billion, i.e. they were 12.7% higher than as at yearend 2020. The y/y increase in the volume by PLN 76.2 billion was achieved primarily due to an increase in liabilities towards corporates (by 10.4%, i.e. by PLN 39.1 billion to PLN 416.5 billion) and liabilities towards local government institutions and the Social Security Fund (by 35.9%, i.e. by PLN 20.3 billion to PLN 76.8 billion). The growth rate of deposits of individual entrepreneurs was 11.6% y/y as at 2021 yearend (an increase of PLN 9.8 billion to PLN 94.8 billion). Deposits accumulated by non-profit institutions serving households amounted to PLN 31.6 billion as at 2021 yearend and were PLN 1.9 billion higher (+6.4% y/y) than as at yearend 2020. On the other hand, liabilities towards non-monetary financial institutions increased by 9.8% in the analysed period, i.e. by PLN 5.1 billion to PLN 57.2 billion.

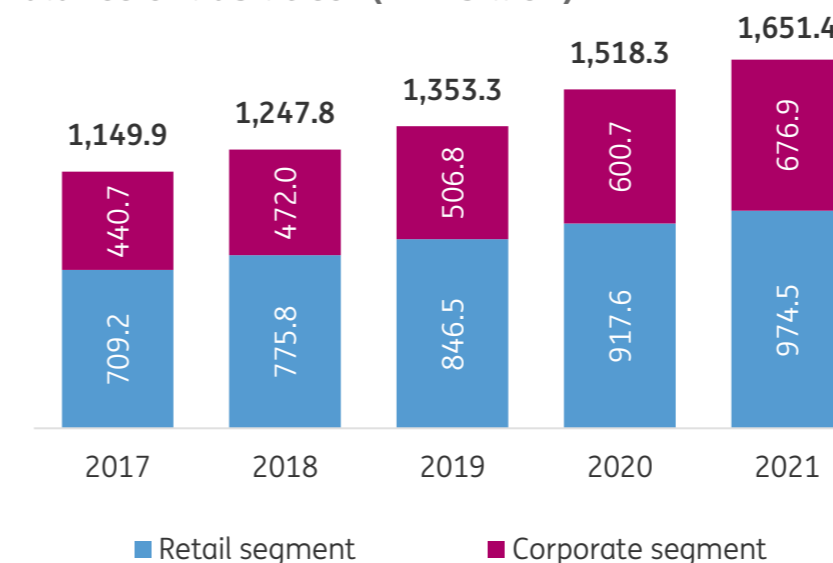
Receivables

- Total receivables increased by 4.7% y/y in 2021 (up by PLN 58.2 billion to a total of PLN 1,284.5 billion). Higher growth dynamics was recorded in the retail segment due to housing loans in the Polish zloty.
- Receivables from the retail segment reached PLN 753.9 billion in December 2021 and were 5.4% higher than in the previous year. Housing loans, which constitute the main part of banks' credit exposure to the retail segment (constitute 67.9% of receivables from this group of clients, compared to 66.6% in the previous year), increased by 7.4% to PLN 512.0 billion. The increase was driven by record high sales of PLN mortgage loans. As at 2021 yearend, the portfolio of PLN-denominated housing loans totalled PLN 401.2 billion and was up by PLN 45.0 billion y/y. The sales of mortgage loans alone – based on NBP data – in 2021 amounted to PLN 86.3 billion (+48.2% y/y). The portfolio of foreign-currency housing loans fell by PLN 9.5 billion y/y to PLN 110.8 billion due to a 4.3% depreciation of the zloty against the Swiss franc, natural depreciation of the portfolio and implementation of client settlement programmes by banks. Other retail loans, including consumer loans, were up by 1.3% (by

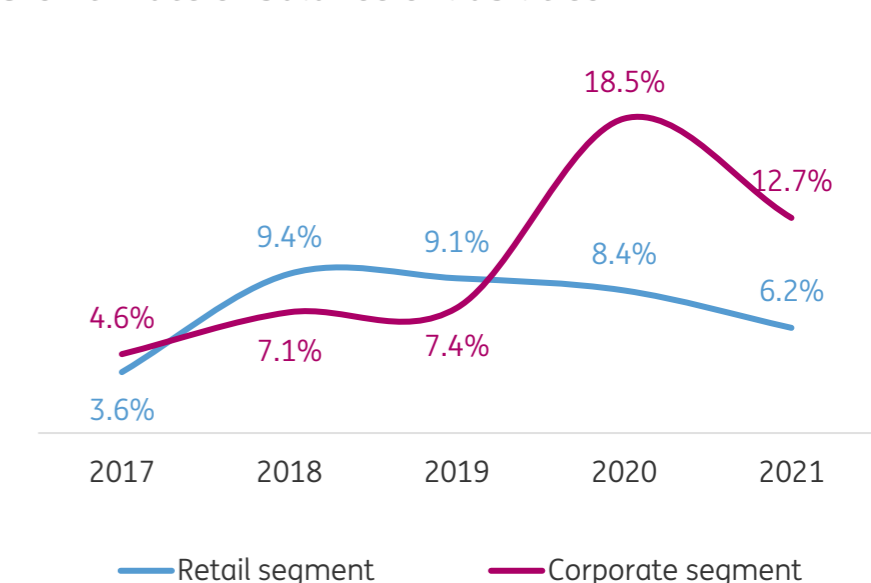
PLN 3.1 billion in value terms) compared to the end of the year 2020 and reached PLN 241.9 billion. Sales of other retail loans – based on NBP data – in 2021 amounted to PLN 101.1 billion, i.e. it was higher by as much as 23.7% y/y.

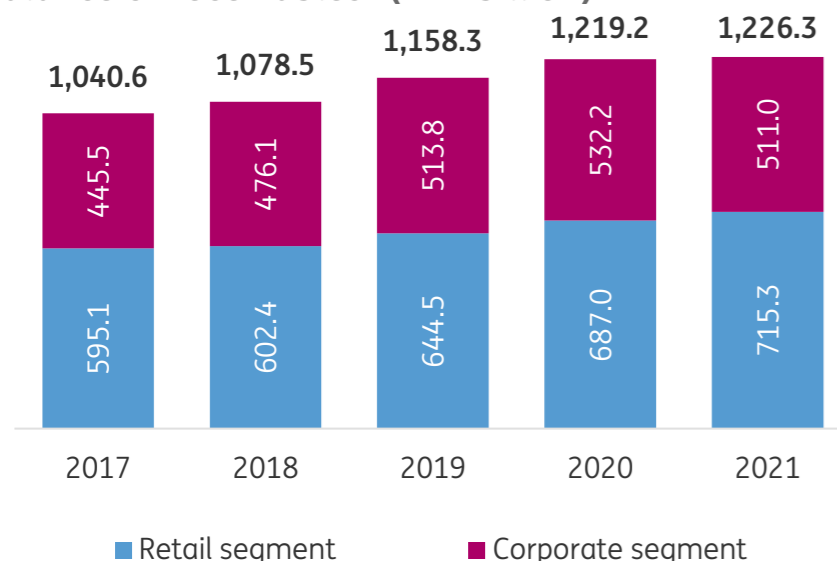
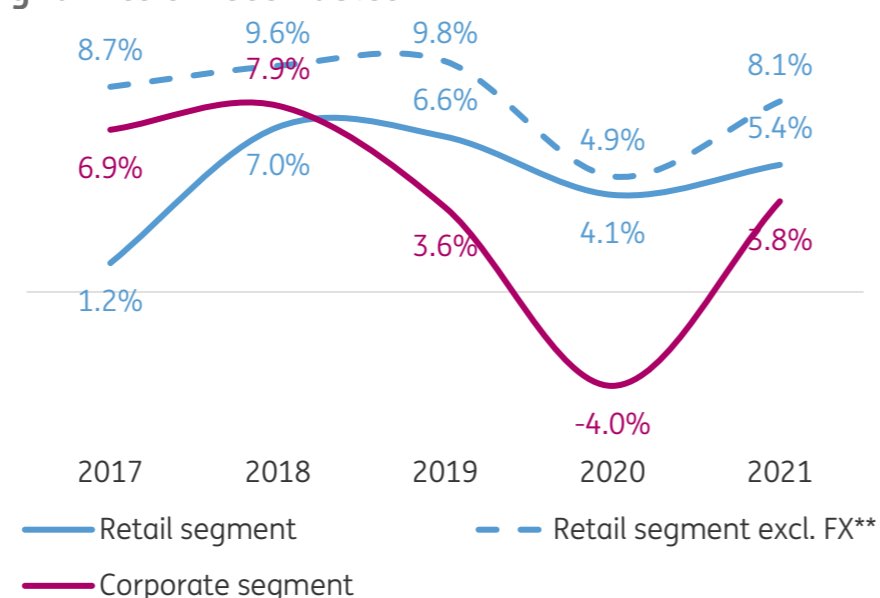
- Receivables from corporate clients increased by PLN 19.7 billion (+3.8%) compared to December 2020 to PLN 530.6 billion. The receivables from enterprises alone increased by PLN 12.9 billion (+3.9% y/y) to the level of PLN 342.8 billion. Demand for corporate loans remained relatively low in 2021, but improved gradually during the year. Sales of loans to non-financial corporations – based on NBP data – amounted to PLN 180.9 billion in 2021, an increase of 22.6% y/y. Receivables from individual entrepreneurs were relatively stable – their balance fell by 0.7% y/y (PLN -440 million) to PLN 62.4 billion.

Balance of liabilities* (PLN billion)



Growth rate of balance of liabilities*



**Balance of receivables* (PLN billion)****Dynamics of receivables***

*based on NBP data; ** excluding foreign currency mortgage loan portfolio

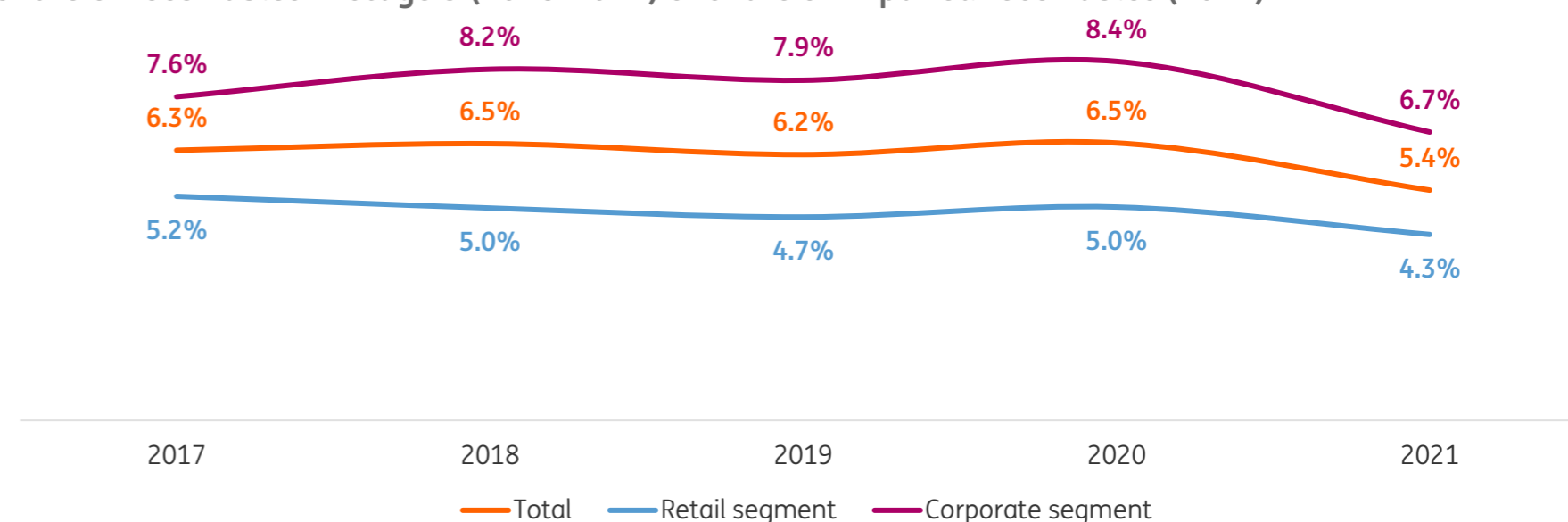
Our bank's economists expect the GDP growth rate in 2022 to remain high (4.5% y/y) but to slow down compared to 2021 (5.7% y/y). Economists forecast that banks' loan receivables will grow by 2.9% in 2022, following a 5.4% y/y increase in 2021. Corporate loan volumes in 2022 should grow by 5.9% y/y (5.1% in 2021). The growth rate of household credit should be lower than in 2021. On the one hand, consumer credit growth is expected to increase, but on the other, rising interest rates may (clearly) dampen demand for mortgage loans. The bank's economists expect a deposit growth rate of around 8% this year, similar to 2021. On the one hand, corporate deposits are expected to slow down (from 10.4% to 8.3% y/y) as the government's aid programmes have now ended. However, the dynamics of household deposits should accelerate (from 6.7% to 9.4% y/y), reflecting the good situation in the labour market and the increase in deposit rates.

Asset quality

With respect to asset quality, in December 2021 the share of loans in Stage 3 among all the loans measured at amortised cost was 5.4% (versus 6.5% at the end of 2020).

The improvement in the asset quality ratio during 2021 was evident in both the retail segment (from 5.0% to 4.3%) and the corporate segment (from 8.4% to 6.7%). In the retail segment, this was due to both lower quality real estate loans (from 2.7% to 2.4%) and consumer loans (from 11.0% to 9.4%). The higher credit quality of corporate

clients was driven by improvements in the quality of operating loans (from 11.8% to 8.3%) and investment loans (from 7.3% to 6.2%), as well as the improving quality of real estate loans (from 9.9% to 9.7%).

Share of receivables in stage 3 (2018-2021) or share of impaired receivables (2017)

Source: estimate based on PFSA data

Financial performance

In 2021, the banking sector's net profit rose to PLN 8.8 billion after a net loss of PLN 0.3 billion in 2020.

The apparent improvement in the sector's performance in 2021 is mainly the result of events that took place and had a negative impact on the 2020 results: the economic downturn, the reduction in interest rates, the large cost of provisions for the legal risk of foreign currency mortgages, or provisions for the return of commissions on prepaid retail loans. These elements were not present in 2021, or their impact was significantly lower.

In 2021, the gross result of the banking sector amounted to PLN 15.0 billion and was four times higher than the gross result for 2020. Increasing revenues (+9.9% y/y) and a decrease in the cost of risk (-48.2% y/y) contributed to the increase in gross profit.

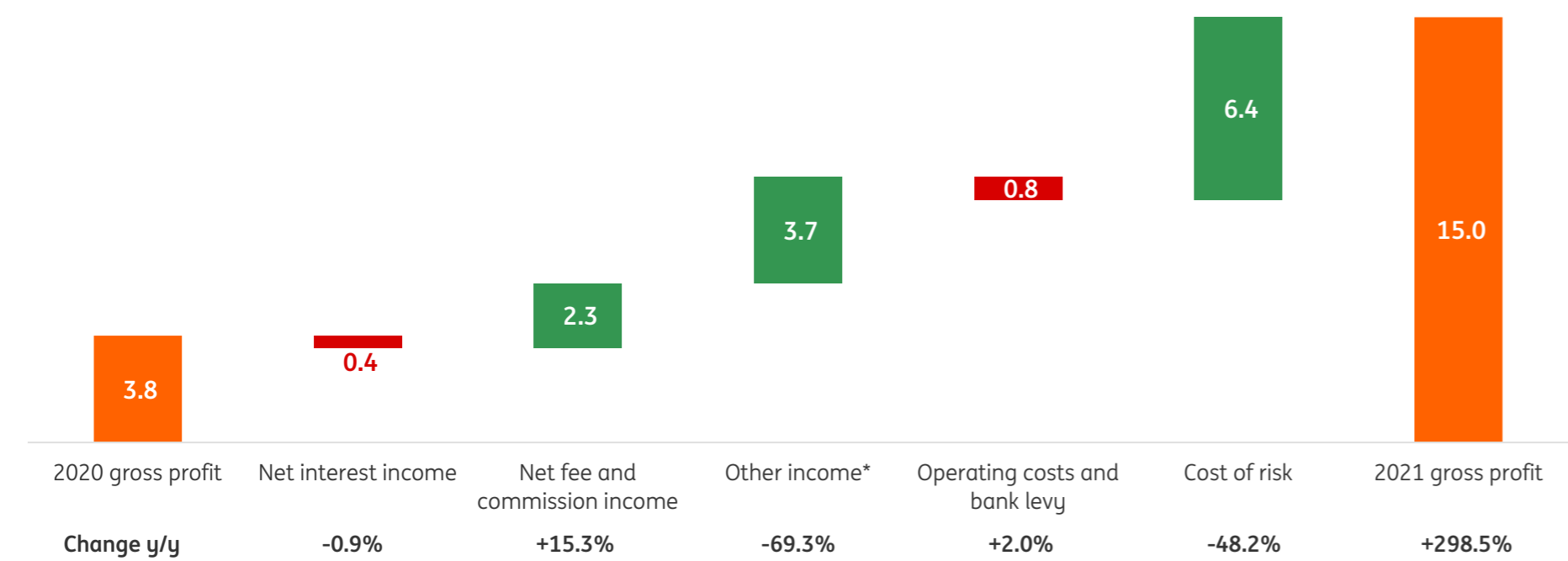
The increase in income was mainly due to lower provisioning costs that banks made for legal risks related to foreign currency mortgage loans (an element of other income; y/y lower loss). Fee and commission income (+15.3% y/y) and share of profit of associates (+168.2% y/y) improved significantly. Net interest income was stable (-0.9% y/y) – growth in business volumes in the sector was offset by pressure from the 2020 interest rate cuts. The interest rate increases that took place in the last quarter of 2021 will only have their full impact on net interest income in 2022.



Banks’ operating costs were under control (+2.0% y/y), but banks did not manage to fully offset the upward pressure on payroll costs – administrative costs (including bank tax and BFG contributions) were 0.7% lower y/y, but payroll costs (despite a further decline in employment in the sector) increased by 5.0% y/y.

The high decrease in the cost of risk (-48.2% y/y) was due to the high 2020 base (including the high impact of adverse changes in macroeconomic parameters in credit risk models).

Factors of change in banking sector gross profit in 2021 (PLN billion)



Source: estimate based on PFSA data; *including share in profits of associates

Asset-backed financing market

Lease

In 2021, the leasing market in Poland grew by 30.7% y/y to PLN 88.0 billion. As at 2021 yearend, the total value of the active portfolio of leasing agreements amounted to PLN 165.8 billion (an increase of nearly 5% y/y).

The largest segment of the leasing market in 2021 was light vehicles (44.6% share), followed by machinery and equipment (28.1% share). The financing of trucks over 3.5 tonnes, truck tractors, semi-trailers, trailers and buses has also gained in importance (22.0% share). In H2 2021, the sector faced limited availability of new cars following the situation in the automotive sector. This may also be evident in 2022 – the sector’s performance may depend on the availability of funded assets.

Source: Polish Leasing Association

Factoring

Sales in the factoring market, associated in the Polish Factors Association (PZF), grew in 2021 by 25.8% y/y and reached PLN 362.4 billion. The form of financing most frequently selected by companies for non-recourse factoring (51.0% of total sales), under which in 2021 sales amounted to PLN 184.8 billion and the growth was 31.7% y/y.

The number of clients associated in PZF was 26.0 thousand after a growth by 41% y/y. The number of invoices issued in 2021 was 21.1 million. In the sectoral approach, it is production and distribution companies that most often use factoring companies for their receivables (44.6% and 35.5% respectively).

Source: Polish Factors Union

Capital market

Warsaw Stock Exchange (WSE)

2021 seemed to continue the trends seen in H2 2020. Improving dynamics of the Polish economy with growing inflationary pressure and net inflows to the funds caused the Warsaw market to end the year in the clear positive territory. However, after a very good period for the market in May-October, optimism waned. This was backed up, among other things, by concerns raised by the emergence of the new COVID-19 variant. As a result of all these factors, the value of the broad market index – the WIG – clearly increased by 21.5% y/y in 2021. However, the index of the alternative stock market – NewConnect – recorded a very sharp decline of 21.3% y/y.

Sentiment towards industry sectors was overwhelmingly optimistic. The WIG-clothing index (+83.8% y/y) and the WIG-banks index (+81.3% y/y) grew the most. In contrast, only the mining WIG sector recorded a decline (-19.3% y/y).

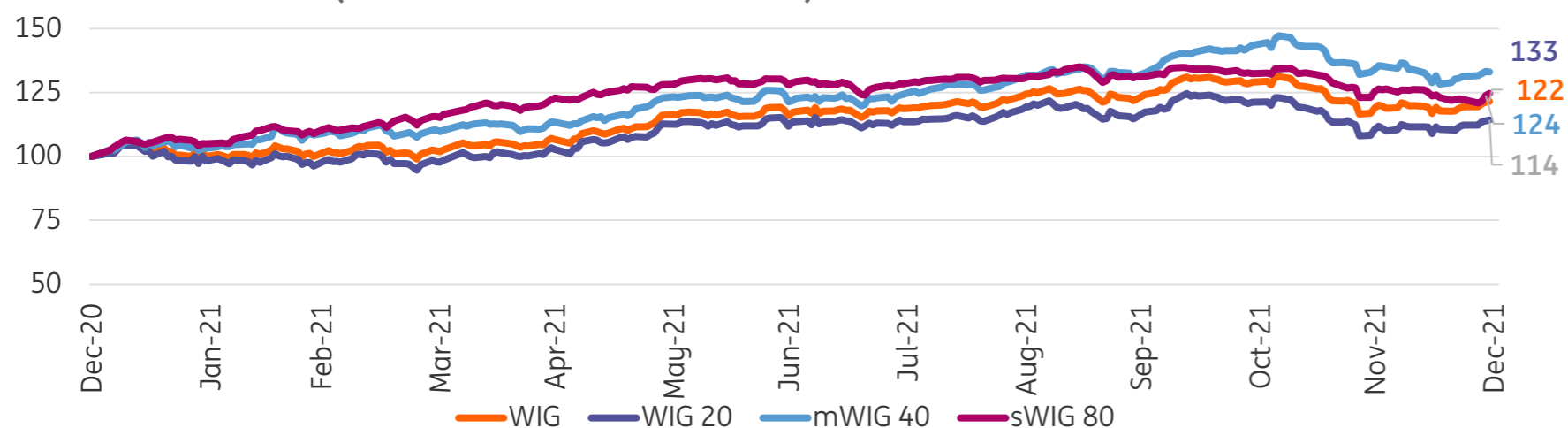
The volumes of trading in shares, rights to shares and subscription rights on the main trading floor amounted to PLN 331.0 billion, which means they increased by 6.4% y/y. Similar growth dynamics could be observed in the futures market (+5.3% y/y to 11.7 million). On the other hand, options trading saw a sharp decline (-25.8% y/y to 278 thousand). The high decline of the NC Index, was accompanied by a very high decrease in turnover on NewConnect (turnover decreased from PLN 14.9 billion in 2020 to PLN 6.3 billion in 2021, i.e. by 57.9% y/y). On Catalyst, the trading volume increased by 12.1% y/y to the level of PLN 3.1 billion.

From the perspective of the number of entities listed on the WSE, 2021 was another year (fifth in a row) in which more companies were withdrawn (19) than introduced (16) to the main trading floor. As at 2021 yearend, 430



companies were listed on the main trading floor (433 a year earlier). Their total capitalisation increased to PLN 1 312.7 trillion (+22.8% y/y). A higher number of debuts was recorded on NewConnect (32 in 2021 compared to 14 in the previous year), which increased the number of companies listed on this market to 380 (25 delisted in 2021, of which 4 were transfers to the WSE main market). The value of listed corporate and municipal stock issues on the Catalyst market was down by 4.3% y/y to the level of PLN 95.1 billion.

Major WSE indices in 2021 (as of 30 December 2020 = 100)



Source: Warsaw Stock Exchange (WSE)

Investment funds

The investment fund market, measured by the value of funds under management accumulated by these institutions, grew in 2021 by PLN 21.0 billion (7.5% y/y) to the level of PLN 301.5 billion. In non-dedicated funds, accumulated assets increased to PLN 185.0 billion (8.7% y/y), and in dedicated assets to PLN 116.4 billion (5.6% y/y).

In 2021, the balance of purchases and redemptions of participation units and investment certificates was positive (PLN +10.0 billion), clearly better than in 2020 (PLN +0.3 billion). This result was achieved despite the very high redemptions observed at the end of the year – net redemptions in the last quarter of the year amounted to as much as PLN -9.1 billion.

Clients of non-dedicated funds were most willing to invest their funds in investment funds with a low risk profile. The most popular category were money funds and bonds (as much as 52% of the assets of non-dedicated funds),

whose assets, however, decreased during the year by 10.3% (this was the effect of rising yields on Polish government bonds and redemptions in this class of funds). The next ones were equity funds, which accounted for 19% of this part of the market (assets increase by 51.3% y/y) and mixed funds accounting for 15% of non-dedicated funds' assets (assets increase by 26.5% y/y).

Source: Chamber of Fund and Asset Management Companies

Open-End Pension Funds

At the end of December 2021, the assets of open-ended pension funds amounted to PLN 188.0 billion, i.e. PLN 39.4 billion (26.5%) more than in the previous year. 92% of assets were invested in shares, subscription rights and rights to shares (it was 86% the year before). Originally, the abolition of the OFE was scheduled for 2020, but due to the outbreak of the COVID-19 pandemic, it has been put on hold and the date when it will return to the government's agenda is currently unknown.

Source: The Polish Financial Supervision Authority

Employee Capital Plans

The Act on Employee Capital Plans came into force on 1 January 2019 and provided for four stages to cover an increasing number of companies under the Employee Capital Plan scheme (the last stage came into force on 1 January 2021).

Based on the PFSA data, the funds of Employee Capital Plans had PLN 7.7 billion of assets collected at the 2021 yearend (as at 2020 yearend it was PLN 2.8 billion). The scale of the accumulated funds is small due to the early stage of life of this solution and the low (lower than expected) participation of participants in the program.

Source: The Polish Financial Supervision Authority

Changes in the law

Detailed information on legal changes concerning the banking sector can be found in the Annex, under [Changes in the regulations](#).



Our financial results

Consolidated performance of the ING Bank Śląski S.A. Group	62
Standalone performance of ING Bank Śląski S.A.	74



In this chapter, we describe our financial performance on both the consolidated and standalone bases. We identify the most important factors influencing the reported results. We believe that the transparent presentation of our financial performance will help stakeholders in making future investment decisions.

Consolidated performance of the ING Bank Śląski S.A. Group

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Key effectiveness ratios

Key effectiveness ratios for the ING Bank Śląski S.A. Group in 2017-2021

	2017	2018	2019	2020	2021	Change 2021 to 2020
Cost share ratio* (C/I)	44.8%	44.5%	43.1%	44.3%	43.0%	-1.4 p.p.
Return on assets ROA	1.16%	1.15%	1.10%	0.76%	1.18%	+0.42 p.p.
Return on equity (ROE)	12.7%	12.5%	11.6%	7.6%	13.6%	+6.0 p.p.
Return on equity (ROE), adjusted for MCFH	13.0%	12.8%	12.8%	9.4%	14.4%	+5.0 p.p.
Interest margin ratio	2.88%	2.92%	2.95%	2.63%	2.58%	-0.05 p.p.
LTD ratio	83.8%	87.6%	90.7%	82.6%	85.9%	+3.3 p.p.
LCR	145%	133%	130%	220%	164%	-56 p.p.
NSFR	122%	131%	130%	144%	157%	+13 p.p.
LR according to transitional definition	7.7%	7.4%	7.2%	7.3%	6.4%	-0.9 p.p.
Total capital ratio	16.71%	15.58%	16.87%	19.52%	15.08%	-4.44 p.p.
Tier 1 capital ratio	15.77%	14.74%	14.41%	16.91%	13.47%	-3.44 p.p.

*including the net profit of associates accounted for using the equity method

Key financial data

Abridged information on the financial performance of the ING Bank Śląski S.A. Group in 2017-2021

PLN million	2017	2018	2019	2020	2021	Change 2021 to 2020
Income*	4,769	5,232	5,796	6,231	6,897	+10.7%
Cost	-2,136	-2,327	-2,497	-2,763	-2,965	+7.3%
Risk cost**	-421	-501	-606	-1,075	-372	-65.4%
Profit before tax	1,882	2,031	2,258	1,912	3,015	+57.7%
Net profit**	1,403	1,524	1,659	1,338	2,308	+72.6%
Balance sheet total	117,478	125,972	141,813	158,611	186,596	+8.1%
Liabilities to clients	95,825	104,503	117,683	130,474	151,029	+13.0%
Loans granted and other receivables, net****	78,070	83,711	103,126	118,288	124,762	+17.5%
Equity***	10,477	11,534	13,322	15,223	18,618	-27.3%
Earnings per share (EPS) (PLN)	10.78	11.71	12.75	10.28	17.74	+72.6%
Dividend per share (PLN) for a given year	3.20	3.50	0.00	5.10	-	-

*including net profit of associates accounted for using the equity method; ** including legal costs of foreign currency mortgage loans; *** attributable to equity holders of the parent company; **** including fair value loans but excluding Eurobonds..

For the purposes of converting the data presented above into EUR, the Bank shall use the following rates:

- for the items specified in the Statement of Financial Position – National Bank of Poland exchange rate prevailing on 31 December of the year,
- for income statement items – exchange rate calculated as an average of the National Bank of Poland rates prevailing on the last day of each month in the year.



EUR/PLN exchange rate

	2017	2018	2019	2020	2021
For the items specified in the Statement of Financial Position	4.1709	4.3000	4.2585	4.6148	4.5994
For items posted in the income statement	4.2447	4.2669	4.3018	4.4742	4.5775

Abridged information on the financial performance of the ING Bank Śląski S.A. Group in 2017-2021

EUR million	2017	2018	2019	2020	2021	Change 2021 to 2020
Income*	1,124	1,226	1,347	1,393	1,507	+8.2%
Cost	-503	-545	-581	-617	-648	+4.9%
Risk cost**	-99	-117	-141	-240	-81	-66.1%
Profit before tax	443	476	525	427	659	+54.2%
Net profit**	331	357	386	299	504	+68.7%
Balance sheet total	30,203	32,980	37,246	40,434	43,844	+8.4%
Liabilities to clients	25,055	27,368	30,638	32,727	37,094	+13.3%
Loans granted and other receivables, net****	20,070	23,983	27,777	27,035	31,877	+17.9%
Equity***	2,765	3,098	3,575	4,034	2,942	-27.1%
Earnings per share (EPS) (PLN)	2.54	2.74	2.96	2.30	3.88	+68.7%
Dividend per share (PLN) for a given year	0.75	0.82	0.00	1.14	-	-

*including net profit of associates accounted for using the equity method; ** including legal costs of foreign currency mortgage loans; *** attributable to equity holders of the parent company; **** including fair value loans but excluding Eurobonds.

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

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

Income statement

Basic consolidated income statement figures of the ING Bank Śląski S.A. Group for 2021 and changes vis-à-vis 2018 are presented in the table below.

Basic consolidated income statement figures in analytical terms

PLN million	2017	2018	2019	2020	2021	Change 2021 to 2020	
						PLNm	%
Net interest income	3,389.4	3,759.3	4,325.1	4,541.8	4,969.7	427.9	9.4%
Net commission income	1,196.0	1,304.9	1,340.5	1,528.4	1,844.8	316.4	20.7%
Other income*	183.7	168.2	130.8	160.5	82.4	-78.1	-48.7%
Total income	4,769.1	5,232.4	5,796.4	6,230.7	6,896.9	666.2	10.7%
Operating expenses	-2,135.8	-2,326.8	-2,497.4	-2,762.5	-2,964.5	-202.0	7.3%
Impairment allowances and provisions**	-421.2	-500.9	-605.5	-1,074.9	-372.4	702.5	-65.4%
Bank levy	-330.1	-373.8	-435.7	-481.6	-544.7	-63.1	13.1%
Gross profit	1,882.0	2,030.9	2,257.8	1,911.7	3,015.3	1,103.6	57.7%
Income tax	-478.9	-507.1	-599.1	-574.1	-707.0	-132.9	23.1%
Net result attributable to non-controlling shareholders	0.0	0.0	0.0	0.0	0.0	0.0	-
Net financial profit/loss	1,403.1	1,523.8	1,658.7	1,337.6	2,308.3	970.7	72.6%

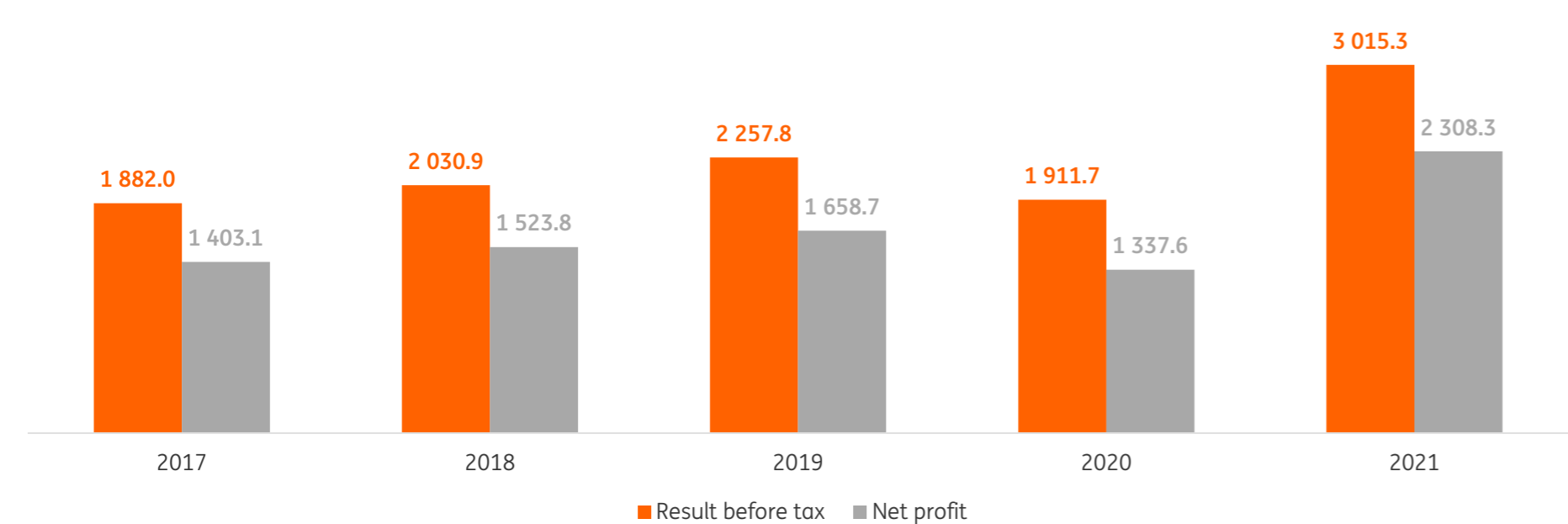
* including net income of associates accounted for using the equity method; **including legal costs of foreign currency mortgage loans

Profit before tax and net profit

In 2021, the ING Bank Śląski S.A. Group posted the net profit attributable to the shareholders of the parent company of PLN 2,308.3 million. It implies that the net result increased 72.6% from 2020. As since the beginning of 2018, the bank has applied, in its financial statements, the equity method to measure investments in its subsidiaries and associates, the bank's consolidated group net income is equal to the bank's standalone net income.



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



The result before tax was PLN 3,015.3 million and it was up by 57.7% compared to 2020.

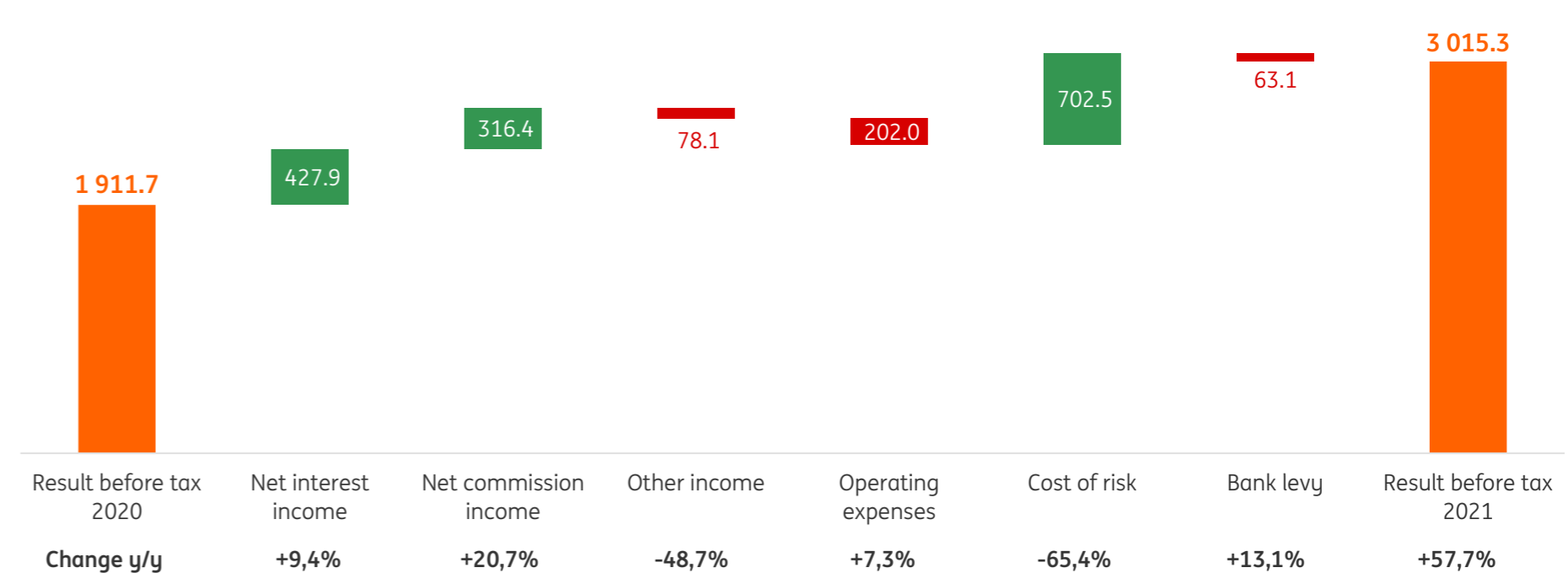
The increased profit before tax in 2021 was up by PLN 1,103.6 million compared to 2020 mainly due to:

- net interest income, which was up (by PLN 427.9 million, +9.4% y/y),
- net commission income, which was up (by PLN 316.4 million, +20.7% y/y),
- decline in cost of risk (including cost of legal risk FX mortgage loans; by PLN 702.5 million, -65.4%).

On the other hand, the factors that had negative impact on 2021 result before tax compared to 2020 included:

- decline in other income (by PLN 78.1 million, -48.7% y/y),
- operating expenses up (by PLN 202.0 million, +7.3% y/y),
- bank levy up (by PLN 63.1 million, +13.1% y/y)

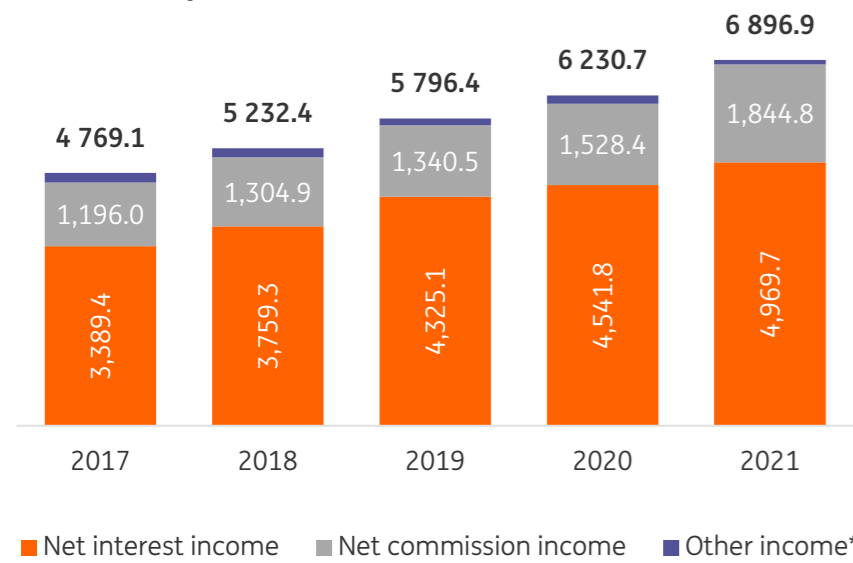
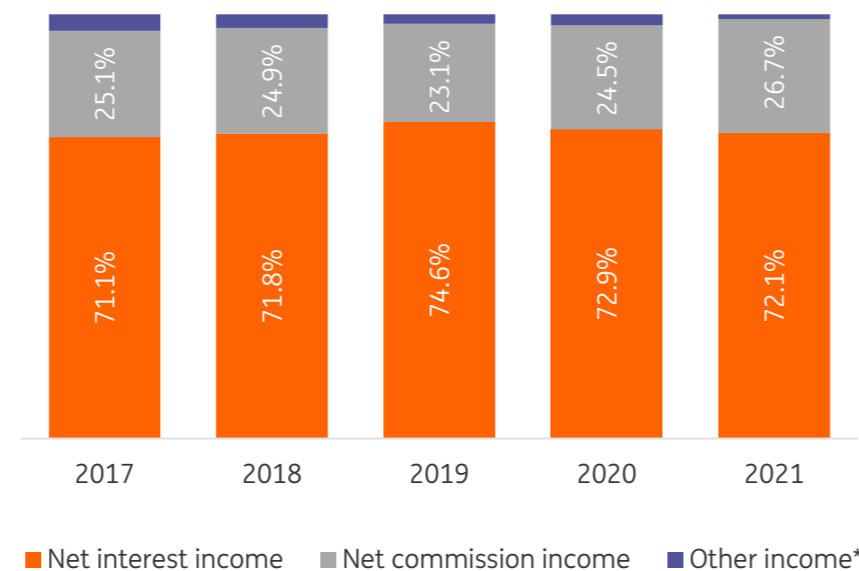
Change drivers for result before tax of the ING Bank Śląski S.A. Group in 2021 (PLN million)



In 2021 the total income of the ING Bank Śląski S.A. Group attributable to the shareholders of the parent company (including, apart from net profit, also other income and cost items included in equity) amounted to PLN -3,246.0 million compared to PLN 3,395.0 million in 2020. The decrease is mainly due to the negative valuation of derivatives under hedge accounting.

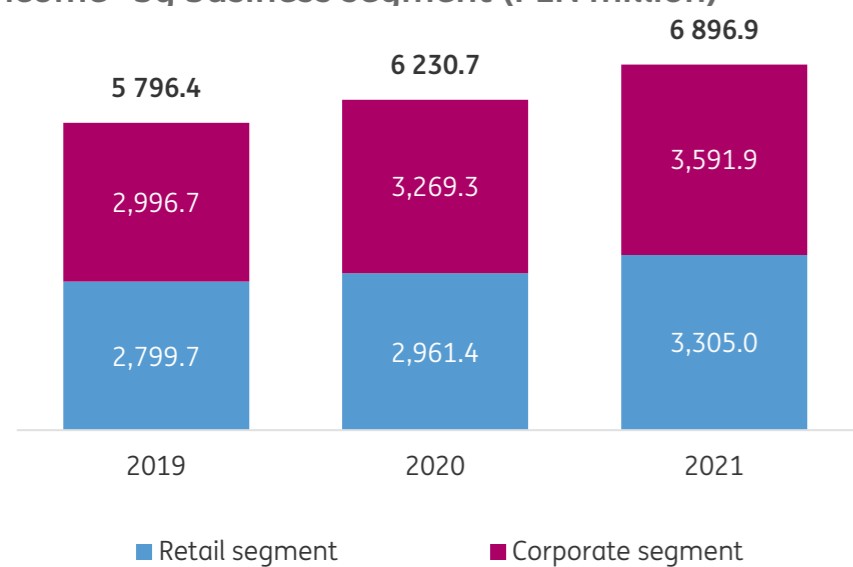
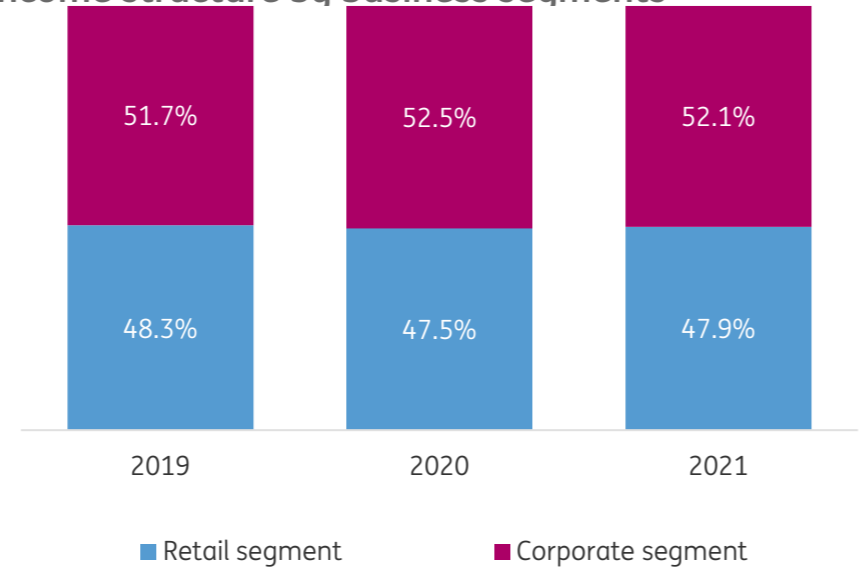
Income

In 2021, total income of the ING Bank Śląski S.A. Group amounted to PLN 6,896.9 million. This means that the improvement compared to 2020 was PLN 666.2 million or 10.7% and resulted from improvement in net interest income and net commission income.

**Income* by income statement
(PLN million)****Income structure***

*including the share in net profits of associates accounted for using the equity method

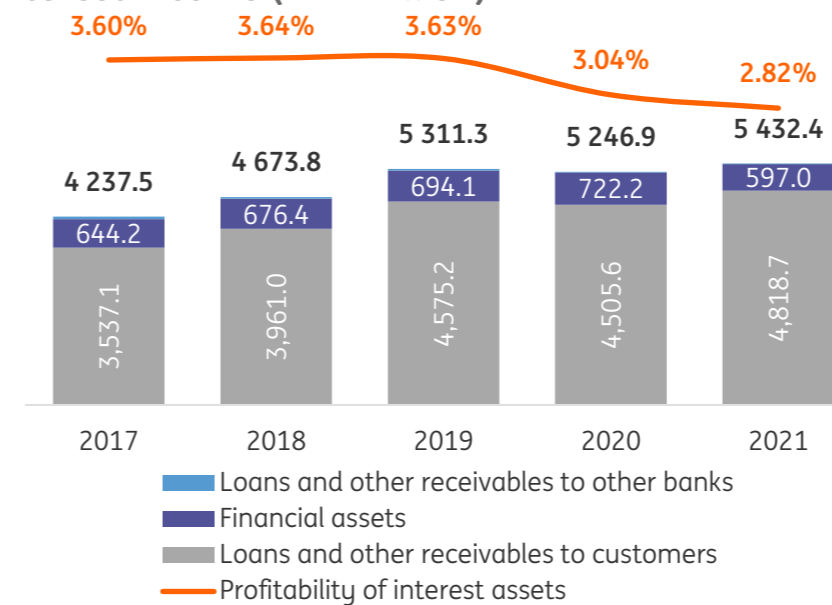
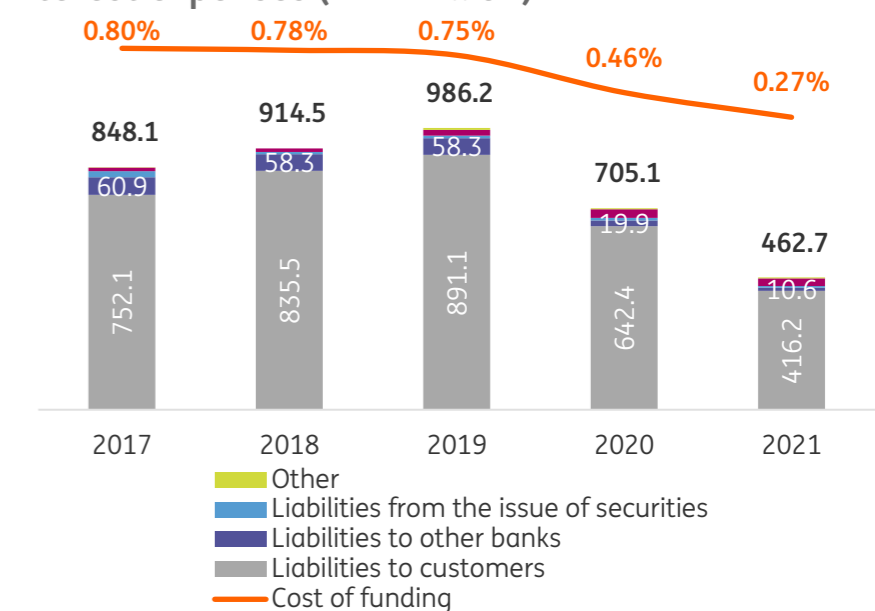
In 2021, the retail segment was the main income growth contributor. Its income was up by PLN 343.6 million, or 11.6%, to up to the level of PLN 3,305.0 million. Consequently its share in the structure was up by 0.4 p.p. to the level of 47.9%. Income of the corporate segment was up by PLN 322.6 million, or by 9.9%, to reach PLN 3,591.9 million.

Income* by business segment (PLN million)**Income structure by business segments***

*including the share in net profits of associates accounted for using the equity method

Net interest income

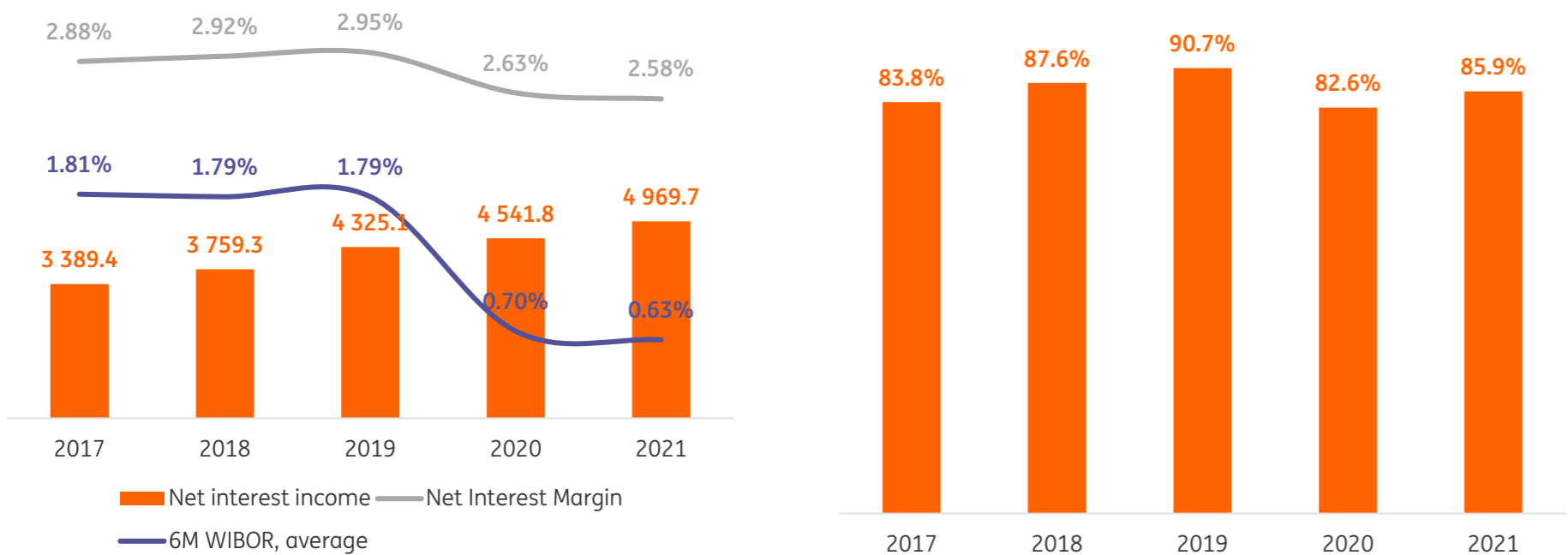
In 2021, interest income was up by 3.5% compared to 2020, mainly due to higher interest on loans and other receivables. On the other hand, interest expenses dropped by 34.4% y/y, mainly due to lower costs of liabilities to clients. Consequently, the net interest income was up by 9.4% y/y, i.e. by PLN 427.9 million to the level of PLN 4,969.7 million. Interest income was positively affected by the double increase in interest rates (the reference rate was increased by the Monetary Policy Council during the year from 0.10% to 1.75% – with the increases taking place in the last quarter of 2021). This had a direct impact on the profitability of interest-earning assets (e.g. higher lending rates).

Interest income (PLN million)**Interest expenses (PLN million)**

The net interest margin was 2.58% in 2021, slightly below the 2020 level (2.63%).



Net interest income (PLN million) and interest margin LTD ratio



Average basic interest rate* in 2021

Segment			Ogółem
	Retail	Corporate	
Deposits			
PLN	0.07%	0.05%	0.06%
in foreign currencies	0.004%	0.001%	0.003%
Loans			
PLN	2.87%	2.24%	2.60%
in foreign currencies	0.42%	1.60%	1.53%
including: mortgage loans			
PLN	2.35%	-	2.35%
in foreign currencies	0.42%	-	0.42%

*based on management accounting data

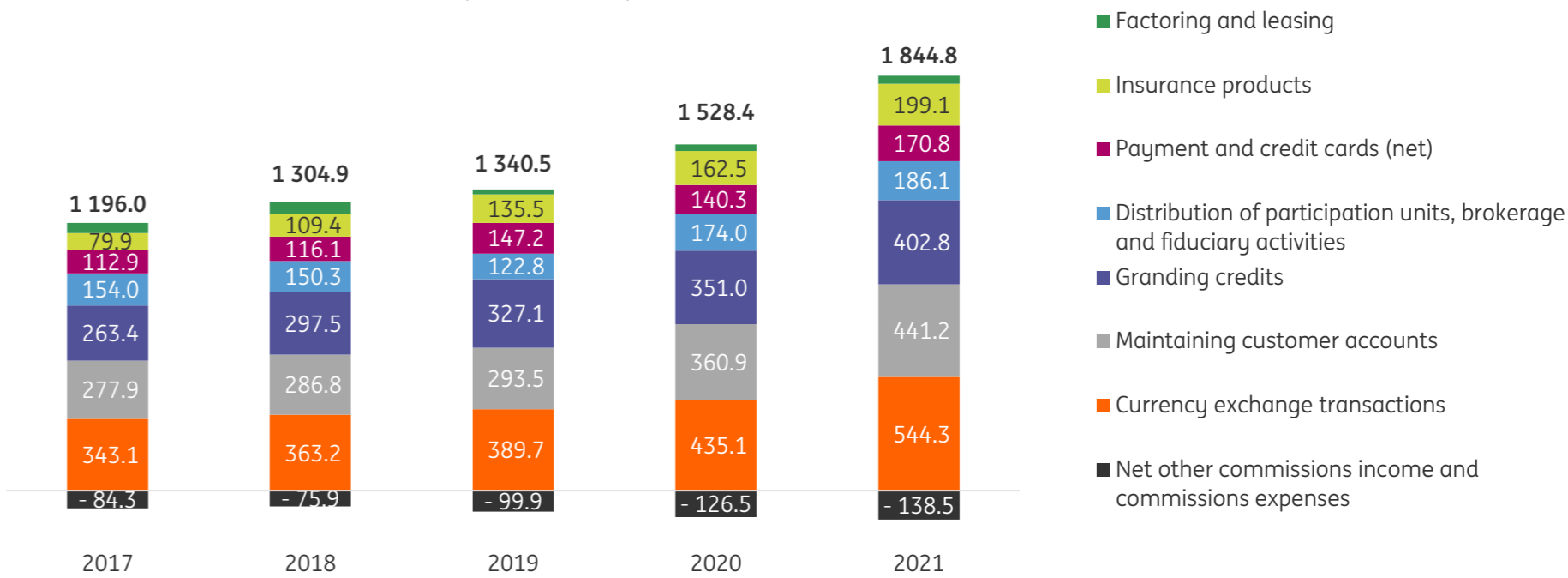
Net fee and commission income

In 2021, net fee and commission income of the ING Bank Śląski S.A. Group was up by PLN 316.4 million or by 20.7% compared to 2020 to the level of PLN 1,844.8 million.

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

- currency exchange transactions – an increase of PLN 109.2 million (+25.1% y/y), due to the high activity of our clients in this area,
- maintenance of client accounts – an increase of PLN 80.3 million (+22.2% y/y), driven among others by a fee on high deposit balances in the corporate segment,
- lending – an increase of PLN 51.8 million (+14.8% y/y), driven by high lending activity in the corporate segment.

Net fee and commission income (PLN billion)



Other income

In 2021, the bank's Group other income (including the share in the net result of associates accounted for using the equity method) amounted to PLN 82.4 million and were down by PLN 78.1 million compared to the previous year. This decrease mainly results from a lower result on hedge accounting (PLN -64.0 million y/y) and a lower result on financial instruments at fair value through profit or loss and foreign exchange gains (PLN -39.2 million).



Other income

PLN million	2017	2018	2019	2020	2021	Change 2021 to 2020	
						PLNm	%
Net income on financial instruments measured at fair value through profit or loss and FX result	118.8	90.9	108.3	103.5	64.3	-39.2	-37.9%
Result on sale of securities measured at amortised cost	46.6	55.3	0.0	7.3	2.8	-4.5	-61.6%
Net (loss)/income on hedge accounting	15.3	7.9	-14.3	11.5	-52.5	-64.0	-
Net (loss)/income on other basic activities	3.0	14.4	-6.1	-9.0	0.1	9.1	-
Share of profit/(loss) of associates accounted for using the equity method	0.0	-0.3	6.6	16.1	29.3	13.2	82.0%
Other income	183.7	168.2	130.8	160.5	82.4	-78.1	-48.7%

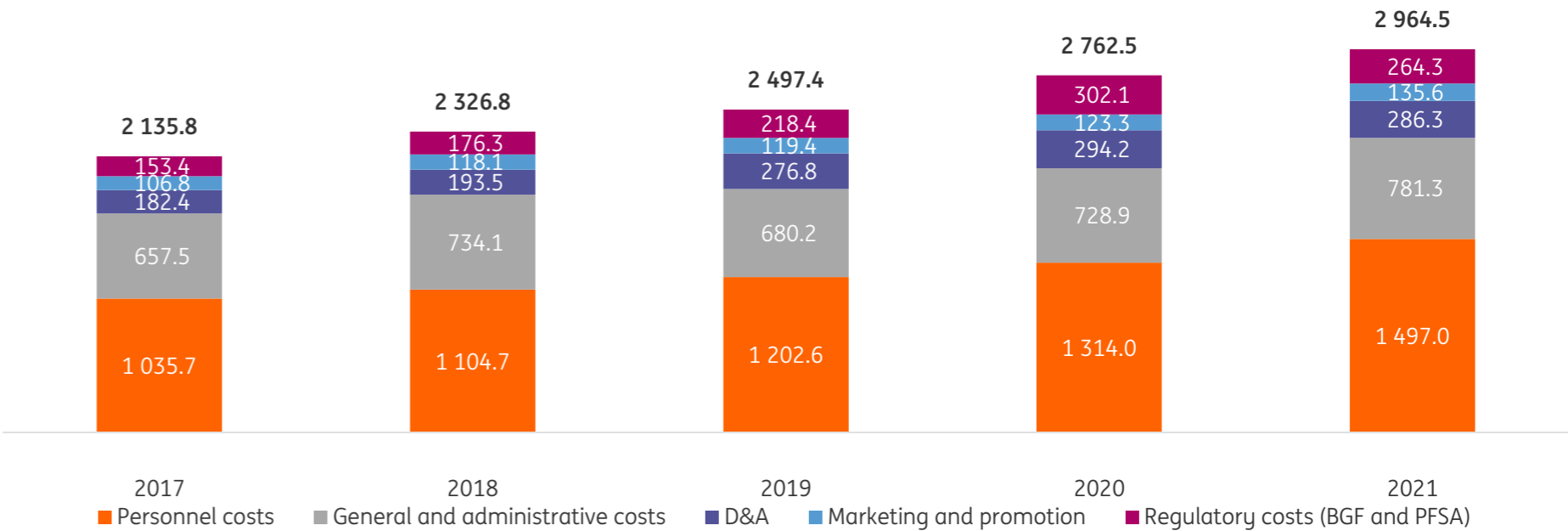
Operating expenses

In 2021, operating expenses of the ING Bank Śląski S.A. Group were up by 7.3% y/y to the level of PLN 2,964.5 million, including own costs that were up by 9.7% y/y to PLN 2,700.2 million, and regulatory costs - total BGF and PFSA expenses) up by 12.5% y/y to the level of PLN 264.3 million). BFG fees were PLN 43.7 million lower y/y (-15.1% y/y; the restructuring fund fee rose from PLN 125.4 million to PLN 132.6 million, but the guarantee fund fee fell from PLN 163.3 million to PLN 112.4 million). Supervision costs of the Polish Financial Supervision Authority rose to PLN 19.3 million from PLN 13.4 million a year earlier (+44.0% y/y).

The increase in the value of own costs was visible in all major categories (excluding depreciation and amortisation), which was due to business development. In 2021 the highest growth was recorded in the following categories:

- personnel costs (by PLN 183.0 million, +13.9% y/y) due to a change in salaries, an increase in headcount, but also benefits for our employees related to the COVID-19 pandemic (cost of PLN 31.8 million) and a provision for optimisation of operating processes (cost of PLN 29.6 million),
- marketing and promotion costs (up by PLN 12.3 million, +10.0% y/y), and
- general and administrative expenses (up by PLN 52.4 million, +7.2% y/y), mainly due to higher IT costs (+PLN 41.5 million, +15.5% y/y).

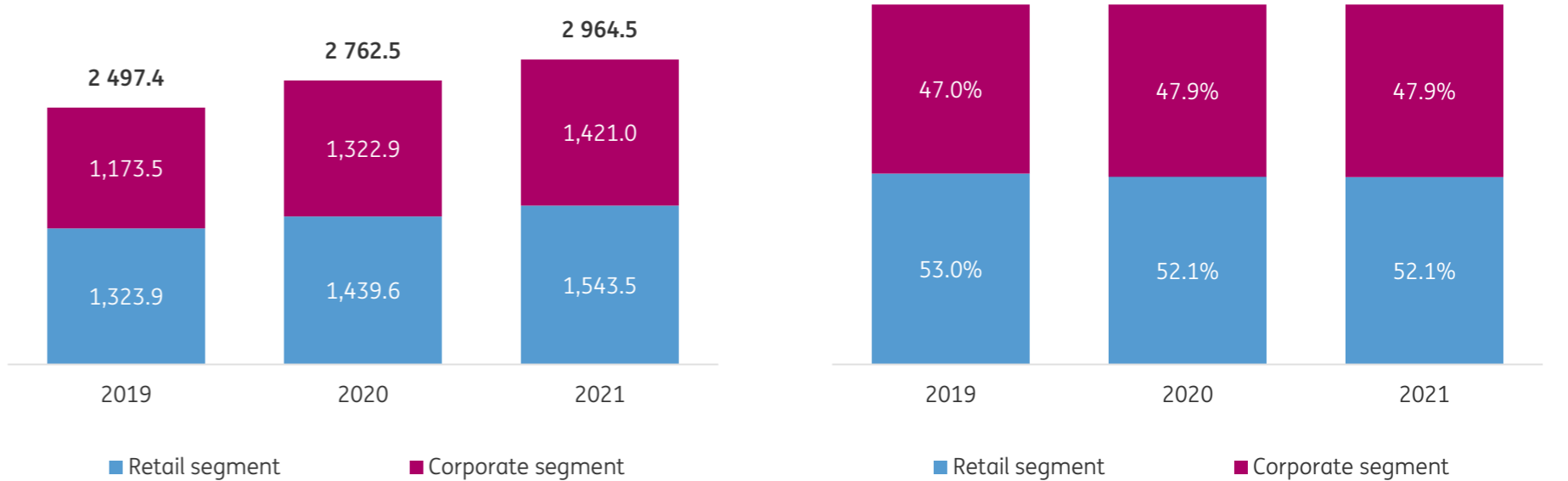
Operating expenses (PLN million)



The headcount level in the ING Bank Śląski S.A. Group increased y/y from 8,451 FTEs as at 2020 yearend to 8,643 FTEs as at 2021 yearend.

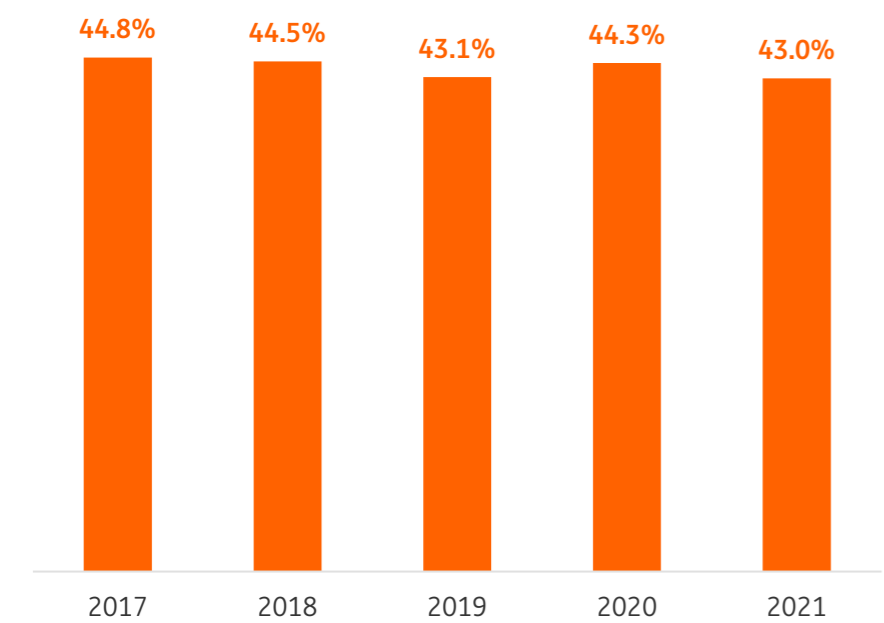
Operating expenses of the retail segment were up by PLN 104.0 million y/y (+7.2%) to PLN 1,543.5 million, while operating expenses of the corporate segment were up by PLN 98.0 million y/y (+7.4%) to PLN 1,421.0 million. Consequently, the segmental cost structure remained unchanged compared to 2020.

Operating expenses by business segments (PLN million) Structure of operating expenses by business segment





Cost-to-income ratio

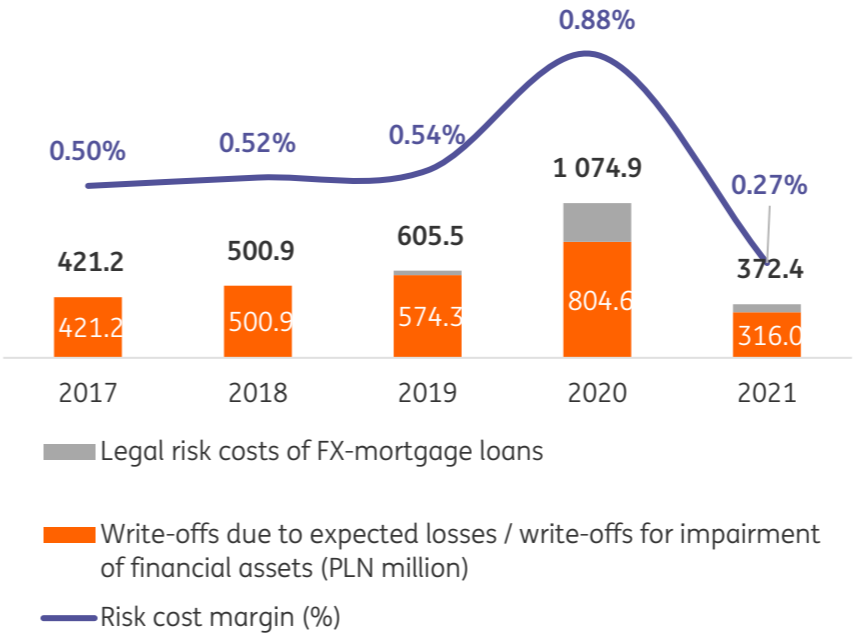


Due to the faster growth rate of income than operating expenses, the cost-to-income ratio was up in 2021 compared to the previous year. It was 43.0%, which means it was down by 1.3 p.p. r/r.

Impairment losses and provisions

In 2021, there was a decrease in the risk cost margin ratio (the ratio of the allowance for net expected credit losses and provisions for legal risk of foreign currency mortgage loans to the gross loan portfolio) to 0.27% from 0.88% in the previous year. The decrease was mainly due to the high 2020 base, due to changes (negative) the macroeconomic parameters used in the credit risk estimation models, which was linked to the COVID-19 pandemic and its economic impact and high provisions for legal risk of foreign currency mortgages.

Consolidated allowances for expected credit losses / impairment of financial assets including the cost of legal risk of foreign currency mortgage loans (PLN million)



The total cost of risk (allowances for expected credit losses and costs of legal risk of foreign currency mortgage loans) amounted to PLN 372.4 million in 2021. This amount includes PLN 9.0 million impact of the change in assumptions of macroeconomic parameters in the models (favourable impact, reducing the cost of risk) and PLN 56.4 million provision for legal risk of foreign currency mortgage loans. The impacts of these two elements on the cost of risk in 2020 were PLN 242.5 million (adverse impact, increasing the cost of risk) and PLN 270.3 million respectively.

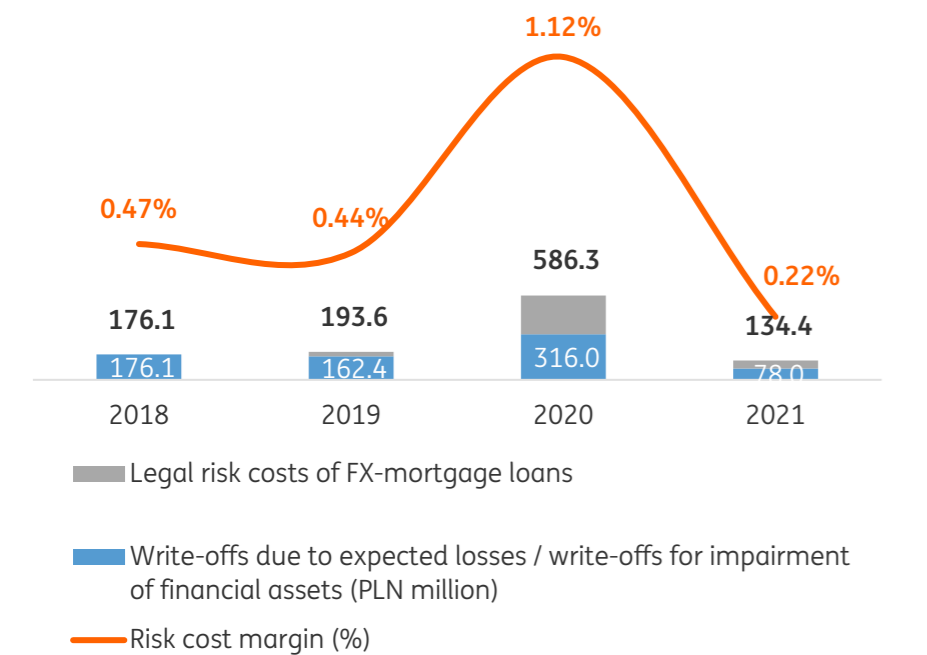
Risk costs in the retail segment in 2021 amounted to PLN 134.4 million (vs. PLN 586.3 million in 2020, down 77.1% y/y). The impact of the provision for legal risk of foreign currency mortgage loans was noticeably lower (PLN 56.4 million against PLN 270.3 million a year earlier). Changes in macroeconomic parameters were neutral for the cost of risk of the retail segment in 2021 (negative impact of PLN 51.9 million in 2020).

Cost of risk in the corporate segment amounted to PLN 238.0 million (vs. PLN 488.6 million in 2020, down 51.3% y/y) and the positive impact of the change in macroeconomic parameters in the models amounted to PLN 9.0 million (in 2020 the impact was negative at PLN 190.6 million).

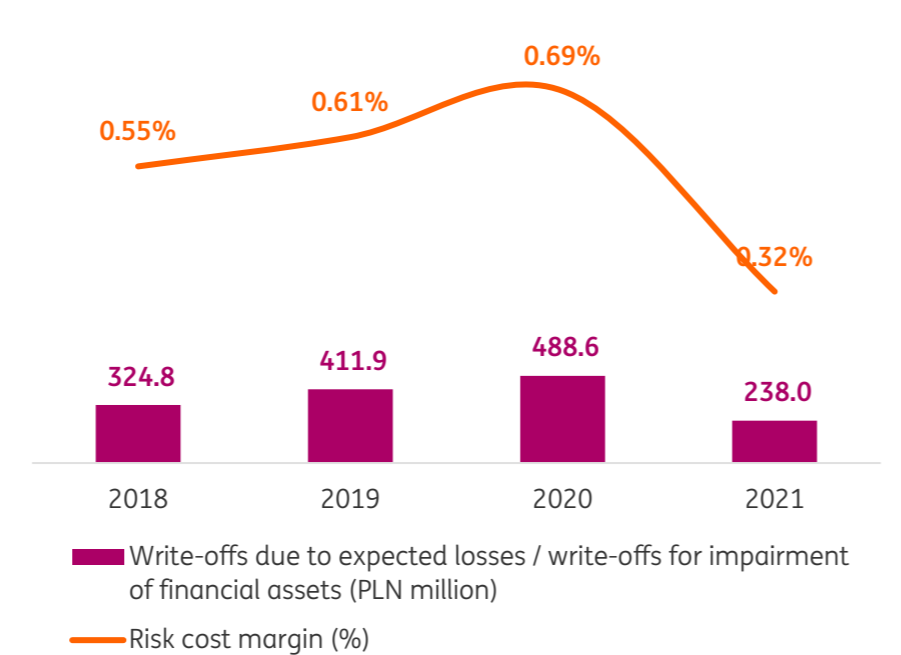
In Q2 2021, the bank sold a stage 3 corporate and retail receivables. The impact of this transaction on the cost of risk was noticeable (PLN 61.6 million positive impact). The Bank regularly sells Phase 3 debt portfolios under its credit risk management policy. The previous transaction – for corporate exposures – was completed in Q1 2020 (positive impact on risk costs of PLN 4.1 million).



Allowances for expected credit losses / impairment of net financial assets including the cost of legal risk of foreign currency mortgage loans (PLN million)

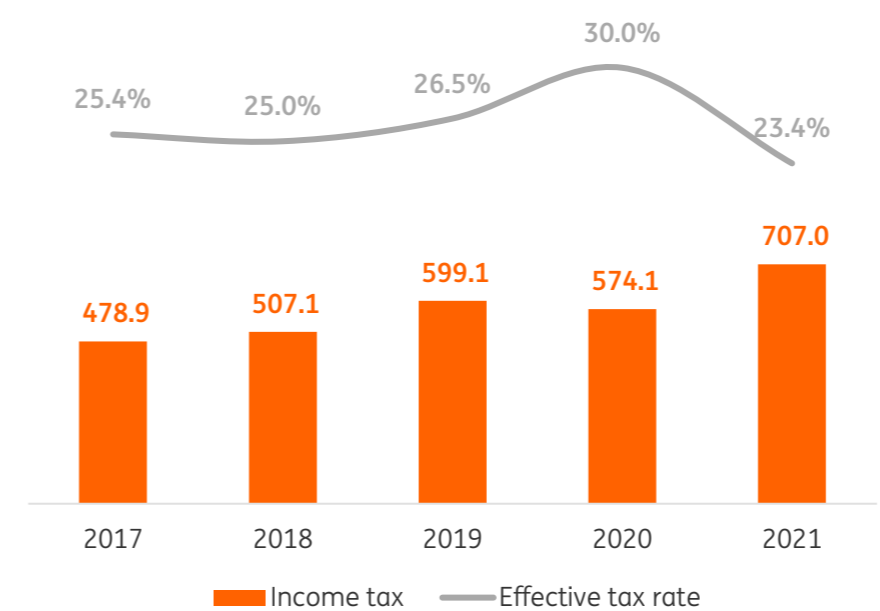


Allowances for expected losses on net financial / impairment of assets in the corporate segment (PLN million)



Income tax

Income tax (PLN million) and effective tax rate



In 2021, the ING Bank Śląski S.A. Group recorded income tax in the amount of PLN 707.0 million. It increased by 23.1% compared to the previous year due to higher y/y gross profit. The effective tax rate in 2021 was 23.4%, compared to 30.0% in the previous year. Both in 2020 and 2021 – pursuant to Art. 16.1.71 of the CIT Act – a contribution to the guarantee fund of banks, as well as a contribution to the forced bank restructuring fund, were not tax deductible. Bank levy is not a tax deductible cost either (pursuant to Article 16.1.70 of the CIT Act). In addition, provisions made for the legal risk of foreign currency mortgages are also not deductible.

Statement of financial position

Assets

As at 2021 yearend the total assets of the ING Bank Śląski S.A. Group exceeded the threshold of PLN 200 billion (PLN 201.7 billion). It implies they were up by 8.1% against 2020. The main driver of growth was loans and other receivables from clients, which totalled PLN 146.6 billion as at 2021 yearend (+17.5% y/y). This translated into an increase in the importance of this item in the asset structure – to 72.7% from 66.9% a year earlier.

The increase in the portfolio of loans and other receivables from clients was largely cushioned by the decrease in the securities portfolio. Their decrease amounted to PLN 6.9 billion (-12.5% y/y) to the value of PLN 48.7 billion. The share of securities in the asset structure fell to 24.1% from 29.8% a year earlier.

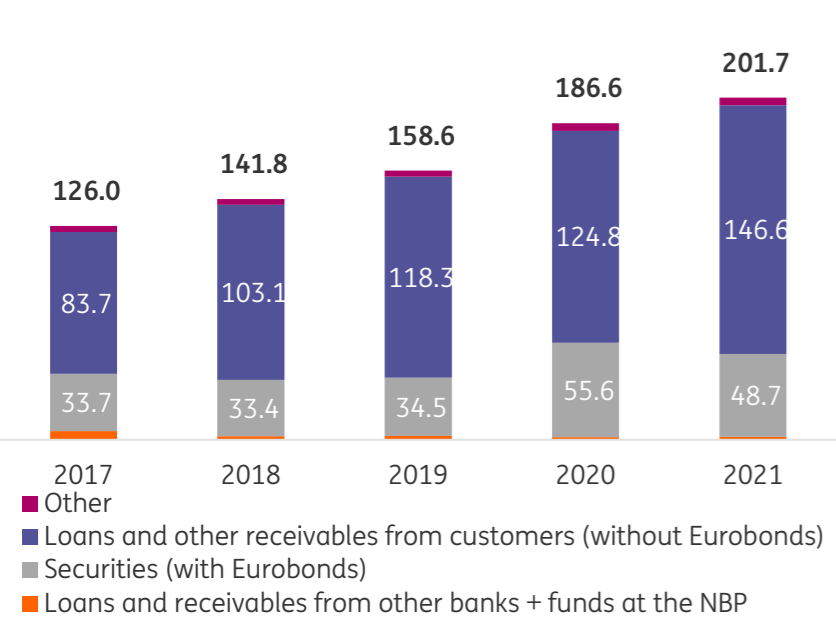
The quality of our loan portfolio is described in the chapter Bank and client safety, in the section [Credit risk](#).

Tax on certain financial institutions

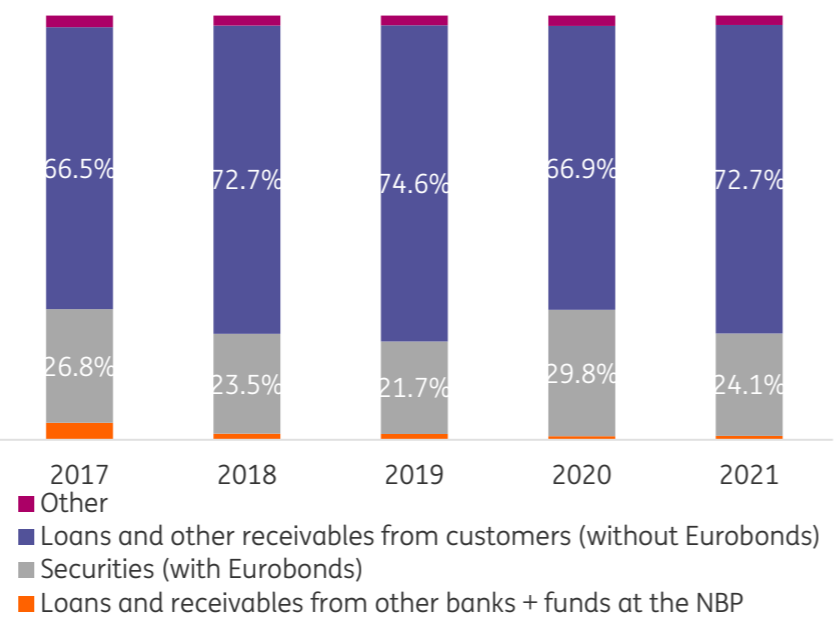
In 2021, the ING Bank Śląski S.A. Group paid tax on certain financial institutions (the so-called bank levy) in the amount of PLN 544.7 million. The bank levy was up by PLN 63.1 million, i.e. by 13.1%, compared to 2020, was driven by a higher tax base, which is a consequence of higher business volumes, the decrease in the share of Polish government bonds in the asset structure and the decrease in own funds.



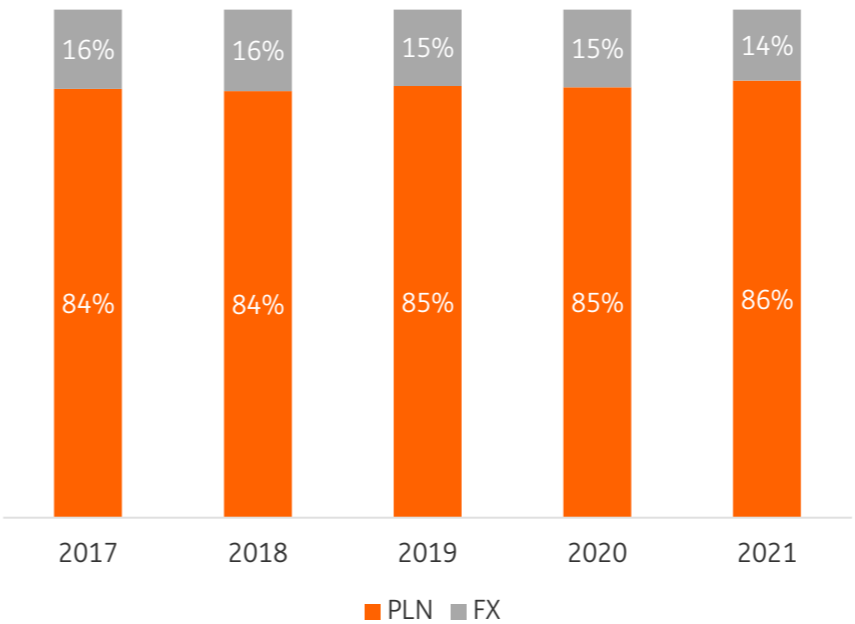
Assets of the ING Bank Śląski S.A. Group (PLN billion)



Structure of assets of the ING Bank Śląski S.A. Group



Net receivables from clients by currency*

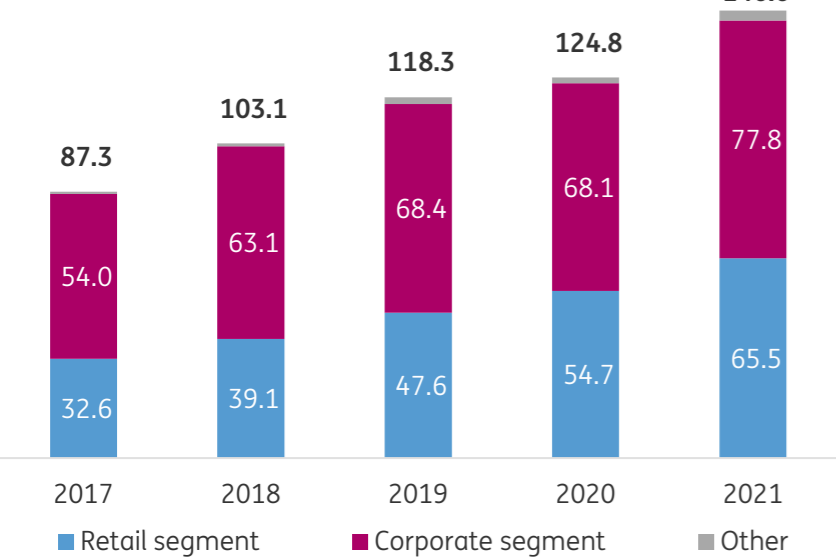


Within the structure of the portfolio of net receivables (excluding Eurobonds by currency, participation of exposures denominated in PLN rose up to 86.1%. This is a consequence of a faster growth of receivables denominated in PLN (by PLN 20.4 billion compared to 2020; +19.3%) than the growth of exposures denominated in foreign currencies (by PLN 1.5 billion y/y; +7.8%), which also increased as a result of the weakening of the PLN versus the USD and CHF.

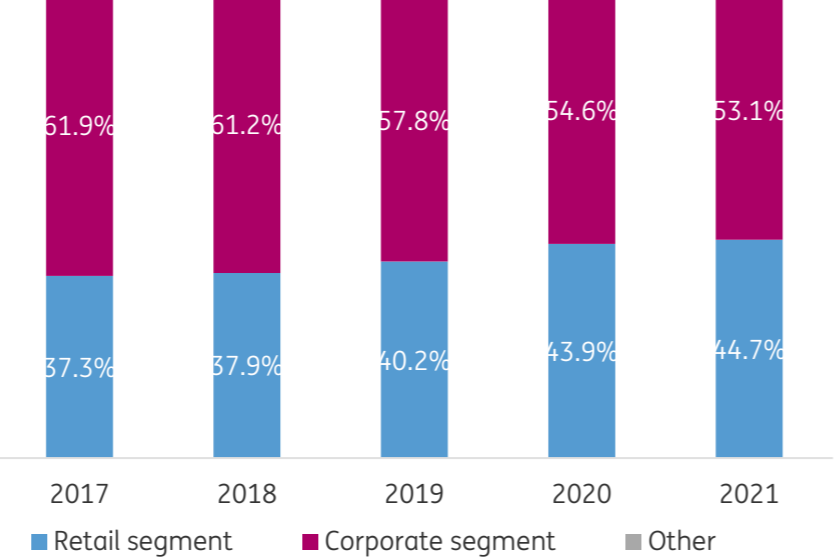
*loans and other receivables from clients, excluding Eurobonds

In 2021, growth in net loans and other receivables was recorded in the retail segment (+19.7% y/y to PLN 65.5 billion at the end of the year) and in the corporate segment (+14.3% y/y to PLN 77.8 billion). Accordingly, the retail segment's share of net loans and other receivables increased to 44.7% from 43.9% a year earlier, while the corporate segment's share decreased to 53.1% from 54.6% a year earlier.

Net loans* by segment (PLN billion)



Net lending structure*



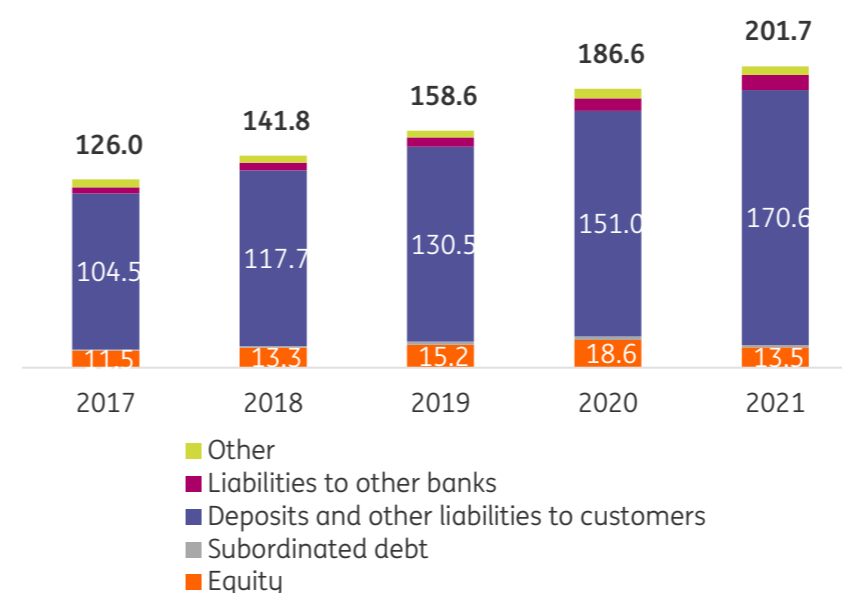
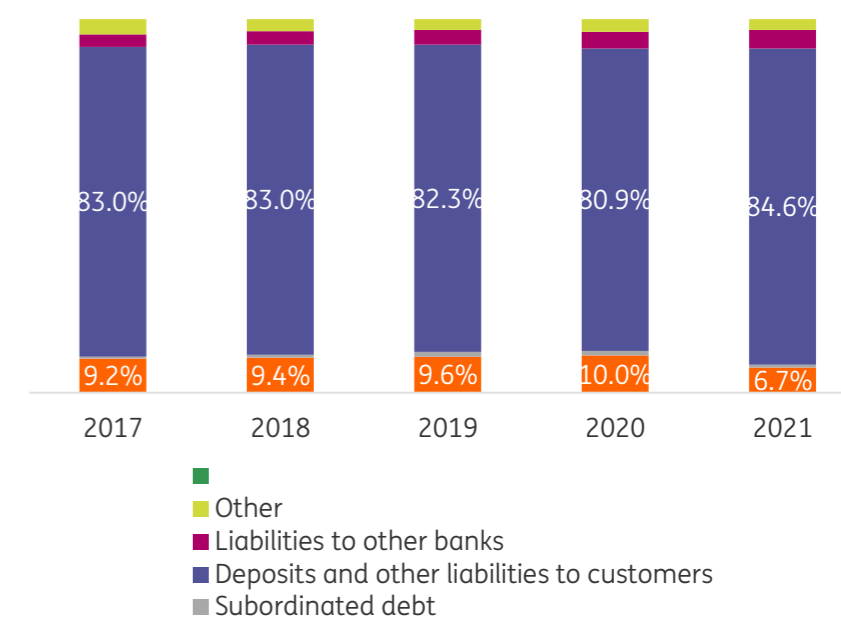
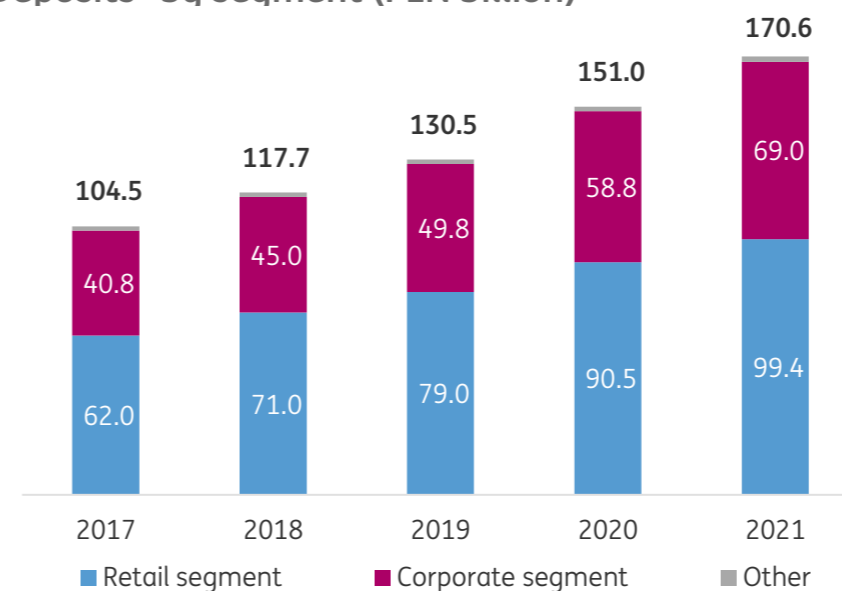
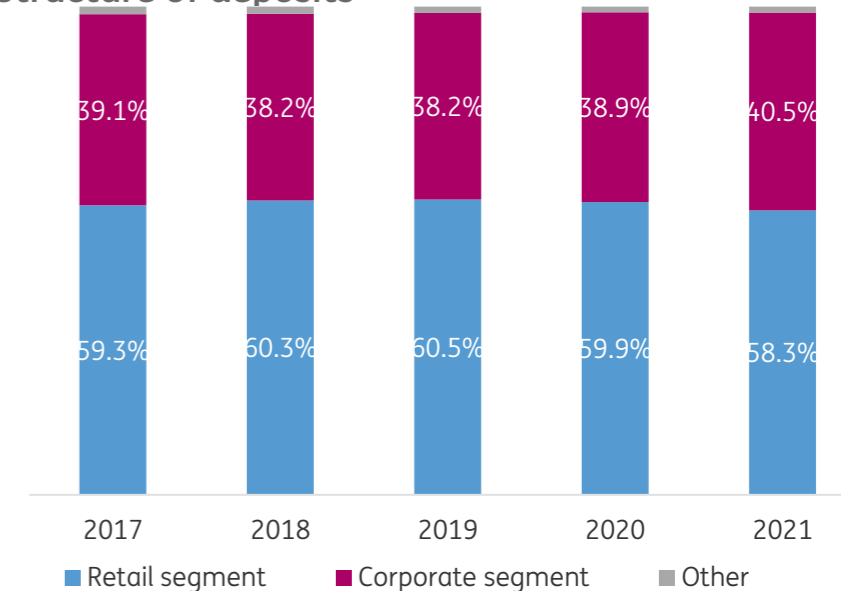
*loans and other receivables from clients, excluding Eurobonds

**Net receivables from clients (excluding Eurobonds)**

PLN million	2017	2018	2019	2020	2021	Change 2021 to 2020	
						PLNm	%
Total net receivables from clients							
Measured at amortized cost	87,275.3	102,907.4	118,127.8	124,655.3	146,536.0	21,880.7	17.6%
Measured at fair value through income statement	0.0	218.4	160.3	106.2	78.4	-27.8	-26.2%
Total	87,275.3	103,125.8	118,288.1	124,761.5	146,614.4	21,852.9	17.5%
Net receivables from clients measured at amortised cost							
Loan portfolio, of which:	86,556.3	101,956.8	115,831.0	122,722.1	143,286.7	20,564.6	16.8%
households	38,840.4	47,525.7	57,284.9	63,345.0	76,908.7	13,563.7	21.4%
business entities	44,868.6	51,223.9	55,527.2	56,059.7	63,432.4	7,372.7	13.2%
central and local government institutional sector	2,847.3	3,207.2	3,018.9	3,317.4	2,945.6	-371.8	-11.2%
Total, of which:	86,556.3	101,956.8	115,831.0	122,722.1	143,286.7	20,564.6	16.8%
Corporate banking	53,997.8	62,861.1	68,230.7	67,976.7	77,756.3	9,779.6	14.4%
overdraft facilities	9,599.6	10,982.5	10,999.5	8,982.1	11,848.6	2,866.5	31.9%
terms loans and borrowings	30,716.4	36,138.0	40,099.2	41,510.8	44,675.6	3,164.8	7.6%
lease receivables	6,560.1	8,093.6	9,334.7	9,697.6	11,090.0	1,392.4	14.4%
factoring receivables	4,589.6	4,837.7	5,293.3	4,794.5	6,823.8	2,029.3	42.3%
commercial loans and municipal debt securities	2,532.1	2,809.3	2,504.0	2,991.7	3,318.3	326.6	10.9%
Retail banking	32,558.5	39,095.7	47,600.3	54,745.4	65,530.4	10,785.0	19.7%
mortgage loans and borrowings,	27,369.4	33,146.8	40,597.4	47,621.8	57,192.3	9,570.5	20.1%
overdraft facilities	560.3	563.7	596.5	594.3	631.9	37.6	6.3%
other loans and borrowings	4,628.8	5,385.2	6,406.4	6,529.3	7,706.2	1,176.9	18.0%
Other receivables, of which:	719.0	950.6	2,296.8	1,933.2	3,249.3	1,316.1	68.1%
complex call deposits	540.1	733.0	1,598.6	1,272.2	2,531.5	1,259.3	99.0%
receivables under repo agreements	19.8	0.0	0.0	0.0	0.0	0.0	-
other receivables	159.1	217.6	698.2	661.0	717.8	56.8	8.6%
Total	87,275.3	102,907.4	118,127.8	124,655.3	146,536.0	21,880.7	17.6%

Equity and liabilities

The dominant source of financing of the ING Bank Śląski S.A. Group's operations was clients' funds. As at 2021 yearend, liabilities to clients amounted to PLN 170.6 billion (+PLN 19.6 billion, +13.0% r/r), or 84.6% of total liabilities.

Equity and liabilities of the ING Bank Śląski S.A. Group (PLN billion)**Structure of ING Bank Śląski Group liabilities****Deposits* by segment (PLN billion)****Structure of deposits***

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



Deposits and other liabilities to clients of the retail segment increased by PLN 8.9 billion (+9.8% y/y) and to the corporate segment by PLN 10.3 billion (+17.5% y/y). The corporate segment's share of deposits and other liabilities to clients increased by 1.6 p.p. y/y to 40.5% (the retail segment's share decreased by 1.7 p.p. y/y to 58.3%).

The next most important source of financing was equity, which as at 2021 yearend amounted to PLN 13.5 billion and accounted for 6.7% of total liabilities. The significant decrease in equity was mainly a consequence of the decrease in the valuation (and consequently negative value) of cash flow hedging instruments (a component of accumulated other comprehensive income). In contrast, Article 33(1a) of the CRR indicates that provisions reflecting the fair value associated with gains or losses on cash flow hedges of financial instruments (which are not measured at fair value) are not included in own funds. This means that, as a rule, the decrease in equity capital on this account does not translate into a decrease in own funds and, consequently, has no direct negative impact on the bank's capital ratios.

In ING Lease (Poland), the source of funding for long-term lease contracts in EUR ("matched-funding") are loans received from ING Bank N.V. in Amsterdam. The current loan agreement of 15 July 2021 introduced a total funding limit for the ING Lease (Poland) group of EUR 1,305 million. As at 2021 yearend the debt balance was EUR 841.8 million. Disbursements are made in the form of loan tranches, which are drawn down in accordance with the needs arising from the leases and loans being drawn down. Repayment of the borrowed financing is carried out on time in accordance with the repayment schedules of the disbursed credit tranches.

In addition, ING Lease (Poland) signed a loan agreement with the European Investment Bank (EIB) in 2016. The agreement was aimed at financing lease contracts in EUR for medium and large companies with a financing period of up to 5 years. As at 2021 yearend the debt balance was EUR 2.1 million. In 2021, ING Lease (Poland) did not enter into any new financings, but only made timely matured repayments of drawn tranches of loans. The loan agreement with the EIB is secured by Polish government bonds.

In 2021, under the Bond Issue Programme (Bond Programme), the Group's subsidiary ING Bank Hipoteczny S.A. – issued bonds with a total nominal value of PLN 654 million (i.e. 1,308 bonds with a nominal value of PLN 500 thousand each). The bonds were issued in three series:

- Series 4 with a value of PLN 150 million and a maturity set at 10 months,
- Series 5 with a value of PLN 79 million and a maturity set at 6 months,
- Series 6 with a value of PLN 425 million and a maturity set at 3 months.

The bonds were registered with the National Depository for Securities in Warsaw. Series 4 and 6 bonds were directed to qualified investors. Series 5 bonds were fully purchased by an entity within the Bank's Capital Group. The bond issues in question are governed by the Bond Issue Programme Agreement concluded with ING Bank Śląski SA. Under the agreement, the maximum nominal value of the issued and outstanding bonds is PLN 4.0 billion. At the same time Series 4 is covered by a bank guarantee granted by ING Bank Śląski (Guarantor), whereby the Guarantor undertakes to purchase bonds in the event that ING Bank Hipoteczny fails to perform its monetary obligations at the maturity date of the above bond series.

In 2021, ING Bank Hipoteczny S.A. redeemed bonds issued under the Bond Programme in 2020, i.e. Series 1 bonds worth PLN 675 million, Series 2 bonds worth PLN 50 million and Series 3 bonds worth PLN 250 million.

As at 2021 yearend the total nominal value of own bonds issued and not redeemed amounted to PLN 654 million.

Liabilities portfolio vis-a-vis clients

PLN million	2017	2018	2019	2020	2021	Change 2021 to 2020	
						PLNm	%
Deposits, of which:	102,849.1	115,908.0	128,800.1	149,269.9	168,458.5	19,188.6	12.9%
households	67,918.6	78,255.5	87,643.7	102,920.0	113,570.2	10,650.2	10.3%
business entities	33,156.6	35,735.0	36,191.2	43,454.5	51,415.7	7,961.2	18.3%
central and local government institutional sector	1,773.9	1,917.5	4,965.2	2,895.4	3,472.6	577.2	19.9%
Total, of which:	102,849.1	115,908.0	128,800.1	149,269.9	168,458.5	19,188.6	12.9%
Corporate banking	40,841.5	44,956.5	49,848.1	58,755.4	69,029.9	10,274.5	17.5%
current deposits	27,607.1	30,522.2	34,707.2	45,250.6	55,776.1	10,525.5	23.3%
savings accounts	10,504.1	12,212.7	13,513.1	12,920.5	12,462.4	-458.1	-3.5%
term deposits	2,730.3	2,221.6	1,627.8	584.3	791.4	207.1	35.4%
Retail banking	62,007.6	70,951.5	78,952.0	90,514.5	99,428.6	8,914.1	9.8%
current deposits	10,789.9	13,007.6	15,706.7	22,924.1	28,641.5	5,717.4	24.9%
savings accounts	47,984.7	55,704.7	60,812.0	65,896.2	69,286.6	3,390.4	5.1%
term deposits	3,233.0	2,239.2	2,433.3	1,694.2	1,500.5	-193.7	-11.4%
Other liabilities, including:	1,654.2	1,774.5	1,673.4	1,758.6	2,151.4	392.8	22.3%
liabilities under monetary hedges	274.0	329.5	400.1	547.1	476.3	-70.8	-12.9%
call deposits	1.4	8.6	11.6	20.7	12.5	-8.2	-39.6%
other liabilities	1,378.8	1,436.4	1,261.7	1,190.8	1,662.6	471.8	39.6%
Total	104,503.3	117,682.5	130,473.5	151,028.5	170,609.9	19,581.4	13.0%



Off-balance sheet items

Off-balance items of the ING Bank Śląski S.A. Group					
PLN million	2017	2018	2019	2020	2021
Contingent liabilities granted	29,953.3	34,284.1	36,547.7	43,587.5	48,693.8
unutilized lines of credit	22,250.4	25,791.0	27,699.0	33,997.6	38,972.4
guarantees	4,897.7	5,575.6	5,837.2	6,058.6	6,215.5
unutilised overdraft facilities	1,336.1	1,371.2	1,425.6	1,580.5	1,563.2
credit card limits	1,078.9	1,251.2	1,389.9	1,520.5	1,549.1
letters of credit	390.2	295.1	196.0	430.3	393.6
Contingent liabilities received	5,074.4	7,109.7	8,645.7	11,586.1	21,645.4
Total off-balance items	35,027.7	41,393.8	45,193.4	55,173.6	70,339.2

Details of off-balance items are presented in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for 2021.





Standalone performance of ING Bank Śląski S.A.

Key effectiveness ratios

Key effectiveness ratios for ING Bank Śląski S.A. in 2017-2021

	2017	2018	2019	2020	2021	Change 2021 to 2020
Cost-to-income ratio* (C/I)	44.2%	43.6%	42.4%	44.0%	42.2%	-1.8 p.p.
ROA	1.20%	1.19%	1.13%	0.78%	1.21%	+0.43 p.p.
Return on equity (ROE)	12.6%	12.4%	11.7%	7.7%	13.8%	+6.1 p.p.
LTD ratio	88.1%	84.5%	85.0%	77.3%	80.8%	+3.5 p.p.
LCR	151%	138%	135%	214%	167%	-47 p.p.
NSFR	119%	127%	126%	140%	159%	+19 p.p.
LR according to transitional definition	8.5%	8.2%	8.1%	8.0%	6.8%	-1.0 p.p.
Total capital ratio	18.39%	17.17%	18.30%	20.87%	16.05%	-4.82 p.p.
Tier 1 capital ratio	17.34%	16.24%	15.63%	18.05%	14.29%	-3.76 p.p.

*including the net profit of associates accounted for using the equity method

Key financial data

Abridged information on the financial performance of ING Bank Śląski S.A. in 2017-2021

PLN million	2017	2018	2019	2020	2021	Change 2021 to 2020
Income*	4,637	5,073	5,591	5,951	6,670	+12.1%
Cost	2,049	2,213	2,370	2,616	2,813	+7.5%
Risk cost**	400	477	569	970	342	-64.8%
Profit before tax	1,859	2,010	2,217	1,883	2,971	+57.8%
Net profit	1,403	1,524	1,659	1,338	2,308	+72.6%
Balance sheet total	118,701	137,935	153,917	181,117	195,905	8.2%
Liabilities to clients	98,068	117,294	130,037	150,737	170,104	12.8%
Loans granted and other receivables, net**	86,392	99,126	110,537	116,459	137,419	18.0%
Equity	11,486	13,322	15,115	18,371	13,216	-28.1%
Earnings per share (EPS) (PLN)	10.78	11.71	12.75	10.28	17.74	+72.6%
Dividend per share (PLN) for a given year	3.20	3.50	0.00	5.10	-	-

*including net profit of associates accounted for using the equity method; ** including legal costs of foreign currency mortgage loans; *** including fair value loans but excluding Eurobonds.

For the purposes of converting the data presented above into EUR, the Bank shall use the following rates:

- for the items specified in the Statement of Financial Position – National Bank of Poland exchange rate prevailing on 31 December of the year,
- for income statement items – exchange rate calculated as an average of the National Bank of Poland rates prevailing on the last day of each month in the year.



EUR/PLN exchange rate

	2017	2018	2019	2020	2021
For the items specified in the Statement of Financial Position	4.1709	4.3000	4.2585	4.6148	4.5994
For items posted in the income statement	4.2447	4.2669	4.3018	4.4742	4.5775

Abridged information on the financial performance of ING Bank Śląski S.A. in 2017-2021

EUR million	2017	2018	2019	2020	2021	Change 2021 to 2020
Income*	1,092	1,189	1,300	1,330	1,457	+9.6%
Cost	483	519	551	585	614	+5.1%
Risk cost**	94	112	132	217	75	-65.6%
Profit before tax	438	471	515	421	649	+54.3%
Net profit	331	357	386	299	504	+68.7%
Balance sheet total	28,459	32,078	36,144	39,247	42,594	8.5%
Liabilities to clients	23,512	27,278	30,536	32,664	36,984	13.2%
Loans granted and other receivables, net**	20,713	23,053	25,957	25,236	29,878	18.4%
Equity	2,754	3,098	3,549	3,981	2,873	-27.8%
Earnings per share (EPS; PLN)	2.54	2.74	2.96	2.30	3.88	+68.7%
Dividend per share (PLN) for a given year	0.75	0.82	0.00	1.14	-	-

*including net profit of associates accounted for using the equity method; ** including legal costs of foreign currency mortgage loans; *** including fair value loans but excluding Eurobonds.

Income statement

Basic income statement figures of the ING Bank Śląski S.A. for 2021 and changes compared to the previous year are presented in the table below.

Basic figures in income statement in analytical terms

PLN million	2017	2018	2019	2020	2021	Change 2021 to 2020	
						PLNm	%
Net interest income	3,254.3	3,619.1	4,089.8	4,276.7	4,672.7	+396.0	9.3%
Net commission income	1,145.9	1,236.6	1,295.8	1,472.1	1,778.8	+306.7	20.8%
Other income*	237.1	217.2	205.3	201.7	218.8	+17.1	8.5%
Total income	4,637.3	5,072.9	5,590.9	5,950.5	6,670.3	+719.8	12.1%
Operating expenses	2,048.6	2,212.9	2,369.8	2,616.2	2,812.5	-196.3	7.5%
Impairment allowances and provisions**	-399.6	-476.6	-568.9	-970.0	-341.7	-628.3	-64.8%
Bank levy	-330.1	-373.8	-435.7	-481.6	-544.7	-63.1	13.1%
Gross profit	1,859.0	2,009.6	2,216.5	1,882.7	2,971.4	+1,088.7	57.8%
Income tax	-455.9	-485.8	-557.8	-545.1	-663.1	-118.0	21.6%
Net financial profit/loss	1,403.1	1,523.8	1,658.7	1,337.6	2,308.3	+970.7	72.6%

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

Profit before tax and net profit

In 2021, ING Bank Śląski S.A. posted the net profit of PLN 2,308.3 million. It implies that the net result improved by 72.6% from 2020.

The result before tax was PLN 2,971.4 million and it was up by 57.8% compared to 2020.

The profit before tax in 2021 was up by PLN 1,088.7 million compared to 2020 mainly due to:

- decrease in cost of risk (including costs of legal risk of FX mortgage loans) by 64.8% y/y (PLN -628.3 million),
- increase in net fee and commission income by 20.8% (PLN +396.0 million),
- increase in net interest income by 9.3% y/y (+PLN 306.7 million).

On the other hand, the factors that had negative impact on result before tax compared to 2020 included:

- increase in operating expenses by 7.5% y/y (PLN -196.3 million),
- increase in the cost of bank levy by 13.1% y/y (PLN -63.1 million).



In 2021 total income of ING Bank Śląski S.A. (including, apart from net profit, also other income and cost items included in equity) amounted to PLN -4,491.3 million compared to PLN 3,255.7 million in 2020.

Revenues

Net interest income

In 2021, net interest income of ING Bank Śląski S.A. was up by PLN 396.0 million compared to 2020 (+9.3% y/y) up to the level of PLN 4,672.7 million. The improvement was due to an increase in business volumes, stability and low financing costs. The interest rate increases in the last quarter of 2021 had a positive impact on interest earnings, but the full impact will only be seen in the 2022 results.

Net commission income

In 2021, net commission income of the bank was up by PLN 306.7 million (+20.8% y/y) compared to 2020 to the level of PLN 1,778.8 million.

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

- FX margin – up by PLN 109.1 million (+25.0% y/y),
- client account maintenance – up by PLN 80.7 million (+22,3% y/y),
- lending – up by PLN 56.5 million, (+15.7% y/y).

Operating expenses

In 2021, the operating expenses of the ING Bank Śląski S.A. Group grew by 7.5% y/y up to PLN 2,812.5 million. Within the main cost categories, the dynamics were as follows:

- employee costs were up by PLN 176.4 million (+14,4% y/y),
- marketing and promotion costs were up by PLN 12.4 million, (+10.2% y/y),
- other operating expenses were up by PLN 17.1 million (+1.7% y/y), including BFG costs were down by PLN 47.4 million (-16.5% y/y),
- depreciation costs up by PLN 9.6 million, (-3.4% y/y).

The headcount level in ING Bank Śląski increased (8,211 FTEs as at 2021 yearend compared to 8,013 FTEs as at 2020 yearend).

Impairment losses and provisions

In 2021, the value of allowances for expected credit losses (including costs of legal risk of FX mortgage loans) stood at PLN 341.7 million, compared with PLN 970.0 million a year earlier (-64.8% y/y). The decrease in the cost of risk was due, among other things, to the lower cost of legal risk of foreign currency mortgage loans.

Tax on certain financial institutions

In 2021, ING Bank Śląski S.A. paid tax on certain financial institutions (the so-called bank levy) in the amount of PLN 544.7 million. The bank levy was up by PLN 63.1 million (+13.1%) compared to 2020, was driven by a higher tax base, which is a consequence of higher business volumes.

Income tax

In 2021, ING Bank Śląski S.A. recorded income tax in the amount of PLN 663.1 million. It was up by 21.6% compared to the previous year. The effective tax rate in 2021 was 22.3%, compared to 29.0% in the previous year. Both in 2020 and 2021 – pursuant to Art. 16.1.71 of the CIT Act – a contribution to the guarantee fund of banks, as well as a contribution to the forced bank restructuring fund, were not tax deductible. Bank levy is not a tax deductible cost either (pursuant to Article 16.1.70 of the CIT Act). In addition, allowances for the legal risk of foreign currency mortgages are also not deductible.

Statement of financial position

Assets

Total assets of ING Bank Śląski S.A. amounted to PLN 195.9 billion as at 2021 yearend. It implies they were up by 8.2% against 2020. The main driver of growth was the net receivables portfolio from clients (up 18.0% y/y). They accounted for 70.1% of total assets. The securities portfolio was the bank's second most important asset (25.1% share) and the value of this portfolio decreased by 13.3% y/y in 2021.

In terms of the net client receivables portfolio, growth was recorded by both the retail and corporate segments. The retail segment's portfolio increased by PLN 10.5 billion (+20.7% y/y), bringing the segment's share in the total net receivables portfolio to 46%. The corporate segment grew by PLN 9.1 billion (+14.3% y/y) – the share of this segment in the total portfolio was 54% as at 2021 yearend.

ING Bank Śląski is also providing financing to its subsidiaries (corporate segment) for a total of PLN 13.5 billion as at 2021 yearend. All transactions shall take place on a basis which does not deviate from market conditions. In 2021:



- the bank will provide ING Lease (Poland) and its subsidiaries with new loan tranches under the existing 2016 financing agreement,
- ING Bank Hipoteczny increased the use of the revolving credit facility,
- ING Commercial Finance has increased the funding limit at ING Bank Śląski and its utilisation level.

Portfolio of loans to subsidiaries of ING Bank Śląski S.A. – 2021

PLN million	ING Commercial Finance S.A.	ING Bank Hipoteczny S.A.	ING Lease (Polska) Sp. z o.o.*	Total
Breakdown by maturity				
Up to 1 year	3,913.4	-	344.6	4,258.0
Over 1 year	-	2,453.7	6,754.2	9,207.8
Total	3,913.4	2,453.7	7,098.8	13,465.9
Breakdown by currency				
PLN	2,943.3	2,453.7	7,020.1	12,417.0
EUR	886.2	-	78.7	964.9
Other	84.0	-	-	84.0
Total	3,913.4	2,453.7	7,098.8	13,465.9

*including subsidiaries

Portfolio of loans to subsidiaries of ING Bank Śląski S.A. – 2020

PLN million	ING Commercial Finance S.A.	ING Bank Hipoteczny S.A.	ING Lease (Polska) Sp. z o.o.*	Total
Breakdown by maturity				
Up to 1 year	3,150.2	-	262.0	3,412.3
Over 1 year	-	1,969.6	6,061.8	8,031.4
Total	3,150.2	1,969.6	6,323.9	11,443.7
Breakdown by currency				
PLN	2,522.7	1,969.6	6,236.8	10,729.1
EUR	570.4	-	87.1	657.5
Other	57.1	-	-	57.1
Total	3,150.2	1,969.6	6,323.9	11,443.7

*including subsidiaries

Equity and liabilities

The dominant source of financing of the ING Bank Śląski's operations was clients' funds. As at 2021 yearend liabilities to clients amounted to PLN 170.1 billion, or 86.8% of total liabilities.

The next material important source of financing was equity, which at the end of December 2021 amounted to PLN 13.2 billion and accounted for 6.7% of total liabilities.

In 2021, deposits and other liabilities to clients increased by PLN 19.4 billion y/y, or 12.8%, mainly due to deposits from the corporate segment (+PLN 10.2 billion, +17.3% y/y), and to a lesser extent from the retail segment (+PLN 8.9 billion, +9.8% y/y).

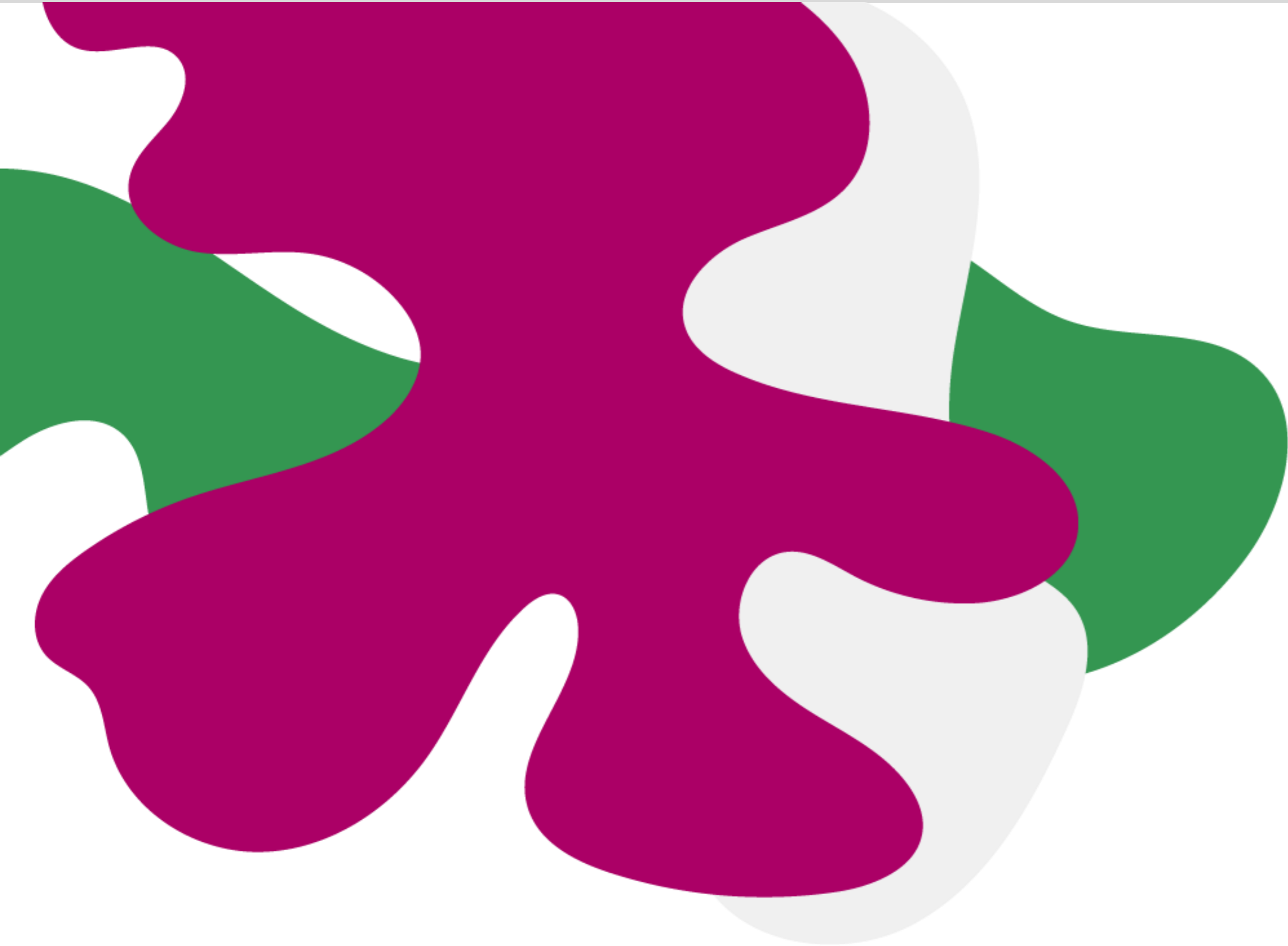


Off-balance sheet items

Off-balance sheet items of ING Bank Śląski					
PLN million	2017	2018	2019	2020	2021
Contingent liabilities granted	28,844.2	31,958.8	37,583.1	47,544.0	51,390.1
unutilized lines of credit	21,598.6	24,097.0	29,314.1	38,165.3	41,511.7
guarantees	4,439.9	4,943.8	5,257.0	5,847.1	6,372.5
unutilised overdraft facilities	1,336.1	1,371.2	1,425.6	1,580.5	1,563.2
credit card limits	1,079.4	1,251.7	1,390.4	1,520.8	1,549.1
letters of credit	390.2	295.1	196.0	430.3	393.6
Contingent liabilities received	4,046.6	6,374.9	8,285.7	11,727.3	19,564.0
Total off-balance items	32,890.8	38,333.7	45,868.8	59,271.3	70,954.1

Details of off-balance items are presented in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for 2021.





ING Bank Śląski S.A. Management Board statement on the application of corporate governance principles

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In this chapter, we provide information and a corporate governance statement, including information about our shareholders, articles of association (the company’s charter), general meeting, Supervisory Board and our Management Board.

ING Bank Śląski S.A. Management Board presents the Statement on the application of corporate governance principles in 2021, pursuant to Article 70.6.5) of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the law of a non-member state (Journal of Laws, item 57).

Ethics, values and Compliance

GRI [102-16] [103-1] [103-2] [103-3] | SDG 16

Organizational culture

Our organizational culture is based on clearly defined ethical principles. In determining them, we followed the requirements specified by the Polish Financial Supervision Authority, the Banking Code of Ethics, and the ING Group’s Global Code of Conduct. We make sure that employees know the ethical principles and apply them in their work.

The principles of professional ethics of our employees are based on, inter alia, on the “ING Values and Behaviours”, which defines the so-called Orange Code. Compliance with these principles is one of the basic obligations of employees.

Values indicate that we are honest, we are considerate/use common sense and we are responsible. ING behaviours involve taking initiative and acting effectively, helping others to succeed, always being one step ahead.

The Orange Code is an important element of our organization’s culture. It is also present in many banking processes, e.g. in the employee appraisal system. Employees and their superiors designate activities through which they support the implementation of the Orange Code. Our values and behaviours are also part of the recruitment process. Additionally, employees can award each other the so-called Kudos. Kudos is our way of expressing recognition. We use it every day because it is a convenient and good way to thank you for your behaviour in accordance with our Orange Code.

Our organisational culture also consists of a risk culture, which is shaped by, among other things, making employees aware of applicable laws and internal regulations, example from the top from management, decision-making in line with our Orange Code, appropriate remuneration and risk appetite. We want each of our employees, regardless of their position, to be aware of the risks they may face in their work and know how to deal with them.

Meet the Orange ING Code



You take it on and make it happen



We are honest



You help others to be successful



We are prudent



You are a step ahead



We are responsible

Our policies

As a public trust organisation, the Bank sees anti-corruption practices as the top priority in its relationships with clients, business partners, and government officials. Any and all forms of bribery or corruption are absolutely forbidden. ING Group employees do not accept actions that indicate an attempt at bribery or corruption. The Regulations – Employee Business Ethics Standards of ING Bank Śląski S.A., which lay down the principles of conduct for each employee in the context of anti-corruption and combating conflicts of interest, information protection, and the whistleblowing procedure is the formal document regulating those aspects.

These issues are detailed in the Anti-Bribery and Corruption Policy, which all our employees are required to follow. The Policy provides for the restrictions on accepting and giving material and non-material benefits in contact with clients, business partners, and public servants as regards:

- gifts or invitations to events,



- cash or cash equivalents (these are prohibited),
- trip or accommodation funding,
- hiring a given person by the bank or offering him or her a traineeship or internship,
- sponsoring or charity donations by the bank,
- cooperation undertaken with business partners,
- participation in business meals,

In line with the accepted Policy, the Group follows the principles of integrity and ethics and applies the “zero tolerance principle to unfair behaviour”.

The acceptance or provision of gifts or benefits by employees to attend special events must in all circumstances have a sound business justification. There must be always a legally compliant purpose of and accepting or giving gifts or benefits. No such action can entail a conflict of interest, or even imply that such a conflict has occurred. The Bank disapproves giving benefits being political donations on its behalf. Staff decisions concerning employee hiring and secondment have to be substantiated with professional and objective criteria and they cannot serve illegal exertion of influence. The Policy provides for the amount thresholds on the benefits being gifts and participation in events which can be given or accepted by our employees.

Benefits given, accepted or refused are recorded in a so-called Register of Benefits – either when they exceed a certain value or whenever they involve relations with persons meeting the definition of a public official.

The above rules are an element of the ING Bank Śląski S.A. Anti-corruption Declaration, which is always enclosed with agreements made with vendors. The Bank and the whole ING Group, as per the Declaration, disapproves of actions which satisfy the criteria of bribery or corruption or imply bribery or corruption, and expects its business partners to comply with the anti-corruption standards. Further, the Group does not cooperate with business partners who do not accept our standards.

All employees are required to report bribery-, corruption- or conflicts of interest-related irregularities. Breaches of the above regulations and laws can be reported in person or anonymously via the whistleblowing procedure set out in the Whistleblowing Policy for Infringements of Law, Internal Regulations and Ethical Standards.

The text of the declaration can be found on [our website](#) (Polish link).

We counteract corruption

GRI [205-2] [205-3]

At ING Bank Śląski we do not tolerate corruption. We raise the awareness of all of our employees in this regard, so that they can better recognize and counteract corruption through e-learning training and regular awareness-raising activities, e.g. e-mail messages or information posted on the Intranet, especially during the holiday season, which promotes the reception and presentation of gifts and benefits. All newly hired employees are covered by a training program on the standards of conduct applicable at the bank.

We apply several straightforward principles:

- We do not accept or give any gifts or invitations to special events whose value exceeds the amount thresholds set, unless derogation from them has been accepted.
- We declare acceptance, refusal to accept or presentation of benefits above the permitted value to the electronic Register of Benefits – currently the threshold is PLN 200. We report such acceptance, refusal to accept or handing in relations with clients and business partners. In relations with public officials, we report each case of accepting, refusal to accept or giving benefits regardless of value.

We also require our vendors and business partners to comply with those principles. The ING Bank Śląski S.A Declaration on anti-bribery and corruption standards is a standard appendix to contracts in such relationships.

Detailed information on vendors can be found on [our website](#).

As part of the internal control system in place at the bank, elements relating to anti-corruption are verified by:

- on-going verification, in particular of entries in the Register of Benefits,
- independent compliance tests,
- annual key control tests (KCT).

No cases of suspected bribery or corruption were identified in 2021.



We combat conflicts of interest

GRI [102-17]

We introduced internal procedures and controls to combat conflicts of interest. The Conflicts of Interest Policy, updated in 2021, provides for the registration of conflicts of interest: structural and incidental (divided into organizational and personal conflicts).

The policy sets out the requirements for:

- concerning conflicts of interest in the scope of the organization's operation and the methods of managing conflicts of interest at the organizational level used at the bank.
- a methodology for managing conflicts of interest in relation to employee conduct that may arise between the interests of the bank or its clients and the private interests of employees, including bank executives.

The control mechanisms used at the bank relate to, inter alia:

- the segregation of duties in the bank's organisational structure and relations between different management levels as well as personal links between employees,
- employees that want to start or have started additional professional activity are required to consult and inform the Bank about this fact;
- private account dealings by employees having access to confidential, information subject to protection or professional secrecy.
- In accordance with the requirements of Recommendation Z, the bank discloses on the [website](#) (Polish link) the principles for managing conflicts of interest arising from the Conflicts of Interest Policy. The Policy sets out standards of behaviour addressed to members of the bank's bodies in connection with their functions. The policy also introduces the obligation to assess transactions carried out with related parties for conflicts of interest and to publish information about such conflicts on the bank's [website](#) (Polish link).

We report instances of breach of law and Business Ethics Standards

GRI [102-17]

Employees can report suspicions of crimes and violations of professional ethics anonymously using a dedicated form or by traditional mail. Employees may also report the same by name and we ensure confidentiality and discretion as well as protection against repressive actions. If a report is confirmed, appropriate corrective and preventing measures are taken for the future. As a rule, applications shall be accepted by the President of the Management Board. This is reflected in the Whistleblowing Policy for Breaches of Law, Internal Regulations and Ethical Standards (hereinafter: the Policy) and the bank's internal procedures.

In 2021, 24 reports qualifying for consideration under the procedure set out in the Policy were submitted, concerning, inter alia, discrimination, bullying or breaching of the bank's internal regulations. After analysis and explanatory proceedings, irregularities were confirmed in 6 cases and corrective measures were applied.

Every new employee of the bank undergoes mandatory training on reporting breaches of the law and professional ethics. In order to remind the principles for reporting illegal, improper or unethical behaviour, in Q3 2021, a communication was sent the bank employees indicating appropriate channels for reporting breaches ensuring confidentiality and anonymity. Alternatively, bank employees may report breaches of professional ethics using external reporting channels operated by an external entity, via a telephone line (available 24/7), website or email address.

Principles and scope of application of corporate governance

Best Practice of WSE Listed Companies

The set of corporate governance principles to which the bank was subject in 2021 is contained in two documents:

- "Best Practice of WSE Listed Companies 2016" introduced by Resolution No. 26/413/2015 of the Supervisory Board of the Warsaw Stock Exchange of 13 October 2015.
- "Best Practice of WSE Listed Companies 2021" introduced by resolution of the Board of the Warsaw Stock Exchange S.A. of 29 March 2021. The text of this document is available on the bank's website at [this address](#).



Best Practice of WSE Listed Companies 2016

The Bank applied the recommendations and principles set out in the Best Practice of WSE Listed Companies 2016, subject to the following provisions:

- Principle VI.Z.2.: In order to link the remuneration of board members and key managers with the company’s long-term business and financial goals, the period between the award of options or other instruments related to the company’s shares under the incentive program and the possibility of their exercise should be at least 2 years.

The bank’s comment on how to apply the above principle:

The Bank has adopted and applies the Variable Remuneration Policy for the Identified Staff of ING Bank Śląski S.A. (“Policy”), which regulates the period between the granting and the possibility of exercising financial instruments as part of variable remuneration in accordance with the applicable regulations and guidelines on variable remuneration for financial institutions in Poland (Regulation of the Minister of Development and Finance of March 6, 2017, CRD III Directive , CRD IV Directive, CEBS / EBA Guidelines). Pursuant to the Policy, a minimum of 40% of variable remuneration of management personnel is deferred for a period of four years (and in the case of the President of the Bank Management Board, minimum 50%, the deferral period is six years, and the bonus is divided into five equal parts), and this remuneration is paid during deferral period in four consecutive years in equal parts, unless there are grounds for reducing or not paying a part of the remuneration. In the case of a significant part of the variable remuneration (minimum 50%) awarded in phantom shares for which the underlying instrument is the bank’s shares, a holding period of one year applies respectively to each tranche. The above provisions are intended to link the level of remuneration of the management staff with the long-term strategic goals of the bank. The intention of the bank is to apply the above-mentioned principle to the extent resulting from the above-mentioned regulations.

Best Practice of WSE Listed Companies 2021

Pursuant to a resolution of the Bank Management Board and a decision of the Supervisory Board, the Bank has adopted for application DPSN 2021 with the exclusion of principles 1.4.1, 1.4.2 and 2.9 as announced [in our EIB report](#) of 30 July 2021 (including the [appendix](#)). The making of changes to the composition of the Supervisory Board at the EGM on 29 November 2021 allowed for the publication on 30 November 2021 of a further [EBI report](#) (and [appendix](#)) reporting on the application of Principle 2.9. The EGM also passed a resolution regarding the application of the DPSN addressed to the General Meeting and shareholders.

The Bank applies the recommendations and principles set out in the Best Practice of WSE Listed Companies 2021, subject to Principles 1.4.1 and 1.4.2, as indicated below:

- Principle 1.4. In order to ensure proper communication with stakeholders regarding the business strategy adopted, the company shall publish on its website information on the assumptions of its strategy, measurable objectives, including in particular long-term objectives, planned activities and progress in its implementation, defined by means of metrics, financial and non-financial. Information on ESG strategies should, inter alia

- 1.4.1 explain how climate change considerations are taken into account in the decision-making processes of the company and its group entities, highlighting the resulting risks;

The bank’s comment on how to apply the above principle:

Partially applied principle. The Bank publishes ESG information on its website, e.g. in the Social Responsibility tab, including the Environmental Declaration, the Sustainable Development Strategy, and in its annual reports. Given the wide range of ESG issues covered by the Best Practice of Listed Companies, the Bank will consider taking steps to expand its published information to include the elements indicated in DPSN 2021, i.e. to include climate change issues in its decision-making processes.

- 1.4.2 provide the value of the pay equity ratio paid to its employees, calculated as the percentage difference between the average monthly pay (including bonuses, awards and other allowances) of women and men for the last year, and provide information on the actions taken to eliminate any inequalities in this respect, together with a presentation of the risks involved and the time horizon over which equality is planned to be achieved.

The bank’s comment on how to apply the above principle:

In accordance with the amended provisions in the Bank, an analysis of employee remuneration by gender is carried out annually, combined with a presentation of the gender pay equity ratio for the last year, together with information on the actions taken to eliminate any inequalities in this respect.

Principles of corporate governance for supervised institutions

The bank applies the “Principles of Corporate Governance for Supervised Institutions” introduced by Resolution No. 218/2014 of the Polish Financial Supervision Authority of 22 July 2014 (Journal the PFSA, item 17) (hereinafter: “Principles of corporate governance”). The Principles of corporate governance were accepted in the scope specified



in the Statement of the Bank Management Board of 30 December 2014, posted on the bank’s website at [this address](#).

Due to the changes in the Bank’s Articles of Association introduced by Resolution No. 26 of the Ordinary General Meeting of the Bank of 31 March 2015 – the bank applies all the principles specified in the Principles of corporate governance.

At the same time, by Resolution No. 25 of 31 March 2015, the Ordinary General Meeting of the Bank approved the Statement of the Bank Management Board of 30 December 2014 and declared its readiness to use the Principles of corporate governance in the part relating to shareholders and the relationship of the bank as a supervised institution with its shareholders, on the terms set out in this resolution. The text of the resolution is available on the bank’s website at [this address](#).

Since 2020, in connection with the conduct of the General Meeting with the possibility of electronic participation, the Bank has used the principle resulting from Article 8.4 of the Principles of corporate governance.

Statement of the Management Board on the application of the principles of corporate governance

Taking into account the explanations presented, the Bank Management Board makes the following declaration on the application of the corporate governance principles:

ING Bank Śląski S.A. Management Board declares that the Bank complied in 2021 with the corporate governance principles set out in the “Best Practice of WSE Listed Companies” and “Principles of Corporate Governance for supervised institutions”, to the extent approved by the Bank.

The Bank found no breaches of the corporate governance principles adopted by the bank in the period covered by this report.

Code of Banking Ethics

Regardless of the corporate governance principles, the bank applies the Code of Banking Ethics adopted at the 25th General Meeting of the Polish Bank Association on 18 April 2013. The Code of Banking Ethics is available on [the website of the Polish Bank Association](#) (Polish link).

Principles of professional ethics of the employees of ING Bank Śląski S.A.

The bank also implemented the Regulations – Principles of professional ethics of the employees of ING Bank Śląski S.A. Its purpose is to reduce the compliance risk by indicating to employees the principles, compliance with which is a prerequisite for ensuring the integrity of the bank’s activities, including compliance with the law, regulatory requirements and ethical standards applicable in the financial services industry. The principles specified in the Regulations shall apply to the employee’s all activities related to the performance of official duties. Some of the principles may also apply to the employee’s private activity, if such private activity may negatively affect the bank’s reputation or cause a conflict of interest.

Information policy of ING Bank Śląski

The Bank, as an institution of public trust, conducts an information policy based on open and transparent communication towards shareholders, investors, the media and all interested parties. In implementing the information policy, the bank complies with the legal requirements relating to confidentiality and information security incumbent on the bank as a public company and supervised institution. In implementing the information policy, the Bank follows the principles of corporate governance, in particular by providing shareholders, investors, media and all interested parties with proper access to the bank’s information. The full content of the Information Policy is available on [this website](#).

Agreements concluded

The Bank Management Board declares that as at 31 December 2021 ING Bank Śląski S.A. did not hold:

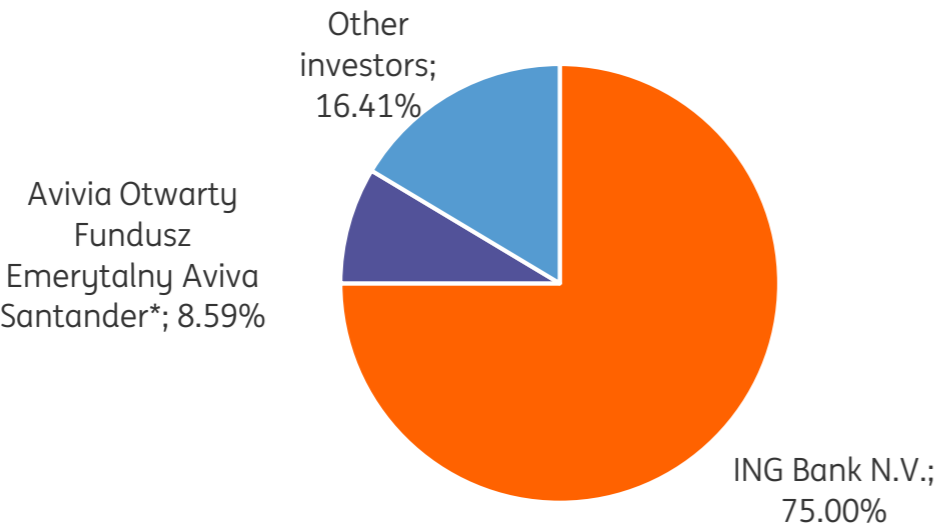
- material loan agreements, sureties and guarantees not related to operating activities,
- material underwriting agreements,
- material guarantee agreements granted to subsidiaries,
- liabilities to the central bank,
- material agreements with the central bank or supervision authorities,
- agreements referred to in Article 141t (1) of the Banking Act.

Detailed information on transactions with related parties was presented in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for 2021 and in the 2021 Financial Statements of ING Bank Śląski S.A.



Shares and shareholders of ING Bank Śląski S.A.

Shareholding structure



**Based on information on the annual asset structure of Aviva Open Pension Fund Aviva Santander as at 31 December 2021.*

GRI [102-5]

ING Bank Śląski S.A. is a subsidiary company of ING Bank N.V., which as at 31 December 2021, held a 75% shareholding in the share capital of ING Bank Śląski S.A. and 75% of the total number of votes at the General Meeting – the figures that have not changed since March 2005. The remaining shares of the bank (25.0%) are in free float. They are held by institutions investors, especially Polish pension funds and national and foreign investment funds, and also individual investors. as at 2021 yearend, the largest of them was Avivia Otwarty Fundusz Emerytalny Aviva Santander, which, according to the annual information on the structure of assets of Aviva Open Pension Fund Aviva Santander, as at 31 December 2021 held 8.59% of the share capital and the total number of votes at the General Meeting. As of the date hereof, according to the information available to the bank no other shareholder has exceeded the 5% threshold in the company’s capital.

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

Shareholder’s name	Number of shares/Number of votes at GM		Share in the share capital and the total number of votes at the General Meeting	
	31 December 2020	31 December 2021	31 December 2020	31 December 2021
ING Bank N.V. (a subsidiary of ING Groep N.V.)	97,575,000	97,575,000	75.00%	75.00%
Aviva Open Pension Fund Aviva Santander*	11,018,205	11,179,441	8.47%	8.59%
Other	21,506,795	21,345,559	16.53%	16.41%
Total	130,100,000	130,100,000	100.00%	100.00%

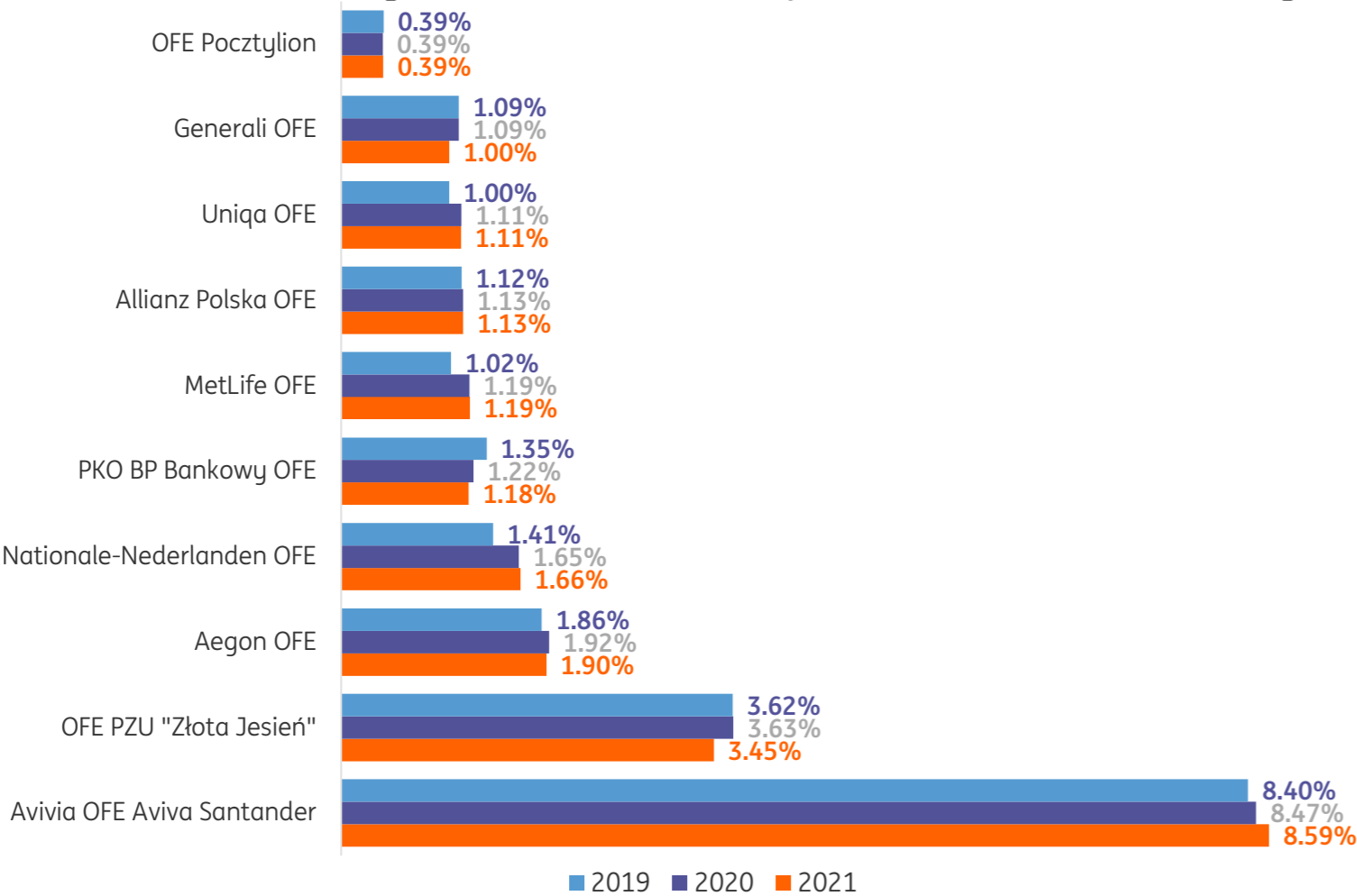
**Based on information on the annual asset structure of Aviva Open Pension Fund Aviva Santander as at 31 December 2021 and 31 December 2020.*

The structure of the exposure of individual open-ended pension funds (based on their reports on the structure of assets as at the end of the last three years) in the shares of our bank is as shown in the chart below. The share of all open pension funds in our bank’s shareholding as at 2021 yearend was 21.61% (compared to 21.25% and 21.80% as at yearend 2019 and 2020, respectively).

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



The share of OFE in the shareholding structure of ING Bank Śląski S.A. at the end of individual years



Characteristics of the dominating shareholder

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

ING Groep N.V., the Netherlands, is the dominating entity of the ING Group. It was set up in 1991 as a result of a merger of the Dutch insurance company – Nationale-Nederlanden and the Dutch bank – NMB Postbank Groep. For years, the ING Group kept developing both organically as well as with mergers and acquisitions. As a result of the

2008-2009 crisis, the ING Group was provided with government support (repaid in 2009-2014) subject to restructuring. Inter alia, the restructuring provided for a split of banking activity from insurance and investment activity which was to be sold. The restructuring of the ING Group was finalised in April 2016.

ING Groep NV is a public company listed on the stock exchange in Amsterdam (INGA NA, INGA.AS), Brussels and New York (ADR: ING US, ING.N). ING Groep N.V. has a fragmented shareholding structure. As at 2021 yearend, shareholders holding more than 3% of the company’s share capital are: BlackRock Inc. (5.07%), Artisan Investments GP LLC (3.08%), Capital Research and Management Company (5.09%) and Goldman Sachs Group Inc. (3.05%). In 2021 the ING Group generated net profit of EUR 4,776 million versus EUR 2,485 million in 2020. Total assets amounted to EUR 951 billion as at 2021 yearend. Assets of the ING Bank Śląski S.A. Group accounted for 4.6% of total assets of the ING Group as at yearend 2021. Our net profit accounted for 10.6% of the net profit of the ING Group.

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

Shares and share capital

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

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



The Articles of Association and the principles for their amendment

The current Articles of Association ING Bank Śląski S.A. are available on the website at [this address](#).

Principles for changing the Articles of Association

Amending the Bank's Articles of Association requires a resolution of the General Meeting and an entry in the register of entrepreneurs of the National Court Register. An amendment to the Bank's Articles of Association also requires the approval of the Polish Financial Supervision Authority.

Any change to the Articles of Association relating to the bank's business shall not require the redemption of shares held by those shareholders who do not approve the change provided the resolution of the General Meeting on the change is approved by a majority of 2/3 votes in the attendance of persons representing minimum one half of share capital.

Changes made to the Articles of Association in 2021

The changes to the Bank's Articles of Association registered in 2021 include:

- adjustment to the amendment to the Act on trading in financial instruments, on the basis of which the Bank may, without a licence to conduct brokerage activity, perform the activities specified in the Act, the subject of which are bonds issued by Bank Gospodarstwa Krajowego for the benefit of the COVID-19 Prevention Fund, the Liquidity Guarantee Fund or the National Guarantee Fund,
- adjustment to changes in the Code of Commercial Companies related to:
 - maintenance of the shareholder register,
 - the obligation to ensure transmission of the General Meeting and the principles for organising the General Meeting by means of electronic communication.

General Meeting

Principles of convening and powers of the General Meeting

The General Meeting is convened by an announcement on the bank's website and in the manner specified for the provision of current information by public companies. The General Meeting works in compliance with the principles specified in the Code of Commercial Companies and these Articles of Association as an Ordinary General Meeting or Extraordinary General Meeting.

General Meetings are convened on a date enabling the participation of all authorized and interested shareholders.

The competences of the General Meeting (apart from other matters stipulated in generally applicable provisions of law) include adopting resolutions, among others in the following cases:

- to consider and approve the annual financial statements as well as the reports of the Management Board on the activities of the ING Bank Śląski S.A. Group, including the Corporate Governance Statement, and to consider and approve the reports on non-financial information of the ING Bank Śląski S.A. Group, including non-financial information,
- accepting reports of the Supervisory Board and assessing the Bank's remuneration policy,
- acknowledging the fulfilment of duties by members of the Bank Management Board and Supervisory Board,
- profit distribution and coverage of losses from previous years,
- dividend payment, determining the dividend record date and dividend payment date,
- amendments to the Bank's Articles of Association,
- changes in the composition of the Supervisory Board,
- assessment of compliance by Members of the Supervisory Board with the requirements referred to in Article 22aa of the Banking Law (adequacy assessment),
- remuneration of the Management Board and the Supervisory Board members,
- increasing or decreasing the Bank's share capital.



Shareholders' rights

The bank's shareholders representing at least 1/20 of the share capital may:

- demand that an Extraordinary General Meeting be convened,
- demand that certain matters be placed on the agenda of the next General Meeting,
- submit, before the date of the General Meeting, draft resolutions concerning matters included in the agenda.

Each shareholder may, during the General Meeting, submit draft resolutions regarding matters included in the agenda.

Operation of the General Meeting

In the case of convening an extraordinary General Meeting, the Management Board presents the justification for convening and putting certain matters in order or asks for such justification if the request comes from another authorized entity.

Draft resolutions are submitted to the General Meeting by the Management Board after obtaining the opinion of the Bank's Supervisory Board.

Subject to the cases specified in the Code of Commercial Companies, the General Meeting is valid regardless of the number of shares represented at it. Each share shall entitle to one vote. Resolutions of the General Meeting are generally adopted by an absolute majority of votes, except for matters specified in the provisions of the Code of Commercial Companies and the provisions of the Articles of Association. Apart from the Commercial Companies Code, the issues related to the convening and functioning of the General Meeting are specified in the Bank's Articles of Association, the Regulations of the General Meeting and the announcement on convening the General Meeting.

General Meetings are held at the registered office of the Company in Katowice. The proceedings of the General Meeting are broadcast on the Internet. The Company may organize General Meetings in a manner enabling shareholders to participate by means of electronic communication, including, in particular, two-way communication in real time, enabling shareholders to express themselves during the General Meeting, as well as exercising voting rights in person or through a proxy. The interested representatives of the media may participate in the deliberations of the Assembly – as observers.

The principles of shareholders' participation in the General Meeting and the procedure to be followed during the General Meeting, as well as the method of communication between shareholders and the bank are set out in the Regulations of the General Meeting. Only persons who are the Bank's shareholders sixteen days before the date of the General Meeting (the date of registering participation in the General Meeting) are entitled to participate in the General Meeting of the Bank. Shareholders may participate in the General Meeting and exercise their voting rights in person or through proxies.

Shareholders have the right to:

- voting, submitting motions and objections,
- proposing a candidate for the position of Chairperson of the General Meeting,
- submitting draft resolutions on matters placed on the agenda and submitting motions on a formal matter, in particular regarding the manner of deliberating and voting,
- proposing changes and supplements to draft resolutions included in the agenda of the General Meeting
- proposing candidates to the Bank's Supervisory Board,
- dividends in the event of its adoption by the General Meeting (the list of authorized shareholders is determined on the dividend date specified in the resolution).

During the General Meeting, the Management Board is obliged to provide the shareholder, at his request, with information about the company, if it is justified for the assessment of an issue on the agenda.

The Management Board refuses to provide information if it could harm the company, an associated company or a subsidiary, in particular by disclosing technical, commercial or organizational secrets of the enterprise. A member of the Management Board may also refuse to provide information if providing information could constitute the basis of his criminal, civil or administrative liability.

The Management Board may provide information in writing outside the general meeting if there are important reasons for it.

The shareholders also have the right to appeal against the resolutions of the General Meeting. This right may be exercised by a shareholder who:

- voted against the resolution and, after its adoption, demanded that the objection be recorded in the minutes,



- was unreasonably prevented from participating in the General Meeting,
- was not present at the General Meeting in the event of a defective convocation of the General Meeting or adoption of a resolution on a matter not included in the agenda.

The right to appeal against the resolutions of the General Meeting includes the possibility of:

- bringing an action to repeal a resolution in the event of a resolution contrary to the articles of association or morality and harming the company’s interest or aimed at harming a shareholder,
- bringing an action for the declaration of invalidity of a resolution contrary to the Act.

The full text of the Regulations of the General Meeting is available [here](#).

Amendments to the Regulations – in accordance with the Best Practice of WSE Listed Companies 2021 adopted by the bank – come into force starting from the next General Meeting.

The competences of the General Meeting are defined in particular by the provisions of the Commercial Companies Code, the Banking Law and the provisions of the Bank’s Articles of Association.

Supervisory Board

Supervisory Board

The Supervisory Board of ING Bank Śląski S.A. operates pursuant to the Banking Law, the Commercial Companies Code, the Bank’s Articles of Association and the Regulations of the Supervisory Board. The Supervisory Board consists of 5 to 11 members appointed by the General Meeting for a joint term of office, which begins on the date of appointment and covers four consecutive full financial years.

The General Meeting determines the number of Supervisory Board members in a given term of office. Members of the Supervisory Board may be dismissed at any time by a resolution of the General Meeting. The current term of office began on 29 March 2019 and ends on the date of the General Meeting approving the financial statements for 2023.

The Supervisory Board is composed of independent members, pursuant to the corporate governance principles adopted by the bank and legal requirements. Pursuant to the Articles of Association, at least two members of the

Supervisory Board should be free from any relations with the bank, its shareholders or employees, if such relations could significantly affect the member’s ability to make impartial decisions (Independent Members). The minimum number of independent members of the Supervisory Board and the detailed criteria of independence result from the provisions of law and the Best Practice of WSE Listed Companies adopted by the bank and are specified in detail in the Regulations of the Supervisory Board .

In 2021, the following changes to the composition of the Supervisory Board took place:

- On 26 August 2021, Ms Susan Poot resigned as a member of the Bank’s Supervisory Board, effective 30 September 2021. The resignation of Ms Susan Poot also resulted in a change in the composition of the Risk Committee of which she was a member.
- on 25 October 2021, Mr Aleksander Kutela resigned as a member of the Supervisory Board of ING Bank Śląski S.A., for personal reasons, as of the date of the Extraordinary General Meeting of the Bank, i.e. 29 November 2021. The resignation of Mr Aleksander Kutela also resulted in a change of the Chairperson of the Remuneration and Appointment Committee and a change in the composition of the Risk Committee and the Audit Committee, of which he was a member.
- On 29 November 2021, the Extraordinary General Meeting of the Bank adopted Resolution No. 7 on the dismissal from the composition of the Bank’s Supervisory Board of Mr Antoni F. Reczek, until then acting as Chairperson of the Supervisory Board of ING Bank Śląski S.A. and Chairperson of the Audit Committee of the Supervisory Board. The reason for the dismissal was the prolonged absence of Mr Antoni F. Reczek, which prevented his active participation in the work of the Supervisory Board. The dismissal of Mr Antoni F. Reczek also resulted in a change of the Chairperson of the Audit Committee and a change in the composition of the Risk Committee, of which he was a member.
- At the same time, the Extraordinary General Meeting on 29 November 2021 appointed Mr Stephen Creese, Ms Dorota Dobija and Ms Monika Marcinkowska to the Supervisory Board from 29 November 2021. Mr Stephen Creese is affiliated with ING Group. Ms Dorota Dobija and Ms Monika Marcinkowska have the status of Independent Member of the Supervisory Board within the meaning of the Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017.



Composition of the Supervisory Board as at 31 December 2021

	Function in the Supervisory Board	Audit Committee	Remuneration and Appointment Committee	Risk Committee
Mr Aleksander Galos	Chairperson, Independent Member	●	●	●
Ms Małgorzata Kołakowska	Deputy Chairperson	●	●	
Mr Michał Szczurek	Secretary			●
Mr Stephen Creese	Member			●
Ms Dorota Dobija	Independent Member	●	●	●
Ms Monika Marcinkowska	Independent Member	●		●
Mr Remco Nieland	Member	●		

● - Chairperson(s) ● - Member

Competency profiles of Supervisory Board members

People with high qualifications are appointed to the Supervisory Board of the Bank. All members demonstrate appropriate experience and knowledge enabling them to supervise the bank. Five out of seven members of the Board have Polish citizenship and are fluent in Polish. The new Board members appointed in November 2021 are gradually being introduced to their duties.

Qualifications of the members of the Supervisory Board of ING Bank Śląski S.A. are presented on [the bank’s website](#). Below are short biographies of the members of the Supervisory Board indicating their individual competences.

Mr Aleksander Galos – Independent Member of the Supervisory Board

(Chairperson of the Supervisory Board, Chairperson of the Remuneration and Appointment Committee, Member of the Risk Committee, Member of the Audit Committee)

He is a master of law. In 1984, he graduated from the Faculty of Law and Administration at the Jagiellonian University in Krakow. Since 1994, he has been licensed as a legal advisor. In 2009, he completed postgraduate management studies at the Warsaw School of Economics with a diploma. In 2009-2010, he studied postgraduate studies in accounting at the Warsaw School of Economics (he graduated without a diploma). He was a member of the Supervisory Board of Bank PKO BP SA and Bank Zachodni WBK SA Since 2017, he remains associated with the law firm Kochański Zięba and Partners Sp. k. He has served on the Supervisory Board of ING Bank Śląski S.A. since April 2014. He served as Secretary of the Board until November 2021. On 29 November 2021, he was elected Chairperson of the Supervisory Board.

Ms Małgorzata Kołakowska – Vice-Chairperson of the Supervisory Board

(Member of the Remuneration and Appointment Committee, Member of the Audit Committee)

She graduated from the Faculty of Economics and Organization of Foreign Trade at the Main School of Planning and Statistics (now the Warsaw School of Economics). In 2014, she completed the Advanced Management Program (AMP) at Harvard Business School. From February 2010 to March 2016, she was the President of the Management Board of ING Bank Śląski S.A. Since 2018, he has been the President of ING Bank N.V., London Branch (United Kingdom, Middle East Countries). Before joining ING, she was a director at the European Bank for Reconstruction and Development and McDonalds’s Polska.

Mr Michał Szczurek – Secretary of the Supervisory Board

(Member of the Risk Committee)

He has a master’s degree in economics, obtained after completing a joint program of the University of Warsaw and Columbia University. He also completed master’s studies at the Faculty of Law and Administration of the University of Warsaw and in the field of Computer Science, Faculty of Electronics, University of Warsaw. He has been associated with the ING Group since the beginning of his professional career. He was, among others, the Vice-President of the Management Board overseeing the finances and investment policy of the Nationale-Nederlanden Polska PTE SA pension fund and Vice-President of the Management Board of ING Bank Śląski S.A. supervising the Retail Banking Division and President of the Management Board of ING Bank, Romania. Currently, he is the market manager of Challengers & Growth Markets (C&G), ING Asia.

Mr Stephen Creese – Member of the Supervisory Board

(Member of the Risk Committee)



He holds a Bachelor of Arts degree, having studied Economics and Economic History in the Faculty of Humanities at the University of Manchester. He also holds a certification in ICT security – Certified Information Systems Security Professional (CISSP). From 1998 until May 2021 he worked for Citigroup Inc., where he was responsible, among others, for the area of global Forex and local markets operations, held the role of Regional Director responsible for operational risk and Managing Director – EMEA Region. He has been with ING Group since June 2021 in the role of Global Head of Non-Financial Risk.

Ms Dorota Dobija – Independent Member of the Supervisory Board

(Chairperson of the Risk Committee, Member of the Remuneration and Appointment Committee, Member of the Audit Committee)

Academic. Since 2015 Professor of Economic Sciences; title awarded by the President of the Republic of Poland. Certified accountant since 2009. Since 2005 she has been an academic staff member with a postdoctoral degree in economic sciences in the discipline of management sciences. Permanently associated with Koźmiński University – since August 2015 as Professor in the field of social sciences in the disciplines of management and quality and finance and economics and earlier as Professor at Koźmiński University in the field of economic sciences, discipline of management science, specialisation: accounting. Experience in supervisory positions has given her involvement with the National Investment Fund Fortuna (13Fortuna) and PEKAO Investment Banking. Since May 2017 she has been Vice-President of the European Management Association EURAM (responsible for supervision and finance) and since September 2016 she has been Director of PhD studies at Koźmiński University. She has extensive international teaching experience and an extensive academic record. In 2018, she was awarded the Silver Cross of Merit.

Ms Monika Marcinkowska – Independent Member of the Supervisory Board

(Chairperson of the Audit Committee, Member of the Risk Committee)

Academic. Since 2014 Professor of Economic Sciences. Since 2004, she has been a postdoctoral researcher in economic sciences. Permanently associated with the University of Łódź, where since 2010 she has been Director of the Institute of Finance and since 2006 Head of the Department of Banking. Previously associated with the Faculty of Management and the Chair of Accounting. Her experience in supervisory positions has given her, among other things, involvement since 2016 in the European Banking Authority’s Banking Stakeholder Group, where she has been Chair of the Sustainable Finance Working Group since March 2020. From 2016 to 2021 she was a member of the Supervisory Board of Polski Gaz TUW and from 2016 to 2019 a member of the Council of the University of Łódź Foundation. She has a wealth of teaching experience and an extensive academic record. In 2021, she became the

Corporate Governance Man of the Year 2021 – a title awarded for her contribution to the construction and development of corporate governance in Poland. And in 2016 she was awarded the Nicolaus Copernicus Silver Medal of the Polish Bank Association for her exceptional achievements for the development and safe operation of Polish banking.

Mr Remco Nieland – Member of the Supervisory Board

(Member of the Audit Committee)

He graduated from Business Economics at Vrije Universiteit in Amsterdam. Since 1992, he has been a certified auditor, after completing postgraduate studies at Vrije Universiteit in Amsterdam. He has been associated with the ING Group since the beginning of his professional career. He has served, inter alia, as the Director of Global Financial Reporting, Commercial Banking International. Currently, he is the Vice-President of ING Group Risk for Challengers & Growth Markets countries.

Board and persons holding key positions in ING Bank Śląski S.A. an Assessment of the Suitability of Board Members and Candidates for Board Members was carried out. This assessment was performed by an independent external entity, i.e. Deloitte Doradztwo Podatkowe Dąbrowski i Wspólnicy sp. k. The assessment confirmed that all persons have the knowledge, skills and experience appropriate to perform the function of a Member of the Supervisory Board of ING Bank Śląski S.A., guarantee the proper performance of duties related to the performance of this function and fulfil other requirements specified in Article 22aa of the Banking Law, and thus meet the adequacy criteria specified in the Policy. At the same time, the Remuneration and Appointment Committee stated that the individual competences of individual members of the Supervisory Board complement each other in such a way as to enable the exercise of an appropriate level of collective supervision over all areas of the bank.

Following the principle set out in the Best Practice of WSE Listed Companies concerning the application of a diversity policy, the Bank has a diversity policy and ensures a 30% diversity and with regard to women and men in the Management Board and the Supervisory Board. Hence, the composition of the Board is diverse and includes individuals from different backgrounds with a variety of skills, practical experience and knowledge, thus ensuring that the Board is effectively supervised in all areas of the Bank’s activities and that the Board is able to duly perform the tasks and responsibilities assigned to it. As at 31 December 2021, the proportion of women and men on the Supervisory Board was 43% and 57% respectively. In terms of age diversity, 43% of Board members are between 30 and 50 years old and 57% are over 50 years old.



Criterion of independence and possessed competences

Meets the independence criterion in accordance with the Act on statutory auditors, audit firms and public oversight		Knowledge and skills in accounting or auditing (including certified auditor's qualifications)	Has knowledge and skills in the field of banking
		Meets the criterion	Acquisition method
Mr Aleksander Galos	yes	no	yes
Ms Małgorzata Kolakowska	no	no	yes
Mr Michał Rat	no	no	yes
Mr Stephen Creese	no	no	yes
Ms Dorota Dobija	yes	yes	certified accountant professor of economics (higher education – major specialisation: data processing and accounting)
Ms Monika Marcinkowska	yes	yes	professor of economics (higher education – specialisation: accounting)
Mr Remco Nieland	no	yes	Qualifications of the Certified Auditor in the Netherlands

Competences, rights and obligations of the Supervisory Board

The basic mission of the Supervisory Board is to perform the supervisory function – the Supervisory Board exercises permanent supervision over the bank’s activities in all areas. The specific competences and duties of the Supervisory Board include the assessment of the report on the bank’s operations and the financial statements for the previous financial year, the Management Board’s motions regarding the distribution of profit or coverage of loss, as well as submitting an annual written report on the results of this assessment to the General Meeting.

Apart from the above-mentioned rights and obligations, the Supervisory Board adopts resolutions on matters specified in the Bank’s Articles of Association.

Resolutions of the Supervisory Board are passed by an absolute majority of votes, and in the event of a tie, the Chairperson of the Supervisory Board has the casting vote.

Resolutions of the Supervisory Board may be adopted if the meeting is attended by more than half of the members of the Supervisory Board, including its Chairperson or Vice-Chairperson, provided that all members of the Supervisory Board have been invited.

Meetings of the Supervisory Board are held at least 5 times a year.

Resolutions of the Supervisory Board may – in the cases specified in the Articles of Association and on the principles set out in the Regulations of the Supervisory Board – be adopted without holding a meeting, in writing or by means of remote communication.

Detailed principles of the Supervisory Board’s operation are set out in the Bank’s Articles of Association and the Supervisory Board Regulations adopted by the Supervisory Board. In addition to the rights and obligations provided for in these regulations, the powers of the Supervisory Board include in particular:

- approving the following adopted by the Management Board: the strategy of ING Bank Śląski S.A. and the annual financial plan,
- approving the acceptable general risk level specified by the Management Board, including operational risk and Compliance
- supervising the introduction and operation of an adequate and effective risk management system and internal control system at the bank,



- supervising the compliance of the bank’s risk-taking regulations in line with the bank’s strategy and financial plan,
- selection of an audit firm to audit and review the bank’s financial statements and the consolidated financial statements of the bank’s capital group,
- adopting the Regulations of the Supervisory Board and its committees,
- approving the strategies and procedures developed by the Management Board in the scope of the internal control system, risk management system, internal capital assessment process, capital management and capital planning
- approving the policies and regulations adopted by the Management Board, including: Dividend Policy, Remuneration Policy, Regulations of the Management Board, Organizational Regulations of the Bank,
- giving opinions on motions and matters subject to resolutions of the General Meeting, including draft resolutions of the General Meeting,
- presenting to the Ordinary General Meeting reports and assessments specified in the regulations, recommendations of the supervisory authority and other regulations adopted by the bank, including the assessment of the bank’s situation, including the assessment of internal control systems, risk management, Compliance and the internal audit function,
- assessment of the functioning of the remuneration policy at the bank,
- assessment of the bank’s application of the “Principles of corporate governance for supervised institutions”,
- appointment and dismissal of members of the Management Board, as well as suspension of members of the Management Board and delegating members of the Supervisory Board to temporarily perform the duties of members of the Management Board,
- applying to the Polish Financial Supervision Authority for consent to appoint the President of the Management Board and a member of the Management Board overseeing the management of risks relevant to the bank’s operations,
- concluding agreements with members of the Bank Management Board regarding the performance of their functions and determining the remuneration resulting from these agreements (as part of the general principles adopted by the General Meeting),

- approving the policy of variable components of remuneration for persons holding managerial positions at the bank,
- expressing consent for Members of the Bank Management Board to act as governing bodies of companies, societies, organizations and associations outside the bank’s capital group
- granting consent to grant credits, loans, bank guarantees and sureties to members of the Management Board and Supervisory Board and entities related to them by capital or organization,
- expressing consent to activities that meet certain statutory criteria, including for the purchase and sale of fixed assets, establishment of a company, acquisition or purchase of shares and stocks, conclusion by the bank of significant transactions with a shareholder, including the consent or opinion on certain transactions with the bank’s related entities,
- expressing consent to the appointment and dismissal of directors of the Internal Audit Department and the Centre of Expertise – Compliance and approval of their remuneration
- considering the regular and exhaustive information received from the Management Board on all significant matters relating to the bank’s operations, risks related to the business as well as the methods and effectiveness of risk management.

When exercising supervision over the bank’s operations, the Supervisory Board has the right to control the full scope of the bank’s operations, in particular:

- checking books, files and documentation,
- auditing the bank’s assets and financial control,
- request the Bank Management Board to present all documents, materials and information regarding the Company’s operations,
- request relevant reports and explanations from the bank’s employees,
- participate in the meetings of the Bank Management Board.



Attendance and topics of the Supervisory Board meetings in 2021

In 2021, Members of the Bank's Supervisory Board devoted the necessary amount of time to perform their duties. In the period from 1 January to 31 December 2021, the Supervisory Board held ten regular meetings and ten meetings by circulation. The meetings were held on the following dates: 2 February, 11 February, 12 March, 24 May, 11 June, 31 August, 17 September, 22 October, 29 November and 15 December, including meetings by circulation on: 18 January, 26 January, 17 March, 14 April, 24 June, 19 July, 22 July, 5 October, 13 October and 19 November. Due to the continuing period of the coronavirus pandemic, the 2021 meetings were held by videoconference/online.

The Supervisory Board adopted a total of 123 resolutions, of which 16 were adopted by circulation. All meetings were held in the composition and manner that allowed for the adoption of binding resolutions, with a very high attendance. The attendance of Supervisory Board members at meetings in 2021 is illustrated in the table below.

Attendance in 2021	
Alexander Galos	18/20
Małgorzata Kołakowska	20/20
Michał Szczurek	19/20
Stephen Creese (Member of the Board from the date of appointment by the EGM, i.e. 29 November 2021)	2/2**
Dorota Dobija (Member of the Board from the date of appointment by the EGM, i.e. 29 November 2021)	2/2**
Monika Marcinkowska (Member of the Board from the date of appointment by the EGM, i.e. 29 November 2021)	2/2**
Remco Nieland	19/20
Board members who held office during the reporting period	
Antoni F. Reczek (Member of the Board until the date of the EGM, i.e. 29 November 2021)	8/18*
Alexander Kutela (Member of the Board until the date of the EGM, i.e. 29 November 2021)	18/18*
Susan Poot (Member of the Board until 30 September 2021)	16/17*

* Attendance at meetings / number of meetings during their mandate; ** Newly appointed members of the Supervisory Board attended both meetings of the Supervisory Board since their appointment to the Supervisory Board on 29 November 2021.

Irrespective of the regular meetings, the members of the Supervisory Board were in constant and direct contact with the Bank Management Board, taking active part in all important issues related to the Company's operations.

During its meetings, the Supervisory Board considered matters resulting from legal regulations and supervisory recommendations, as well as matters related to the current operations of the company. The Supervisory Board received from the Bank Management Board extensive information on the current economic and financial situation of the bank, its operation, action plans and any important events that may affect its operation. The agenda of the meetings also included current information on the impact of the coronavirus pandemic on the bank's operations.

In the course of the work carried out in Q1 2021, the Supervisory Board prepared and presented to the Ordinary General Meeting: the required assessment of the company's situation, including the assessment of internal control systems, risk management, compliance and internal audit functions, as well as a report on the activities of the Supervisory Board. Moreover, the Supervisory Board presented the Ordinary General Meeting with an assessment of the manner in which the bank fulfils its disclosure obligations, which relate to the application of corporate governance principles, as well as an assessment of the rationality of the bank's sponsorship and charity policy. In 2021, the Supervisory Board considered and gave a positive opinion on the draft resolutions presented to the General Meeting convened on 15 April 2021 and the draft resolutions presented to the Extraordinary General Meeting convened on 29 November 2021.

In order to support members of the Supervisory Board in their tasks, the Supervisory Board shall appoint members of the Audit Committee, Remuneration and Appointment Committee and Risk Audit Committee from among its members.

Remuneration and Appointment Committee

The Remuneration and Appointment Committee supports the Supervisory Board in terms of monitoring and supervision over the bank's human resources and payroll area, and in particular, in the selection of Management Board Members, the diversity policy, suitability assessment of Management Board Members, succession plans, staff rotation processes, satisfaction surveys of the bank's employees, and the remuneration and bonus policy, including the policy of variable remuneration components.

The activities of the Remuneration and Appointment Committee are described in detail in the Regulations of the Remuneration and Appointment Committee of the Supervisory Board of ING Bank Śląski S.A. adopted by the Supervisory Board .



The Remuneration and Appointment Committee consists of at least 3 members of the Supervisory Board. Most of the Remuneration and Appointment Committee members, including the Chairperson, should meet the criteria for Independent Members of the Supervisory Board. Currently, the Committee consists of three members, including two independent members of the Supervisory Board.

The Remuneration and Appointment Committee meets at least once a quarter.

The following changes to the composition of the Remuneration and Appointment Committee took place in 2021.

On 25 October 2021, Mr Aleksander Kutela resigned as a member of the Supervisory Board of ING Bank Śląski S.A., for personal reasons, as of the date of the Extraordinary General Meeting of the Bank, i.e. 29 November 2021.

On 29 November 2021, the Supervisory Board appointed Ms Dorota Dobija to the Committee. Ms Dorota Dobija has the status of Independent Member of the Supervisory Board within the meaning of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision. At the same time, the Board entrusted an independent member, Mr Aleksander Galos, with the function of Chairperson of the Remuneration and Appointment Committee of the Supervisory Board.

Thus, as at 31 December 2021, the composition of the Remuneration and Appointment Committee was as follows:

- Aleksander Galos – Chairperson (independent member),
- Dorota Dobija – Member (independent member),
- Małgorzata Kołakowska – Member.

A brief biography of Committee Members, showing individual competencies, is available [here](#).

Competences, powers and tasks of the Remuneration and Appointment Committee

The Remuneration and Appointment Committee’s competences include, inter alia:

- selecting and assessing the suitability of Management Board members, including analysing candidates for Management Board members and presenting recommendations to the Supervisory Board in this regard and determining the scope of duties for a candidate to the Bank Management Board,
- presenting proposals regarding the content of contracts for the performance of the functions of a Management Board member, taking into account the amount of remuneration, including variable remuneration,

- overseeing the policy regarding the selection and appointment of persons holding managerial positions at the bank,
- monitoring succession plans, employee rotation processes and employee satisfaction surveys of the bank,
- supervising the policy of the remuneration system in place at the bank, including monitoring of the remuneration and bonus policy,
- supervising the Variable Remuneration Policy for the Identified Staff of ING Bank Śląski S.A.,
- monitoring the control mechanisms for the level of remuneration of employees of the Internal Audit Department and the Centre of Expertise – Compliance and protection of employees of these units against unjustified termination of employment,
- supervising the remuneration package for persons responsible for control functions reporting directly to the Management Board of ING Bank Śląski S.A.
- submitting recommendations to the Supervisory Board regarding the approval of the Policy of assessing the adequacy of members of the Supervisory Board, Management Board and persons performing key functions at ING Bank Śląski S.A. and changes to its content
- determining the target value of the representation of the underrepresented gender in the Bank Management Board and Supervisory Board,
- developing a diversity policy in the composition of the Bank Management Board and Supervisory Board,
- periodic assessment of the structure, size, composition and effectiveness of the Management Board,
- periodic analysis of the knowledge, competences and experience of the Management Board as a whole and of individual members of the Management Board,
- analysis of succession and employee development plans, in particular of managerial staff,
- monitoring the fluctuation process of the bank’s employees based on interim reports presented by the Management Board,
- monitoring the processes of testing the satisfaction of the bank’s employees, in particular with regard to methodology, research results and actions taken on their basis.



- developing proposals for the remuneration of members of the Supervisory Board and presenting them to the Supervisory Board in order to submit a motion to the General Meeting,
- analysis of the remuneration and bonus policy, with particular emphasis on remuneration of senior management,
- presenting the Supervisory Board with recommendations on the results of the review carried out by the heads of units of the Internal Audit Department and the Centre of Expertise – Compliance in cooperation with HR regarding the level and structure of employment and remuneration
- presenting the Supervisory Board with recommendations regarding information on the implementation of the remuneration policy in relation to the manager and employees of the Internal Audit Department, as well as the manager and employees of the Centre of Expertise – Compliance, taking into account possible changes and the remuneration budget.

Attendance and topics of the Remuneration and Appointment Committee meetings in 2021

During the period from 1 January to 31 December 2021, the Remuneration and Appointment Committee held eleven regular meetings and five meetings by circulation. The meetings of the Remuneration and Appointment Committee were held on the following dates: 2 February, 11 February, 12 March, 19 March, 11 June, 8 July, 31 August, 17 September, 4 October, 23 November and 14 December, including meetings by circulation on: 26 January, 17 March, 24 May, 19 November and 26 November. The Committee issued a total of 52 recommendations (including 6 by circulation) and 2 opinions to the Supervisory Board. In addition, the Committee issued 1 review and 2 decisions.

All the meetings were held in the composition and manner enabling the issuance of binding recommendations, with a very high attendance. The attendance of members of the Remuneration and Appointment Committee at Committee meetings in 2021 is illustrated in the table below.

Attendance in 2021	
Alexander Galos	16/16
Dorota Dobija (Committee member from the date of appointment by the EGM, i.e. 29 November 2021)	**1/1
Małgorzata Kołakowska	15/16
Board members who held office during the reporting period	
Alexander Kutela (Chairperson of the Committee until the date of the EGM, i.e. 29 November 2021)	*14/15

** Attendance at meetings / number of meetings during mandate. **The newly appointed member of the Remuneration and Appointment Committee attended every meeting of the Committee since his/her appointment to the Committee on 29 November 2021.*

In 2021, the work of the Committee focused primarily on the following areas:

- active supervision over the process of suitability assessment of members of the Supervisory Board, Management Board and persons performing key functions at the bank,
- monitoring the adequacy and effectiveness of the bank’s employment policy,
- supervising the recruitment process for a Member of the Bank Management Board in connection with changes in the Bank Management Board,
- issuing opinions on the recruitment process for a Member of the Bank Management Board,
- review of succession for the positions of members of the Bank Management Board,
- monitoring the adequacy and effectiveness of the bank’s remuneration policy,
- analysing information on pay policy/practice assumptions for 2021 and 2022,
- assessment of the level of achievement of goals for 2020 by members of the Bank Management Board and setting bonus tasks for 2021,
- development and presentation of recommendations to the Supervisory Board in the scope of the Report on the implementation of the remuneration policy in relation to employees and the Director of the Internal Audit Department,



- development and presentation of recommendations to the Supervisory Board regarding the Report on the implementation of the remuneration policy in relation to employees and the Lead 2 Centre of Expertise – Compliance,
- analysis of the proposed remuneration packages for persons performing control functions at the bank submitted by the Management Board,
- analysis of the results of the remuneration review based on the Hay Group report.

In addition, due to the prolonged absence of the Chairperson of the Supervisory Board and the Audit Committee, the Remuneration and Appointment Committee conducted a process of collective evaluation of the Audit Committee and identified the need for changes in the composition of the Supervisory Board. He then made an appropriate recommendation to the Supervisory Board. The Committee conducted a process of individual evaluation of candidates for the Supervisory Board and collective evaluation of the Supervisory Board, a process of individual evaluation of the candidate for the Chairperson of the Supervisory Board, and a process of individual evaluation of candidates for the Audit Committee of the Supervisory Board and collective evaluation of the Audit Committee, making appropriate recommendations regarding changes in the composition of the Board to the Supervisory Board and the Extraordinary General Meeting.

Risk Committee

The Risk Committee supports the Supervisory Board in terms of monitoring and supervision over the risk management process, including the operational risk, the credit risk, and the market risk, and also the internal capital estimation process, capital management and planning and the model risk, and the capital adequacy area.

The activities of the Risk Committee are described in detail in the Regulations of the Risk Committee of the Supervisory Board of ING Bank Śląski S.A. adopted by the Supervisory Board

According to the Regulations, the Risk Committee is composed of at least 3 members of the Supervisory Board. Most Committee Members, including the Chairperson, should meet the criteria for Independent Members of the Board.

The Risk Committee meets at least once a quarter.

In 2021, the following changes to the composition of the Risk Committee took place:

- On 26 August 2021, Ms Susan Poot resigned as a member of the Bank’s Supervisory Board, effective 30 September 2021.
- On 25 October 2021, Mr Aleksander Kutela resigned as a member of the Supervisory Board of ING Bank Śląski S.A., for personal reasons, as of the date of the Extraordinary General Meeting of the Bank, i.e. 29 November 2021.
- On 29 November 2021, the Extraordinary General Meeting of the Bank adopted Resolution No. 7 on the dismissal from the Supervisory Board of the Bank of Mr Antoni F. Reczek, hitherto Chairperson of the Supervisory Board of ING Bank Śląski S.A.
- On 29 November 2021, the Supervisory Board appointed Ms Dorota Dobija, Ms Monika Marcinkowska and Mr Stephen Creese as members of the Committee, at the same time entrusting Ms Dorota Dobija with the function of Chairperson of the Risk Committee of the Supervisory Board.

Thus, as at 31 December 2021, the composition of the Risk Committee was as follows:

- Dorota Dobija – Chairperson (independent member),
- Aleksander Galos – Member (independent member),
- Stephen Creese – Member,
- Monika Marcinkowska – Member (independent member),
- Michał Szczurek – Member.

Currently, the Risk Committee consists of 5 members, including 3 independent members.

A brief biography of Committee Members, showing individual competencies, is available [here](#).

Competences, powers and tasks of the Risk Committee

The competences of the Risk Committee include inter alia:

- determining the bank’s current and future risk appetite;
- giving opinions on the risk management strategy in the bank’s operations developed by the Bank Management Board and the information submitted by the Management Board regarding the implementation of this strategy,



- supporting the Supervisory Board in supervising the implementation of the risk management strategy in the bank’s operations by senior management, estimating internal capital and reviewing strategies and procedures for estimating internal capital and maintaining internal capital on a permanent basis,
- verification whether the prices of liabilities and assets offered to clients fully reflect the bank’s business model and its risk strategy,
- giving opinions on the appointment of external experts by the Supervisory Board,
- making recommendations to the Supervisory Board regarding changes in key risk positions,
- presenting the Supervisory Board with recommendations on granting a cash loan, bank guarantee, surety or other off-balance sheet obligations to members of the Management Board, Supervisory Board and other persons indicated in Article 79-79c of the Banking Law, to the extent that the consent of the Board is required.

Attendance and topics of the Risk Committee meetings in 2021

During the period from 1 January to 31 December 2021, the Risk Committee held five regular meetings and three meetings by circulation. The meetings of the Committee were held on the following dates: 11 February, 11 March, 11 June, 17 September and 15 December and by circulation on: 24 May, 24 June and 13 October.

The Committee issued a total of 28 recommendations (including 4 by circulation). All the meetings were held in the composition and manner enabling the issuance of binding recommendations, with a very high attendance. The participation of members of the Risk Committee in Committee meetings in 2021 is shown in the table below.

Attendance in 2021	
Dorota Dobija (Chairperson of the Committee from the date of appointment by the EGM, i.e. 29 November 2021)	**1/1
Alexander Galos	8/8
Stephen Creese (Committee member from the date of appointment by the EGM, i.e. 29 November 2021)	**1/1
Monika Marcinkowska (Committee member from the date of appointment by the EGM, i.e. 29 November 2021)	**1/1
Michał Szczurek	6/8
Board members who held office during the reporting period	
Antoni F. Reczek (Committee member until the date of the EGM, i.e. 29 November 2021)	*3/5
Alexander Kutela (Committee member until the date of the EGM, i.e. 29 November 2021)	*7/7
Susan Poot (Committee member until 30 September 2021)	*6/6

** Attendance at meetings / number of meetings during mandate; **Newly appointed members of the Risk Committee attended a meeting of the Committee since their appointment to the Committee on 29 November 2021.*

As part of the risk level monitoring process at the bank, a permanent item on the agenda of the Risk Committee in 2021 was a risk report, the components of which are reports on credit, market, operational (non-financial) and model risk. Information on the risks of a coronavirus pandemic, credit holiday facilities and foreign currency index-linked mortgages were an important part of the report.

In 2021, the work of the Committee was also focused, inter alia, in the following areas:

- development and presentation of recommendations to the Supervisory Board in the field of documents relating to the risk management area, including the Risk Management Strategy for 2021-2023,
- development and presentation of recommendations to the Supervisory Board in the scope of key risk appetite limits for the retail and corporate credit risk area and the declaration of appetite for non-financial risk,



- developing and presenting recommendations to the Supervisory Board in the area of concluding agreements by the bank, which should be classified as likely to have a significant impact on the financial or legal situation of the bank,
- analysis of the Report on the Capital Management and Capital Adequacy Process (ICAAP) at ING Bank Śląski S.A. for 2020,
- analysis of the Report on the review of the internal liquidity adequacy assessment process (ILAAP) at ING Bank Śląski S.A. for 2020.

Audit Committee

The Audit Committee supports the Supervisory Board in monitoring and supervising the financial reporting process, internal and external audit and the management system at the bank and its subsidiaries, in particular the adequacy and effectiveness of the internal control system and the risk management system, relations between the bank and the entity performing the audit bank's financial statements.

The activities of the Audit Committee are described in detail in the Regulations of the Audit Committee of the Supervisory Board of ING Bank Śląski S.A. adopted by the Supervisory Board

Pursuant to the Regulations, the Audit Committee consists of at least 3 members of the Supervisory Board. Most members of the Audit Committee, including its Chairperson, should meet the criteria of independence, and at least one of the Independent Members in the Audit Committee should additionally have qualifications in the field of accounting or financial audit. Currently, the Audit Committee consists of three independent members of the Supervisory Board, which meets the requirements set out in the Act of 11 May 2017 on statutory auditors, audit firms and public supervision.

The Audit Committee meets at least once a quarter. While performing its tasks, the Audit Committee may use the assistance of experts.

In 2021, the following changes to the composition of the Audit Committee took place:

- On 25 October 2021, Mr Aleksander Kutela resigned as a member of the Supervisory Board of ING Bank Śląski S.A., for personal reasons, as of the date of the Extraordinary General Meeting of the Bank, i.e. 29 November 2021.

- On 29 November 2021, the Extraordinary General Meeting of the Bank adopted Resolution No. 7 on the dismissal from the composition of the Bank's Supervisory Board of Mr Antoni F. Reczek, until then acting as Chairperson of the Supervisory Board of ING Bank Śląski S.A. and Chairperson of the Audit Committee of the Supervisory Board.
- On 29 November 2021, the Supervisory Board appointed Ms Dorota Dobija and Ms Monika Marcinkowska to the Committee. Both ladies have the status of Independent Member of the Supervisory Board within the meaning of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision. On the same day, the Supervisory Board entrusted Ms Monika Marcinkowska with the function of Chairperson of the Audit Committee of the Supervisory Board.

The Remuneration and Appointment Committee has confirmed that the Audit Committee meets the criterion of collective suitability, which includes having a sufficient number of members with knowledge and skills in accounting, auditing and banking, and the criterion of independence of a sufficient number of members, including the independence of the Chairperson of the Audit Committee of the Supervisory Board of Bank ING Śląski S.A.

Thus, as at 31 December 2021, the composition of the Audit Committee was as follows:

- Monika Marcinkowska – Chairperson (independent member)
- Dorota Dobija – Member (independent member)
- Aleksander Galos – Member (independent member),
- Małgorzata Kołakowska – Member,
- Remco Nieland – Member,

As required by the Act of 11 May 2017 on Statutory Auditors, the majority of members, including the Chairperson of the Committee, meet the criteria for independence. Ms Monika Marcinkowska and Ms Dorota Dobija have knowledge and experience in accounting/auditing. Mr Remco Nieland – having completed his postgraduate studies at the Vrije Universiteit in Amsterdam – has been qualified as a chartered auditor since 1992.

All Members of the Audit Committee have knowledge and skills in the area of finance.

A brief biography of Committee Members, showing individual competencies, is available [here](#).



Competences, powers and tasks of the Audit Committee

The competences of the Audit Committee include inter alia:

- financial reporting process,
- monitoring the effectiveness of internal control systems, internal audit and risk management, including financial reporting,
- monitoring of financial audit activities, especially performance of an audit by an auditing firm taking into consideration conclusions and findings of the National Audit Oversight Committee resulting from controls conducted in an auditing firm,
- controlling and monitoring of the independence of a statutory auditor and an auditing firm, especially in the event whereby an auditing firm performs services other than audit.

The tasks of the Audit Committee also include:

- supervising the bank’s relations with related entities by monitoring the agreements concluded by the bank with these entities,
- performing other supervisory activities in the areas specified separately by the Supervisory Board or resulting from internal regulations approved by the Supervisory Board,
- assessment and presentation of recommendations in the field of dividend policy,
- development and presentation of recommendations to the Supervisory Board regarding the implementation of the policy of selecting an audit firm to conduct the audit and the policy of providing permitted non-audit services by the audit company conducting the audit, by entities related to this audit company and by a member of the audit company’s network,
- defining and adopting the procedure for selecting an audit firm.

Attendance and topics of the Audit Committee meetings in 2021

In accordance with the approved work plan, the Audit Committee held seven regular meetings and two meetings by circulation between 1 January and 31 December 2021. The meetings were held on the following dates: 11 February, 11 March, 8 April, 11 June, 17 September, 27 September, and 15 December, including meetings by circulation on: 19 February and 24 June.

In accordance with the requirements of the Audit Committee Regulations, on 11 March 2021, the Committee held a closed meeting with representatives of the internal auditor and the external auditor.

The Audit Committee issued a total of 18 recommendations to the Supervisory Board (including 1 recommendation by circulation), 2 decisions (including 1 by circulation) and 2 opinions (including 1 by circulation). All the meetings were held in the composition and manner enabling the issuance of binding recommendations, with a very high attendance. The participation of Audit Committee members in the Committee meetings in 2021 is shown in the table below.

Attendance in 2021	
Monika Marcinkowska (Chairperson of the Committee from the date of the EGM, i.e. 29 November 2021)	**1/1
Dorota Dobija (Committee member from the date of appointment by the EGM, i.e. 29 November 2021)	**1/1
Alexander Galos	9/9
Małgorzata Kołakowska	7/9
Remco Nieland	9/9
Board members who held office during the reporting period	
Antoni F. Reczek (Chairperson of the Committee until the date of the EGM, i.e. 29 November 2021)	*4/8
Alexander Kutela (Committee member until the date of the EGM, i.e. 29 November 2021)	*8/8

** Attendance at meetings / number of meetings during mandate; **Newly appointed members of the Audit Committee attended a meeting of the Committee since their appointment to the Committee on 29 November 2021.*

In 2021, the work of the Committee focused primarily on the following areas:

- monitoring the adequacy and effectiveness of the internal control system and the risk management system, including compliance risk,
- development and presentation of recommendations to the Supervisory Board regarding the implementation of changes to the policy of selecting an audit firm to conduct an audit and the policy of providing permitted non-audit services by the audit company conducting the audit, by entities associated with this audit company and by a member of the audit company’s network,



- determining the scope of work of the entity authorized to audit the financial statements of ING Bank Śląski S.A. and the consolidated financial statements of the ING Bank Śląski S.A. Group after selecting the entity authorized by the Supervisory Board,
- supervision over the relationship between the bank and the entity performing the audit of the bank's financial statements, including the analysis of the work performed by the entity authorized to audit the statements and results of the audit, together with the assumptions for the Letter to the Management Board,
- assessment of the annual financial statements of ING Bank Śląski S.A. and ING Bank Śląski S.A. Group,
- analysis of information and materials provided periodically by the external auditor and the external auditor's presentations presented to the members of the Audit Committee directly during the Committee meetings,
- constant analysis of interim reports provided by the Director of the Internal Audit Department regarding the status of implementation of the audit plan of the Internal Audit Department for 2021 and the status and changes in the deadline for implementation of post-audit recommendations,
- monitoring compliance work.

Other areas of work of the Audit Committee in 2021 include:

- assessment and presentation of recommendations in the field of dividend policy,
- monitoring of the bank's relations with related entities, including the analysis of periodic information on agreements with related entities,
- supervision of the compliance area in the bank, including development and presentation of recommendations to the Supervisory Board regarding the approval of the new Policy – Internal Governance Principles in ING Bank Śląski S.A. and the new Policy – Internal Governance Principles in the ING Bank Śląski S.A. Group,
- constant analysis of interim reports quarterly report of Compliance risk,
- analysis of the list of critical and high-risk recommendations,
- information analysis in the field of financial and regulatory reporting and the reporting control environment.

In addition, in the course of its work in 2021, the Committee leaned, on an ongoing basis, on the issues identified in the Best Practice for Public Interest Entities concerning the principles for the appointment, composition and

functioning of the audit committee published on 24 December 2019 by the Office of the Polish Financial Supervision Authority. Bearing in mind the provisions of the Practices regarding the activities of:

- financial reporting process,
- monitoring the effectiveness of internal control, internal audit and risk management systems,
- monitoring the performance of audit activities,
- controlling and monitoring the independence of the statutory auditor and audit firm, in particular when services other than audit are provided to the public interest entity by the audit firm.

The Audit Committee – on the basis of information and documents provided by the Bank Management Board and analyses conducted during its meetings – carried out a risk assessment of the processes and areas being monitored. The Committee's assessment did not differ from the assessments made by the Board. The work carried out did not identify any areas for which the actions taken by the Board would be inadequate to the bank's situation, market requirements or regulatory recommendations. As in previous years, special attention was paid to the bank's compliance area, as well as to model risk, IT and outsourcing.

Co-operation with external auditor

In 2021, the audit firm auditing the financial statements (KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k.) provided the following non-audit services:

- semi-annual review of the financial statements of the bank and the ING Bank Śląski S.A. Group,
- attestation service – fulfilment of requirements for the storage of client assets,
- assurance service – compliance of annual information on the bank's capital adequacy.

The provision of the above-mentioned services was approved by the Audit Committee after assessing the threats and safeguards to the independence of the statutory auditor and the audit firm.

Main assumptions of the developed Policy of selecting an audit firm to audit financial statements, assess its independence and provide other permitted services at ING Bank Śląski S.A.:



- The Audit Committee decides on consenting to the involvement of a statutory auditor (the audit company conducting the audit, an entity related to that audit firm and by a member of the audit firm's network) to provide permitted non-audit services,
- the provision of permitted services is possible only to the extent unrelated to the bank's tax policy, after the Audit Committee assesses the threats and safeguards to the independence of the statutory auditor and the audit firm,
- verification and monitoring of the independence of a statutory auditor or audit firm are performed at every stage of the process of selecting an audit firm to audit financial statements,

When making the final selection, the Supervisory Board, and the Audit Committee at the stage of preparing recommendations, are guided by the following transparent and non-discriminatory selection criteria, which are used by the bank to evaluate offers submitted by audit firms:

- assessment of the independence of the audit firm to conduct the audit already at the stage of the selection procedure,
- the ability to provide the full range of services specified by the bank (audit of individual statements, audits of consolidated statements, reviews, etc.),
- the company's experience to date in auditing reports of entities with a profile of activity similar to that of the bank,
- the company's experience to date in auditing reports of public interest entities from the banking sector,
- professional qualifications, experience relevant to the activities performed as part of the audit and the number of people directly involved in the study conducted at the bank,
- proposed price conditions by the auditing company to conduct the audit.

The recommendation of the Audit Committee regarding the selection of an audit firm to audit the bank's financial statements met the applicable conditions and was drawn up as a result of a selection procedure organized by the bank that meets the applicable criteria.

Selection of an entity authorized to audit financial statements

The selection of the audit firm to audit the separate and consolidated financial statements for 2021 was made in accordance with the applicable regulations, including the provisions on the selection and selection procedure of an audit firm.

The independent auditor for the audit of the financial statements is selected by the Bank's Supervisory Board on the recommendation of the Audit Committee. The choice is made taking into account the necessity to consolidate the financial statements and the related unified approach of ING Group regarding the principles of change of auditor. This approach meets the requirements of existing EU legislation.

On 30 June 2020, the Bank's Supervisory Board selected KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k. based in Warsaw, as the entity authorised to audit and review the financial statements of ING Bank Śląski S.A. and the Bank's Capital Group for the years 2020-2022. This entity audited the financial statements of the bank and the bank group for the period 2013-2019.

According to the presented statement, the audit company KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k. and members of the audit team met the conditions for drawing up an impartial and independent report on the audit of the annual financial statements in accordance with the applicable regulations, professional standards and the principles of professional ethics.

The bank complies with the applicable regulations on the rotation of the audit firm and the key statutory auditor as well as mandatory grace periods. Pursuant to the law currently in force, the maximum, uninterrupted period of employment for the same audit firm may not exceed 10 years. The maximum 10-year mandate given by the bank to the current audit firm (KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k.) will end with the audit of the 2022 report.

The contract for the audit and review of financial statements for the years 2020-2022 between the bank and KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k. was signed on 31 July 2020.

The Bank has the "Policy of selecting an audit firm to audit financial statements, assessing its independence and providing other permitted services at ING Bank Śląski S.A.", which includes a policy for selecting an audit firm and a policy for providing services to the bank – by an auditing company, related entity with an audit firm or a member of its network – additional non-audit services, including services conditionally exempt from the prohibition of the audit



firm from providing. The services provided by the audit firm were assessed as permitted and approved in accordance with the provisions of this policy.

Auditor’s remuneration

Auditor's remuneration (PLN thousand)										
	2017		2018		2019		2020		2021	
	KPMG	Other auditor	KPMG	Other auditor	KPMG	Other auditor	KPMG	Other auditor	KPMG	Other auditor
Auditing financial statements	*1 071,0	38,5	*700,0	83,5	*790,0	128,5	567,6	129,0	567,6	129,0
Other certification services	462,0	-	372,0	-	392,0	66,5	234,0	30,0	234,0	30,0

*Additionally, reimbursement of documented expenses

Internal audit

The bank’s risk management and internal control systems are organised on three independent levels (the so-called Three Lines of Defence Model), where the Internal Audit Department (hereinafter: IAD) acts as the third line of defence. The primary task of the IAD is to independently assess the adequacy and effectiveness of the functioning of the internal control system, the risk management system, organisational governance and the systems and processes implemented. This task is carried out through audits conducted at the bank, covering all significant areas of the bank’s and its subsidiaries’ activities.

A key factor for the proper performance of audit tasks is to ensure the full independence of the bank’s internal audit function. A number of organisational arrangements are used for this purpose, the most important of which are:

- proper location in the organisational structure – the IAD reports directly to the President of the Bank Management Board,
- formally define the role, powers and responsibilities of the IAD in the Audit Charter approved by the Bank’s Supervisory Board,

- approval of the appointment and dismissal of the IAD Director by the Bank’s Supervisory Board.
- The independence of the IAD is further enhanced by:
- direct contact of audit representatives with members of the Management Board, the Audit Committee, the Supervisory Board and the Bank’s statutory auditor,
 - participation of audit representatives in the meetings of the Bank Management Board, Audit Committee and Supervisory Board,
 - non-involvement of auditors in the operational activities of the bank.

IAD auditors are required to perform their tasks with objectivity and due professional care. IAD mostly employs auditors with recognised industry certifications (e.g. CIA, CISA, ACCA) and supports them in further development of their professional qualifications. IAD tasks are performed in accordance with the provisions of the International Standards for the Professional Practice of Internal Auditing as set out by the Institute of Internal Auditors (IIA), taking into account the requirements set out by the supervisory authority (PFSA Office) in particular Recommendation H.

In 2021, the IAD performed all planned audit tasks, issuing 40 reports and 33 key post-audit recommendations. The audit plan was periodically reviewed and modified to cover areas relevant to the bank’s strategy and to take into account the expectations of the supervisory authority (one ad hoc audit). In addition, the IAD monitored the status of implementation of post-audit recommendations and those from regulatory authorities and gave its opinion on the correctness of their implementation. The results of the work and monitoring carried out by internal audit were periodically reported to the Management Board, the Audit Committee and the Bank’s Supervisory Board.

Risk control and management system in the process of preparing financial statements

The process of preparing financial statements is carried out within the CFO Division as one of the key elements of compliance with the standards. The basic elements enabling the implementation of the process are the Accounting Policy adopted by the Bank Management Board and the organization of accounting in the bank, defining the main



principles of recording the bank's economic events. As a consequence of recording events, the bank's books are created, which are the basis for the preparation of financial statements.

In the process of preparing financial statements, the bank identified the following types of risk:

- the risk of incorrect input data,
- the risk of incorrect data presentation in financial statements,
- the risk of using incorrect estimates,
- the risk of lack of integration of IT systems and operational and reporting applications.

In order to mitigate this risk, the bank defined the structure of the process of preparing financial statements in two layers: application and content.

The application part of the process consists of the data flow from the bank's basic operating systems through a series of interfaces to the reporting database on which reporting applications are embedded. The application layer is controlled in line with the IT systems security policy adopted by the bank. Controls include user management, development environment management, integrity of data transfer systems, including the correct operation of interfaces in terms of completeness of data transfer from operating systems to the reporting environment.

The bank prepared a description of the process according to the principles adopted at the Bank for the purposes of correct management of the process of preparing financial statements. The description includes all activities occurring in the process, their contractors, "if ... then ..." situations. In addition, the description includes an indication of key control points. The key controls embedded in the process of preparing the bank's financial statements include the following:

- quality control of input data for financial statements, supported by data control applications; a number of data correctness rules have been defined in the applications, the error correction path and strict monitoring of the data quality level,
- control of data mapping from source systems to financial statements, which ensures correct data presentation,

- an analytical review based on the knowledge of specialists, the main goal of which is to confront the knowledge of business with financial data and to detect possible signals of incorrect data presentation, or incorrect input data.

The description of the estimates adopted by the bank, in accordance with IAS / IFRS, is included in the accounting policy. To avoid the risk of incorrect estimates, the bank adopted, inter alia, the following solutions:

- for the assessment of loan impairment – the bank has implemented specific models and applications as well as internal regulations for credit risk assessment,
- for the valuation of debt financial instruments quoted on active markets or for which the valuation is based on these quotations – the bank has implemented the required functionality of the basic systems, and also introduced controls to be exercised by market risk management units,
- for the estimation of provisions for legal risk related to mortgage loans indexed to the Swiss franc exchange rate – the bank estimated their impact based on a scenario analysis differentiated by the scale of settlements with clients expected by the bank and the probability of occurrence of possible court judgements,
- for the estimation the impact of a change in the interpretation of the provisions on commission reimbursements on consumer loans – assumptions were made regarding the expected outflows from complaints and prepayment profiles based on historical data,
- for the valuation of financial instruments not quoted on active markets – the bank implemented valuation models that were subject to prior verification before their application,
- for the estimation of the provision for retirement and disability benefits – the bank commissioned an independent actuary to make the estimate,
- for the estimation of the provision for employee and managerial bonuses – the bank uses calculations in accordance with the bonus regulations adopted by the bank, using the forecast of the bank's results,
- for the valuation of its own real estate – the bank adopted as a rule obtaining a valuation from independent experts with a frequency of 3-5 years.

A detailed description of the accounting principles is included in the Annual Consolidated Financial Statements of ING Bank Śląski S.A. for 2021, in the section "Accounting policy and additional notes" and "Significant accounting principles".



The introduced organizational structure of the bank allows for the separation of duties between the Front-office, Back-office, Risk and Finance. Additionally, the introduction of an appropriate internal control system enforces the implementation of control of transactions and financial data in back-office units and support units. This area is subject to an independent and objective assessment by the Internal Audit Department, both in terms of the adequacy of the internal control system, risk management and corporate governance.

Management Board

Composition of the Management Board

Pursuant to the provisions of the Bank's Articles of Association, the Bank Management Board consists of 3 to 8 members appointed by the Supervisory Board. The number of members of the Management Board in a given term of office is determined by the Supervisory Board. Members of the Management Board are appointed for a joint term of office, which begins on the date of their appointment and covers four consecutive full financial years. Appointment takes place after conducting the qualification procedure, the purpose of which is to check and evaluate the qualifications of the candidates. The suitability assessment process is carried out with the involvement of an external entity in order to increase the objectivity of the work related to the verification of documents and preliminary suitability assessment. As part of this procedure, the Supervisory Board, based on the recommendations of the Remuneration and Appointment Committee, assesses the individual suitability of candidates for functions in the Management Board (in particular, meeting the requirements of Article 22aa of the Banking Law), as well as the collective suitability of the Management Board as a whole.

Minimum one half of members of the Management Board shall be Polish citizens. Two members of the Management Board, including the President and the Vice-President of the Management Board, supervising the management of risks relevant to the bank's operations, are appointed with the approval of the Polish Financial Supervision Authority. Members of the Management Board may be dismissed at any time by the Supervisory Board. The dismissal of the Vice-President of the Management Board takes place after obtaining the opinion of the President of the Management Board by the Supervisory Board.

Changes in the composition of the Management Board in 2021

On 30 November 2020, Mr Lorenzo Tassan-Bassut resigned as the Vice-President of the Management Board of ING Bank Śląski S.A., effective at the end of 31 January 2021. Thus, the composition and division of responsibilities of the Board Members from 1 February to 31 August 2021 were as follows:

- **Mr Brunon Bartkiewicz** – President of the Bank Management Board, supervising the CEO Division;
- **Ms Joanna Erdman** – Vice-President of the Bank Management Board (until 23 May 2021 temporarily in charge of organisational supervision of the CRO Division, subject to supervision of material risk management being carried out collegially by the Bank Management Board). On 24 May 2021, following a decision of the Polish Financial Supervision Authority dated 14 May 2021, the Supervisory Board entrusted Ms Joanna Erdman with the function of Vice-President of the Management Board overseeing the management of the material risks in the Bank's operations;
- **Mr Marcin Giżycki** – Vice-President of the Bank Management Board supervising the Retail Banking Division and its subsidiary Nowe Usługi S.A.;
- **Ms Bożena Graczyk** – Vice-President of the Bank Management Board supervising the CFO Division and the following subsidiaries: Solver Sp. z o.o. and ING Bank Hipoteczny S.A.;
- **Ms Ewa Łuniewska** – Vice-President of the Bank Management Board supervising the Business Clients Division and the following subsidiaries: ING Usługi dla Biznesu SA, ING Investment Holding (Polska) SA ING Lease (Polska) Sp. Z o.o. and ING Commercial Finance Polska S.A.
- **Mr Michał H. Mrozek** – Vice-President of the Bank Management Board, supervising the Wholesale Banking Division;
- **Mr Sławomir Soszyński** – Vice-President of the Bank Management Board, supervising the CIO Division;
- Vice-President of the Bank Management Board supervising the COO Division – vacancy.

At the same time, at its meeting on 31 August 2021, the Supervisory Board, having reviewed the opinion of the President of the Management Board and the recommendation of the Remuneration and Appointment Committee, appointed Ms Alicja Żyła as Vice-President of the Bank Management Board on 1 September 2021. In connection with the above appointment, the Supervisory Board approved the new division of responsibilities of the members of



the Management Board adopted by the Management Board, according to which Ms Alicja Żyła assumed supervision of the COO Division. The division of responsibilities of the members of the Management Board is as follows:

- **Mr Brunon Bartkiewicz** – President of the Bank Management Board, supervising the CEO Division;
- **Ms Joanna Erdman** – Vice-President of the Bank Management Board supervising the CRO Division;
- **Mr Marcin Giżycki** – Vice-President of the Bank Management Board supervising the Retail Banking Division and its subsidiary Nowe Usługi S.A;
- **Ms Bożena Graczyk** – Vice-President of the Bank Management Board supervising the CFO Division and the following subsidiaries: Solver Sp. z o.o. in liquidation and ING Bank Hipoteczny S.A;
- **Ms Ewa Łuniewska** – Vice-President of the Bank Management Board supervising the Business Clients Division and the following subsidiaries: ING Usługi dla Biznesu SA, ING Investment Holding (Polska) SA ING Lease (Polska) Sp. Z o.o. and ING Commercial Finance Polska S.A.
- **Mr Michał H. Mrozek** – Vice-President of the Bank Management Board, supervising the Wholesale Banking Division;
- **Mr Sławomir Soszyński** – Vice-President of the Bank Management Board, supervising the CIO Division;
- **Ms Alicja Żyła** – Vice-President of the Bank Management Board supervising the COO Division.





Brunon Bartkiewicz
President
Supervises the CEO Division

Mr Brunon Bartkiewicz meets all the requirements specified in the provisions of Article 22aa of the Act of 29 August 1997 – Banking Law.

In the position of President of the Management Board at ING Bank Śląski S.A. since 2016 (previously in 1995-2000 and 2004 -2009).

From June 2021 Member of the Supervisory Board of ING Bank Hipoteczny S.A. – he also held this position during the period March – April 2018. Previously (April 2018 – June 2021) Chairperson of the Supervisory Board of this company. For two years (2014 -2016) Chief Innovation Officer at ING Bank N.V. From 2012 to 2014 Managing Director of the International Retail Banking Division at ING Bank N.V., where he oversaw ING’s activities in France, Italy, Poland, Spain, Romania and Turkey.

Between 2010 and 2016 he held supervisory positions at ING Bank Śląski – first (April 2010 – May 2011) Member of the Supervisory Board and then (May 2011 – March 2016) Vice-Chairperson of the Supervisory Board. From 2010 to 2012 he was associated with ING Direct N.V. as General Manager.

From October 2010 to March 2012 Member of the Management Board of ING Bank (Australia) Ltd. He also served on the Management Board of ING Oyak Bank A.S. (now ING Bank A.S.) between 2008 and 2010. For 5 years (2004-2009), Member of the Supervisory Board of ING Towarzystwo Ubezpieczeń na Życie. In 2004 he became President of the Management Board of ING Bank Śląski and held this position until the end of 2009. In 2000, he took on the role of Chief Executive Officer and Member of the Management Board at ING Direct N.V. for a further four years. Between 2003 and 2004 Member of the Management Board of ING Direct UK.

In addition, he was a Member of the Management Board of ING Bank Direct Canada, ING DiBa AG from 2000 to 2004 and was Chairperson of the Management Board at ING Bank (Australia) Ltd. Between 1991 and 2000, he worked for Bank Śląski S.A., first as Bank Director, then as Member of the Management Board and First Vice-President. Since 1995, President of the Management Board for 5 years. He previously worked at Penetrator S.A. (1990 – 1991), Digital Laboratories International S.A. (1986-1990) and at the Central School of Planning and Statistics (now the Warsaw School of Economics), Chair of International Finance (1986-1989).

In addition, he has been a Member of the Programme Board of the Businesswomen’s Leadership Foundation since April 2021. For many years he has been involved in the activities of the Polish Banks Association, where, among others, he was a Member of the Board (2005-2010), Chairperson of the Association Council (June 2020 – April 2021), and currently a Member of the Presidium. For two years (2019 – 2020) he was a Member of the University Council of the Krakow University of Economics.

Graduate of the Main School of Planning and Statistics (SGH) in Warsaw. He has participated in management and banking training courses including CEDEP – Insead France and the Executive Program at the Graduate School of Business at Stanford University.



Joanna Erdman
Vice-President
Supervises the CRO Division

Ms Joanna Erdman meets all the requirements set out in the provisions of Article 22aa of the Act of August 29, 1997 – Banking Law.

She assumed the position of Vice-President of the Management Board at ING Bank Śląski S.A. in April 2013.

Since June 2020, she has been a Member of the Supervisory Board of the subsidiaries: ING Commercial Finance Polska S.A., ING Lease (Polska) Sp. z o.o. and Nowe Usługi S.A.

In December 2018, she became Vice Chairperson of the Supervisory Board of ING Investment Holding (Poland) S.A. and continues to hold this position. Since March 2018, she has been a member of the Supervisory Board of ING Bank Hipoteczny S.A.

From 2010 to 2013, Bank Director supervising the Strategic Clients Division at ING Bank Śląski. In 2007, she was appointed Director of the Strategic Clients Department at ING Bank Śląski. From 2001 to 2007, she held the position of Director of the Strategic Client Centre in the Corporate Banking Division of ING Bank Śląski. In 1996 she started working in the corporate part of the ING Bank N.V. branch.

In addition, she was a Member of the Supervisory Board of Biuro Informacji Kredytowej S.A. from June 2020 to September 2021 and has been Deputy Chairperson of the Supervisory Board since September 2021.

In June 2020, she became involved with the Responsible Business Forum. For 5 years – from June 2016 to April 2021 she was associated with the ING Children’s Foundation. First as a Member of the Foundation Board and then as Chair of the Foundation Board (June 2019 – April 2021).

Graduate of the Warsaw School of Economics and London Business School.



Marcin Giżycki
Vice-President
Supervises the Retail
Clients Division

Mr Marcin Giżycki meets all the requirements set out in the provisions of Article 22aa of the Act of 29 August 1997 – Banking Law.

In the position of Vice-President of the Management Board at ING Bank Śląski S.A. since August 2016.

Since December 2018, he has been a Member of the Supervisory Board at ING Investment Holding (Poland) S.A. He was a member of the Supervisory Board at ING Bank Hipoteczny S.A. from March to April 2018 and subsequently became Vice-Chairperson of the Supervisory Board and continues to hold this position. Since August 2015, he has held supervisory positions in the company Nowe Usługi S.A. – first as a Member of the Supervisory Board and then as Chairperson of the Supervisory Board. In 2015, he became a Member of the Board of ING Securities S.A. and later President of the Board (August 2015 – May 2016). In 2006, he took on the role of Managing Director responsible for part of the Retail Banking Division and held this position for 10 years. Between 1996 and 2006, he held various positions in sales and retail network management at ING Bank Śląski.

He has been a Board Member at the ING Children’s Foundation since May 2021.

Graduate of the University of Economics in Katowice and Poznań School of Banking.



Bożena Graczyk
Vice-President
Supervises the CFO Division

Ms Bożena Graczyk meets all the requirements set out in the provisions of Article 22aa of the Act of 29 August 1997 – Banking Law.

She assumed the position of Vice-President of the Management Board at ING Bank Śląski S.A. in June 2017.

She has been Chairperson of the Supervisory Board of ING Bank Hipoteczny S.A. since June 2021.

She also serves as a Member of the Supervisory Board in subsidiaries: ING Commercial Finance Polska S.A., ING Lease (Polska) Sp. z o.o. and ING Investment Holding (Polska) S.A. From 2018 (April) to 2020 (June) she was a member of the Supervisory Board of Solver Sp. z o.o. in liquidation, and since June 2020 she has been the Chairperson of the Supervisory Board of this company.

From 1994 to 2017 she was associated with KPMG, in 2001 she became Partner in the audit and advisory area for the financial sector. She held the positions of Director of the Accounting Advisory Services Team and then Director of the Financial Risk Management Team. Between 1996 and 1997, she participated in the audit of the financial statements of financial institutions carried out by KPMG Spain.

Graduate of the University of Łódź. She completed the Executive MBA in International Business, University of Bristol and École Nationale des Ponts et Chaussées, as well as the Advanced Management Program, IESE Business School at the University of Navarre.

She is qualified as a chartered accountant.



Ewa Łuniewska
Vice-President
Supervises the Business
Clients Division

Ms Ewa Łuniewska meets all the requirements set out in the provisions of Article 22aa of the Act of 29 August 1997 – Banking Law.

In the position of Vice-President of the Management Board at ING Bank Śląski S.A. since January 2021.

She is Chairperson of the Supervisory Board of subsidiaries: ING Lease (Polska) Sp. z o.o., ING Commercial Finance Polska S.A., ING Usługi dla Biznesu S.A. and ING Investment Holding (Polska) S.A.

Between 2012 and 2020, she also held other supervisory positions in the aforementioned companies and in Nowe Usługi S.A.

From the beginning of 2016 until the end of 2020, she held the position of CEO of ING Lease (Polska) Sp. z o.o.

In 2006, she was appointed Bank Director in the Corporate Sales Network Division of ING Bank Śląski S.A., where she worked until 2015. Previously, she was Director of the Strategic Clients Department from 2001 to 2005. For two years (2000 – 2001) she was with ING Bank N.V., where as Managing Director she supervised the Corporate Banking Department, the Treasury Management Department, the Structured Finance Department and was a member of the Executive Committee.

From April 1997 to 1999 she was Deputy Director and then Director of the Capital Markets and Structured Finance Department at ING Bank N.V. She started her career in 1991 in the Corporate Banking Department of ING Bank N.V.

In 2020, she held the position of Chairperson of the Executive Committee of the Polish Leasing Association. Since 2000, she has been involved in the activities of the ING Polish Art Foundation, where she has been Chair of the Foundation’s Council since 2021.

Graduate of the Warsaw School of Economics.



Michał H. Mrożek
Vice-President
Supervises the Wholesale
Division

Mr Michał H. Mrożek meets all the requirements specified in the provisions of Article 22aa of the Act of 29 August 1997 – Banking Law.

In the position of Vice-President of the Management Board at ING Bank Śląski S.A. since July 2020.

From April 2019 to June 2020, he held the position of General Manager and Head of Wholesale Banking at HSBC France HBFR, Poland Branch. He was President of HSBC Bank Polska SA. from 2015 to 2019, while he was Managing Director of Citibank N.A. from 2011 to 2014. Previously, between 1998 and 2011, he was with Citibank Handlowy – first as Deputy Head of Corporate Banking, then as Director of Strategic Planning and Corporate Development, and between 2004 and 2011 he was Deputy CEO of the Management Board. Between 1995 and 1998, he was Head of Corporate Banking Department at Bank Handlowy in Warsaw.

From 1991 to 1995 he was with Price Waterhouse (International Privatization Group), Washington, D.C., first as Manager and then as Department Head. He started his professional career at a branch of Bank Austria in New York.

In addition, he served as Vice-President at the Employers’ Association of Banks and Financial Institutions LEWIATAN from 2019 to 2020. For two years (2018-2019) Chairperson of the Council of the Polish Bank Association. Since 2013, he has been a member of the New York Council of the Kosciuszko Foundation and the Council of the Jan Karski Educational Foundation.

Graduate of Georgetown University in Washington.

In 2013, awarded by the Minister of Foreign Affairs with the Badge of Honor “Bene Merito” for his contribution to promoting and strengthening the role of Poland in the international arena. In 2011 awarded the Bronze Cross of Merit by the President of the Republic of Poland for his contribution to the development of the Polish banking market.



Sławomir Soszyński
Vice-President
Supervises the CIO Division

Mr Sławomir Soszyński meets all the requirements set out in the provisions of Article 22aa of the Act of 29 August 1997 – Banking Law.

He assumed the position of Vice-President of the Management Board at ING Bank Śląski S.A. in October 2019.

From 2017 to 2019, he was a board member overseeing J.P.’s Global Corporate Centre. Morgan in Warsaw. Previously, he had been associated with J.P. since 2015. Morgan in London as Executive Director of Architecture for the Corporate Technology and Technology Infrastructure Sector.

In 2014, he took up the position of CIO at OSTC Group in Poland.

Previously, he spent 10 years with Citibank, first in Poland and then in London, New York and Singapore. During this time he was responsible for IT security, technology in the Global Audit Division and then retail banking technology and IT architecture in EMEA as CTO.

Since February 2020 he has been a member of the Presidium of the Electronic Banking Council of the Polish Bank Association.

Graduate of the Nicolaus Copernicus University. He completed the MBA programme at Koźmiński University.



Alicja Żyła
Vice-President
Supervises the COO Division

Ms Alicja Żyła meets all the requirements specified in the provisions of Article 22aa of the Banking Act of 29 August 1997.

She assumed the position of Vice-President of the Management Board at ING Bank Śląski S.A. in September 2021.

From November 2018 to August 2021 associated with ING Lease (Poland) Sp. z o.o., first as Vice-President (November 2018 – February 2021) and then as President of the Board (March 2021 – August 2021). For 10 years, from 2008 to 2018, Bank Director responsible for the Operations Division at ING Bank Śląski. From 1998, she worked for 10 years in the Retail Banking Division, where she held a number of key positions, including Director of Retail Deposit Products since 2006. In 1996, she started working at ING Bank Śląski in the HR department.

In addition, from 2009 to 2020 she served as a Member of the Supervisory Board of the National Clearing House, and from August 2019 to August 2021 she served as a Member of the Supervisory Board of NN Investment Partners TFI S.A. From July to August 2021 Member of the Council of the ING Polish Art Foundation. From May 2021 to August 2021 Vice-Chairperson of the Executive Committee at the Polish Leasing Association.

Graduate of the University of Economics in Katowice.



Lorenzo Tassan-Bassut
Vice-President
Supervised the Operations Division

Mr Lorenzo Tassan-Bassut meets all the requirements set out in the provisions of Article 22aa of the Act of 29 August 1997 – Banking Law.

In the position of Vice-President of the Management Board at ING Bank Śląski S.A. from January 2019 to January 2021.

From April 2020 to January 2021 Member of the Supervisory Board of ING Bank Hipoteczny S.A. From 2013 to 2018, he was Executive Vice-President overseeing the Operations area at TMB Bank Public Company Limited in Thailand. In 2010 he became Managing Director at ING Bank (EurAsia) in Moscow, where he was also appointed Vice-President overseeing the Operations area. In 2007, he was appointed Deputy Managing Director of the Hungarian branch of ING Bank N.V. and Vice-President overseeing the Operations area. He held both positions until 2010. From 2000 to 2007, he was with ING Bank N.V., Hong Kong Branch, Wholesale Banking Asia. In 2000, he was appointed Regional Director of IT Infrastructure for Asia and later Vice-President overseeing the Operations area. From 1998 to 2000 he worked at ING Bank N.V., Curaçao Branch (Netherlands Antilles) as IT Director and Deputy Director of Operations. In 1992, he became Director of Infrastructure and Communications at ABN AMRO Bank N.V., Curaçao and held this position for 6 years, until 1998.

Graduate of Hogeschool Enschede in the Netherlands. He also completed the General Management Program at INSEAD / CEDEP and the Centre for Professional Development Program at Stanford University.





Competencies of the Management Board

The Management Board shall manage and represent the bank. All the matters not otherwise reserved by law or the Bank’s Charter to the competence of the other bank’s governing bodies shall be within the scope of the Management Board’s responsibilities. The Management Board operates collectively, subject to the matters which, pursuant to the provisions of the bank’s internal regulations, were entrusted to individual members of the Management Board. As a rule, the bank has two-person representation – in the following configurations:

- two members of the Bank Management Board,
- one Member of the Bank Management Board with a proxy,
- two proxies.

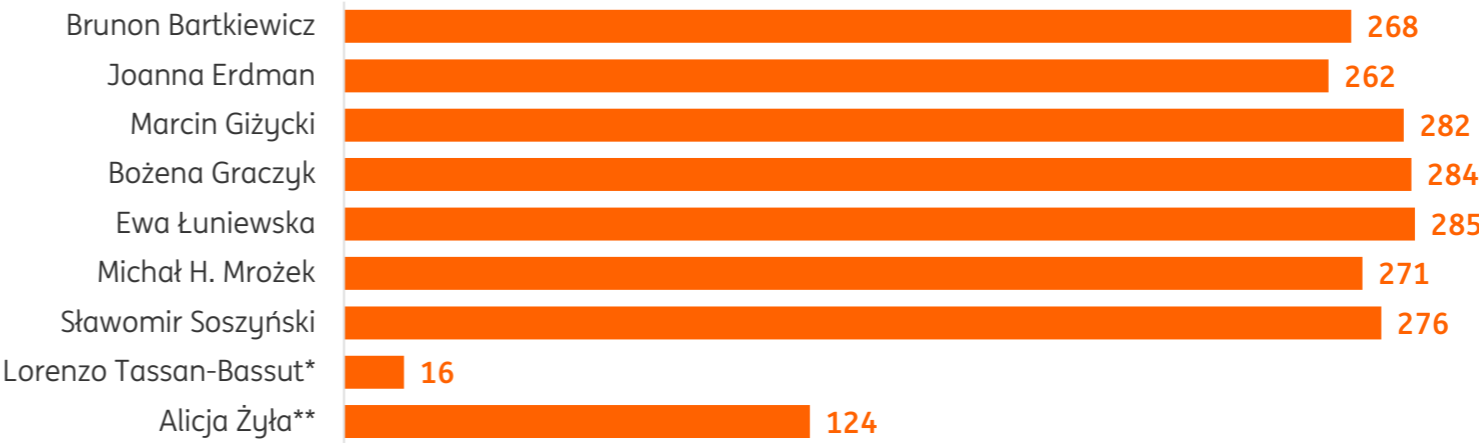
Proxies acting independently or jointly with the persons indicated above or with another representative may be appointed to perform specific activities or perform certain types of activities.

The Bank Management Board formulates the bank’s operating strategy as part of the rolling three-year action plan, which requires approval by the Supervisory Board.

The Management Board may approve valid resolution if the meeting is attended by more than one half of its members and all the members of the Management Board have been correctly invited. Resolutions of the Management Board shall be adopted by an absolute majority of votes. In the event of equal votes, the President of the Management Board shall have a casting vote.

In 2021, 70 meetings of the Bank Management Board were held. A total of 298 resolutions were adopted unanimously.

Number of resolutions in which individual Members of the Bank Management Board participated



**until 31 January; ** from 1 September*

Members of the Bank Management Board supervise individual divisions and organizational units, in accordance with the division of powers established by the Management Board and approved by the Supervisory Board, being responsible for the implementation of their mission and basic tasks.

The organisation of work of the Management Board, matters requiring resolutions of the Management Board and its mode of functioning are set forth in the Regulations of the Management Board resolved by the Management Board and approved by the Supervisory Board.

Resolutions of the Management Board, apart from the matters listed in the Articles of Association or the Organizational Regulations, require – subject to the powers of the Supervisory Board – in particular the following matters:

- all matters which, in accordance with generally applicable laws and the provisions of the Bank’s Articles of Association, require decisions of other statutory bodies of the bank,
- defining the bank’s policies, including in particular the credit policy, risk management policy and remuneration policy,
- determining the principles for acquiring funds from other financial institutions and the principles for their use, and setting the principles for investing own funds in other banks,
- defining the principles for determining the interest rate on products offered by the bank, including, in particular, the interest rate on loans and advances, funds on term accounts and payable on demand, and penalty interest,



- considering applications for recognition of extraordinary losses and the creation of provisions in excess of the amounts determined by the Bank Management Board separately,
- adopting investment plans and determining the principles of investment implementation,
- decisions on matters related to the purchase, encumbrance, sale and lease of real estate and other property rights, to the extent exceeding the amounts separately determined by the Management Board,
- decisions on the purchase and sale by the bank shares or stocks of other legal persons with a value exceeding the amounts separately determined by the Management Board,
- establishing principles for granting and revoking powers of attorney to perform specific activities or activities of a specific type,
- matters beyond the scope of day-to-day management, including in particular matters falling outside the competences of individual members of the Management Board and Committees appointed by the Management Board,
- other matters where the decisions have been reserved for the competence of the Management Board in separate regulations adopted by the Management Board and other matters brought by the President of the Management Board or another Member of the Management Board,
- matters where legal or other regulations require an opinion by the Management Board.

In matters other than those listed above, decisions are made in accordance with the following principles:

- decisions in matters where no collective action is required by the Management Board and that have been delegated to the competencies of individual members of the Management Board, are to be made in the form of decisions of such member of the Management Board; however, the Management Board by way of a resolution may identify matters that require a decision of minimum two members of the Management Board,
- decisions in matters that have been delegated by the Management Board to the competencies of the competent committee established by the Management Board, are made in the form of resolutions of such committee,
- decisions in matters not reserved for the competences of the Management Board, a member of the Management Board or the appropriate Committee shall be made in the form of decisions managing the organizational unit at the appropriate level, within the scope of the competences entrusted to him/her.

The competences of individual members of the Management Board are specified in the Organizational Regulations and the regulations concerning the functioning of their areas introduced by the Management Board.

Additionally, the Management Board to authorised to increase the share capital but maximum PLN 26 million (or issues of maximum 26 million shares) by 21 April 2023 (authorised capital) and to waive pre-emption rights at share issues of the authorised capital. The decisions taken by the Management Board on the share issue price and waiver of pre-emption rights require approval by the Supervisory Board.

As at 31 December 2021, the Bank had the following standing committees, which are appointed by the Bank Management Board, approving their composition, tasks and rules of procedure:

- Assets and Liabilities Committee (ALCO),
- Credit Policy Committee,
- Credit Committees:
 - ING Bank Śląski S.A.,
 - for Restructuring,
- Retail Product Committee,
- Corporate Products and Financial Markets Committee,
- Model Validation Policy at ING Bank Śląski S.A.,
- Product Parameterization Committee of the Financial Markets Division and the Treasury Department,
- Committee for Client Protection and Product Approval,
- Evaluation Team (SOX) Committee,
- Donation Committee,
- Operational Risk in a Trading Environment (ORiate) Committee,
- IT Architecture Committee,
- Retail Price Committee,



- Reference Rates Committee,
- Client Risk Management Committee (CIRC) at ING Bank Śląski S.A.
- Know Your Customer Committee (KYC) at ING Bank Śląski S.A.,
- IT Risk and Security Committee in ING Bank Śląski S.A,
- Pricing Committee for Business Clients.

The committees issue opinions and recommendations and take decisions on matters specified by the Management Board.

GRI [102-18]

By decision of the Bank’s Management Board, an ESG Council Committee was established on 8 February 2022 in the form of a standing committee. The mission of the ESG Council Committee is to create the right ecosystem so that ESG becomes an important, sustainable and inherent element for the whole organisation involving employees. The Committee will oversee progress, consistency of activities and communications across the organisation in the area of ESG and sustainability. One of the main tasks of the Committee is to approve the structures responsible for managing ESG themes, the long-term ESG Strategy and then to monitor the progress of activities and the achievement of metrics. In addition, the Committee will approve guidelines for business, i.e. classification criteria for products or services that meet ESG criteria. At least once a year, the Committee shall submit a report on its activities to the Supervisory Board.

Remuneration of the Management Board and the Supervisory Board members

Since 2020, the bank has been operating a resolution adopted by the Ordinary General Meeting of ING Bank Śląski S.A. [Remuneration Policy for Supervisory Board and Management Board Members of ING Bank Śląski S.A.](#) According to the requirements:

- The Banking Law,
- Principles of corporate governance for supervised institutions,

- The Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies.

The policy sets out the principles for remunerating members of our bank’s governing bodies.

The principles of the Management Board Members remuneration

Remuneration of a member of the Bank Management Board – in accordance with the Remuneration Regulations for Members of the Management Board of ING Bank Śląski S.A. , which clarifies the Remuneration Policy for Members of the Supervisory Board and Management Board of ING Bank Śląski S.A. and at the same time implements the Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A. – consists of:

- fixed remuneration comprising basic remuneration and fringe benefits, and
- variable remuneration, i.e. an annual bonus.

The base remuneration is determined by benchmarking it to the market, in accordance with the salary grade under the Hay job valuation methodology.

The Bank provides its Management Board members with the following fringe benefits:

- Life and accident insurance with a guaranteed insured sum in the amount of gross annual basic remuneration, another type of protection and investment insurance or an investment fund, with the same premium,
- payments towards an investment fund in the amount of 15% of the monthly basic remuneration of a Management Board member,
- medical care (Golden Family Card Package).

Furthermore, the Supervisory Board may decide on granting other benefits, e.g. covering private school tuition for children, rent and fittings of an apartment or a house or payment of a rent allowance, covering membership fees in clubs and associations in Poland and abroad, provided this is justified by interest of the bank.

Since 2020, the provisions of the Remuneration Policy in the ING Bank Śląski S.A. Group have been in force, which refer to the linking of remuneration principles at all levels with the sustainable development strategy. Pursuant to the provisions, the bank identifies social and environmental risks diagnosed as part of the sustainable development strategy. The remuneration policy is consistent with the bank's strategy for a given period and supports corporate



social responsibility, which is reflected in the goals set for the Management Board and employees for a given year, and directly translates into the level of variable remuneration.

A member of the Management Board may receive a bonus of up to 100% of the annual base salary for the performance of bonus tasks set by the Supervisory Board. The bonus tasks support the creation of the bank’s long-term value and take into account the bank’s cost of risk, cost of capital and liquidity risk. The goals are:

- financial, including the bank’s gross profit, financial risk cost and tasks within a Management Board member’s responsibility, and
- non-financial.

Non-financial criteria account for at least 50% of all objectives, excluding Management Board members responsible for control functions. The objectives of the member of the Management Board in charge of control functions include only non-financial tasks. The weights for financial and non-financial purposes are determined annually by the Supervisory Board. Additionally, financial tasks cannot be related to the results obtained in the areas controlled by this member of the Management Board.

A right to an annual bonus depends on the attainment by the bank in a financial year representing an assessment period of at least 80% of a gross profit forecast in a plan for the given year. Should such profit not be achieved, a Management Board member shall not have the right to an annual bonus and a base value thereof shall not be computed. In compliance with the Capital Management Policy at ING Bank Śląski S.A., ING Bank Śląski S.A. tests capital to ensure that a total bonus pool for all the employees does not limit the bank’s ability to maintain an adequate capital base. In case of such limitation, a decision may be taken not to activate the bonus pool. 40% of the bonus is subject to deferral, and if the amount specified in the Regulations is exceeded, 60% of the bonus is subject to deferral. The results of the assessment of the objectives pursued are reviewed during the deferral period, i.e. for five consecutive years, to assess the impact of the employee’s actions on the bank’s long-term performance. For the President of the Bank Management Board, at least 50% of the variable remuneration is deferred, with a deferral period lasting six years and the bonus being divided into six equal portions.

The bonus is divided into two parts (rounding up to the integer of a financial instrument):

- at least 50% as phantom stocks making its beneficiaries eligible for cash in an amount depending on the bank’s stock price,
- remainder in cash.

No bonus shall be due should an employment contract be terminated under Article 52 of the Labour Code. The Supervisory Board may also decide to reduce the annual bonus or not to pay it out in a given bonus award period based on the verification of assessment of the execution of the bonus tasks, taking the ex post risk into account.

Remuneration of Management Board members

In 2021 the total amount of benefits due and paid by the bank to members of the Management Board was PLN 16,063.8 thousand, while in 2020 it was PLN 18,662.9 thousand.

Benefits paid to members of the Management Board of ING Bank Śląski S.A. in 2021 (PLN thousand)					
Name	Period from – to	Remuneration	Bonus*	Other benefits**	Total
Mr Brunon Bartkiewicz	01.01.2021 – 31.12.2021	2,514.0	1,147.1	444.6	4,105.7
Ms Joanna Erdman	01.01.2021 – 31.12.2021	1,348.8	757.1	235.4	2,341.3
Ms Ewa Łuniewska	01.01.2021 – 31.12.2021	952.2	0.0	187.1	1,139.3
Mr Marcin Giżycki	01.01.2021 – 31.12.2021	1,327.2	***742.9	250.9	2,321.0
Ms Bożena Graczyk	01.01.2021 – 31.12.2021	1,320.0	687.7	242.7	2,250.4
Mr Lorenzo Tassan-Bassut	01.01.2021 – 31.01.2021	99.4	222.9	61.3	383.7
Mr Sławomir Soszyński	01.01.2021 – 31.12.2021	1,110.6	262.2	196.4	1,569.1
Mr Michał Mrożek	01.01.2021 – 31.12.2021	1,245.0	115.2	231.1	1,591.3
Ms Alicja Żyła	01.09.2021 – 31.12.2021	310.4	0.0	51.6	362.0
Total		10,227.6	3,935.1	1,901.1	16,063.8

**The awards encompass: 1) a bonus under the Variable Remuneration Programme: for 2020 non-deferred cash, for 2018 the 1st tranche of deferred cash and for 2017 the 2nd tranche of deferred cash; and 2) phantom stocks under the Variable Remuneration Programme: for 2019 retained, for 2017 the 1st tranche deferred, for*



2016 the 3rd tranche deferred. **Insurance, investment fund contributions, medical care and other benefits granted by the Bank's Supervisory Board.***The amount of PLN 8.3 thousand relates to the third tranche of deferred phantom shares paid by ING Securities S.A. for 2016 resulting from the Variable Compensation Plan

Emoluments due to the members of ING Bank Śląski S.A.'s Management Board for 2021 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 a 2021 bonus to be paid out in 2022–2029. Accordingly, a provision was set up for the payment of the 2021 bonus for the Management Board members, which as at 31 December 2021 stood at PLN 13.0 million. The Bank's Supervisory Board will take a final decision on the amount of the bonus.

Employment contracts provide for benefits for all Bank Management Board Members being sixfold of their monthly base remuneration calculated for the last six months prior to the employment contract termination, If their term of office expires and they are not appointed for the next term of office or they are dismissed:

- an employment relationship be terminated under Article 52 of the Labour Code,
- termination of the employment relationship due to resignation of a member of the Management Board, with the amendment of December 2021 clarifying that these are cases of termination of cooperation on the initiative of a member of the Management Board who terminates his or her employment contract in order to take up employment with another entity or to conduct his or her own business,
- if a Management Board member or the entire Management Board has been suspended by the Polish Financial Supervision Authority under the Banking Law.

The amendment of the Regulations supplemented the premises resulting in the non-payment of severance pay by situations in which the Board member continues to be employed by ING Group after the termination of the contract with the bank.

Furthermore, the Bank Management Board members conclude non-competition agreements with the bank to govern the rights and obligations of the parties to the agreement with regard to competitive activities during and after the expiry of the employment contract, during 12 months from the date of termination of the employment contract, with an option of the payment of non-competition compensation being twelvefold of the gross basic remuneration received by a Management Board member during the last year of the agreement term.

Should a Management Board member be dismissed for reasons substantiating the termination of an employment relationship without termination notice (pursuant to Article 52 of the Labour Code) or should a Management Board

member or the entire Bank Management Board be suspended by the Polish Financial Supervision Authority under the Banking Law, the non-competition compensation shall amount to 25% of the 12-month gross basic remuneration received in the last year of the agreement term.

If an employment relationship is terminated due to the resignation of a Management Board member, the non-competition compensation shall amount to 50% of the 12-month gross basic remuneration received in the last year of the agreement term, where the Supervisory Body authorises the Chairperson to increase the compensation over the above threshold. This point has been clarified in the same way as in the case of a severance payment, which means that a member of the Management Board is entitled to a reduced punitive compensation when the termination of cooperation has been effected on the initiative of the member of the Management Board who terminates his or her employment contract in order to take up employment in another entity or to pursue his or her own business.

The Management Board members and other individuals employed by ING Bank Śląski S.A. receive neither compensation nor awards for holding functions in the governing bodies of subsidiaries or affiliates of the ING Bank Śląski S.A. Group.

We pay very close attention to equal pay in our bank. In addition to the area of equal pay between men and women, an important element is not to allow disparities between the remuneration of the members of the management board and the average remuneration of our employees. Therefore, this area is governed by two policies: *Remuneration Policy for Supervisory Board and Management Board Members of ING Bank Śląski S.A.* and *Remuneration Policy in the ING Bank Śląski S.A. Group*.

The first policy referred to indicates that the monthly remuneration of individual board members may not exceed 40 times the average gross basic salary received by a bank employee. The second policy referred to indicates that the average annual total gross remuneration of individual board members must also not exceed 40 times the average total gross remuneration of other employees over an annual period.

Information on the ratio of remuneration of management board members to the average for employees		
	Limit	Value for 2021
Ratio of times the average gross basic salary (monthly)	40	13
Ratio of times the average gross total remuneration (annual)	40	22



Remuneration of Supervisory Board members

The fixed remuneration of members of the Supervisory Board consists of:

- a basic salary,
- monthly fixed bonus for each additional function in the Supervisory Board or its committees by Members of the Supervisory Board; is fixed as a percentage of the basic salary; the bonus is set as a percentage of basic salary.

In 2021, the total amount of remuneration (defined as in the case of the remuneration of the Bank Management Board) due and paid by the bank to the Supervisory Board members was PLN 839.1 thousand. PLN, while in 2020 it was 852.1 thousand. PLN.

Emoluments paid to members of the Supervisory Board of ING Bank Śląski S.A. in 2021 (PLN thousand)

Name	Period from – to	Remuneration and bonus	Other benefits	Total
Mr Aleksander Galos	01.01.2021 – 31.12.2021	271.3	0.0	271.3
Mr Aleksander Kutela	01.01.2021 – 29.11.2021	205.4	0.0	205.4
Mr Antoni Reczek	01.01.2021 – 29.11.2021	323.2	0.0	323.2
Ms Dorota Dobija	29.11.2021 – 31.12.2021	20.6	0.0	20.6
Ms Monika Marcinkowska	29.11.2021 – 31.12.2021	18.6	0.0	18.6
Ms Małgorzata Kołakowska	01.01.2021 – 31.12.2021	0.0	0.0	0.0
Mr Michał Szczurek	01.01.2021 – 31.12.2021	0.0	0.0	0.0
Ms Susan Poot	01.01.2021 – 30.09.2021	0.0	0.0	0.0
Mr Remco Nieland	01.01.2021 – 31.12.2021	0.0	0.0	0.0
Mr Stephen Creese	29.11.2021 – 31.12.2021	0.0	0.0	0.0
Total		839.1	0.0	839.1

As at 2021 yearend, no member of the Bank Management Board or Supervisory Board held shares in ING Bank Śląski S.A. or shares in the bank’s affiliates.



Diversity Policy

SDG 5

Our Diversity Policy:

- defines diversity management focus areas at the Bank;
- lays down the way of diversity management at our Bank;
- integrates all actions, including processes, procedures and other documents, that are associated with diversity management at our Bank;
- ensures equal treatment and friendly work environment for all employees and candidates for employees;
- supports the organisation in building the awareness of the principles of equal treatment at work, which means no discrimination in any manner whatsoever, both direct and indirect, because of: gender, age, disability, health condition, race, nationality, ethnic origin, religion, denomination, irreligion, political convictions, trade union membership, sexual orientation, gender identity, family status, lifestyle, form, scope and basis of employment, other cooperation types and other triggers of discriminatory behaviours;
- pertains to all employees and candidates, regardless of the positions they hold, and especially to the bank’s authorities and key managers;
- is regularly monitored, every six months.

With a view to adjusting the bank’s internal regulations to the provisions of Recommendation Z and new requirements arising from the Banking Law, in 2021 the provisions of the Remuneration Policy in the ING Bank Śląski S.A. Group were further clarified with regard to ensuring gender neutrality of the principles, which means not creating conditions for unjustified preference for any of the genders in terms of employment, career development, promotions and the award and payment of remuneration.

The remuneration system is open and transparent and its principles are communicated to all bank employees. The remuneration policy is primarily designed to support the processes of attracting, motivating and retaining talented employees and their development, while treating all employees fairly, regardless of gender.

Provisions relating explicitly to the principle of equal pay for employees have been introduced into the Policy, in particular:

- determination of the level of remuneration of members of the Management Board in relation to the remuneration of other employees,
- introducing provisions on the monitoring of the remuneration index and on carrying out remuneration analyses as part of the annual remuneration review.

As part of the monitoring of the remuneration index, we analysed the total remuneration of employees for 2021. The analysis conducted showed that the ratio of female to male remuneration at ING Bank Śląski S.A. Group for 2021 was 99%.

The indicator has been calculated for the total salaries of employees remaining in employment as at 31 December 2021. The method of calculation is an average of salaries weighted by the number of women and men in each staff grade. Other assumptions used in the calculation include: conversion of salaries to full-time for part-time employees, annualisation of salaries for part-time employees 2021. This methodology complies with the Best Practice of WSE Listed Companies 2021 (rule 1.4.2).

The apparent variation in remuneration, especially in relation to senior managers and executives, is due to the fact that the positions analysed in these groups should be considered as individual and highly specialised positions in separate areas of the bank’s activities (sales, support, control functions including finance, human resources, legal affairs and risk management). The differentiation in remuneration for these positions is based on objective considerations related to seniority, area of activity and the associated required level of competence and positioning in the succession plan.

ING Bank Śląski S.A. plans to take additional measures to ensure that the gender pay gap ratio is analysed over time and eliminated where justified. These include the ongoing review of internal regulations to include provisions on gender equality, ongoing monitoring of the gap and raising awareness among managers and staff of the Bank’s gender non-discrimination policy.

For each staff group and grade, the wage gap develops as shown in the table below.



Wage gap (total remuneration of employees)

Employee category	Number of women	Number of men	Ratio of wages between women and men
2021			
Senior management	62	127	93%
Management	299	254	94%
Other employees	5,422	2,719	99%
Total	5,783	3,100	99%
2020			
Senior management	59	121	92%
Management	298	245	96%
Other employees	5,380	2,583	98%
Total	5,737	2,949	98%

Diversity policy for supervisory, managing and administrative bodies

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

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

As regards business-related criteria, the diversity strategy ensures selection of persons with diverse knowledge, skills and experience, suitable for positions held by them and duties entrusted to them, who complement each other at the level of the Management Board and Supervisory Board. The criteria are verified in the suitability

assessment process described in the Policy for the assessment of the suitability of the members of the Supervisory Board, Management Board and key function holders at ING Bank Śląski S.A. Moreover, apart from knowledge, competences and professional experience, the diversity policy covers gender- and age-related differences, and applies them to arrive at the best outcome.

The policy assumes aiming at ensuring representation of both genders in the processes of selection and succession plans, keeping in mind the laws on fair treatment while establishing employment relationship. The Remuneration and Appointment Committee of the Supervisory Board of ING Bank Śląski S.A. defines the target value of the representation of the underrepresented gender in the Bank Management Board and Supervisory Board and adopts a plan aimed at achieving the target value. The target value is determined according to the term of office of the Supervisory Board and the Management Board of the Bank, i.e. once every four consecutive full financial years counted from the beginning of the term of office of a given body.

Since the implementation of the Policy in 2019, the target value of the under-represented gender has been set at 30% of women and 70% of men (with a deviation of +/- 2%). The means to achieve the target value is to verify and update the database of successors. The target value is verified annually on the basis of reports prepared by HR units and presented to the Remuneration and Appointment Committee of the Supervisory Board of ING Bank Śląski S.A.. Where the target value is not met, the bank will document the reasons, the measures that will be taken and the timing of such measures to ensure that the target is achieved.

As at 2021 yearend, the Management Board consisted of 4 women (50% of the number of Management Board members), and the Supervisory Board comprised 3 women (43% of the number of Supervisory Board members).



Information on diversity in the Management Board and Supervisory Board

	Management Board	Supervisory Board
Gender		
Women	4	3
Men	4	4
Age		
41-50 years	4	3
51-60 years	4	2
61-70 years	0	2
Internship in the position		
up to 5 years	6	6
6-10 years	0	1
26-30 years	2	0



Bank and client safety (G)

Risk and capital management system	122
Credit risk	129
Market risk	134
Liquidity and funding risk	136
Non-financial risks	137
Model risk	144
Business risk	144
Cyber security	144



Over the last few years, we have been proving that the rapid organic growth of our bank does not come at the expense of compromising our asset quality. The speed and consistency of credit decisions can be a competitive advantage. This is due to the entire organisation and the experience and motivation of our employees. Due to the increasing use of modern technology, the area of IT security and our clients' data is becoming increasingly important.

Risk and capital management system

GRI [103-1] [103-2] [103-3] [102-15]

Risk management system

The risk management system is an integrated set of principles, mechanisms, and tools (including, among others, policies and procedures) concerning processes related to risks. The role of the risk management system is to permanently identify, measure or estimate and monitor the risk to which the Group is exposed and to mitigate potential losses with adequate control mechanisms, a limit system and an adequate level of provisions (allowances) as well as capitals and liquidity buffers.

Within the risk management system, the Group:

- applies formalised principles that are used to determine the size of undertaken risks and principles governing risk management,
- applies formalised procedures aimed at risk identification, measurement, or estimation that also includes a predicable risk level in the future,
- applies formalised limits that mitigate the risk and the rules of procedure if the limits have been exceeded,
- applies an approved management information system supporting risk level monitoring,
- holds an organisational structure that is adapted to the risk scope and profile.

The structure of risk and control at the Group is based on a model of three lines of defence. The model is to ensure a stable and effective framework for risk management by defining and implementing three levels of “risk management” with various roles, duties and responsibilities related to supervision.

- **First line of defence** – responsible for adherence to principles arising from approved policies, regulations, instructions and procedures. The responsibilities of the first line of defence include, inter alia, the analysis, control

and management of risks in processes, including in relation to outsourced activities. These are the bank's business and organizational units that support the business operationally and technologically.

- **Second line of defence** – responsible for issuing regulations and providing risk management methods and tools, including defining and maintaining the risk management process and supporting the first line of defence during this process. As part of control activities, the Second Line of Defence makes its own independent assessment of the effectiveness of operations of the First Line of Defence by applying the following methods: inspections, tests, reviews, and other forms of control. It also supports the first line of risk assessment. The second line of defence consists of units from the area of:
 - operational risk,
 - compliance risk,
 - legal risk,
 - credit and market risks,
 - finance,
 - HR management and
 - Credit Risk Inspection Department and Model Validation Department.
- **Third line of defence** – provides an independent assessment of the internal control system in relation to risks identified in the processes and the management of these risks by the first and second lines of defence. The third line of defence – Internal Audit Department.

A special role in the risk management process is performed by the Bank's Management Board and Supervisory Board. The Bank operates a number of committees that are active in the management of specific risk types.



Principles of risk management

ING Bank Śląski S.A. manages credit, market and operational risks in compliance with Polish law, regulations of the Polish Financial Supervision Authority (PFSA) and other authorised authorities as well as in compliance with the standards set by the ING Group to the extent that does not breach the regulations referred to above and best practice documents.

Irrespective of the need to assure regulatory and legal compliance, the Group treats credit, market and operational risk management as a fundamental and integral part of overall management of the Group.

Risk appetite

Risk appetite determines the maximum risk volume which the Group is ready to accept thus supporting stability and further development. As part of risk and capital management, the Group determines risk appetite parameters (the so-called RAS – Risk Appetite Statement) in the following basic areas:

- RAS covering capital adequacy,
- RAS covering liquidity and funding risk and market risk,
- RAS covering credit risk,
- RAS covering operational risk.

RAS covering capital adequacy

RAS covering the Group's capital adequacy was set in 2021 for the following capital ratios:

- core capital ratio Tier 1 (CET1) at the minimum level of 10.75%,
- Tier 1 (T1) at the minimum level of 12.25%, and
- total capital ratio (TCR) at the minimum level of 14.25%.

The reference levels set in RAS rely on nominal levels of each capital buffer. The applied approach means that RAS for capital adequacy is somewhat higher than resulting from regulatory minimum levels of capital ratios relying on effective and time variable levels of certain capital buffers. The systemic risk buffer of 3% was maintained in RAS levels. The RAS levels reflect the increased level of another systemically important institution's buffer, which increased from 0.5% to 0.75% at the end of 2021.

RAS concerning capital adequacy results from the duty to maintain minimum levels of capital ratios resulting from the following external regulations:

- Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (4.5% for CET1, 6% for T1 and 8% for TCR),
- Act of 5 August 2015 on macro-prudential supervision over the financial system and crisis management in the financial system sanctioning additional equity buffers, including:
 - the conservation buffer, which in 2021 (as in 2019) was 2.5%,
 - buffer of another systemically important institution of 0.75% imposed by a decision of the PFSA received on 5 November 2021 (change from 0.5%),
 - the countercyclical buffer applies to the exposures to which such a buffer has been imposed by the competent authorities. The countercyclical buffer varies over time depending on the structure of the relevant exposures and the levels of countercyclical buffer rates imposed on the relevant exposures (as of the end of December 2021, the countercyclical buffer was effectively 0.001%),
- Regulation of the Minister for Economic Development and Finance on systemic risk buffer of 1 September 2017 introducing a systemic risk buffer of 3% of the total risk exposure amount applicable to all exposures in the territory of the Republic of Poland (on 18 March 2020, the Regulation of the Minister of Finance was published, repealing the regulation on the systemic risk buffer, but following a prudent approach, the Group did not lower the RAS limits by the amount of the systemic risk buffer).

Within RAS concerning capital adequacy, capital limits for each risk type are also set.

Own funds and capital requirement

Equity

ING Bank Śląski S.A. Group's own funds consist of:

- common Equity Tier 1 capital, which amounted to PLN 14,021.8 million as at 2021 yearend (PLN 14,912.9 million a year earlier),
- tier 2 capital, which amounted to PLN 1,668.1 million as at 2021 yearend (PLN 2,307.4 million a year earlier).

As at 31 December 2021, the Group did not identify additional Tier 1 capital (AT1).



Capital requirement

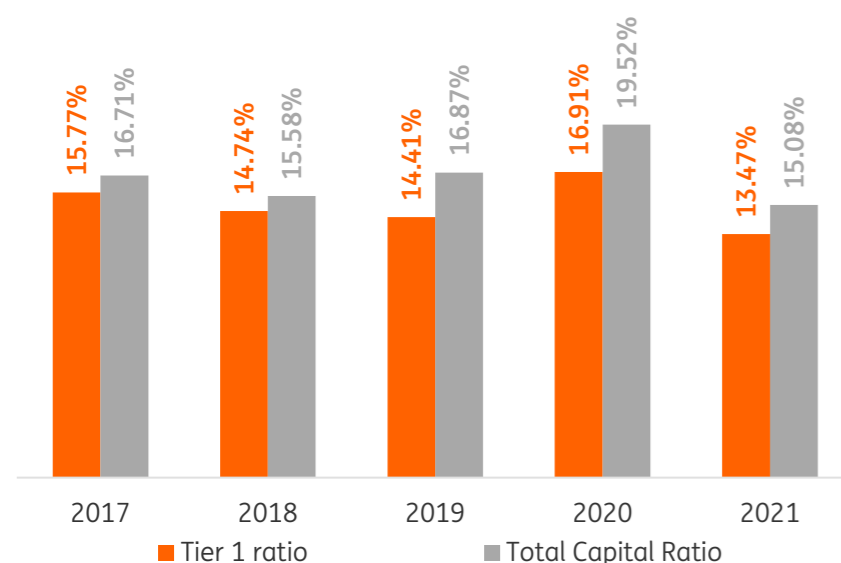
In 2020 and 2021, for reporting purposes, the calculation of capital requirement relating to credit risk was made by the Group with an advanced method of internal ratings and the standard method. The Group obtained consent of the Polish Financial Supervision Authority and of the Dutch National Bank to apply the advanced internal rating method (AIRB) for the following exposure classes: corporates and credit institutions for the Bank and ING Lease (Polska) Sp. z o.o. In the area of operational risk, from June 2020 the Group uses the TSA (the standardised approach). In the area of market risk, the Group uses the basic method and the updated average return period method (depending on the type of risk). Additionally, the Group determines capital requirements relating to concentration risk, settlement risk and adjustment risk or credit valuation (CVA). In all the cases, the requirements are determined in compliance with the CRR.

The total capital requirement as at 2021 yearend amounted to PLN 8,325.9 million and was PLN 1,269.0 million higher than a year earlier. Within its structure, it was dominated by the credit risk requirement. It represented 89% at the end of 2021 and 88% of the total requirement as at 2020 yearend.

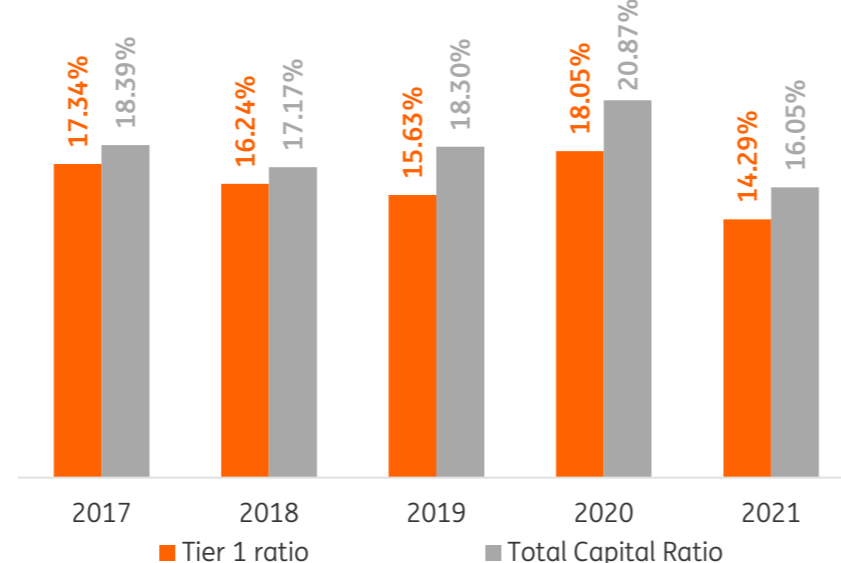
Capital Adequacy

31 December 2021, the total capital ratio for the ING Bank Śląski S.A. Group was 15.08% compared to 19.52% at the end of 2020, and the Tier 1 ratio was 13.47% compared to 16.91% as at 2020 yearend.

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



Capital ratios for ING Bank Śląski S.A.

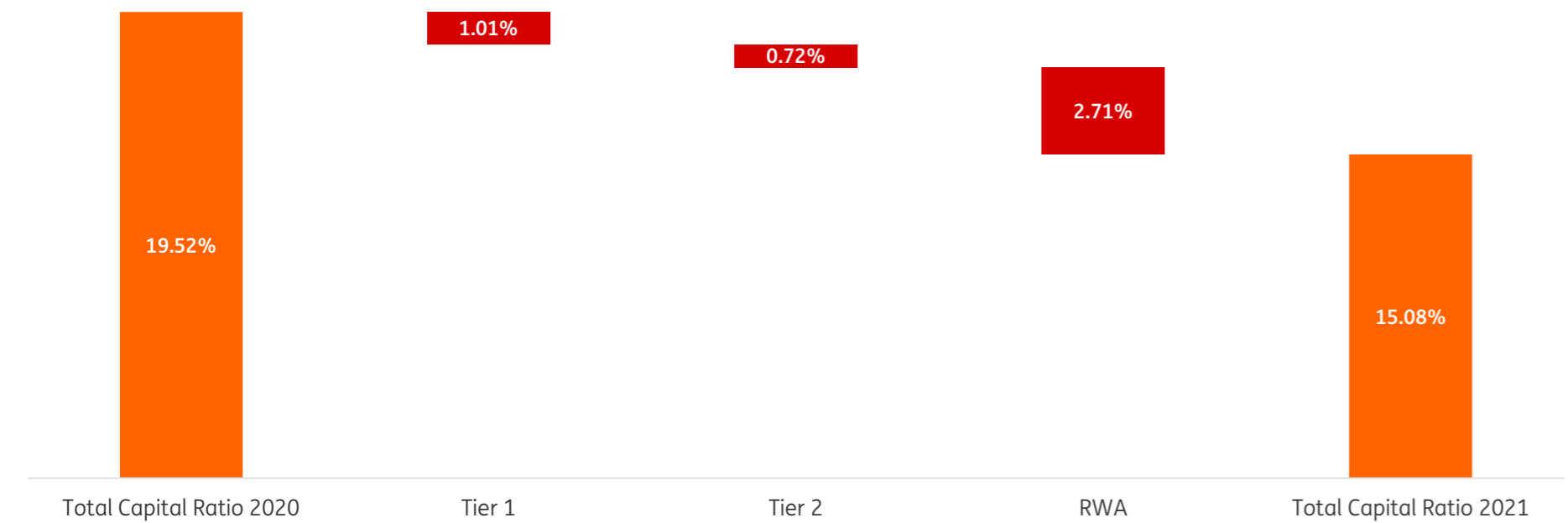


The main drivers of the change in the total capital ratio are:

- as part of Common Equity Tier 1 capital:
 - payment of a dividend from the net profit generated in 2020 after the Extraordinary General Meeting (of 29 November 2021) adopted a resolution on the payment of a dividend (PLN 663.5 million) – decrease in the total capital ratio by 0.64 p.p,
 - deduction of common equity tier 1 capital by the value of deferred tax assets based on future profitability and not resulting from temporary differences, due to the realised tax loss for 2021 as a result of the valuation of the IRS instruments portfolio – decrease in the total capital ratio by 0.48 p.p,
 - taking into account the profit for H1 2021, net of expected dividends (PLN 500.5 million) – an increase in the total capital ratio of 0.48 p.p,
- under Tier 2 capital:
 - repayment of a subordinated loan in the nominal amount of EUR 150 million – decrease in the total capital ratio by 0.66 p.p,
- as part of the capital requirement:
 - an increase in risk-weighted assets for credit risk – a decrease in the total capital ratio of 2.60 p.p.



Breakdown of the annual change in the total capital ratio (consolidated approach)



In December 2021, the Bank issued a notification to the PFSA to apply the provisional treatment of unrealised gains and losses measured at fair value through other comprehensive income, in accordance with Article 468 of the CRR, from 31 December 2021. The impact of the solution on the total capital ratio was positive, amounting to +0.11 p.p. on a consolidated basis and +0.12 p.p. on an individual basis.

The excess of total capital ratio over regulatory requirement decreased from 8.52% to 3.83% and the excess of Tier 1 ratio decreased from 7.91% to 4.22%.

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

- at the consolidated level, the total capital ratio would be 14.95% and the Tier 1 capital ratio would be 13.32% (compared to 19.28% and 16.56% respectively in 2020),
- at the individual level, the total capital ratio would be 15.93% and the Tier 1 capital ratio would be 14.13% (compared to 20.61% and 17.69% respectively in 2019).

On 11 February 2022, the Bank received a letter from the Polish Financial Supervision Authority (as communicated in a [current report](#)) recommending that the risks inherent in the Bank’s business be mitigated by the Bank

maintaining, at the individual and consolidated level, own funds to cover the additional capital charge (“P2G”) of 0.13 p.p. in order to absorb potential losses arising from stress events.

The recommendation should be met above the total capital ratio (referred to in Article 92(1)(c) of Regulation No 575/2013), plus the additional own funds requirement (“P2R”, referred to in Article 138(2)(2) of the Banking Act) and the combined buffer requirement (referred to in Article 55(4) of the Macroprudential Supervision Act). The P2G capital charge should consist entirely of Common Equity Tier 1 capital.

P2G consists of two components:

- a basic capital charge of 0,05 p.p., and
- a supplementary capital charge of 0,08 p.p.

The P2G recommendation applies to the Bank from the moment of receipt of the information from the PFSA Office. As a consequence of this, from 11 February 2022 our minimum capital requirements (at individual and consolidated level) are:

- CET1 >= 7.88%,
- T1 >= 9.38%,
- TCR > 11.38%.

Dividend policy

The key tenets of our bank’s [dividend policy](#) are as follows:

- ING Bank Śląski S.A. assumes stable dividend payments in the foreseeable future in the amount of up to 50% of the bank’s annual net profit, in compliance with the prudent management principle and all regulatory requirements to which the Bank is obliged to adhere, and taking into account the Best Practice for WSE Listed Companies 2021 adopted for application.
- A proposal to pay dividends in an amount higher than the ratio indicated above is possible if justified by the bank’s financial situation (e.g. from retained earnings) and provided that all other requirements of the law and the Policy are met.



- The dividend policy provides for the possibility to make dividend payments from excess capital above the minimum capital adequacy ratios and above the minimum capital ratio levels set by the Polish Financial Supervision Authority for the purpose of dividend payments.

When deciding on the proposed amount of dividend payment, the Bank's Management Board takes into account the supervisory requirements communicated within the framework of the official communication of the Polish Financial Supervision Authority concerning the dividend policy of banks, as well as the following considerations:

- the current economic and financial condition of the Bank and the Bank's Group, including limitations when financial losses are generated or in case of low profitability (low return on assets / equity),
- assumptions of the management and risk management strategy of the Bank and the Bank's Capital Group,
- restrictions resulting from Art. 56 of the Act on Macro-prudential Supervision over the Financial System and Crisis Management in the Financial System of 5 August 2015,
- the need to reduce current period profits or unapproved annual profits included in own funds by foreseeable dividends, in accordance with Article 26 of EU Regulation No 575/2013,
- macroeconomic environment.

PFSA's guidelines with respect to dividend for 2020

Dividend for 2020

H1 2021

On 16 December 2020, the Polish Financial Supervision Authority approved its position on dividend policies of banks in 2021 (dividend for 2020). With a view to:

- significant uncertainty as to the further development of the COVID-19 pandemic,
- the transitional nature of solutions used by banks to improve their capital position during a pandemic,
- cautious approach by European regulators to dividends and other forms of reducing capital resources,
- amendment of the EBA guidelines extending the moratoria,

The PFSA deemed it necessary to suspend dividend payments in the first half of 2021.

The full text of the PFSA's position on the 2021 dividend (for 2020) is available on the PFSA's website at [this link](#) (Polish link).

H2 2021

On 24 June 2021, the Polish Financial Supervision Authority, as previously announced, published its position on banks' dividend policy in H2 2021 (available at [this link](#) – Polish link). The guidelines are based on the medium-term criteria published in 2018 with additional criteria related to the COVID-19 pandemic, among others.

A dividend of up to 50% of the 2020 profit can only be paid by a bank that simultaneously meets the following criteria:

- not implementing a recovery programme (recovery programme or recovery plan,
- having a final SREP score of not less than 2.5,
- having a leverage ratio (LR) of more than 5%,
- having a Common Equity Tier 1 (CET1) capital ratio of not less than the required minimum: 4.5% + 56%*add-on + combined buffer requirement, taking into account a systemic risk buffer of 3%;
- having a Tier 1 capital ratio (T1) not lower than the required minimum: 6% + 75%*add-on + combined buffer requirement, taking into account a systemic risk buffer of 3%;
- having their total capital ratio (TCR) not lower than the required minimum: 8% + add-on + combined buffer requirement, taking into account a systemic risk buffer of 3%.

A dividend of up to 75% of 2020 profit can only be paid by a bank that meets all the criteria for a dividend payout of up to 50% of profit, while additionally taking into account within the capital criteria the bank's level of sensitivity to an adverse macroeconomic scenario, as measured by the results of supervisory stress tests. The sensitivity level is recognised as the difference between the TCR in the reference scenario and the TCR in the shock scenario at the end of the forecast period (2021), including supervisory adjustments.

A dividend of up to 100% of 2020 profits can only be paid by a bank that meets all the criteria for dividend payments of up to 50% of profits, while additionally taking into account within the capital criteria the level of sensitivity of the bank to an adverse macroeconomic scenario, with the proviso that the bank's assumed T1 and T2 capital issues in a shock scenario are not taken into account.



The criteria set out in the above paragraphs should be met by the bank both on an individual and consolidated level.

Banks with a large exposure to the foreign currency mortgage loan portfolio need to take additional corrective elements into account when determining the acceptable dividend yield.

In accordance with these guidelines, the PFSA's requirements for ING Bank Śląski S.A. to pay a dividend of up to 50% of its net profit for 2021 are as follows:

- CET1 \geq 10.75%,
- T1 \geq 12.25%,
- TCR $>$ 14.25%

Dividend for 2021

On 9 December 2021, the Polish Financial Supervision Authority published its position on dividend policy in 2022 (its full text is available at [this link](#) – Polish link). The PFSA notes the strong capital base of commercial banks despite the ongoing pandemic, but in view of, inter alia, its continued existence, the risks associated with the foreign currency mortgage portfolio and the risks associated with rising interest rates, the position has been decided to include new elements.

An amount of up to 50% of the 2021 profit can only be paid out by banks that meet the following criteria at the same time:

- not implementing a recovery programme,
- positively evaluated as part of the Supervisory Revision and Evaluation process (final SREP score not worse than 2.5),
- having a leverage ratio (LR) of more than 5%,
- having a Common Equity Tier 1 (CET1) capital ratio of not less than the required minimum: $4.5\% + 56\% \times \text{P2R requirement} + \text{combined buffer requirement}$,
- having a Tier 1 capital ratio (T1) not lower than the required minimum: $6\% + 75\% \times \text{P2R requirement} + \text{combined buffer requirement}$,

- having their total capital ratio (TCR) not lower than the required minimum: $8\% + \text{P2R requirement} + \text{combined buffer requirement}$,

An amount of up to 75% of the 2021 profit can only be paid out by banks that simultaneously meet the criteria for a 50% payout taking into account, as part of the capital criteria, the bank's sensitivity to an adverse macroeconomic scenario (basic capital charge).

An amount of up to 100% of the 2021 profit can only be paid out by banks meeting at the same time the criteria for a 75% payout, taking into account, as part of the capital criteria, the bank's sensitivity to a specific adverse macroeconomic scenario regarding interest rate increases and its impact on credit risk (supplementary capital charge).

The criteria set out in the above paragraphs should be met by the bank both on an individual and consolidated level.

Banks with a large exposure to the foreign currency mortgage loan portfolio need to take additional corrective elements into account when determining the acceptable dividend yield.

Declared dividends

The Bank Management Board recommends to the General Meeting the dividend for 2021 totalling PLN 689.53 million or 30% of the consolidated profit of the ING Bank Śląski S.A. Group or 30% of the standalone profit of ING Bank Śląski S.A. The proposed dividend per share is PLN 5.30 gross. The proposed record date is 15 April 2022 and the proposed dividend payout date is 4 May 2022. The dividend proposal takes account of the current financial standing of the Group and Bank. We provided information in this regard in the [current report of 8 March 2022](#).

[In a current report of 1 March 2022](#), our Management Board informed that they have received a letter from the PFSA in which the PFSA stated that the Bank satisfies the requirements for the payout of the dividend from up to 100% of 2021 net profit.

At the same time, the PFSA recommended mitigating the inherent risk of Bank operations by not taking, without prior consultation with the supervision authority, of other actions, and in particular those being beyond the ordinary business and operational activity which may result in a reduction of own funds, also including potential dividend payout from undivided profit of previous years or share buyback.



History of paid dividends

In 2021, ING Bank Śląski paid a dividend from its 2020 profit.

Originally, according to a [current report of 15 January 2021](#), the Management Board announced that it would take steps to apply the individual recommendation of the Polish Financial Supervision Authority regarding the bank's dividend policy in the first half of 2021. Accordingly, on 10 March 2021, submitted proposed resolution [to the General Meeting of Shareholders convened on 15 April 2021](#), which proposed to distribute net profit and retained earnings as follows:

- PLN 675.4 million to be allocated to reserve capital,
- leave PLN 1,157.9 million as undistributed net profit, in order to preserve the possibility of distributing it in the future in a way that includes the payment of dividends – this value includes, in addition to the undistributed profit for 2020 (PLN 663.5 million), the undistributed profit from previous years.

The General Meeting of Shareholders, [by Resolution 25 of 15 April 2021](#), distributed the profit for 2020 in accordance with the proposal of the Management Board.

Following the position on dividend policy for the second half of 2021 published by the Polish Financial Supervision Authority, the bank received a letter in this regard on 30 June 2021, as reported in the [current report of 1 July 2021](#). It has been determined that the individual ST ratio for our bank is 0.00%. In this connection, on 19 July 2021 the Supervisory Board approved the position of the Management Board regarding the implementation of the individual recommendation of the Polish Financial Supervision Authority regarding the dividend policy of commercial banks in the second half of 2021 – as reported in our [current report of 21 July 2021](#). This enabled the Management Board to decide and present a proposal to the Extraordinary General Meeting convened on 29 November 2021 regarding the distribution of the 2020 profit – as reported in our [current report of 19 October 2021](#). The Management Board has proposed that the undistributed part of the net profit for 2020 (as decided by the General Meeting of Shareholders on 15 April 2021) be allocated to dividends. The amount of the proposed dividend is 49.6% of the 2020 net profit, or PLN 663.5 million (PLN 5.10 gross per share). The amount of the proposed dividend is equivalent to 50% of the bank's standalone and consolidated net profit for 2020. At the same time, according to the Management Board's proposal, the dividend vesting date would be 4 December 2021 and the payment date would be 10 December 2021.

The Extraordinary General Meeting of Shareholders adopted the dividend resolution in accordance with the wording proposed by the Management Board – as reported [in our current report of 29 November 2021](#).

The history of dividends paid in the last five years is shown in the table below. The full story is available on [our website](#).

Abridged history of dividend payment by ING Bank Śląski S.A.

	2016	2017	2018	2019	2020
Dividend amount in a given year (PLN million)	0	416.3	455.4	0	663.5
Dividend amount per share (PLN)	0	3.20	3.50	0	5.10
Dividend payment rate (to consolidated profit)	0%	29.7%	29.8%	0%	49.6%
Dividend payment rate (to the share price on the dividend rights acquisition day)	0%	1.6%	1.8%	0%	2.0%

Remedy plan and enforced restructuring

On 8 December 2021, the Group received a positive decision from the PFSA to approve the updated Recovery Plan document for the ING Bank Śląski S.A. Group. The Recovery plan is compliant with Polish regulations transposing the BRR Directive – the Act on the Bank Guarantee Fund of 10 June 2016 and the related secondary regulations.

In parallel to the bank's work on the Recovery Plan, the Bank Guarantee Fund (BFG) – as part of the tasks described in the Act – is obliged to participate in compulsory restructuring colleges established by competent compulsory restructuring authorities for groups that include a domestic entity or a significant branch operating on the territory of the Republic of Poland. In carrying out these tasks, the BFG participates in the Single Resolution Board (SRB), which was set up by the Commission. The *Single Resolution Board* (SRB) of the ING Group *Resolution Board*, consisting of the parent company ING Groep N.V. and subsidiaries, including ING Bank Śląski S.A. The BFG, in a letter of 17 November 2021, advised that, in cooperation with the SRB, acting as a college, they had agreed and adopted in the form of a joint decision that a single point of contact (POS) restructuring strategy had been applied for ING Group. The *Single Point of Entry* (SPE), according to which the restructuring entity is ING Groep N.V. The preferred tool of the compulsory restructuring, according to the group plan, is the bail-in of liabilities. Consequently, the BFG and the SRB agreed and adopted a minimum level of own funds and eligible liabilities. *Minimum Requirement for Own Funds and Eligible Liabilities*, MREL), on a consolidated basis for ING Group N.V. and for subsidiaries, including ING Bank Śląski, on an individual level (internal MREL).



The MREL requirement set by the BFG, in consultation with the SRB, for our bank is 16.34% of the *total risk exposure amount* (TREA) and 5.91% of the total exposure *measure* (TEM), at the unit level. The Bank is required to meet the MREL requirement by 31 December 2023. The entire MREL requirement should be met in the form of own funds and liabilities that meet the criteria set out in Article 98 of the BGF Act, which transposes Article 45f(2) of the BRR Directive. The BFG expects that the part of MREL corresponding to the recapitalisation amount will be met in the form of Additional Tier 1 (AT1) instruments, Tier 2 (T2) capital instruments and other subordinated eligible liabilities acquired directly or indirectly by the parent entity.

MREL requirement – under the current BGF methodology for subsidiaries in cross-border group structures for which SPE strategies have been defined (*Single Point of Entry*) – with respect to risk exposure, can be estimated based on the formula:

$$(CRR_{TCR} + BFX) + [1 - (CRR_{TCR} + BFX)] * (CRR_{TCR} + BFX) + MCC$$

- CRR_{TCR} – The minimum required by CRR with respect to the total capital ratio,
- BFX – Pillar 2 or add-on for exposures under FX mortgage loans,
- MCC – market credibility buffer (the nominal difference between the MREL requirement on a consolidated basis for the bank and the MREL requirement on a stand-alone basis, expressed as a percentage of the risk exposure on a stand-alone basis).

The MREL requirement, in relation to a measure of total exposure, can be estimated based on the formula:

$$(CRR_{LR}) + [1 - CRR_{LR}] * CRR_{LR}$$

- CRR_{LR} – The minimum leverage ratio required by the CRR.

In addition, the BFG pointed to the mid-term MREL targets, which in relation to:

- TREA are 12.17% as at 2021 yearend and 14.26% as at 2022 yearend, and
- TEM are 3.00% as at 2021 yearend and 4.46% as at 2022 yearend.

At the same time, Common Equity Tier 1 (CET1) instruments held by an entity for the purposes of the combined buffer requirement cannot be counted towards the MREL requirement expressed as a percentage of total risk exposure amount (meaning that the bank should maintain the combined buffer requirement in excess of the MREL requirement indicated).

The restructuring strategy and the MREL requirement may be subject to change, in particular in connection with work within the supervisory colleges.

Credit risk

Introduction

Credit risk is understood as:

- a risk of a financial loss that may be suffered by the Group as a result of default by debtors in whole and at the agreed time on their credit obligations to the Group, or
- a risk of reduced economic value of credit exposures or groups of credit exposures as a result of impaired ability of debtors to service their debt at the agreed time.

The Group’s policy relating to the risk of the credit exposure portfolio provides for the fact that the activity generating credit risk may be related also to other risk types as follows: liquidity, market, operational, environmental, social, legal and reputational risks that may reinforce one another.

The Group optimises and mitigates losses relating to risk exposure by:

- setting internal limits,
- an adequate structure of credit products,
- applying collateral,
- applying functional controls,
- effective monitoring, restructuring and collection,
- monitoring of changes to the clients’ credit worthiness and reliability,
- regular monitoring and validation of models used to identify and measure credit risk,
- performing analyses of trends and the values of key risk indicators.



The Group’s core objective in the process of credit risk management is to support effective accomplishment of business goals by active risk management and efforts supporting organic growth while:

- maintaining a secure level of solvency and liquidity and an adequate level of provisions,
- ensuring compliance with the law and supervisory requirements.

The Group manages credit risk in an integrated manner on the basis of:

- strategic planning,
- a consistent system of limits, policies and procedures, and
- tools for risk management, including those to identify, measure and control risks.

The integrated system includes all processes in the Group pursued in connection with credit activity.

Detailed credit risk management objectives are as follows:

- support to business initiatives,
- maintenance of credit losses at a pre-determined level,
- ongoing verification, review of adequacy and development of the applied procedures, models and other elements of the risk management system,
- adaptation of activities to the changing external conditions,
- maintenance of an adequate level of capital requirements related to credit risk and provisions,
- ensuring compliance with the regulator’s requirements.

Risk management strategy and risk appetite parameters

The Group treats credit risk management as a fundamental and integral part of overall management of the Group. The core elements of risk management include determination and monitoring of strategy implementation and RAS parameters (Risk Appetite Statement).

Credit risk management strategy

The credit risk management strategy supports implementation of business objectives while maintaining the Bank’s safe level of solvency and liquidity and an adequate level of provisions. The strategy is determined in order to ensure an optimum development of the credit portfolio while maintaining an adequate quality and profitability of credit operations and capital allocation. The primary goal of defining the credit risk management strategy is to optimise the risk/return on equity ratio, while considering information on the current and prospective macroeconomic environment, the Bank’s portfolio and the level of execution of the RAS limits.

The credit risk management strategy provides for a “lookout to the future”, including the need to remain competitive, attractive and to develop the Bank’s offer.

Risk Appetite Statement (RAS)

RAS means the Bank’s risk appetite which is defined by setting key and specific limits. The determination and monitoring of the risk appetite level (RAS parameters) constitute an integral part of the planning process at the Bank and management of concentration risk by the Bank.

Types of RAS limits for credit risk:

- limits of portfolio volume,
- limits for the risk parameters of the portfolio and new sales,
- concentration limits, including limits for the mortgage-backed credit exposures resulting from Recommendation S of the Polish Financial Supervision Authority.

Apart from RAS limits, the Bank sets limits for credit risk for each area, business lines, products and transaction limits that are approved by the competent credit decision maker. Additionally, internal concentration limits are set for economic sectors, accepted collateral, regions and mortgage-backed credit exposures. The compliance with RAS limits is monitored and reported during the year on a monthly basis.

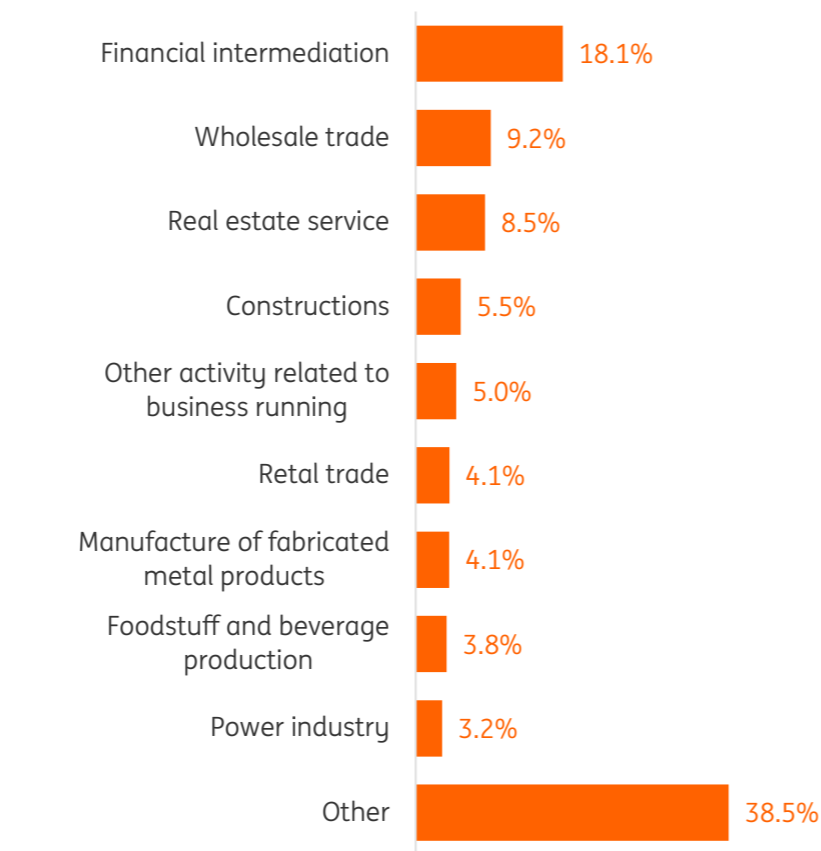


Structure of non-bank corporate portfolio – on- and off-balance sheet exposure

ING Bank Śląski S.A. Group



ING Bank Śląski S.A.



Credit risk management process

Credit risk management is a continuous process which includes all activities of the Bank related to its credit business. All units and persons that perform tasks in the credit process closely cooperate in order to:

- improve the effectiveness of risk management, and
- maintain risks at a level compliant with the Bank’s strategy, risk appetite and financial appetite and the approved RAS level.

The credit risk management process is carried out at the Bank within three lines of defence that are independent organisationally and functionally.

The Bank applies organisational solutions providing for separation of the sales functions of banking products from the risk underwriting functions at all levels of the organisational structure, including the Bank’s Management Board. The separation of the monitoring functions and risk control of credit exposures (including concentration risk) from

the sales functions of banking products and the risk underwriting functions is maintained below the level of the Bank’s Management Board; for retail credit exposures – also at the level of the Management Board.

In case of simplified, automatic credit process paths, the separation of the sales functions of banking products from the risk underwriting functions of credit exposures relies on the independence of the development and validation process of tools supporting the process of risk underwriting from the sales and operational functions. Competences with respect to credit decisions relating to individual credit transactions are separated from decision authority on the development of credit policies and credit risk management principles.

Risk management organisational structure

Within the CRO Division (Chief Risk Officer, Vice-President of the Management Board Responsible for Risk), three areas of credit risk have been distinguished, reporting to the Directors of the Bank:

- Transactional Credit Risk, including:
 - Central Credit Risk Department,
 - Credit Risk Department in the Regions,
 - Financial Institutions Credit Risk Position.
- Expert Centre – Credit Risk, including:
 - Consumer Credit Risk
 - Business Credit Risk
- Models, Data and Reporting, including:
 - Risk Model Department,
 - Policy, Procedures, Regulation and Risk Reporting Department,
 - Credit Risk Tech Team.

In addition, the CRO Division structure includes the Increased Risk Credits Department, the Validation Department, the Operational Risk Department, the Market Risk Department and the Credit Risk Inspection Department.

Each area controls and supervises the Bank’s business and risk management processes assigned to them.

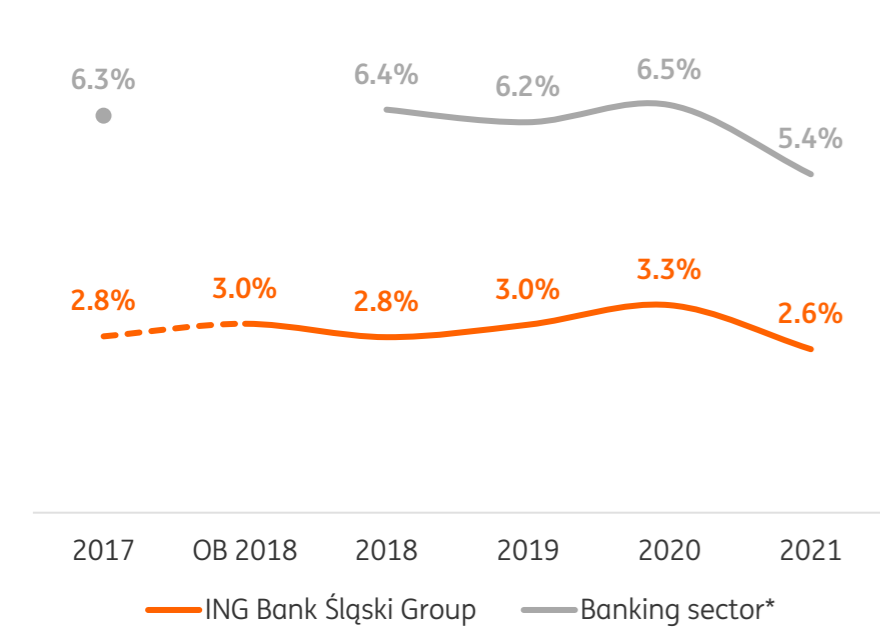


For more detailed information on the credit business principles, credit risk management, risk management system, please refer to the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for 2021.

Credit portfolio quality

Share of receivables in stage 3 and POCI

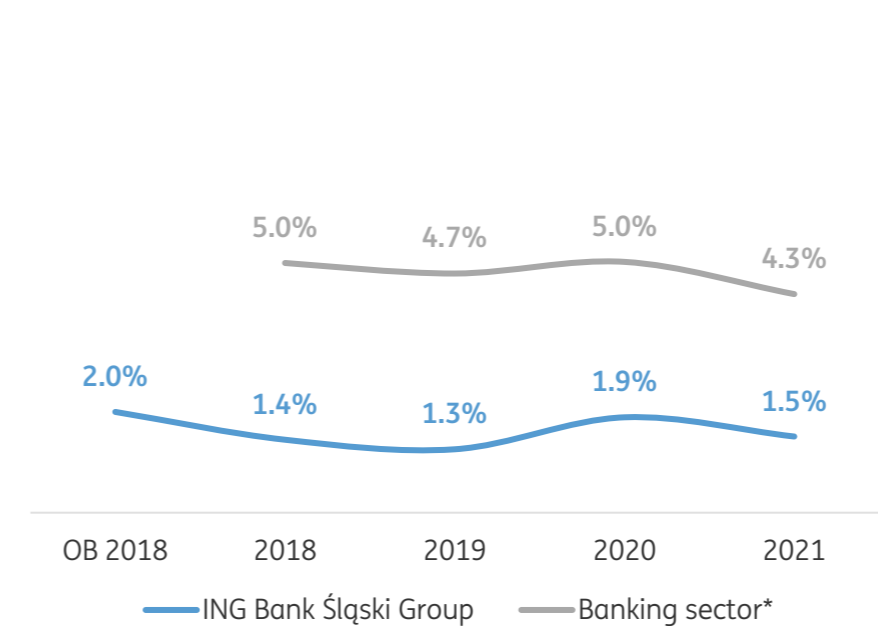
Share of impaired loans / at stage 3 and POCI for the ING Bank Śląski S.A. Group



*PFSA data-based estimates

Importantly, both our retail and corporate loans are of a higher credit quality than the respective averages for the entire banking sector. As at 2021 yearend, the share of Stage 3 and POCI loans in the retail segment in ING Bank Śląski S.A. Group stood at 1.5% versus 4.3% for the sector (including 0.6% and 2.4% for mortgages, respectively). The corresponding ratios for the corporate segment are 3.5% for the ING Bank Śląski S.A. Group and 6.7% for the sector, respectively.

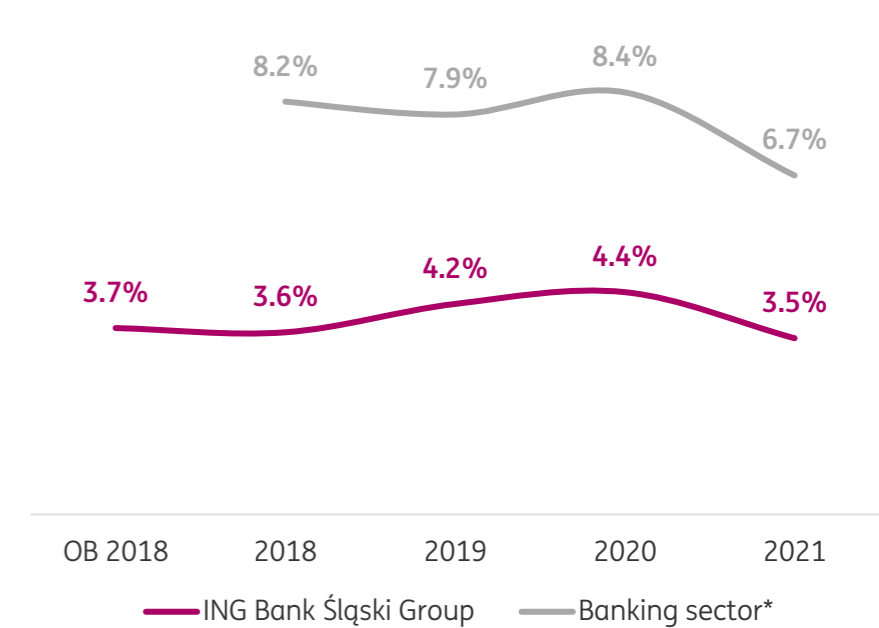
Share of Stage 3 and POCI loans in the retail portfolio



*PFSA data-based estimates

In 2021, the quality of our loan portfolio, in addition to growth in business volumes and a prudent lending policy, was also impacted by the sale of receivables classified as stage 3 loans (both within the retail and corporate segments). The total amount of receivables sold (principal, interest, other costs as of the agreement date) was PLN 468.2 million, of which PLN 373.4 million concerned receivables representing credit commitment.

Share of Stage 3 and POCI loans in the corporate portfolio





Quality of the portfolio of loans to clients* of the ING Bank Śląski S.A. Group

PLN million	2018	2019	2020	2021	Change 2021 to 2020	
					PLNm	%
Total commitment	104,226.8	118,277.0	125,992.4	146,400.3	20,407.9	16.2%
Stage 1 and 2	101,321.8	114,746.7	121,839.9	142,593.7	20,753.8	17.0%
Stage 3 and POCI	2,905.0	3,530.3	4,152.5	3,806.6	-345.9	-8.3%
Impairment allowances and provisions	2,270.0	2,446.0	3,270.3	3,113.6	-156.7	-4.8%
Allowance for stages 1 and 2	539.0	537.0	751.8	633.5	-118.3	-15.7%
Allowance for stage 3 and POCI	1,731.0	1,909.0	2,518.5	2,480.1	-38.4	-1.5%
Portfolio share in stage 3 and POCI	2.8%	3.0%	3.3%	2.6%	-	-0,7 p.p.
Portfolio coverage ratio in stage 3 and POCI	59.6%	54.1%	60.7%	65.2%	-	4.5 p.p.
Commitment – corporate banking	64,385.5	69,916.7	70,159.9	79,914.5	9,754.6	13.9%
Stage 1 and 2	62,057.5	66,995.0	67,064.3	77,120.3	10,056.0	15.0%
Stage 3 and POCI	2,328.0	2,921.7	3,095.6	2,794.2	-301.4	-9.7%
Impairment allowances and provisions	1,524.4	1,686.0	2,183.2	2,158.2	-25.0	-1.1%
Allowance for stages 1 and 2	218.0	211.9	419.8	387.1	-32.7	-7.8%
Allowance for stage 3 and POCI	1,306.4	1,474.1	1,763.4	1,771.1	7.7	0.4%
Portfolio share in stage 3 and POCI	3.6%	4.2%	4.4%	3.5%	-	-0.9 p.p.
Portfolio coverage ratio in stage 3 and POCI	56.1%	50.5%	57.0%	63.4%	-	6.4 p.p.
Commitment – retail banking	39,841.3	48,360.3	55,832.5	66,485.8	10,653.3	19.1%
Stage 1 and 2	39,264.3	47,751.7	54,775.6	65,473.4	10,697.8	19.5%
Stage 3 and POCI	577.0	608.6	1,056.9	1,012.4	-44.5	-4.2%
Impairment allowances and provisions	745.6	760.0	1,087.1	955.4	-131.7	-12.1%
Allowance for stages 1 and 2	321.0	325.1	332.0	246.4	-85.6	-25.8%
Allowance for stage 3 and POCI	424.6	434.9	755.1	709.0	-46.1	-6.1%
Portfolio share in stage 3 and POCI	1.4%	1.3%	1.9%	1.5%	-	-0.4 p.p.
Portfolio coverage ratio in stage 3 and POCI	73.6%	71.5%	71.4%	70.0%	-	-1.4 p.p.

*net of other receivables

Quality of loans portfolio to clients* of ING Bank Śląski S.A.

PLN million	2018	2019	2020	2021	Change 2021 to 2020	
					PLNm	%
Total commitment	100,067.6	102,488.0	106,779.9	126,791.5	20,011.6	18.7%
Stage 1 and 2	97,600.6	99,619.1	103,322.2	123,545.4	20,223.2	19.6%
Stage 3 and POCI	2,467.0	2,868.9	3,457.7	3,246.1	-211.6	-6.1%
Impairment allowances and provisions	2,110.8	2,260.6	2,987.7	2,855.2	-132.5	-4.4%
Allowance for stages 1 and 2	520.3	522.5	690.4	597.2	-93.2	-13.5%
Allowance for stage 3 and POCI	1,590.5	1,738.1	2,297.3	2,258.0	-39.3	-1.7%
Portfolio share in stage 3 and POCI	2.5%	2.8%	3.2%	2.6%	-	-0.7 p.p.
Portfolio coverage ratio in stage 3 and POCI	64.5%	60.6%	66.4%	69.6%	-	3.1 p.p.
Commitment – corporate banking	60,226.3	65,193.1	65,586.4	74,724.5	9,138.1	13.9%
Stage 1 and 2	58,336.3	62,932.2	63,170.5	72,460.8	9,290.3	14.7%
Stage 3 and POCI	1,890.0	2,260.9	2,415.9	2,263.7	-152.2	-6.3%
Impairment allowances and provisions	1,365.2	1,504.7	1,922.5	1,917.1	-5.4	-0.3%
Allowance for stages 1 and 2	199.4	201.4	372.4	358.2	-14.2	-3.8%
Allowance for stage 3 and POCI	1,165.8	1,303.3	1,550.1	1,558.9	8.8	0.6%
Portfolio share in stage 3 and POCI	3.1%	3.5%	3.7%	3.0%	-	-0.7p.p.
Portfolio coverage ratio in stage 3 and POCI	61.7%	57.6%	64.2%	68.9%	-	4.7 p.p.
Commitment – retail banking	39,841.3	37,294.9	41,193.5	52,067.0	10,873.5	26.4%
Stage 1 and 2	39,264.3	36,686.9	40,151.7	51,084.6	10,932.9	27.2%
Stage 3 and POCI	577.0	608.0	1,041.8	982.4	-59.4	-5.7%
Impairment allowances and provisions	745.6	755.9	1,065.2	938.1	-127.1	-11.9%
Allowance for stages 1 and 2	320.9	321.1	318.0	239.0	-79.0	-24.8%
Allowance for stage 3 and POCI	424.7	434.8	747.2	699.1	-48.1	-6.4%
Portfolio share in stage 3 and POCI	1.4%	1.6%	2.5%	1.9%	-	-0.6 p.p.
Portfolio coverage ratio in stage 3 and POCI	73.6%	71.5%	71.7%	71.2%	-	-0.6 p.p.

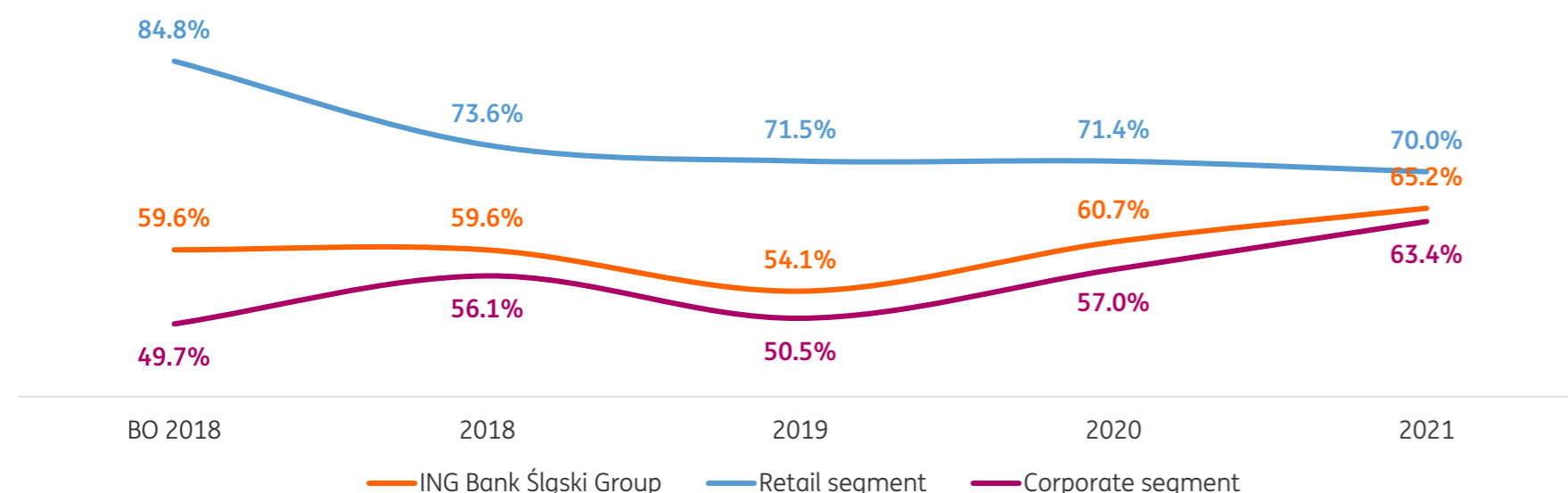
*net of other receivables



Coverage of stage 3 portfolio with allowances

As at the end of December 2021, the ING Bank Śląski S.A. Group held provisions for the stage 3 and POCI loan portfolio of PLN 2,480.1 million. The coverage of the stage 3 and POCI loan portfolio with allowances was 65.2%.

Impairment/Stage 3 and POCI portfolio coverage ratio



Risk cost

In 2021, there was a significant y/y decrease in the risk cost margin ratio (the ratio of the allowance for net loan provisions and provisions for legal risk of foreign currency mortgage loans to the gross loan portfolio). For more information on the cost of risk, see [Our financial results](#) chapter.

Types of applied credit risk collaterals

In order to secure the credit risk, the Bank accepts personal and material security in various forms, e.g. bank guarantee, surety under civil law, blank promissory note, promissory note surety, transfer of receivables, mortgage, registered pledge, ordinary pledge, securing, transferring a specific amount to the Bank's account, blocking funds on the bank account.

As at 2021 yearend, the value of Basel2 collaterals on the accounts or assets of the borrowers amounted to PLN 186.7 billion (of which 66.5% were mortgages) for the ING Bank Śląski S.A. Group and PLN 151.1 billion (of which 77.0% are mortgages) for ING Bank Śląski S.A.

As a result of the amendment to the Banking Law introduced on 27 November 2015, the Bank does not issue bank enforcement titles.

Market risk

Introduction

The core objectives of credit risk management at ING Bank Śląski S.A. include: ensuring that awareness and understanding exists of the Bank's market risk exposure and that the exposure is adequately managed and falls within the approved limits when applicable.

Market risk is defined as a potential loss that may be suffered by the Bank in connection with unfavourable changes to market prices (such as profitability curves, FX rate, prices in capital markets), market parameters (volatility of market prices, correlation between price changes) and client behaviour (e.g. loan prepayments).

Policy of market risk management

The market risk management process at the Bank covers risk identification, measurement, monitoring and reporting. The Department of Market Risk Management provides the managers of the Financial Markets Area in the Wholesale Banking Division and the Centre of Expertise Treasury, selected members of the Management Board and the ALCO Committee with regular risk reports. Additionally, ALCO, the Bank's Management Board and Supervisory Board are provided with periodic reports with the major measures of market risk. The approval of individual market risk limits is carried out at the level of the ALCO committee, the Bank's Management Board or the Supervisory Board, in accordance with the division of responsibilities in determining the levels of limits defined in the Policy for determining and monitoring risk appetite in the area of market risk, liquidity and capital adequacy. Employees of the Market Risk Management Department are qualified specialists and the independence of the department is assured by its separation from the risk generating units.

The Bank's market risk management also includes the Product Control function ("Product Control"), which ensures the correctness of the pricing of Financial Markets products in the Wholesale Banking Division and the Centre of Expertise Treasury by monitoring the correctness of the pricing models and controlling the quality of the market data used for valuation and calculation of the financial result. Decisions related to the pricing process such as: sources of market data used for valuation, calculation of provisions concerning market pricing models, are taken by the Parametrisation Committee.



In the period under report, the market risk profile and the risk management methods were not materially changed.

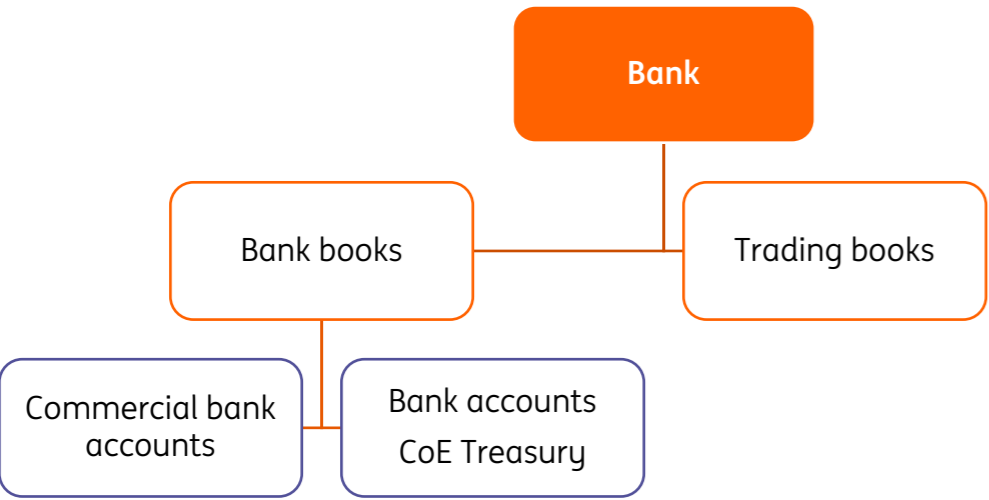
Book structure and risk measurement methods

The Bank maintains the structure of its books relying on intentions which is translated into multiple processes, including market risk management. The book structure reflects the types of market risk that are anticipated and accepted in the Bank’s areas and of the fact that market risk should be internally transferred/mitigated. The books are grouped by an intention to maintain positions split into:

- “trading” (positions taken in order to generate benefits in a short period of time due to market price fluctuations), and
- “banking” (all other positions).

The overall structure of the Bank’s books is as follows

General structure of the Bank’s books



Books are divided into commercial bank books and Centre of Expertise Treasury (CoE Treasury) bank books. The banking commercial books include books of the retail and corporate divisions containing deposits and commercial loans. The risks relating to those positions are transferred to:

- the banking books of the Centre of Expertise Treasury (for interest rate, basis and liquidity risk), and
- the trading books of the Financial Markets Area in the Wholesale Banking Business Line (for foreign exchange risk) through internal transactions.

The process ensures that the banking commercial books do not retain any material economic market risk. However, as described in more detail further below, the short-term financial result in those books is sensitive to changes of market rates. The commercial activity of the subsidiary companies are included in the Bank’s commercial books.

Centre of Expertise Treasury’s banking books, are the books used to manage:

- the Bank’s liquidity risk as a whole, and
- interest rate risk in the banking book.

Maintenance of open positions is permissible within the approved market risk limits.

For more on risk measurement methods, please refer to the 2021 Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group.

Measurement of interest rate risk in the banking book

In its measurements of interest rate risk in its banking book, the Bank applies measures required by the European Banking Authority (EBA/GL/2018/02).

For more on the measurement of interest rate risk in the banking book, please refer to the 2021 Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group.

Measurement of market risk in the trading book

In measuring the market risk of the trading book, is the VaR used by the bank, in line with market best practice. In the calculation of VaR, the bank applies the following assumptions:

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

For more on the measurement of market risk in the trading book, please refer to the 2021 Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group.



Sensitivity of profit and equity to interest rate risk

To present the sensitivity of net interest income to changes in interest rates, the Bank carried out an analysis of the impact of shock changes in the yield curve (relative to that of 31 December 2021) on net interest income for 2022 compared to the base case scenario. Given the spectrum of expected interest rate changes, the analysis was prepared based on six scenarios, three each for parallel upward and downward shifts of the curve by 100 bps, 200 bps and 300 bps respectively, which would occur on 1 January 2022.

Impact on net interest income (PLN million)			
PLN million	100 p.b.	200 p.b.	300 p.b.
parallel upward shift of the yield curve*	386	772	1,158
parallel downward shift of the yield curve*	-580	-1,771	-1,882

**relative to data for 31 December 2021*

The above calculations assume, among other things, a constant level of balance sheet balances as at 31 December 2021, taking into account a number of assumptions regarding changes in the level of the cost of financing, which may differ from those resulting from actual business decisions.

Other information on the sensitivity of the result and the bank's equity to interest rates can be found in the 2021 Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group.

Liquidity and funding risk

Introduction

ING Bank Śląski S.A. recognises the process of stable management of liquidity and funding risk as a major process at the Bank.

Liquidity and funding risk is understood by the Bank as the risk of the lack of ability to perform financial liabilities under on- and off-balance sheet items at reasonable prices. The Bank maintains liquidity so that the Bank's financial liabilities can always be repaid with the available funds, inflows from maturing transactions, available funding sources at market prices and/or liquidation of negotiable assets.

Liquidity and funding risk management process

In order to optimise the liquidity and funding risk management process, the Bank has developed the Management policy of liquidity and funding risk at ING Bank Śląski S.A. which sets forth the principles ensuring adequate funding sources and mitigation of risks and costs related to funding. The Policy describes a general approach to the liquidity and funding risk management process in the Bank. The core objective of the liquidity and funding risk management process is to maintain an adequate liquidity level to ensure secure and stable operation of the Bank in normal market conditions and in crisis.

The Policy was developed on the basis of the market management strategy in business, approved by the Supervisory Board (including the liquidity and funding risk management strategy). In particular, it reflects the risk appetite specified in the strategy and approved by the Supervisory Board.

Additionally, the Bank prepares a report on the ILAAP process. In a comprehensive and consistent manner, it presents the core indicators and numbers relating to the Bank's liquidity risk profile. It provides for the strategy, funding plan and risk tolerance by the Bank. The results of the report are approved by the Management Board which informs the Supervisory Board of the results.

The general approach to liquidity and funding risk management is composed of five recurring activities: 1) risk identification, 2) risk assessment, 3) risk control, 4) monitoring, and 5) reporting.

- Risk identification and assessment. Risk identification is performed on an annual basis by organising risk identification workshops. Each identified risk is assessed in order to determine its materiality for the Bank. Risk identification is also performed when new products are launched. Risk valuation and its materiality are assessed in terms of likelihood of risk occurrence and the financial effects should such risk materialise.
- Control Risks are controlled with actions that mitigate the likelihood or risk occurrence or with actions that mitigate the effects should such risk materialise. Important elements of risk management include ongoing verification if the implemented controls are performed. Definition of acceptable risk levels is an element of risk control. Regular inspection should evidence that risk control actions are effective. Adequate reporting is a major element of the liquidity and funding risk management process which provides the managers with information required for risk management.
- Monitoring and reporting. Risk monitoring serves three important objectives: ongoing verification if the implemented risk control is performed; if risk control actions are effective. Such actions support their confidence which is a major element in banking. Well organised and designed regular controls or monitoring that are referred to as risk management are indispensable for correct risk management. Adequate reporting provides information to managers as is indispensable for risk management.

As required by Recommendation S, the Bank prepares an in-depth analysis of long-term liquidity, with a particular focus on mortgage loans. The above liquidity analysis shows risk levels related to long-term funding of mortgage loans.

The Bank pursues an active policy of liquidity management with reference to core currencies. For those currencies, liquidity risk measurement and limitation is made per currency and the management of operational



liquidity is performed separately for each currency and it is incorporated in the risk transfer system.

Intraday liquidity is actively managed by the Centre of Expertise Treasury. The process manages the position and risk of short-term liquidity (one day and intraday). The objective is to comply with payment and settlement duties in a timely manner in regular operations and in extraordinary/stress situations.

The Bank operates a risk transfer system under which market risks, including liquidity risk, are transferred to the Centre of Expertise Treasury. Applying adequate tools, it manages the risks in a centralised manner within the limit system applied by the Bank.

Risk types

The Bank splits liquidity risk into two groups:

- liquidity risk resulting from external factors, and
- risk of internal factors relating to the specific bank.

The Bank's objective is to apply a conservative approach to liquidity risk management to support safe survival of events that are specified to ING Bank Śląski S.A. and the entire banking sector.

In terms of time horizon, the Bank splits liquidity risk into:

- operational – focused on current funding of the Bank's position and on managing intraday liquidity,
- strategic – focused on ensuring that the Bank's structural liquidity positions are at an acceptable level.

Considering the tenor and clients' behaviour (the two aspects affecting the Bank's liquidity), the Bank identifies three types of liquidity and funding risk:

- structural,

- related to client behaviour,
- related to stress conditions.

For more on the structure and organisation of the liquidity and funding risk management process, please refer to the 2021 Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group.

Framework risk management principles

The framework liquidity and funding risk management principles contain all material methods with respect to intraday, shorty-term, medium-term and long-term liquidity and funding risk management. This is made up of the following key elements:

- limit system and liquidity risk measurement,
- monitoring of funding sources and concentration risk,
- liquidity reserve management,
- management of intraday liquidity,
- management of hedging items,
- stress tests and contingency plans.

For more on the liquidity and funding risk management framework, please refer to the 2021 Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group.

Non-financial risks

Introduction

Non-financial risks cover management functions of operational and compliance risk based on a common framework, setting forth clear

principles and standards of risk identification, assessment, monitoring, mitigation and reporting. The Bank manages non-financial risks in compliance with the Strategy and Risk Appetite Statement for Non-financial Risks approved by the Bank's Management Board that set forth risk limits and tolerance. Compliance with the declared risk appetite is monitored in a periodic report on non-financial risks (NFRD). Additionally, the bank operates the Non-financial Risk Committee appointed by the Bank's Management Board – the Committee advises the Bank's Management Board with respect to the management of non-financial risks. The Supervisory Board, with the support of the Risk Committee, supervises the management of operational risk by the Management Board and assesses the effectiveness of its activities in this respect at least once a year.

The common management framework of non-financial risks support the bank in active identification of core hazards and gaps and the related risks which may result in undesirable events. The framework supports such processes as self-assessment of risks and controls, scenario analyses, monitoring of key risk indicators or testing of key controls. The results of analyses of internal and external events keep improving the adequacy and effectiveness of the internal control system functioning in the bank.

We believe that an effective control environment is essential to building and maintaining a sustainable business, and retains and enhances the confidence of clients, employees and shareholders.

Operational risk

The Bank's objective in operational risk management is to ensure regular improvement of the safety of the Bank and its clients, reduction of operating costs and improvement of operating effectiveness.

The Bank's Management Board – subject to approval of the Supervisory Board – has developed a strategy of operational risk management. The



Bank's management strategy of operational risk provides for legal and regulatory requirements and relies on good practices of the ING Group.

Additionally, the Management Board – also in agreement with the Supervisory Board – in its risk appetite statement defined the maximum acceptable loss limits, capital limits and risk scope that it is willing to accept in the pursuance of the planned business objectives – subject to full compliance with the law and regulations. The level of limit utilisation is monitored and periodically submitted to the Management Board, Risk Committee and the Supervisory Board.

The operational risk management system applies to all business spheres of the Bank and the activity of the Group, cooperation with clients, providers and partners. It is a cohesive, regular practice that covers the following elements:

- risk identification and assessment,
- mitigation or risks and monitoring of mitigation activities,
- performance of inspections,
- quality monitoring and assurance.

The Bank has a coherent and continuously updated set of internal normative documents in relation to operational risk management. The documents regulate the scope, principles and duties of organisational units and employees to mitigate the effects and likelihood of financial and reputational losses in that respect. The risk management culture including risk awareness is reinforced through a number of training and awareness programmes.

Compliance risk

Introduction

The bank's compliance mission is to build a corporate culture based on knowledge of and compliance with laws, internal regulations, market standards and ING Values and Behaviour, as defined in the [Orange Code](#).

Compliance risk management process

The Bank's Supervisory Board oversees compliance risk management and the Bank's Management Board is responsible for effective compliance risk management, including:

- the implementation of organisational arrangements, regulations and procedures that enable compliance risk to be managed effectively, and
- ensuring that the resources and means required to perform the tasks are adequate.

The Centre of Expertise – Compliance is an organisationally separate, independent unit that is responsible for the organisation and operation of the compliance risk management process. The aim of the Centre of Expertise – Compliance is to shape solutions for identifying, assessing, controlling and monitoring the risk of non-compliance of the bank's activities with the law, internal regulations and market standards, and to provide reports in this respect. Compliance activities are aimed at the active participation of the bank's employees in the compliance risk management by shaping a risk culture based on knowledge and compliance with the law, internal regulations and market standards.

Centre of Expertise – Compliance flexibly adapts organisationally to the changing external environment. The changes are necessary to further increase the effectiveness of compliance risk management and to effectively mitigate these risks. With this in mind, the Compliance unit:

- developed the required procedures and methodologies on the basis of which it carried out independent inspections, training programs, issued recommendations and recommendations in banking processes, including in the process of giving opinions on product and legislative changes and marketing materials,
- strengthen the competences of subordinate employees,
- implemented an automation plan in the area of compliance risk.

Major initiatives in 2021

In 2021, the bank continued work to improve the compliance risk management system, including the following elements:

- counteracting money laundering and terrorist financing, as well as regulations on counteracting the use of the financial sector for fiscal fraud,
- the requirements of the MIFID II Directive and Polish implementing regulations,
- reporting of tax schemes and tax avoidance (MDR),
- implementation of Recommendation Z on the principles of internal governance in banks, prepared and published by the PFSA,
- adoption of the Best Practice for WSE Listed Companies (with two exceptions described in detail in the section of the report on [Corporate Governance](#)).

The following regulations, among others, have been updated: “Know Your Client” Policy, Anti-bribery and corruption policy, Competition law compliance policy, Conflict of interest policy, Regulations – Principles of professional ethics for employees of ING Bank Śląski S.A., Policy for anonymous reporting of breaches of law, internal regulations and ethical standards, Market abuse policy. The Bank's internal governance principles



have been written down and published as new policies effective from 1 January 2022: Policy – principles of internal governance in ING Bank Śląski S.A. and Policy – principles of internal governance in ING Bank Śląski S.A. Group.

Transaction security and stability of IT systems

Introduction

The security of the funds and data of clients and partners is a key issue to which the bank pays special attention in its day-to-day operations. It continuously monitors threats and analyses their impact on the ICT infrastructure (applications, systems, networks), as well as business processes, processes of its partners and service providers and their potential impact on clients. On that basis, it designs and implements appropriate organisational and technical solutions in the areas of prevention, detection and response.

The bank’s ICT systems protect multi-layered cyber security mechanisms and systems.

Another major aspect of the bank’s efforts to ensure an appropriate level of banking services to clients is to ensure stable operations of our systems. To attain this goal, various measures are taken such as:

- ensuring an appropriate process of change management in IT systems, which guarantees adequate tests of the impact of changes on the operation of systems,
- ensuring proper architecture of critical systems to guarantee full redundancy of components and fail-safe operations,
- implementation of a mechanism for monitoring the correct operation of systems, allowing for early detection of symptoms of malfunctioning components and quick diagnostics of errors,

- implementation of the process of managing the increase in demand for resources ensuring that hardware and software resources are adapted to changes in business volumes and changes in the way clients operate.

IT security management process

Ensuring security for IT systems and the data processed in them is a priority for the bank, therefore its aspects are embedded in every process or area of the bank’s operations. The processes aimed at ensuring safety are subject to constant effectiveness control, which allows us to constantly improve procedures related to preventing, detecting and responding to threats, as well as taking actions to eliminate their potential effects (e.g. unavailability of banking services).

The bank’s approach to security management in the IT area is systemic and continuous, identifying threats regularly, strengthening protection mechanisms, and implementing a long-term cybersecurity strategy. IT security processes and roles are organized in accordance with the best and recognized international standards.

IT security activities are supervised by the Bank’s Management Board and by a dedicated IT Security and Risk Council established by the Board. It comprises, among others, the leadership of the Business, Tech, Cyber Security, Operational Risk, Data Security, Fraud Prevention, Audit and Compliance units. The Council regularly assesses the bank’s resistance to known threats and issues directional technological and procedural decisions in the scope ensuring an adequate level of the bank’s cybersecurity.

A dedicated unit is responsible for cyber security tasks, including continuous security monitoring. Nevertheless, the bank adopts the principle that each employee is responsible for ensuring the security of data and ICT systems to the extent adequate to their functions, tasks performed and their powers. Raising the awareness and competence of employees in the field of

protection against threats is a permanent element of training and awareness-raising campaigns.

The bank constantly improves security solutions and systems used to protect its clients, as well as the bank itself, constantly testing their real effectiveness through, among others, penetration tests of banking infrastructure and applications, APT tests (Advanced Persistent Threat), tests of immunity to DDoS (Distributed Denial of Service) and many others.

The bank designs and updates the security standards and architectures applicable at the bank on an ongoing basis. Based on their requirements, ICT systems are designed, built and implemented according to the principle to ensure safety at the earliest possible stages of their life. During development, before implementation and periodically after implementation, the systems are subjected to various tests, verifying the resistance of systems and applications to attempts to breach their integrity and to bypass the applied security measures.

Components of the ICT system are subject to a continuous scanning process aimed at detecting any vulnerabilities and eliminating them immediately. In addition, banking systems (network, infrastructure and applications) have security monitoring in place to detect any anomalies, adverse effects and security incident attempts. Multi-layered protection against malware (such as ransomware) is also implemented.

As part of the activities increasing the level of security, mechanisms of multi-factor authentication of users’ access to ICT systems and data and monitoring of their activity are implemented.

The bank develops model security requirements for each ICT technology and specific application solution, and their effectiveness and correctness of implementation is regularly verified as part of security tests and reviews, as well as internal and external audits. Such audits and tests are performed by renowned expert companies.



The Bank has maintained and updated existing and implement new tools for early detection of all types of fraud and abuse, advanced targeted attacks, including preventing information leakage or execution of unauthorized transfer of large amounts of money from the banking system.

The Bank uses solutions of leading providers of tools and services in the area of cyber security and unique solutions developed in-house by specialists. At the same time, the bank constantly cooperates with ING Group member companies and other companies and organisations in Poland (banks, internet service providers, trade associations). This allows it to observe trends, detect new vulnerabilities and counteract IT security threats in advance.

The bank actively cooperates with governmental and financial supervision institutions, complying with all recommendations and recommendations of these institutions, including the requirements for the operator of the key service, which the bank has been designated pursuant to the Act on the National Cybersecurity System.

In activities related to ensuring the security of client data, the bank is not limited only to the bank’s infrastructure, but also requires an equally high level of security from its partners, both by means of appropriate contractual provisions with IT security requirements and verification of their fulfilment as part of periodically performed audits.

In its online banking applications, the bank uses the following solutions to increase client security:

- Authorisation of operations (transactions, logins, data changes, etc.) with a one-time code or the PUSH method – this method enables authorisation of instructions in the internet banking system by means of an authorisation code or confirmation of a message in the mobile application Moje ING. Along with the request for transaction confirmation, the client is

provided with comprehensive information on the details of the transaction, which allows for additional verification of the instruction.

- Hard daily limit – the amount limit to which transfers can be made on a given day in Internet banking.
- Encrypted Internet connection – access to banking systems is possible only after entering an ID and password. Communication between clients’ computers and the bank’s server is encrypted with the TLS protocol. The ingbank.pl service and the internet banking system are protected by digital certificates with a high level of trust, which secure the connection via an encrypted HTTPS protocol. This guarantees fully secure data transfer in encrypted form, protects the data against third-party modifications and authenticates the computers that communicate with each other.
- 3D Secure (a standard of card payments over the Internet) – when our clients pay with cards in an Internet store handling 3D Secure, the payment is additionally confirmed with a one-off SMS code. In order to use 3D Secure payments in our Bank, you don’t need to run or activate anything – just a card that supports on-line payments.
- Masked password – logging into the internet banking system is done without entering the whole password – the system automatically draws only selected characters.
- Automatic logout in the event of user inactivity.
- Behavioural biometrics – analysis of user interactions with a computer in order to detect possible interference by undesirable persons. During this verification, it is not checked what a given user does, but how he/she does it. The Bank collects and analyses, *inter alia*, information on how fast and often the user clicks on individual keys on the keyboard, how to scroll the screen, how fast and often the user clicks the computer mouse. The user

profile is built only after logging into the Moje ING online banking system and the user’s behaviour is compared after each login.

- Transaction monitoring – the bank monitors the use of internet banking in real time, both in detection and prevention modes.
- Malware detection – a tool has been implemented to detect malware activity at the client’s station when using online banking.

With regard to mobile banking, the bank applies the following security solutions:

- Authorization of transactions in the mobile application – this method is available to clients who use the Moje ING internet banking system, make a transfer on their computer and have Moje ING mobile application installed; it is used interchangeably with SMS code.
- Fingerprint or FaceID login – this option is available for phones with a fingerprint reader. Activation of this login method is available after logging into the application.
- Hard daily limit – the amount limit to which transfers can be made on a given day via mobile banking application.
- Automatic logout in the event of user inactivity.

In the event of a justified suspicion of a threat of cybercrime or fraud against clients, the bank takes preventive measures, e.g. rejects transactions, blocks services, protecting clients against taking over their data or funds by unauthorized persons.



Personal data security

GRI [103-1] [103-2] [103-3]

Introduction

The stability of IT systems also means protecting personal data of clients, business partners and employees. However, apart from IT security, the bank also cares about the physical security of the data and information stored in the bank and constantly improves its approach to personal data protection. The bank’s internal regulations strictly define the permissibility and principles of the presence of outsiders in the offices and exclude the connection of unverified devices to the bank’s ICT network.

Physical security features are tested on a regular basis and the conclusions of the inspection inspire change. Testing physical security and any method of remote access to systems has become an integral part of the bank’s APT testing of the bank’s cyber security resilience.

Management of personal data security

In 2021, the bank found no substantiated complaints of breaches of client privacy, although administrative proceedings are pending in three cases.

Bank employees demonstrate a high level of awareness of personal, financial and business data protection by completing mandatory training cycles on an ongoing basis.

Programs aimed at continuous improvement of employees’ competences in the field of data protection are constantly implemented, indicating how important it is to protect the privacy of clients, business partners and employees themselves. In this respect, the bank uses meetings, workshops, as well as periodic communication to employees.

The security of using banking services also depends on clients, so the bank shares with them information about potential threats and recommends

security solutions on devices supporting Internet banking transactions made by the clients. The Bank provides each client with a set of principles for the correct use of online banking:

- showing you how to create a secure password,
- keeping you informed about the risks in Internet banking,
- reminding you of the principles of safe banking,
- explaining how to protect against data theft on the Internet,
- teaching you how to protect your clients’ devices,
- blocking services when reasonable to protect clients against unauthorized access to their data,
- making you aware of the dangers during conversations with clients who visit us at the facility,
- attending workshops for academic circles aimed at raising awareness,
- carries out numerous awareness-raising activities using bank communication channels and organises webinars on cyber-security and data protection.

The bank cares for both the safety of retail clients and the safety of corporate clients. As in previous years, conferences for corporate and strategic clients are held, during which the bank presents threats related to cybercrime and the mechanisms of applications and solutions to counteract abuse.

The bank has not only implemented the requirements related to the implementation of the European Union Regulation on the protection of personal data, but also analyses the changes and incorporates them without unnecessary delay into the procedures and internal regulations. As in previous years, as part of the Polish Bank Association, the bank is working

with other banks to develop a common code of conduct, as well as to develop consistent solutions related to the protection of personal data.

ESG risks

GRI [102-11]

In early 2021, we approved a Risk Management Strategy which identified the identification, assessment, management and reporting of ESG risks as key objectives for 2021-2023.

The Management Board of our bank, the Supervisory Board and the management team attach particular importance to the identification of risks and opportunities and the management of ESG risks in the bank. Among other things, the Management Board has initiated the establishment of appropriate organisational structures that ensure a comprehensive approach to the ESG topic from the perspective of risk management, business issues and reporting/disclosures, as well as adequate information flow and knowledge sharing between the units responsible for the various ESG aspects, the Management Board and other employees.

Organisation of ESG risk management

GRI [102-18]

The Board has established a comprehensive ESG Project, coordinating ESG issues within separate working teams focused on risk, business and reporting/disclosure.

The supervision of ESG risk management has been entrusted to the Member of the Management Board of the Bank supervising the CRO Division.

In 2021, operational oversight of ESG Risk issues was provided by the Credit Policy Committee. By decision of the Bank’s Management Board, an ESG Risk Committee was established on 8 February 2022 in the form of a standing



committee. The main tasks of the ESG Risk Committee will be the creation of ESG risk management policies, approval of ESG risk management methodologies, approval of tools used for ESG risk assessment, determination of standards for ESG risk credit analysis and the ESG risk assessment and monitoring process, as well as principles of ESG risk consideration in collateral valuation.

Within the CRO Division, a unit has been identified responsible for managing ESG risk and initiating and coordinating further actions to comprehensively implement ESG risk management into the existing credit, market, liquidity and operational risk management system and to meet the expectations indicated in supervisory documents.

Principles for ESG risk management

SDG 3, 8, 13, 14, 15

ING Bank Śląski already implemented an environmental and social risk manual in 2009, setting out an approach to human rights and activities that may have a significant negative impact on the environment, which is regularly updated.

The environmental and social risk assessment covers the client and the transaction. We make our assessment to the best of our knowledge. At the client's level, we assess whether the business is conducted with respect for human rights, environmental protection principles and is not covered by the exclusion policy. At the transaction level, we assess whether it complies with the requirements of the detailed policies.

The exclusion policy applies to activities with a particularly high risk of breach of human rights and the risk of a negative impact on the environment and the principles of sustainable development. We do not establish relationships with clients whose core business is covered by ING Bank Śląski's exclusion policy.

We identify and properly manage relationships with clients who operate in areas more susceptible to social or environmental threats. We apply detailed policies to support environmental protection and minimize risks in exposed areas.

Detailed policies concern the following areas:

- well-being of animals,
- forestry and plantations,
- industrial processing,
- chemical industry and utilisation of chemicals,
- defence and the arms industry,
- hard coal mining, coal-fired power industry, and related businesses,
- other mining and power industry, petrochemical industry and metal manufacturing.

The bank's regulations support the identification of environmental and social risks and the appropriate management of relationships with clients who operate in areas that significantly affect the environment in which we live.

We have a detailed policy on defence financing and activities related to the arms industry. We are not opposed to establishing relationships with this type of client. We take the view that sovereign states, within the limits of the law, regulations, national and international conventions, have the right to maintain public order, to participate in joint military missions or peacekeeping missions, and to defend themselves and to have armed forces properly equipped. In addition to legal prohibitions, as ING Bank Śląski we believe that certain companies, weapons and activities violate our values and business ethics.

Due to the nature of the different types of weapons, we distinguish between Category A and Category B controversial weapons. Category A includes cluster munitions, anti-personnel mines, depleted uranium munitions and chemical and biological weapons. Category B includes nuclear weapons.

We do not fund controversial weapons and their key components. We do not finance clients or consortia directly involved in controversial weapons, due to their particularly destructive nature and the results of their use: mass casualties and destruction in the area under attack, from which it is difficult to exclude civilians. By key components of controversial weapons we mean infrastructure, equipment parts and materials, services and programmes and systems (mechanical, electronic and digital) specifically designed for controversial weapons.

We also do not finance transactions for the supply of arms, military equipment, technology or other goods where there is a high risk of them being used for internal repression, violations of international humanitarian law, inciting or prolonging armed conflict or aggravating existing tensions, or for other purposes that cannot be considered legitimate in relation to national security or defence. The restrictions shall not apply to the conduct of activities in connection with humanitarian missions or military peacekeeping missions established by international communities.

We also do not provide financial services to companies or consortia in the defence sector that are clearly in the business of providing arms, military equipment, technology or other goods to countries subject to UN, EU or US arms embargoes or to terrorist groups, rebels and other non-governmental groups without appropriate UN, EU or US approval.

As a bank, we have an influence on the financing and lending of projects that may have a significant negative impact on society and the environment. Respect for human rights, environmental protection and sustainable development are an important element of our long-term value-



building strategy. We are aware of the perils arising from irresponsible use of natural resources.

We support clients in conducting their business in a sustainable manner and encourage them to constantly improve themselves in this area. We require that our clients to run their businesses in compliance with the regulations governing social and environmental issues and that they should have all permits and licences required under the law. Therefore, in order to avoid the risks associated with financing projects that have a negative impact on the environment, we apply an environmental and social risk assessment as well as an exclusion policy.

In terms of client environmental and social impact, the most important risks for the bank include:

- breach of human rights as a result of forced labour, child labour, inadequate working conditions, use of violence; the risks occur mainly in forestry and plantations and industrial processing,
- health risks for workers and local communities due to environmental contamination, contact with harmful chemical materials, transmission of animal diseases to humans, non-compliance with labour laws; the risks are mainly related to the chemical industry, energy, mining, metal production and animal husbandry,
- risk to the health and life of consumers through the consumption of products that are harmful to health; the risk occurs mainly in the tobacco industry,
- a controversial trade policy of contracting extremely low prices for products manufactured in economically underdeveloped countries; the risk is mainly related to industrial processing,

- inhumane treatment of animals during breeding, transport, slaughter or medical experiments; the risk is mainly related to animal welfare activities,
- loss of biodiversity and uncontrolled spread of invasive species, including genetically modified species; erosion and soil degradation; the risks are mainly related to forestry and plantations,
- pollution of soil and water by heavy metals, waste, sewage and an increase in water consumption in water-scarce areas; the risks are mainly related to animal husbandry, forestry and plantations, industrial processing, the chemical industry, energy, mining and metal production.

Adaptation to supervisory requirements

Following the requirements of the European Central Bank and the requirements contained in the supervisory assessment of local financial supervision, on 30 June 2021 we implemented the recommendations of the EBA as set out in the Guidelines on Loan Origination and monitoring.

The assessment of ESG risk of strategic clients and medium and large companies and the assessment of ESG risk at the level of these portfolios (by sector) is carried out as part of the standard credit process / credit risk management.

We have included in the internal regulations definitions of ESG risks and identified transformation and physical climate risks (chronic and sudden) that may have a potential impact on client performance and consequently on the quality of the loan portfolio.

Based on statistical data and expert assessment, we analysed the most important ESG risks by sector and drew up a *heatmap* of sector risks and designated high, medium and low ESG risk sectors.

We have included descriptions of key ESG risks, sample mitigating factors and preferred client profile in the sector guidance documents for each

sector. In the credit analysis principles for corporate clients (excluding entrepreneurs) financed in the standard paths of the credit process, ESG risk assessment requirements have been added.

From an ESG risk perspective, we assess the client according to the double materiality rule, i.e. taking into account both the environmental impact of the client's activities and the potential impact of environmental, climate and social factors on the client's financial performance.

When examining the potential impact of ESG factors and climate risk on a client's financial performance, we focus on the relevant risk factors and assess: the client's sensitivity to ESG factors (whether they can increase credit risk) and the client's ability to mitigate these risks, e.g. by having a strategy / action plan for transitioning to environmentally sustainable operations and other factors that mitigate ESG risk. If a high level of ESG risk is identified, it is possible to appeal (downgrade) a client's rating.

CO₂ emissions from the bank's loan portfolio

In terms of assessing the transformation risks associated with the CO₂ emissions of the sectors financed by the bank, we made our first scope III emissions estimate – see [ING for climate](#) for a discussion of the estimate. In addition, we carried out an estimation of the emissions associated with the housing portfolio, which is also discussed in chapter ING for climate.

Liquidity Climate Stress Test

Recognising the impact of ESG risk factors on the bank's liquidity, we developed the 2021 Liquidity Climate Stress Test. The objective was to determine the impact of risks from climate change and pollution on the bank's liquidity. The test scenarios identified risks, trends in climate, business, legal and social changes that affect the bank's liquidity. The horizon of the Liquidity Climate Stress Test conducted was 20 years. The test results are positive, i.e. the bank's liquidity is not at risk over the test



horizon. The conclusions of the climate liquidity stress test will be used in determining the bank's development directions.

Developing methodologies for ESG risk management

In setting the direction for building a comprehensive ESG risk management system, we build on the expectations of the European Central Bank as indicated in the "Guide on climate-related and Environmental risks – Supervisory expectations relating to risk management and disclosure". With respect to this document, we have performed a compliance analysis, approved by the Credit Policy Committee. We have set out a detailed plan to achieve compliance with these requirements, spread over the coming years.

We continually monitor regulatory risks arising from changes in the legal environment in relation to the financial sector – following the work of regulators and legislative proposals. We participate in the work of the Polish Bank Association on the interpretation of ESG regulations.

Model risk

Model risk management is performed in compliance with the Model risk management policy at ING Bank Śląski. The Policy provides for:

- model life cycle,
- principles for assessing the materiality and risk of models,
- functioning principles of the model register,
- principles for carrying out performance monitoring and model validation,
- principles for calculating risk capital for the models and applying model capital charges.

The Model Validation Department provides a model register, which is a repository of information on the risk and valuation models operating in the bank's group, and which is kept up to date by participants in the model risk management process, including model owners, validators and modellers. The register and model logs contain, among other things, information on the relevance of the models, the results of monitoring their effectiveness, and the results of model validation and their risk levels.

The bank's capital group regularly assesses the risks of individual models, estimates capital for model risk and, if required, allocates capital charges to models in accordance with the principles adopted in internal regulations.

The quality of the performance of the models shall be verified as part of the monitoring of the effectiveness of the models and the validation of the models, during which their exposure to sources of model risk shall also be assessed. Model validation is performed in compliance with the Model Validation Policy at ING Bank Śląski S.A. and validation instructions.

Management reporting to Committees, the Management Board and the Supervisory Board of the status of actions related to model management and validation covers inter alia: results of model validation and risk assessment, assessment of the aggregated model risk level in the context of the approved risk tolerance as well as the capital assigned to model risk.

Business risk

Within business risk, the group distinguishes one significant risk – macroeconomic risk.

Macroeconomic risk is the risk due to macroeconomic factors and their impact on the levels of minimum capital requirements. The Group manages the risk by regular holding of internal stress tests to support ongoing monitoring of sensitivity or minimum capital requirements to

macroeconomic factors. In 2021, the group performed full capital tests twice: as at the end of Q4 2020 and at the end of Q2 2021.

On the basis of results of internal stress tests for a mild recession scenario, the group estimates an additional capital requirement to safeguard against the materialisation effect of the scenario. The results of the stress tests show that should a mild recession materialise, the Bank's capital adequacy will not drop below the required level.

Cyber security

GRI [103-1] [103-2] [103-3]

The specific situation caused by the pandemic has meant that the frequency of attacks by cybercriminals is constantly increasing. Fraudsters use both modern technical means and social engineering in their attacks, while at the same time constantly modifying attack scenarios, which requires very high flexibility and speed of reaction from the bank. In view of the high and continuing trend of fraud against the bank's clients, a dedicated unit was set up in the bank in March 2021 to coordinate all fraud activities and to respond quickly and adapt preventive measures to the activity of fraudsters. One of the obstacles to banks' effective response to emerging threats is legislation that has not kept pace with developments in technology and financial services, as well as low client interest in fraud awareness campaigns.

Phishing remains the most common method of attack, but nevertheless the biggest losses for clients have been in investment scams, in which fraudsters use social engineering to defraud clients' funds under the pretext of high returns after investing them on cryptocurrency exchanges.

There has been a significant increase in the number of attacks using telephone calls (spoofing). Spoofing fraudsters pretend to be the bank's



helpline or security department, using appropriate techniques so that the client’s phone displays the bank’s real helpline number when they call. The criminals are persuading clients to install additional software that allows them to take control of the client’s device.

The degree of advancement of targeted attacks on enterprises and institutions (mainly financial) carried out by organised groups of cybercriminals was similar to the previous years.

As in previous years, the environment in which we live and function is changing dynamically. New technologies and the methods of their use are rapidly developing, which not only affects the convenience, efficiency and effectiveness, but also carries many risks.

Bearing this in mind, we are constantly strengthening and developing our own cybersecurity system at the local level and across the ING Group in order to prevent acts of cybercrime against clients, employees and our bank’s information and communication system.

Due to the activities undertaken in the area of cybersecurity, the bank did not record any significant incidents or frauds resulting from the weakness of the banking security system.

Cybercrime resistance is one of the basic principles of building client interaction channels by our bank. Due to the continuous development of new, advanced attack methods, the bank’s security teams are constantly improving existing systems and building new, more effective detection and prevention mechanisms. An important element of our development strategy is the constant improvement of the competences of security specialists as well as testing systems, processes and people as part of numerous exercises and tests. All these activities are aimed at protecting the bank’s resources from threats from inside and outside and thus protecting our clients and the funds entrusted to us.

We are actively developing behavioural verification methods to identify potential attempts at criminal activity in the area of electronic banking channels. Thanks to this solution, we can prevent the impersonation of third parties as Moje ING users. Behavioural verification allows for a better adjustment of protective mechanisms to the user of electronic banking by creating a dedicated behavioural profile of the client. These methods are used after obtaining the consent of the client. In order to encourage clients to use this type of solution, we launched appropriate information campaigns.

We also improve mechanisms for detecting anomalies both in the bank’s transaction system itself and in transactions ordered by clients, thus catching suspicious transactions – ordered by unauthorised persons – and we take care of the integrity of transactions ordered by clients, reducing the risk of internal fraud.

We are constantly developing tools, algorithms and rules to detect various types of fraud and abuse, including preventing data leakage. We execute many of these tasks together with other ING Group member companies, as well as in cooperation with financial institutions, state bodies and law enforcement agencies. We establish cooperation with suppliers of modern technologies in order to introduce new authorisation methods based, for example, on biometrics or client behaviour.

We care about the awareness of our clients and employees. We carry out many educational activities on cyber security risks and programmes to improve the skills and knowledge of IT staff and teams responsible for ensuring the bank’s cyber security is adequate.

In addition, information campaigns for our bank’s clients warning them of current risks are already a regular feature of the services we provide. On current basis we keep our clients informed about existing threats through our websites, social media and educate them and show them how to behave in order to use online and mobile banking safely. Such activities are

visible in our e-banking system for each user, and information is systematically placed on the basis of the currently detected threat targeting each electronic banking user. As part of client awareness, we also conducted a number of dedicated training courses for selected corporate and strategic clients.

As in previous years, the Bank actively participates in the work of the Banking Cyber Security Centre Fincyber.pl operating within the Polish Bank Association. In 2021, the Bank and other institutions within the BCC developed a number of recommendations in relation to regulators’ expectations (e.g. sectoral approach to awareness campaigns, so-called active links and encryption of attachments) and to observed threats related to DDoS attacks.



ING for clients (S)

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Our mission is to support and inspire people to be one step ahead in life and business. We focus on technological development and on supporting clients in their daily functioning in the banking world. We respond to needs, increase availability and flexibility. We are committed to simple language and understandable banking.

Technological development

SDG 9

New central system

At the end of 2021, we began implementing Thought Machine’s Vault central system. The core banking system is the central point for all banking platforms and applications. Vault is a modern cloud-based *core banking* system and is an important part of the bank’s digital and technology transformation.

The implementation of an innovative central system is a huge step into the future, not only for our institution, but above all for our clients. Among other things, the new system will improve client satisfaction. It will allow faster introduction of new products and services, which will be possible thanks to the modular structure of the system. This will eliminate planned maintenance outages, during which the bank introduces new features. This will also allow us to provide a highly personalised offer tailored to the individual needs of each client.

This change is in response to clients’ expectations of reliable banking, without the disruption of service interruptions, as well as fully personalised offers and functionality tailored to clients’ needs. When looking for a solution to replace the entire central system, we focused on flexibility and ease of adoption of existing banking products to the new platform. The new system also means new prospects for developing technological competence in the bank and attracting new employees to the Tech Division.

The implementation of the new system started with the transfer of processes related to cash loans for individual clients to the system. At the

same time, it is the first element of a long-term strategy for the transformation of the central bank system. We will gradually migrate more banking products to the new technological platform, which will also allow us to gradually abandon the use of the previous system in subsequent areas.

Moje ING

BLIK contactless payments

Last year, in cooperation with the Polish Payments Standard, we provided another functionality as part of the BLIK Mobile Platform – contactless BLIK payments. Clients no longer have to enter their BLIK code each time they pay at a terminal in stationary shops. All they have to do is unlock their BLIK-activated Contactless phone with their PIN or biometrics and put it to the terminal. We implemented the solution in parallel with five other banks. Thanks to PSP’s partnership with the Mastercard payment organisation, clients can pay with BLIK contactless globally, wherever contactless payments with the Mastercard logo are accepted. The solution was made available in November to retail and business clients with Android phones.

New transaction history as part of daily financial management

2021 was another year in which we actively supported our clients in managing their everyday finances in Moje ING. Notable among the many initiatives in this area is the new transaction history made available in November 2021.

Growing user needs and new technologies were the inspiration for building a new version of the aggregated transaction history in Moje ING (History 2.0). It was written in new technology, based on the voice of the client, and its implementation was preceded by research with users, which determined its final look and feel.

History 2.0 is a completely new graphic design and a clearer form of information presentation, e.g. by introducing larger fonts, adding a colour background under credit and block amounts, changing the presentation of transaction details.

We have focused particular attention on making filtering more usable. We have taken into account the comfort of the user viewing the history on a mobile device, and have made it easier to view and use selected advanced filters. New to the transaction history, which stands out from the market, are the vendor icons visually linked to their logo. When paying with an account card and a prepaid card (including virtual cards), we present icons of the most popular retailers among our clients – now, a single glance at the history is enough for the client to see where he or she paid with the card.

Tracking card status and replacing a faulty card

In times of digitalisation and the possibility of constant access to services, we want our clients to be able to handle their products even more easily and quickly. We have enriched the debit card service in Moje ING with two new options. The first allows you to track the order status of the card and provides an estimated date of delivery to the client.

The second solution is to replace the card in Moje ING. The client can conveniently and fully remotely apply for the replacement of a faulty card with a new one, without leaving home. At the same time, he or she can use his or her old card until he or she receives a new one. The solutions are a response to the voices of clients, so that they can conveniently handle payment cards from the level of Moje ING.



Drawing down a mortgage tranche in Moje ING

One of the activities after signing the contract, which most often required a visit to the bank, was the release of the next tranche of the loan. At the end of 2020, we implemented this possibility for clients in Moje ING, without having to visit an outlet. In 2021, up to 60% of all subsequent tranches were released in the application.

Thanks to this solution, the client can send the required documents to the bank at any convenient moment, saving time, and without leaving home, start the next tranche of his or her loan.

My transport – car parks

In July 2021, we made it available to our clients to pay for parking in car parks using the Moje ING app. With the Parking service, clients don't need cash – they pay straight from their personal account with our bank, and access is always at hand, via a shortcut in the Moje ING app. In addition, they do not have to use parking meters and only pay for the time used thanks to the start/stop function. The service provider is moBiLET.

New functionalities in the Parent Panel

In times of digitalisation and pandemonium, remote access to services has become an even more important part of financial management for the whole family. That's why, along with the possibility to remotely open an account for a child 13-17 in Moje ING, we have provided parents with a single management centre – the Parent Panel. The Panel contains all the functions needed to manage the child's account and card, which the parent can also use fully remotely. In the Panel, the parent will find settings for card payment limits, push notification settings, or consent for the child, among other things. It can also block or unblock a child's access to money.

ING Business

The internet banking platform designed for corporate clients (business entities operating in the form of a company, i.e. other than entrepreneurs – these are serviced through Moje ING) has met with a positive response from clients. The ING Business ecosystem consists of a browser version, smartphone apps and a H2H (host to host) channel – ING WebService.

Users are increasingly using mobile devices to manage company finances – the new ING Business mobile app, released in May 2020, is already used by more than 47% of clients.

The share of transfers made via a mobile application is also increasing.

Share of transfers made via ING Business mobile application				
	2018	2019	2020	2021
Share of transfers made through ING Business mobile application	3.3%	5.4%	6.8%	9.2%

We are successively working on further regular updates and releasing new important features.

New version of ING Business internet banking

In 2020, we began work on a new version of our online banking system for corporate clients. Due to the huge changes in the Internet space and the need to adapt to the needs and expectations of users, we have decided to radically rebuild our system. The brand new user interface is being developed on the basis of regular client feedback, as well as input from bank employees in direct contact with clients.

In 2021, our clients could use the first module of the new ING Business system. It was launched for users of corporate payment cards issued by ING. Cardholders will find here, among other things, full information on the

history of transactions with the possibility to create and download PDF confirmations, 3D Secure authorization function, detailed information on the cards held and cyclical lists of card transactions generated automatically by the system, which users can download after logging in or receive at a predefined e-mail address. From August 2021, the system also includes the option to send free notifications (about completed and rejected payments and failure to pay off a credit card on time) to selected email addresses.

Transactions 24/7

- We have made it possible for clients (including individuals) to carry out some operations and services 24 hours a day, even on holidays (Sundays and public holidays). We have implemented the following changes in individual products / services, among others:
- internal transfers in PLN, foreign currency (but without currency conversion) and ExpressElixir are posted 24 hours a day;
- currency purchase/sale transactions at eKantor are posted 24 hours a day;
- reloads of prepaid cards are possible 24 hours a day, without additional parameterisation of the current account;
- deposits to on-line cash dispensers, to cash dispensers installed at clients' locations and to cash deposit machines are posted 24 hours a day;
- consolidations/reports in the Mass Payment Service (SIMP) can be parameterised every day until 23:50.

Foreign exchange transactions in SWIFT GPI mode

The Bank has joined the SWIFT Global Payments Innovation (GPI) initiative, which aims to reduce the turnaround time for international payments and the labour intensity of SWIFT payment queries and complaints. We have



provided corporate clients with a new functionality – SWIFT transfers in GPI mode for all currencies.

This has brought tangible benefits to our clients:

- All foreign currency transfers (other than SEPA) and SORBNET are executed in the shortest possible time
- In ING Business, in the details of an executed foreign currency transfer and domestic transfer for SORBNET, the client can check if and when the transaction was posted to the counterparty without the need to contact a bank employee. If she was rejected – she will see what the reason was.
- There is no additional charge for GPI transactions and information on the recipient's posting status.

In addition, access to routing and payment details in the SWIFT GPI Tracker database will allow the Operations support units to significantly reduce response times to client queries and complaints.

Access to the full list of requests and the possibility to return transfers

In 2021, we provided clients with access to the full list of requests, along with the option to view details in PDF and the ability to authorise most of them. We have also added information about applications requiring user action to the application's start screen.

An important facility is also the ability to easily return transfers from the operation history. This feature is only available on the mobile app.

Biometric verification of identity

Business clients can remotely confirm the identity of new ING Business users using biometric identity verification (we compare the user's facial features with the image on the ID card). So far, the solution has only been used for onboarding new clients.

New users – housing communities

In order to provide convenient and fast banking services to housing communities, adjusted to entities that have several representatives and, at the same time, several internet banking users – we decided to transfer housing communities from the Moje ING system to ING Business. We started this process in Q4 2021.

SAIO

May 2021 saw the launch of our proprietary platform for end-to-end robotisation of business processes – [SAIO](#). The solution, based on Robotic Process Automation (RPA) and Artificial Intelligence (AI) technologies, has enriched the offer of beyond banking products for clients in Poland and worldwide.

SAIO is a universal tool, therefore it is successfully used by companies from various industries – from automotive, food, steel, finance and e-commerce. In 2021, our clients “employed” robots from SAIO in processes from the areas of HR, accounting, purchasing and sales, IT, operations or client service, among others. In doing so, we provided them with a full range of robotisation services: a review of processes in terms of automation possibilities, training for employees and, finally, implementation of the robot.

Business responsibility

SDG 10

At ING Bank Śląski, we are guided by responsibility in our business and non-business activities. In addition to being guided in our daily work by the Orange Code and the principles of the Code of Banking Ethics, we devote much of our attention to ensuring the highest quality and safety of our services and products.

KYC – Know Your Customer

ING Bank Śląski's priority is to protect clients and the financial system from financial and economic crime. The Know Your Customer (KYC) process plays a key role in this. Know Your Customer, CRS Common Reporting Standard (CRS) and ESR (Environmental Social Risk). The Bank has a KYC Policy (updated in Q4 2021), which sets out the requirements and internal controls to ensure compliance with bank-wide regulations on client and business partner cognition and to mitigate the risk of financial, economic, tax and environmental crime, and breaches of social norms by our employees, but also by clients and business partners.

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

- The Law on Prevention of Money Laundering and Financing of Terrorism;
- The Financial and Economic Crime Task Force (FEC) has been set up by the European Commission;
- An Act to implement the Agreement between the Government of the Republic of Poland and the Government of the United States of America on improving compliance with international tax obligations and implementing FATCA legislation;
- Agreement between the Government of the Republic of Poland and the Government of the United States of America on improving compliance with international tax obligations and implementing FATCA legislation and the accompanying Final Understanding;
- Law on exchange of tax information with other countries (CRS);
- Environmental and Social Risks (ESR);
- Specific requirements for MDR (Mandatory Disclosure Rules) and on the tax integrity of CTI clients. (Client Tax Integrity).



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

- The Bank complies with laws and regulations related to FEC, FATCA/CRS, MDR and ESR. Therefore, we do not participate in, enable or otherwise engage in any activities prohibited by Polish, EU, Dutch, UN or US laws.
- Bank employees do not support or advise clients on laws and regulations, in particular on how to circumvent laws and regulations.
- The Bank only accepts and maintains relationships with clients and business partners after Customer Due Diligence.
- The Bank does not enter into new relationships with clients in extremely high-risk countries and exits from existing such relationships.
- The Bank is transparent with clients regarding information and reporting requirements.
- To ensure data quality and compliance with the KYC the Policy requirements, the bank invests in expertise and appropriate tools.
- At any time, the bank may provide evidence of effective implementation of the KYC requirements.

Anti-money laundering

As part of its AML activities (Anti Money Laundering) the bank constantly assesses and verifies client relationships and controls transactions. Potentially suspicious transactions are investigated and reported to the relevant authorities.

The fight against financial crime can only be effective by joining forces and exchanging information – banks, authorities, the judiciary, as well as public institutions and market participants – at national and international levels. We therefore strongly support initiatives to fight financial crime together.

In addition, ING Bank Śląski has significantly increased the number of employees in the bank's organisational units related to AML and terrorist financing. Since 2018, the number of employees involved in the aforementioned processes has nearly tripled. As at 2021 yearend, the Bank employed 1,025 people in these areas.

On 14 January 2022, ING Bank Śląski received a decision from the Financial Supervision Authority to impose a fine of PLN 3 million for violations of the Anti-Money Laundering and Terrorist Financing Act (hereafter referred to as the AML/CTF Act). The financial penalty is the result of the PFSA's inspection of the Bank in May 2019, which found breaches of the AML/CTF Act in areas:

- the ongoing monitoring of the client's business relations,
- an appropriate reinforcement of financial security measures where there is a higher risk of money laundering or terrorist financing,
- documenting the investigation of the source of funds and assets of Private Banking clients,
- ensure that the bank has up-to-date knowledge of its clients.

Responsible product offering

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

This process is governed by the Policy – Standard for Implementation, Modification, Review and Liquidation of Products for Bank Clients (PARP). The PARP policy applies to all products for the bank's clients and aims to ensure an effective product development and review process in line with ING Bank Śląski's strategy, regulatory requirements, common law and internal regulations, compliance standards and ING Group standards.

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

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

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

- products should be in line with the bank's strategy,
- the financial and non-financial risks associated with the implementation of the product initiative must not exceed the acceptable risk level established at the bank,
- product initiatives implemented in the PARP process are compliant with the generally applicable law and internal regulations,
- the target client group for products/services is clearly identified and defined on the basis of commercial and risk assessment criteria,
- information about the product, target client groups, functionalities, prices, pilots, risks and exclusions is clearly communicated and is clear to clients,
- the bank does not use loopholes in the law to circumvent financial reporting regulations or to avoid tax burdens, either for the bank or the client – the bank's products do not support the client in potential tax evasion,
- the bank does not use clauses considered to be abusive in its regulations and agreements concluded with clients,
- the bank designs products in a way that is clear and easy to understand by the target client group,



- information is provided to clients in a fair, clear and comprehensive manner, presenting all product features of relevance, in particular the conditions of use and the related costs and potential financial risks for the client,
- the bank does not infringe the principles of fair competition, in particular by using unreliable or misleading advertising.

In addition, we have set fair pricing guidelines to support our pricing decisions:

- price levels are considered fair if they are consistent with client expectations and market practice,
- price levels may vary depending on the client’s relationship with the bank, taking into account risk, costs and profitability,
- discounts are allowed if the conditions are transparent and applied in a consistent manner,
- campaign promotional prices should avoid undesirable effects on price positioning for the ING brand.

The implementation of changes on products as part of the process of implementation, modification and liquidation of products intended for the bank’s clients follows the scheme:

Product solution preparation process (PACE/AGILE)



All new products and changes to existing products are evaluated in the PARP process using input from stakeholders to achieve a standardised approach within the bank that results in legitimate, client-appropriate,

consistent, high-quality products that add value to clients and the bank. At the same time, the requirements and course of the PARP process ensure that the scope of the product risk assessment covers the application of Polish, EU and other legislation, e.g. FATCA/CRS, BFG, GDPR, MiFID II. In terms of Polish law, the bank is obliged to comply, among other things, with the regulations which condition the level of prices in the credit area. This includes the provisions of the Civil Code, which sets maximum levels for contractual and penalty interest rates. Important regulations are also the Mortgage Loan Act (regulates the calculation of the APR and the total cost of loan, the requirements for the content of the agreement, e.g. regarding fees and costs, and the amount of the early repayment commission) and the Consumer Credit Act (regulates the amount of non-interest loan costs and the amount of the early repayment commission).

The implementation of a new product or significant changes is carried out following a mandatory decision by the relevant standing product committee appointed by the Bank’s Management Board. Those are: Retail Products Committee, Corporate Products and Financial Markets Committee and for credit products: Credit Policy Committee. In terms of price changes, decisions are made: Retail Pricing Committee and Business Client Pricing Committee.

The primary objective of the product committee, as the decision-making body for product implementation, modification, review and liquidation, is to create an optimal portfolio of retail and corporate banking products (including bancassurance products) and financial market products. The tasks of such a Committee include:

- deciding on:
 - implementation of new products and processes,
 - implementation of new activities, including new distribution channels related to new or existing products,

- implementation or major modifications to the IT system related to new products or (new) activities,
- a significant redesign of an existing process/product implying an increase in risk, including operational risk, compliance risk,
- introduction of new regulations binding the client and the bank, e.g. rules of procedure, contracts,
- liquidation of the product or its withdrawal from the offer,
- taking decisions on the implementation of changes underlying recommendations by external regulators and supervisory institutions,
- taking decisions on product reviews based on the principles underlying the Instructions on the implementation, modification, reviews, and liquidation of products for the bank’s clients,
- periodically informing the Bank’s Management Board about decisions taken,
- approving periodic verification (once every 3 years) of the quality of the process of the implementation, modification, reviews, and liquidation of products.

The decision of the product committee is published each time in the form of an order issued by the CEO.

In addition to these committees, a Client Protection and Product Approval Committee was additionally established in 2014. The mission of this committee is to create the right environment for the bank’s business activities related to the production, recommendation and/or offering of financial instruments and structured deposits by minimising the so-called mis-selling risk, i.e. the risk of selling a product unsuitable for the client. The Committee’s activities ensure that product transparency and relevance are



improved and that market integrity problems are avoided, across all client segments, regardless of distribution channel.

Administrative penalties imposed

In 2021, the Office of the Polish Financial Supervision Authority (PFSA Office) conducted two administrative proceedings against the bank, which resulted in two administrative penalties being imposed on the bank.

As a result of the first proceedings, the PFSA Office issued a decision imposing a total penalty of PLN 4.3 million on ING Bank Śląski for improper supervision of activities carried out by certain investment funds for which the Bank is a depository. More information on this topic is available at [this link](#) (Polish link).

The second proceeding of the PFSA Office was related to a breach of the Act on the Prevention of Money Laundering and Terrorist Financing. As a result of these proceedings, the PFSA Office issued a decision imposing a penalty of PLN 3 million. The financial penalty was the result of an inspection by the PFSA Office carried out at the Bank in May 2019, which revealed breaches of the Act on the Prevention of Money Laundering and Terrorist Financing in the areas of: ongoing monitoring of the client's business relationships, appropriate intensification of financial security measures in cases of higher risk of money laundering or terrorist financing, documenting the investigation of the source of funds and assets of Private Banking segment clients, ensuring that the Bank has up-to-date knowledge of clients. More information on this topic is available at [this link](#) (Polish link).

We reliably inform clients about product risks

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

Under MiFID II regulation, when we offer financial instruments to clients, we inform them before they enter into a transaction in a fair and not

misleading manner of all material risks associated with that instrument or investment service. Clients are informed about risks during discussions with employees of our bank, who are authorised to provide information on financial instruments, and they also receive information on risks in the so-called permanent medium, as well as they can read it on our bank's website. The obligation to report risks applies to all client segments. In addition, on the basis of the regulation on key information documents for packaged retail and insurance-based investment products (so-called PRIIPs), clients in the retail segment (according to the MiFID II categorisation) purchasing PRIIP products receive a standardised document, the so-called KID (Key Information Document), containing key information about the product, including information on the associated risks. The employee training courses conducted at the bank in the area of distribution of financial instruments (MIFID) contain all the information required by law in accordance with Article 41.1 and Article 41.2 of the Regulation on detailed technical and organisational conditions for investment firms, banks referred to in Article 70.2 of the Act on Trading in Financial Instruments, and Custodian Banks.

Retail segment

In terms of savings and investment products, promotional offers have simple and transparent terms and conditions and are available to all clients. We equip clients with numerous tools to manage their finances and savings. In terms of investment products, we have a friendly and simple process for profiling the client and assigning risk profiles – we avoid complicated terminology in the survey and the survey itself has a simple and friendly form. We provide simple solutions and tools for clients taking their first steps in investing: Fund Account, Investment Robot, Regular Investment of small amounts. Each of these products is available in a low investment risk variant. We conduct educational activities so that clients make investment decisions with, among other things, an awareness of current economic conditions. We do not aggressively sell investment

products. Investment fund companies that take ESG factors into account when selecting companies for their fund portfolios accounted for 98.6% of our clients' assets in these products, of which PLN 509 million worth of assets were investments in funds complying with Articles 8 (funds promoting sustainable development) and 9 (impact funds) of the SFDR.

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

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

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



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

Corporate segment

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

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

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

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

Anti-fraud platform

We make sure that our credit processes are secure, which is why the BIK Anti-Fraud platform has been incorporated into our credit processes. With this integration, we not only ensure the quality of our loan portfolio, but

also protect our clients from the dangers of fraudsters trying to impersonate stolen identities.

Metadefender

In 2021, we implemented the metadefender solution in ING Business, which was implemented as another element to strengthen security. The solution provides file scanning and its purpose is to exclude the possibility of attaching infected and encrypted files to the ING Business system.

In the first stage, in the first quarter of the year. 2021 we enabled a passive mode that scanned files without blocking them. The user could reprocess the message/request with such an attachment. On the other hand, in Q4 2021 we have enabled active mode for this solution which results in encrypted and potentially infected files being blocked by not being able to attach them.

We have also implemented a Digital Fingerprints solution that allows us to collect information about the devices from which system users log in. In the coming years, we will work to actively use the data collected through it to introduce additional security features into the system.

Settlement scheme for clients with CHF-indexed housing loans

On 25 October 2021, we launched a settlement programme for clients with CHF-indexed housing loans, in line with the proposal of the Chairman of the PFSA. From the start of the programme until the end of December 2021, our clients submitted 522 applications, of which 147 resulted in signed settlements (at the end of January 2022 there were 591 applications and 170 settlements respectively). As at 2021 yearend, we had 3.9 thousand active CHF-indexed mortgages.

To this end, we have provided clients with the opportunity to apply for mediation through the Mediation Centre of the Arbitration Court of the

Financial Supervision Authority. The process is free of charge for the client. Clients can apply for mediation through Moje ING online banking or the bank's website. The loan will be recalculated from the date of its disbursement, assuming that it was a loan granted in Polish zloty from the beginning.

Information on legal risks of FX mortgage loans

As at 2021 yearend, 755 court cases were pending against our bank (450 a year earlier) in connection with CHF-indexed PLN loan agreements. As at 31 December 2021, the outstanding principal of the loans subject to litigation amounted to PLN 197.8 million (PLN 129.6 million as at 2020 yearend). As at 2021 yearend, the amount of gross carrying amount adjustment resulting from legal risk for this loan portfolio was PLN 345.6 million (PLN 300.0 million a year earlier). The ratio of provisions to the gross portfolio (before gross carrying value adjustments) represented 41.2% as at 2021 yearend and 32.3% a year earlier. As at 2021 yearend, we had 3,920 active CHF-indexed PLN mortgage agreements.

With regard to the CHF-indexed mortgages already removed from the statement of financial position, we had a provision of PLN 37.6 million at 31 December 2021 (compared to PLN 11.8 million as at 2020 yearend). This amount is presented in liabilities under Provisions (not an adjustment to the gross carrying amount).

Please refer to our 2021 Annual Consolidated Financial Statements for detailed information on the legal risks associated with the CHF-indexed loan portfolio.

Behavioural verification

We have implemented behavioural verification, a service that analyses how a user of the Moje ING app uses their computer or smartphone. Behavioural verification analyses the user's interactions with the device, such as the use of the keyboard, mouse, the way the smartphone is held in the hand or the



movement of a finger on the touchscreen. During this verification, we do not check what the client does, but how he or she does it. We study, for example, at what intervals and for how long the user presses keys, not what is typed on the keyboard. When a client who has consented to analysis uses the application, a behavioural profile is created. Once we have collected enough data, during subsequent user sessions in Moje ING we compare the client's current behaviour with their stored profile. If our systems detect worrying differences between the profile and current behaviour – we will activate additional safeguards.

This significantly increases the likelihood of detecting that a client is being impersonated by a cybercriminal. This solution is useful, especially during attacks on clients using social engineering methods. This is when the client's credentials are phished and intercepted. The cybercriminal can therefore use the correct login, password, PIN code or authorisation code from the text message that he or she has taken over from the client. Nevertheless, the security system can catch non-standard user behaviour in the application. If it is suspected that an unauthorised person has logged in on behalf of the client, the system has the opportunity to take action, such as blocking the transaction being performed or blocking access to the client's online banking. This allows the client's money to be protected from theft.

Customer experience

Customer experience is the sum of the experiences, emotions and perceptions a client has across all possible contact channels and touchpoints throughout the duration of their relationship with a brand. At ING Bank Śląski we focus our activities on improving the client experience, their needs and expectations, and this also translates into supporting the bank's strategy.

We are committed to continuously improving service across all client-bank interface channels to not only keep up with our clients' expectations, but even exceed them. Good memories and emotions associated with the service make clients want to stay with us longer and consequently recommend us to others.

Customer Journey Map (CJM)

We create a Client Journey Map (CJM) to know and understand our clients and translate this information into building even better experiences. In 2021, we worked on 16 journey maps for our clients in areas such as everyday banking, savings and investments, loan and insurance and online banking. In the next step, we planned the next travel maps. As a result of the work, we diagnosed more than 130 ideas for improvement, 40 of which we implemented as rapid. The mapping work helps us better understand client perception and identify key moments in the journey that can determine whether clients stay with us or leave. Additionally, CJMs help us understand which changes can have the greatest impact on both the client experience and the business efficiency of the process. To break down silos, we map the end-to-end process – we see the dependencies between different sub-processes and improve them effectively. We work systematically on the maps we have created, constantly making changes and observing how this affects clients.

Voice of the client – our response

We continuously analyse and respond to the voices of our clients. In 2021, in every area, whether in daily banking, online banking, the area of savings and investments, loans and insurance or loans and cards, we have created lists with TOP topics. These are the topics with the highest volume of client voice in service channels, i.e. chat, helpline and complaints. During the year, we worked on diagnosing the key problems faced by clients in these themes and developed solutions to address these problems. Following implementation, we will monitor the effectiveness and impact of the

changes on client voice volumes. The result of the work in 2021 is the implementation of 82 changes. We are supported in our work by *Voice Lake*, which is our primary source for analysing and working with client voices, giving us useful information on which to take further action. We are also constantly working on the development of this application. Therefore, as of July 2021, *Voice Lake* 's voice base will also include chat voices alongside other sources such as complaints, Virtual Message Assistant, feedback, posts, NPS. In total, we registered over 1.8 million votes in 2021, around half a million more than in 2020. This translates into approximately 5,013 interactions each day. This scale clearly shows that clients need to get in touch with us.

Complaints

In 2021, we closed 43% of client requests on the same day they were submitted.

We have introduced additional solutions that improve the handling of requests from the very first contact with the client at meeting points, on the hotline or during a chat. As a result, as many as 19% of complaints have already been handled at intake or conditionally recognised. 2021 also brought significant changes to the organisation of claims handling.

In January 2021, we handed over the care of the process to the Client Experience Expertise Centre. In April 2021, we established a unit to handle fraud complaints. We have also separated the service for individuals and companies into dedicated units. The separation of complaint handling between separate, specialised units has enabled comprehensive and efficient resolution of client requests. Throughout the year, we made a number of improvements to Echo, our claims tool. These range from those that allow us to analyse client requests more accurately to those that improve the analysts' working comfort.



As a result, the average handling time for retail client complaints was less than 7 days.

Net Promoter Score

We strive to ensure that our products and services are best suited to the needs of demanding clients and changing market realities. The voice of the client is very important to us, so that we can reliably identify our strengths and areas for improvement, and consequently respond more precisely to our clients' needs and improve the quality of service.

For us, Net Promoter Score (NPS) is the main metric that measures how effective we are at delivering the best experience for our clients and shows how much they recommend ING to others. We work on the results of this survey, combine it with other sources of client knowledge (including the categorised voice of our clients using elements of artificial intelligence), analyse the results by type of client relationship, product, channel, in order to finally be able to take appropriate action.

It's more than a survey – we work with feedback, analyse it honestly, identify weaknesses and strengths. This allows us to eliminate errors, make improvements and propose solutions that go beyond the standards. Working with the voice of the client is firmly embedded in our organisational culture – representatives from all product areas work with research findings.

We measure not only relational NPS but also conduct CX checks at the transactional level. As part of our ongoing NPS programme, we regularly collect feedback from clients for all key processes and channels.

Retail segment

The relational NPS for total clients in 2021 averaged 29 points for 4 quarters and was 5 p.p. higher than in 2020. This result gives ING the title of the most recommended bank in Poland (among the 12 largest banks surveyed). On

the other hand, it shows that our clients are increasingly evaluating the relationship with ING. The source of the data is the Zoom Benchmark survey conducted by Kantar. The survey was conducted using the CATI method and is representative of all Poles aged 15+.

Reasons for this increase include:

- rapid adaptation to the needs of clients broadly related to the pandemic (clients have the possibility to carry out the vast majority of their financial affairs and beyond banking in the mobile application Moje ING),
- very highly rated mobile application,
- a high level of service at meetings and in remote channels (hotline, chat),
- designing services and delivering the best experience for our clients, taking care not only of their transactional value but also of the emotions involved in using them.

Surveys at more than a dozen contact points also continued during 2021. The number of key touchpoints surveyed is growing and the way in which clients are reached with the survey is tailored to their needs. Further research development in mobile and online banking is planned for 2022.

In 2021, we also earned podium places in many industry rankings. The ones we are particularly pleased with are those in which we were rated by a client taking part in a survey. High places on the podium of Mystery Shopper surveys also confirm our high performance in terms of the level of implementation of standards and the best quality of service for our clients.

Corporate segment

In 2021, in the corporate banking segment, we collected more than 30,000 surveys with the ratings and opinions of our clients for 7 points of interaction with the bank (account opening, financing, online banking

systems, mobile application, branch visits, interaction with the Call Business Centre and relational NPS).

The relational NPS for 2021 in the entrepreneurs segment was 51.1 (measurement start in February 2021), while in the medium and large companies segment it was 44.9 (up 4.5 p.p. compared to the 2020 result). For the strategic clients the ratio was stable at 68.8 (in 2020 it was 70).

The high levels of indicators achieved are due, among other things, to:

- consistently supporting companies through the uncertainty caused by a pandemic and nimbly adapting the offer and service to changing client needs and market circumstances,
- highly rated and award-winning digital channels: Moje ING online and mobile banking for entrepreneurs and ING Business online and mobile banking for companies, through which our clients can handle the vast majority of banking matters online,
- high quality service through a network of branches, company advisors and a company hotline.

We conduct research in all segments using the CAWI method. Due to the scale of the activities, the programme in the segment of entrepreneurs and medium-sized and large companies is implemented in cooperation with the research institute IPSOS Poland. Strategic clients relationship study is part of an international study conducted by ING Group.



Simple and understandable banking

SDG 10

Actions of the “Simply” (Po prostu) team

We want the language we use to be understandable to our clients – so they can make informed financial decisions more easily.

2021 was just another successful year for the “Simply” team:

- We supported our advisors in their interactions with clients, simplifying important communications, templates and ongoing responses with them.
- The team’s efforts were supported by the Prostomat application, which automatically simplifies 1-2 thousand messages per month and, thanks to machine learning, evaluates our texts as a qualified language specialist would.
- We won another (third) certificate – this time for simple language in remote support (chat, emails, messages, complaints, social media, hotline).
- As part of the Polish Bank Association, we have joined the declaration in favour of simplifying the language of finance.
- We organised the third edition of our Simple Language Conference, where we had as many as 800 people from various industries with us online.
- As part of the simplification of our documents, we have amended the Table of Fees and Commissions for corporate clients. We have made changes to improve the readability of the Table and simplified the naming of charges and chapters.

Thanks to these measures, the internal Between Us survey shows that already 62% of our communications meet the ING plain language standard. We also maintain our position as the leader of the Polish financial industry in the brand research – plain language question.

Service in outlets

Changing the Organizational Regulations

In November 2021, we amended the Bank’s Organisational Regulations to align them with our organisational structure. Since the introduction of the changes, we have been serving individual clients at bank branches, which we divide into:

- meeting points: we will arrange a convenient day and time with the client to discuss their needs. Specialists will help you take care of your financial future, live better, as well as in everyday banking,
- private Banking meeting places – clients from the Private Banking segment will meet their advisor here,
- cash service points – here we take care of the comfort of withdrawing and depositing cash at the cash desk; a specialist will help to make the transaction smooth and safe,
- ING Express sales outlets – operate in shopping malls; our clients can open an account there along with access to online banking.

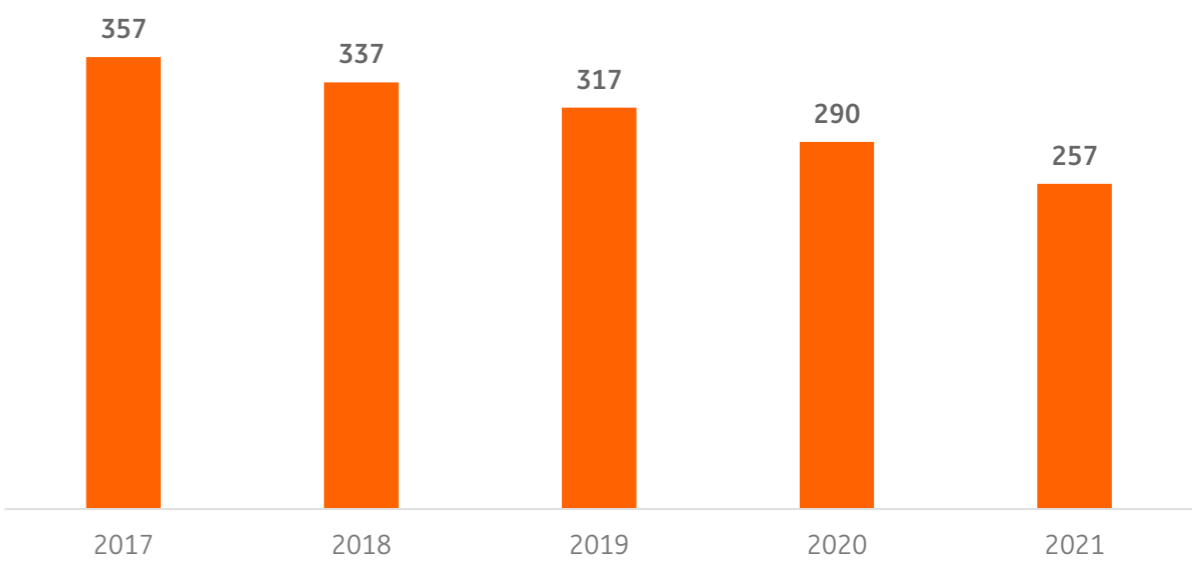


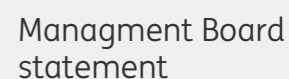
Our outlets

At the end of 2021, we had 257 banking outlets (including 66 cash service outlets and 191 with cash service only at ATMs, deposit machines and dual machines), compared to 290 at the end of 2020. All our outlets are equipped with self-service areas where clients can deposit and withdraw cash on their own. We continue to modernise them by changing the equipment and decor and introducing new functional solutions.

We continue optimization activities by relocating and consolidating outlets to the most attractive business locations in individual cities and regions.

Number of our meeting points







Availability and flexibility

SDG 10

Availability of mobile application and internet banking

In 2021, we established an interdisciplinary working group that is dedicated to improving the accessibility of our systems for people with disabilities. The group consists of developers, testers and designers. Bringing together people with different competencies provides a multi-faceted approach to ensuring accessibility. The group develops common WCAG standards and good practice in design, testing and research. Thanks to the activities of this group, the content of our websites and online banking and applications are more easily digestible by people with disabilities, e.g. through the use of a screen reader. The group includes training sessions, meetings with experts and knowledge exchange within the ING Group.

The next steps for the group will be to carry out training, to further adapt our systems to WCAG standards, and to organise meetings with people with disabilities to learn more about their needs and the problems they face on a daily basis.

Telephone and written contact

Remote contact with the bank is increasingly important for clients. We support them through a helpline that operates 24/7, a modern chat room, contact forms and social media. 2.5 million inbound calls, 1 million client chats, 160,000 emails and 160,000 social media posts – these are the numbers for our client interactions in 2021.

It was particularly important for us to ensure that our clients were safe and that we could help them if they were affected by online fraud. Therefore, for

security issues, we have prepared a separate path in the menu for selecting topics of our hotline.

We make it a priority to deal with each of our clients' matters comprehensively in a single contact.

Social media

As ING, we are active on all major social media platforms in Poland. For us, social media is an important channel for two-way communication with clients, where we can respond to their questions and concerns in real time, almost 24 hours a day. It's a place where we share valuable content, engage and build relationships. As a result, we have been at the forefront of the most followed banks and building the most engagement on YouTube, Facebook, Instagram, Twitter and LinkedIn for years.

In 2021

- we were the second bank most talked about by internet users on social media and the second best rated by them,
- we received 170,000 questions and comments, which is 30% more than in 2019 when we received 130,000. In 2020, we received 202,000 questions and comments, due in part to the COVID-19 pandemic.

More than 80% of these conversations took place on Facebook, but clients also interacted with us on Instagram, YouTube, Google Play shops, the App Store and even on Wykop.

We improve, develop and support

Retail segment

Continuation of client digitalisation

When interacting with our clients, we encourage them to digital solutions. We assist in Moje ING online banking. We demonstrate convenient solutions in our app. We also educate on safe banking through apps.

Our aim is to show traditional clients that everyday matters can be handled differently: faster, easier, more conveniently and without leaving home – simply, fully remotely.

We focused on changing clients' habits from traditional bank visits to fully remote management of finances, official matters and the use of discounts and promotions with all possible forms of security and health protection.

We continued personalized, periodic letter and text message communications tailored to the needs and expectations of specific groups of non-digital clients to introduce them to the benefits and functionality of remote banking.

We wanted to inspire future users of modern solutions. That is why we presented in the communication real stories of clients who faced similar challenges, changed their habits and were satisfied with the change.

We also matched the natural traffic of non-digital clients who visited the ATMs and deposit machines at our venues. While they were withdrawing or depositing cash in the self-banking area, we invited them for a chat during which we helped them set up online banking.

At the same time, our specialists at the venues supported clients at every stage of discovering, developing and becoming fully self-reliant in the safe use of digital solutions.



In 2021, 35% of the clients we contacted and visited the venues had set up a login to Moje ING. Then 95% of them logged in and actively used online banking.

Remote handling of mortgage needs at meeting points

Changes in the world around us are significantly affecting the way we serve clients. Clients still visit our meeting places, but they are increasingly looking to do their banking remotely. In 2021, we responded to these client needs by implementing the ability to handle mortgage cases remotely at appointments. The client processes the mortgage application without having to visit the bank in person. He or she only met with us to finalise the mortgage agreement already in place.

The remote mortgage client service allows all the standard activities associated with the stage of presenting a credit offer and accepting a mortgage application to be performed, based on data, information and documents obtained from the client during a telephone conversation and/or via email. In order to ensure the safety of our clients, we use a company telephone with a recording function for mutual contacts and apply identification and verification of the client during each telephone conversation with a specialist.

Clients opting for a remote service save time and avoid the inconvenience of commuting, among other things, in addition to having their mortgage needs met efficiently.

This form of contact with the bank is chosen by an increasing number of clients – as of June 2021, one in five clients has processed an application in the remote service model at meeting points.

Possibility to resume a request for an account in case of discontinuation

We have taken care of clients who did not manage to submit their application correctly right away. We have improved the process and in

October 2021 we implemented the option to resume the process. If you abandon your account application, you will be able to return to it. We send the client a text message and an e-mail redirecting them to the application that was started earlier. The client does not have to provide a lot of information again, he or she will quickly complete the application.

Thinking of the youngest

Responding to the voices of our youngest clients, under the age of 13, we have changed the standard orange prepaid card to a card with youthful graphics. In addition, we expanded the card gallery with 38 new images from the following categories: games, animals, sports, art. Also new was the addition of a series of graphics that allow you to have vertical cards. There's also a real treat for animal lovers – a series of cards designed by Maria Apoleika (Dog Bites).

After a series of cards with animals, accompanied by the publication of a video guide on responsible pet adoption, we offered a card from the area of an important passion for music for young people – a card designed and signed by the well-known young singer Viki Gabor. The singer, together with ING, encouraged young people to develop their passions and seek their own “stage” in life.

Improvements in the service of Premium and Private Banking clients

In 2021, we have improved solutions that allow Private Banking clients to have full control over their investment portfolio regardless of time or location. We have provided a personalised view of your investments in Moje ING, a clear dashboard and a detailed report of your investments. We are consistently developing these tools. For the client, it is the possibility of a fully remote, convenient and professional service.

The report is prepared by the advisor and uploaded to the My Documents section of the client's online banking. The aim of this solution is to present

the client with a complete view of all their investment products, together with information on profits and losses.

From March 2021, Premium and Private Banking clients can find separate sections on our website aimed just at them. As a result, our offer has become more transparent, and Premium and Private Banking clients can easily find a complete offer designed for each segment.

We have also made the investment advisory service, provided by a team of experts from the Advisory Banking Centre, available to Premium clients who have declared a desire for more complex investment solutions.

We continued development activities for investment professionals in venues and Private Banking advisers. Currently, all Private Banking advisers are EFPA certified. We thus provide our clients with the highest standard of service and professional support in investment advice and financial planning. We have expanded our participation in the EFPA programme to include a group of specialists from meeting places and the Remote Premium Centre. They all completed the programme with a passing exam. This contributes to our business responsibility in terms of client service.

Corporate segment

Accounting Office for Entrepreneurs

To the range of accounting services provided by the ING Bank Śląski Group in 2021 joined the Accounting Office for Entrepreneurs running a sole proprietorship settling their accounts using the Registered Lump Sum or Tax Book of Income and Expenses. Using our experience gained over the years of servicing companies settling accounts on the basis of full commercial ledgers, we have prepared a comprehensive offer addressing all the needs of this group of clients. The service is operated via a suitably modified ING Accounting system and the ING Office mobile application.



The launch of the Accounting Office was preceded by an extensive analysis of clients’ needs and expectations and, in addition, a promotion exempting clients from payment for the first 6 months of using the service.

In the course of 2021, listening to the voice of our clients, we improved our service – since August we have provided additional functionalities in the ING Accounting system, such as support for running a cash register and generating ZUS declarations directly from the application. In the autumn, we automated the process of sending returns to the Tax Office, which until now was carried out by clients themselves.

Further credit processes for the entrepreneur in Moje ING

In 2021, we made further credit processes available to entrepreneurs in Moje ING. Clients can remotely request a change of collateral for a loan and apply for a change of loan instalment. Entrepreneurs also don’t have to remember what we asked them to do once the loan is in place. All the terms and conditions indicated in the contract, together with the documents requested by the bank, can be found at any time in Moje ING. At the same place the client can send the documents required by the bank.

At the end of the year, a new version of the Moje ING loan application was made available. The new version of the application takes into account the comments of our clients which we obtained during our talks with entrepreneurs conducted within the PACE project. We have changed the language to make it more understandable for the entrepreneur making the application himself, and we have significantly reduced the amount of data to be collected. We also made sure that the process helped the client to choose the best offer for them and made sure that all the required documents were attached to the application.

Remote credit process – not only for ING clients

For many years we have been investing in remote and simple solutions in the area of financing medium-sized and large companies. Thanks to this,

our credit process can be carried out completely remotely – from submitting an application, through concluding a loan agreement, to releasing funds. Similarly, loan service during the financing period – it is fully available in the internet banking system.

In this segment, for several years now, we have been taking a credit decision of up to PLN 400,000 online while the ING client is already filling out an application in ING Business. In August 2021, we made an analogous decision available online for companies that are not yet ING clients. The application is available on the ing.pl website and thanks to this, even a client who is not yet connected to ING can check whether he or she will receive a loan from us before taking steps to open an account.

PFR 1.0 Financial Shield for micro, small and medium-sized enterprises.

In April 2021, we launched the process to account for the subsidy received in 2020 under the PFR 1.0 Financial Shield.

Through us, almost 51,000 companies received the financial shield for a total amount of over PLN 9.5 billion. As part of the clearing process provided by the Bank, the Polish Development Fund has written off subsidies to beneficiaries totalling over PLN 5.6 billion.

The repayment schedule shall be drawn up by the bank on the basis of a decision fixing the amount of the subsidy to be recovered. The amount of the subsidy to be repaid shall be repaid in 24 equal monthly instalments. Repayment processing is available through the companies’ online banking.

A webinar “PFR financial shield 1.0- waivers and repayments, deadlines and conditions” was organised to familiarise subsidy beneficiaries with the conditions for waivers.

PFR 2.0 Financial Shield for Micro, Small and Medium Enterprises (Industry Shield)

In January 2021, we entered the second phase of the PFR subsidy programme for micro, small and medium-sized companies. Until the end of February 2021, micro-enterprises employing between 1 and 9 employees with an annual turnover or balance sheet total not exceeding EUR 2 million and small and medium-sized enterprises employing up to 249 employees with an annual turnover of up to EUR 50 million or balance sheet total not exceeding EUR 43 million could apply for support. The subsidy was available to companies affected by a drop in revenue of at least 30 per cent in the periods April 1 to December 31, 2020 or October 1 to December 31, 2020 as compared to the corresponding period of 2019 due to COVID-19.

The subsidy was addressed to a selected group of entrepreneurs, who in the relevant register had at least one code of the Polish classification of economic activities (PKD) listed in a list of 54 codes entitling them to benefit from the Programme. Through us, over 6.8 thousand companies received support for a total amount of over PLN 911 million. In addition, we prepared webinars “PFR 2.0 – what you need to know”, in which we explained the principles for using the subsidy and completing the application.

In November 2021, we started the settlement phase of the subsidies for small and medium-sized companies under the PFR 2.0 Financial Shield. We preceded the process with a prepared webinar “PFR Financial Shield 2.0 Starting the Redemption Process”, in which we presented the conditions for SMEs to apply for subsidy redemption. At this stage, 855 companies could apply for redemption. Subsidy redemption by micro-entrepreneurs began in January 2022.

Biznesmax

At the beginning of August 2020, we signed an agreement with Bank Gospodarstwa Krajowego (BGK) implementing the Biznesmax guarantee



program, granted under the Guarantee Fund to support innovative enterprises of the Smart Growth Operational Program (FG POIR). The guarantee can be used by companies implementing an innovative investment project or a project with a specific environmental effect. As at 2021 yearend, the volume of granted Biznesmax guarantees in our bank exceeded PLN 300 million, thanks to which we were ranked 3rd in terms of the volume of granted transactions with the FG-POIR guarantee in the ranking of all banks having it in their offer.

EU and technology loans

ING Bank Śląski is the market leader in EU and technology loans. In 2021, we issued 51 EU loan promises and 57 technology loan promises in support of entrepreneurs applying for EU grants. Thanks to the promises issued by our bank, entrepreneurs were able to apply for funding for investment projects of a high technical level. We signed a total of 158 loans with a volume exceeding PLN 1.1 billion for the implementation of projects with subsidies. Thanks to this support in project financing, it has been possible to carry out large development investments in which part of the expenditure incurred is refunded from EU funds. This aid has resulted in a significant improvement in the competitive position of companies in global markets. For our bank, supporting such development is one of the main goals in shaping a strong portfolio of healthy enterprises. We are invariably the leader in statistics covering the number of grant applications submitted and grants obtained.

ING CMS2

In 2021, we conducted intensive development work on the implementation of ING CMS2 – a new system to support the financing process, in line with both the latest technological standards and the requirements of the ING Group. The application will ultimately cover the process from submitting an application to repayment for all financing products and all process paths for business and strategic clients.

In August 2021, we updated the application form for external clients implemented a year earlier, extending it to include a module that makes initial decisions about the possibility of granting financing, based on the data entered by clients. This modern and innovative solution on the market makes it significantly easier for clients to apply for loan, while not increasing the workload of the Sales Network.

In the following quarters, we will continue building the ING CMS 2 system and successively implement new functionalities, striving to make the entire Fast Track credit process available in the new technology.

New credit card from MasterCard

In 2021, we made the MasterCard Corporate Credit card available to corporate clients. The new card features:

- a monthly usage charge mode and the possibility to avoid the charge altogether after performing a minimum of 10 transactions in a given billing period,
- no commission for non-cash transactions,
- lower interest rates compared to other credit cards,
- 27-day interest-free period that allows short-term financing for up to 58 days,
- minimum repayment of 5% (min. PLN 50),
- the possibility of automatic repayment from a selected current account.

In the area of cards for corporate clients, we have added the possibility of attaching foreign currency accounts for the card to the PLN account. The currencies available for connection are: EUR, USD, CZK, HUF, SEK and GBP. In turn, a function has been made available in Moje ING that allows entrepreneurs to remotely exchange credit and debit cards. This is a great

convenience – until now, if the card was damaged or the name changed, the client had to cancel the card and order a new one at the branch.

Other forms of financial and non-financial support

In 2020, we joined a government programme to provide financial assistance, jointly with BGK, to clients with financial problems or forecasting such problems, resulting from a pandemic – we supported companies with additional funds in a simple way. As at 2021 yearend, 334 clients had taken advantage of the offer. We are the leader in the distribution of the government’s interest rate subsidy program.

We were the first bank in Poland to introduce in 2020 the PLG-FGP liquidity guarantee programme made available by BGK under the Temporary Framework for State Aid Measures to Support the Economy in the Context of the Ongoing COVID-19 Epidemic. We have been at the top of the ranking of all banks since the programme began. As at 2021 yearend, we rank second in terms of the number of PLG-FGP guarantees granted (with a 19% share of the total programme) and the value of guarantees granted and loans secured by them. In order to meet the needs of our clients, we have extended the possibility of PLG-FGP warranty coverage to the Multi-product Agreement.

In addition, we made a number of changes to existing BGK guarantee schemes, including:

- increasing the maximum amount of the PLD-KFG guarantee from 60% to 80% of the loan amount,
- the possibility of a PLD-KFG unit guarantee of up to EUR 1.5 million (from the previous PLN 3.5 million),
- the possibility of securing a Multi-product Agreement with the above guarantee.



imoje

imoje is an online payment for online shops provided by the bank. We introduced this service in 2017 as the first bank in Poland. The benefits of being able to offer your products online with immediate payment are appreciated by a growing number of clients. In the period of successive pandemic waves, the possibility of contactless settlement of transactions also gained importance. In 2021, we implemented a number of improvements, consistently implementing measures to enrich our offering both in terms of products and processes:

- We have extended the Sandbox service – thanks to which the user gains access to the imoje administration panel, which is identical in appearance and functionality to the one on the production environment. The functionality is particularly useful for testing integrations by more advanced and informed clients.
- We have introduced the functionality of cancelling transactions – an improvement which allows you to assign an expiry time to transactions. This enables clients to manage transaction reports and order processing more efficiently.
- We have implemented PayU as an alternative acquirer (clearing agent), which in the event of a failure gives us the ability to switch vendors freely and guarantees our clients a smooth use of the service.
- Gradually, we introduced new currencies to the offer, adapting the offer to the needs of clients with foreign clients. The euro was joined in turn by the US dollar, the Swiss franc, the Czech koruna, the British pound, the Romanian leu and the Hungarian forint.
- We have introduced 11 new language versions on the paywall and in email communication, making it possible to handle transactions for foreign language clients.

- We have released a new payment method – imoje pay later. It is a continuation of the Buy Now Pay Later (BNPL) model offering deferred payments to e-commerce clients. The separation of this method will allow us to offer a wider range of deferred payment solutions in the future. We currently offer Twisto Pay under this brand.

Caring constantly for the education of current and future clients, the imoje team prepared several webinars and participated as guests in events organised by business partners. In 2021, imoje was nominated in the Innovative digital payment solutions category in Poland's largest e-Commerce Poland awards competition organised by the Chamber of Electronic Commerce.

ALEO.com

ALEO.com is a database of information on over 3.5 million Polish companies. On the company profiles presented on the website and available to all Internet users, we provide, among others:

- always up-to-date registration, address and contact data from the official KRS, REGON and CEIDG registers;
- electronic financial statements and financial indicators (including net sales revenues and gross / net profit / loss) that facilitate verification of the credibility of companies;
- information on people who sit in company boards and capital and personal connections between companies;
- Information on subsidies received by Polish companies from European Union funds.

The year 2021 is a time of further dynamic development for ALEO.com. Month by month, the number of people who used the information presented on company profiles grew. By improving the presentation and

optimising the website, it was possible to reach twice as many people. A new record of 2.5 million user visits was set in November 2021.

Company profiles have been enriched with the current VAT status and bank account numbers assigned to the whitelist. The profiles themselves have been refreshed with a new, clearer layout. Capital-personal links between companies have been given a new function to facilitate searching, filtering and changing the level of detail of the data presented.

With entrepreneurs in mind, we have prepared numerous tutorial contents:

- thematic blog articles,
- reports, analyses and infographics (including on the situation of businesses during the COVID-19 pandemic and its impact on specific industries),
- two e-books on how to write a good business plan and how to start your own business.

ING Commercial Finance Polska

ING Invoice Financing

ING Invoice Financing is a service that accelerates the payment of deferred sales invoices. We pay special attention to the convenience and accessibility of the service for our clients in a remote manner.

In 2021, we provided the ability to apply from within the app for higher limits, implemented a fast pay-by-link transfer to facilitate and speed up client authorisation and enabled partial financing of invoice value.

Factoring consortium

In 2021, we conducted an innovative factoring transaction on the Polish market in the form of a consortium of four factoring institutions and ING Commercial Finance Polska as the leader and consortium agent. Its conclusion was preceded by many months of intensive work and



negotiations, the establishment of cooperation standards and mechanisms for the frequent exchange of information and cash flows between the consortium participants and the client. This transaction allowed the client to achieve its liquidity targets and to free up significant operational resources, previously intensively involved in servicing several bilateral factoring agreements.

Liquidity support

Although the year has not been the easiest and has been characterised by a lot of uncertainty and twists and turns due to the ongoing pandemic, we have maintained very strong earnings growth by providing our clients with liquidity support.

During the year we helped the companies cooperating with us to obtain funds from almost 4 million invoices, financing PLN 53 billion of turnover.

ING Lease (Polska)

Lease Now

ING Lease Now is a platform that connects manufacturers, sellers of machinery and equipment and entrepreneurs and business owners who need these machines to grow their business. The premise of Lease Now is to support the sales of the bank's partners through a sales conversation tool and to expand the opportunities they can offer their clients. On the other hand, clients gain fast and convenient access to financing.

At Lease Now you can lease at any time of day, on any day of the week. Formalities are reduced to a minimum, the application is submitted online and the contract can be signed with an electronic qualified signature or a one-time qualified mSzafr signature.

Online leasing application for external clients

Clients with access to one of the Moje ING or ING Business internet banking systems are happy to apply for leasing remotely from the app.

In 2021, we also launched an external online lease application. The client contacts us via the website. In response, he or she receives an offer with a link to the application. The application itself is 4 simple steps. Client can fill it in at any time, when wants and where wants. As in other cases, the contract can be signed using an electronic qualified signature or at any meeting place.

Easy Leasing/ prescoleasing

Despite the ongoing pandemic, entrepreneurs and business owners are increasingly bold and willing to think about new investments. On the other hand, they are more aware and want to know what financial possibilities they have, in what amounts they can move. In response to these expectations, we have created the Easy Leasing product. On the basis of inflows to the company account, the client is provided with an individually determined leasing limit in the Moje ING or ING Business internet banking system. We provide a simple, fast and remote process. We do not require any additional financial documents or collateral. It is only up to the client to indicate the item they wish to finance. He or she applies for the lease remotely in ING's online banking, and can sign the contract electronically or at any meeting point.

ING Smart Factory

The concept of Industry 4.0 has already become a permanent fixture in Polish companies and production plants, with clients looking for solutions to increase efficiency, reduce production costs or improve energy efficiency in their company. We support clients in the development and implementation of new investments, which is why we launched the ING Smart Factory programme, which allows you to finance modern machines, robots and industrial cobots, entire technological lines, but also complex end-to-end projects.

We educate and share knowledge

We cover current topics

We have repeatedly tried to show our clients that we provide them with up-to-date and relevant *know-how* for their businesses. This gave rise to the idea to hold a webinar in response to the Monetary Policy Council's decision on interest rate changes. During the online meeting, ING Bank Śląski's chief economist Rafał Benecki presented an analysis of the situation abroad and in Poland, and explained what kind of interest rate scenario can be expected in these difficult to predict conditions. The webinars we organised in connection with the tax changes enshrined in the so-called Polish Order also deserve mention here. There were two meetings, where one focused on companies and the other on entrepreneurs. The webinars were led by a manager of the ING Accounting accounting office and a tax advisor. Experts explained, among other things, who can benefit from the middle class relief, who will be covered by the higher tax-free amount, how the Social Security contributions will change from January 2022, what reliefs employers will be able to use from the new year to expand their business, and answered live questions from webinar participants.

#INGCafe

In 2021 we also developed our individual concept called #INGCafe. It is a series of webinars in the format of breakfast television, carried out each time in our dedicated studio. The concept is based on interesting and inspiring conversations with exceptional, specially selected guests, conducted by Jarosław Kuźniar. Three #INGCafe meetings were held this year:

- Cyber attack on your business? Meeting with the participation of Piotr Konieczny (computer security expert, owner of the niezbezpiecznik.pl web portal) and Jacek Santorski (psychologist, trainer and coach).



- Trends that will change your business. Meeting with Natalia Hatałska (CEO infuture.institute).
- What will 2022 be like? Technology – people – business. Meeting with Daria Abramowicz (sport and business psychologist), Aleksandra Przegalińska (prof. ALK, philosopher of artificial intelligence, futurologist) and Marcin Kościński (Managing Director responsible for Business Clients Division in ING Bank Śląski).

Online webinars and meetings

In view of the still uncertain epidemiological situation in Poland, we placed great emphasis on taking care of the comfort and safety of our corporate clients, which is why we continued the formula of online meetings, which proved its worth in 2020. From January to December 2021, we organised more than 30 webinars in order to provide clients with up-to-date and reliable knowledge about the Polish and global economy, trends affecting business, as well as information on banking product solutions.

As last year, a series of webinars on the Polish Development Fund's Financial Shield attracted particular interest. Clients expected fast and reliable information on what conditions need to be met in order to benefit from the PFR 2.0 Financial Shield, as well as how the process works and what the principles are for cancelling financial subsidies under the PFR 1.0 and 2.0 Financial Shield. This is why we organised a total of 4 webinars on this topic. These meetings were divided into two parts:

- theoretical, during which we explained how to prepare for the application and what the settlement terms are, we reminded you of the most important dates, and showed you how to correctly fill in the application in the Moje ING and ING Business systems, and
- a practical one, during which our experts answered participants' questions which were constantly raised in the chat and referred to specific cases.

Nearly 25,000 people have participated in our online meetings, and the webinar recordings available on the @ING Poland channel on YouTube have been watched by more than 400,000 viewers.

Financial education

We have been focusing on financial education in our communications for years. In 2021, our aim was to encourage young people to talk openly about money. This is the first and important step, thanks to which young people can begin to “get to grips” with their finances, look at their household budget and consciously plan their spending. We know that they in particular have many fears and tensions about money, so we wanted to give this difficult topic a fresh and light-hearted approach.

Therefore, as part of the “Let’s talk about money” campaign, we invited well-known and popular internet influencers to cooperate with us: Red Lipstick Monster, Karol Paciorek, Martin Stankiewicz and Piotr 'Izak' Stankiewicz. It was their financial stories that became the pretext for raising money-related topics. We opted for authentic stories of heroes, which became the leitmotif of the platform and with which other Internet users could also identify.

“Let’s talk about money” in figures:

- reach of 22 million internet users,
- 17 million views,
- 12,000 new subscriptions on YouTube,
- 2,700 comments;
- 3 industry awards/prizes.

In a similar vein – spreading financial literacy – we tried to educate our clients in the parent-child pairing. In 2021, we wove the theme of how children, the younger ones and teenagers, cope with everyday finances

into our communication activities. We touched upon the topics of spending awareness, budget management and developing the habit of saving.

In Moje ING we supported clients in managing their daily finances also by educating them and advising them on how to take care of their finances using the tools available in our application. We have launched a direct communication package, in which we suggest, among others how to analyze expenses, how to make transfers easier and how to automate your payments. We also reminded of easy ways to get discounts, returns and savings in Moje ING. Along with communication, we provided tailor-made pages in Moje ING, which taught clients how to better "embrace" everyday finances.

Other educational activities were those related to the dissemination of electronic banking among traditional clients and the popularisation of the services and functions of our application that help in dealing with everyday personal finances.

Safety education

We want to make banking simple, accessible and secure for our clients. We pay special attention to this, which is why we constantly educate our clients on security and keep them up-to-date on the most popular online scams.

In 2021, we covered aspects such as the following as part of our regular communication in our own channels and on social media:

- warning of the most popular scams on the web,
- the protection of login data, whether
- ways to bank securely on your phone and laptop.

We responded in real time, warning of fraudsters impersonating our helpline, the police or other public trust institutions. We promoted the



additional protection we provide to our clients, i.e. behavioural verification. We have reached several million clients with our communications.

We also continued our cooperation with independent expert Piotr Konieczny from the Niebezpiecznik.pl website. Together we have created educational materials for our clients about, among other things:

- social media fraud,
- impersonating a bank or cryptocurrency service,
- careful selling on the web,
- dangerous subscriptions.

In the hectic pre-Christmas period, we organised a webinar “How to bank safely at Christmas”, during which we highlighted how not to get scammed during Christmas shopping online.



ING for climate (E)

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We want to combat climate change by supporting our clients in their environmental transformation. We are setting ourselves new targets for sustainable financing, while consistently withdrawing from businesses that harm the environment. We are also limiting our negative impact on the planet.

Green Statement

SDG 7, 11, 13, 15

Environmental degradation measurably and negatively affects our lives. If we do nothing about it, future generations will have to deal with the growing climate crisis. We feel that caring for the environment is our shared responsibility. That is why in July 2021, the ING Bank Śląski S.A. Group announced a new Green Statement. In this document, we committed ourselves to specific targets in the coming years.

In its new Green Statement, the bank has maintained the core principles of its 2017 Statement, in which it pledged that after 2025 it will not finance clients whose business is directly dependent on thermal coal to the extent of more than 5%. In line with its exclusion policy, in the interest of the environment the bank also does not finance, inter alia, activities related to the cultivation and production of tobacco and with a negative impact on protected areas, forestry and animal welfare.

We have committed to allocate by the end of 2023:

- PLN 4.5 billion in the corporate area to finance renewable energy sources and environmental projects,
- PLN 500 million to support Local Government Units in investing in pro-environmental projects (project: “Green municipality/community”),
- PLN 300 million for further support and promotion of electromobility – financing of electric and hybrid vehicles by ING Lease Polska, including construction of charging stations and promotion of driving electric vehicles.

By 2040, we also want to reduce the share of financing for the fossil fuel industry (in addition to coal, which the bank does not finance) by 19% with respect to 2019.

The bank will implement an offer for financing prosumer energy projects in the residential client segment. In 2021 we included housing loans in TERRA, ING Group’s initiative to, among other things, adopt long-term decarbonisation targets for lending in line with the Paris Agreement. At the same time, we will continue to offer financially beneficial

green loans and mortgages for energy-efficient homes. The Bank also offers investment products based on ESG criteria, such as the NN (L) Global Responsible Investment fund.

ING Bank Śląski will also set up a grant fund of PLN 2 million per year for start-ups and young Polish scientists to implement projects in the area of sustainable development. At the same time, it will support initiatives that are a source of change and progress in the field of ecology.

One of the objectives enshrined in the new Green Statement is to achieve climate neutrality by 2030 (for more, see the section on The impact of operating activities on the natural environment and climate) in scope I and II.

In the area of ecology, the bank also focuses on educational activities. Together with the ING for Children Foundation it published the book “You too can save the world. Eco-tales from Pietruszkowa Wola”, which deals with environmental issues such as smog, global warming, the problem of plastic and consumerism. It was printed on eco-friendly paper using inks derived from renewable raw materials. By 2023, the bank will donate 25,000 books with lesson plans to schools and public libraries for free. It will also implement a climate change education programme for several hundred primary schools between 2021 and 2023 together with external partners. ING Bank Śląski will continue to actively support employee volunteering by setting up a special “My Environment” eco-fund worth PLN 300 thousand annually. This will enable employees to carry out environmental projects for the benefit of local communities.

Taxonomy disclosure

What is a Taxonomy?

Taxonomy is the colloquial name for a piece of European Union legislation on the establishment of harmonised Europe-wide principles to facilitate sustainable investment. These regulations are designed to increase the level of environmental protection by diverting capital from environmentally damaging investments to greener alternatives. The taxonomy does not prohibit investment in environmentally damaging activities, but gives additional preference to “green” solutions. The implementation of regulations defining what investments are environmentally sustainable will also make it possible to identify pseudo-environmental activities – concerning the unjustified claim by some



entities that their activities are environmentally friendly, when there are no grounds for this – this phenomenon is called greenwashing.

On 30 December 2021, the EU Commission Delegated Regulation (2021/2178) to Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment (the so-called Taxonomy) entered into force. It imposes an obligation on a number of European entities, including the banking sector and consequently ING Bank Śląski S.A., to report both quantitative and qualitative information on environmentally sustainable economic activities. This will be the first time this has happened in 2022 for 2021. The reporting of financial institutions in 2022, as well as in 2023, will be transitional, the scope of which is specified in Article 10 of the Delegated Regulation to Article 8 of the Taxonomy (in particular points 3 and 5).

Taxonomy objectives

Although the Taxonomy indicates 6 environmental objectives:

- climate change mitigation,
- climate change adaptation,
- sustainable use and protection of water and marine resources,
- the transition to a circular economy,
- pollution prevention and control,
- protection and restoration of biodiversity and ecosystems,

so far only the first two have been described. Therefore, in 2022, reporting only covers the first two objectives, i.e. the climate targets. It is worth noting that the taxonomic reporting framework is not yet a closed catalogue, and the current regulations leave a lot of room for interpretation. The scope of disclosure will increase from year to year and market interpretation and practice will systematically evolve.

The taxonomy does not specify which activities are “good” and which are “bad”, but only describes in detail investments that are environmentally friendly. It is intended as a tool to support investors and entrepreneurs in making informed investment decisions towards actions that will contribute to the achievement of climate neutrality in the European Union by 2050.

Our reporting obligations

In accordance with Article 10(3)(a), during the period 2022-2023 we are obliged, as a bank, to report exposures to the Taxonomy-eligible economic activities and Taxonomy-non-eligible economic activities.

There will be further refinement of reporting from 2024 onwards. From the exposure to the economic sectors described in the Taxonomy as Taxonomy-eligible, those that are Taxonomy-aligned. To meet all these reporting obligations, we will rely on the data and information that our corporate clients will report, as well as on our own calculations.

ING Bank Śląski will endeavour to fulfil its disclosure obligations in the best and fullest way possible. We plan to embed all six EU taxonomy objectives into the way we work and ensure that technical classification criteria are incorporated into our risk, finance and front-office systems. This will help eliminate data discrepancies and increase awareness within our group of the impact of taxonomy regulation on our decisions and how we support clients. This will, for example, influence how we build our product offering.

Mandatory taxonomy disclosures

In order to meet the requirements of Article 10(3)(a) this year, we first had to define what we meant by economic activities. We decided not to limit the analysis only to exposures to our corporate clients and their economic activities, but also to include exposures to our retail clients, which in the future will also be a component of the green asset ratio (GAR).

With regard to our corporate segment exposures, as a first step we had to identify those corporate clients that are subject to the obligation to publish non-financial information under Directive 2013/34/EU, as only these clients will have to determine what proportion of their revenues (turnover), costs (operating expenses) and capital expenditures are related to the activities described in the Taxonomy. For this purpose, we have divided our Group’s Medium and Large Enterprises and Strategic Clients into 3 categories, taking into account the country of domicile of the company. We verified Polish clients based on the provisions of the Accounting Act. Other clients based in the European Economic Area were verified on the basis of the direct provisions of the Directive and, in selected cases, we supported ourselves by direct contact with the client. Clients outside the European Economic Area were not subject to further analysis. At this stage of the review, we have identified 81 clients (57 clients in the non-financial corporations category and 24 clients in the financial institutions category) subject to non-financial reporting obligations.



In a further step, we split on-balance sheet debt and equity exposures to these identified clients into those with a specific funding purpose and those of a general nature. We used the client’s main PKD/NACE codes when classifying clients to whom we provided general financing, for activities described and not described in the Taxonomy.

With regard to our retail segment exposures, we only analysed the mortgage-backed loan portfolio. Based on the data we have, we have selected only those loans whose purpose was to buy a property and exercise the ownership rights to that property. These exposures support the first climate objective of the Taxonomy, namely climate change mitigation.

Due to our cautious and conservative approach in selecting loans and debt securities to those described in the Taxonomy, we have not reviewed exposures to local governments and households for building renovation this year.

We present the calculations of all indicators in the tables below in two variants: 1) in relation to total assets arising from consolidated prudential reporting, which amounted to PLN 201,667.9 million at the end of 2021, and 2) in relation to the denominator of the GAR Green Asset Ratio (published from 2024), which amounted to PLN 151,720.1 million as at 2021 yearend. Compared to total assets, the denominator of the GAR mainly excludes non-financial assets, allowances for expected credit losses and exposures to central governments, central banks and supranational issuers.

Closing balance of gross carrying amount

	PLN million	Percentage of total assets	Percentage of GAR denominator
Exposures to Taxonomy-eligible economic activities	47,349.5	23.5%	31.2%
towards financial institutions	0.0	0.0%	0.0%
towards non-financial corporations	1,163.9	0.6%	0.8%
towards local and regional authorities	0.0	0.0%	0.0%
towards households	46,185.6	22.9%	30.4%
Exposures to Taxonomy-non-eligible economic activities	4,065.8	2.0%	2.7%
towards financial institutions	284.9	0.1%	0.2%
towards non-financial corporations	3,780.9	1.9%	2.5%
towards local and regional authorities	0.0	0.0%	0.0%
towards households	0.0	0.0%	0.0%
Other exposures*	99,318.3	49.2%	65.5%
towards financial institutions*	509.7	0.3%	0.3%
towards non-financial corporations*	63,485.6	31.5%	41.8%
towards local authorities*	2,978.9	1.5%	2.0%
towards households*	32,344.1	16.0%	21.3%

**additional voluntary disclosure; exposures not subject to Taxonomy eligibility review*

The following table sets out the other information subject to mandatory disclosure under Article 10(3) of the Delegated Regulation to Article 8 of the Taxonomy.



Closing balance of gross carrying amount

	PLN million	Percentage of total assets	Percentage of GAR denominator
Exposures vis-à-vis central governments*	41,357.8	20.5%	27.3%
Exposures to central banks	515.8	0.3%	0.3%
Exposures to supranational issuers	6,637.4	3.3%	4.4%
Derivatives	877.4	0.4%	0.6%
Exposures to companies that are not required to publish non-financial information	63,995.3	31.7%	42.2%
Trading portfolio	1,656.3	0.8%	1.1%
On-demand interbank lending	95.0	0.0%	0.1%

*together with exposures guaranteed by central governments

ING Bank Śląski’s trading portfolio as at 2021 yearend was in line with the product mandate and consisted of interest rate derivatives, FX derivatives, FX spot and Polish and Czech government bonds. We note that part of the IRS transactions secured loans granted to finance investments related to renewable energy sources. The portfolio characteristics did not differ significantly from the average risk exposure during the year.

Additional voluntary disclosures

As exposures to central governments are excluded from both the numerator and denominator of the GAR Green Asset Index (in accordance with Article 9(1)(a) of the Regulation delegated to Article 8 of the Taxonomy), we have decided to disclose, on a voluntary basis (in addition to the mandatory disclosures), the scale of our investments in green bonds of the Polish Treasury. Based on information contained in documents with emission conditions and in reports on the use of funds from emissions, it can be indicated that 72.5% of funds raised by the Polish Treasury (i.e. PLN 857.9 million out of PLN 1,184.1 billion) were used in accordance with the first environmental objective of the Taxonomy, i.e. for climate change mitigation.

Closing balance of gross carrying amount

	PLN million	Percentage of total assets	Percentage of GAR denominator
Investment in green bonds of the Polish Treasury	1,184.1	0.6%	0.8%
Taxonomy-eligible	857.9	0.4%	0.6%
Taxonomy-non-eligible	326.2	0.2%	0.2%

Sustainable financing

SDG 7, 13

Develop and implement a sustainable finance strategy

We have met our targets:

- We have identified a list of sectors and clients with particular potential for sustainability finance. We are actively engaged in dialogue with our clients in the field of green transformation.
- We organised workshops for employees on ESG regulation, ING Group's approach to sustainability and product solutions to support client sustainability.
- We have identified priorities and strategic objectives for the coming years for the strategic client segment in terms of sustainability.
- We work closely with the *Sustainability Desk* at ING Group on emerging business opportunities in sustainable finance.



Business activity

In 2021 the key area of lending activity was sustainable financing. This translated into the possibility of supporting our clients in their plans for environmental transformation. Traditionally, we used our experience and sector knowledge of our experts in financing renewable energy sources. We also supported, through direct financing and guarantee instruments, companies from the construction industry that implemented investments in the field of renewable energy. ING acted as the ESG coordinator in the first commercial issue of 'green' bonds for the leader of the fuel industry in Poland on the European market. We also participated in a pioneering financing transaction for a leading logistics group in Poland in the form of the so-called Sustainability Improvement Loan, building competences in supporting our clients in environmental transformation. We developed new areas of sustainable financing by financing fiber optic network expansion projects in Poland (supporting the elimination of digital exclusions) and financing institutional rental projects (increasing access to housing resources).

Financing of RES by the corporate segment		
PLN million	2020	2021
Photovoltaics	681.0	112.9
Wind energy	240.8	139.4
Hydropower	0.0	50.0
Total	921.8	302.3

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

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

First transaction in the ING Bank Śląski - SIEMENS partnership

ING Bank Śląski and Siemens are co-developing an energy efficiency project for corporate clients, which is in line with one of the pillars of ING Group's global policy – the development of sustainable business. Our common goal is to improve the energy efficiency of buildings and reduce energy consumption at ING's client sites. As part of the collaboration, we entered into two energy efficiency service contracts. Based on a dedicated energy analysis and

using state-of-the-art solutions, Siemens will carry out a series of retrofit works that will significantly reduce the client's energy consumption in the long term. This will result in a reduction of the carbon footprint of its operations. ING Bank Śląski supports the service by providing a bank guarantee securing the subscription fees.

New charging stations in Gdynia supported by ING

Innogy Polska in cooperation with Gdynia started in July 2021 to build its own network of electric car charging stations within the city. The investment involving the construction of an electric car charging network in Gdynia is being implemented in cooperation with ING Bank Śląski.

We share our knowledge

Round table of banks with NGO's second edition

ING Bank Śląski was the organiser of another roundtable for representatives of the banking sector, financial institutions and non-profit organisations involved in sustainable development. The experts debated, among other things, about emission reductions in Poland in the context of EU climate policy, legal and social aspects of financing gas projects and the challenges currently facing the energy and heating sectors. The organization ClientEarth Layers for the Earth became the content partner.

XXVIII Meeting of the Association of Polish Corporate Treasurers PCTA - "Green trends in financing".

ING became a partner of the meeting. During the two-day conference, our experts organized a discussion panel in which they also took part.

ING partner of the Green Index project

In September 2021, ING Bank Śląski became a partner of the [Green Index service](#) (Polish link), which addresses issues in the area of greenhouse gas emissions in the economy. The Green Index is a data and knowledge aggregator that aims to disseminate specialist knowledge in the area of carbon performance. The website presents a broad context of emissions, their management and mitigation, but also current reports on the European market for emission allowances. Work is underway to develop an index reflecting the state and pace of change in the carbon intensity of the Polish economy. Green Index is a new service of the WNP.PL portal

Business for climate” report – results of ING and EY Polska survey

In the September 2021 [report](#) (Polish link) “Business for Climate. The “Changing Priorities Report”, prepared together with EY, organises some of the terms appearing in the public debate and points out practical aspects that can help



to create long-term corporate value. It also systematises the issues related to the responsibilities that will apply to the business in the years to come, and can be a signpost for any company that is embarking on the journey towards shifting its business to a more sustainable one.

Report “Green Finance in Poland 2021”

The latest [report](#) (Polish link) “Green Finance in Poland 2021” published in September 2021 includes an article by our economists Rafał Benecki and Leszek Kąsk titled “Green Finance in Poland. “Has the pandemic weakened companies’ motivation for green transformation. Findings from ING’s Global Corporate Sector Survey.” The publication prepared by UN Global Compact Network Poland (UN GCNP) and the Institute for Responsible Finance (IOF) is a continuation of the first study of this kind in Poland.

The impact of operating activities on the natural environment and climate

SDG 13

Implementation of the Green Statament and the Environmental Programme

In 2021, the ING Bank Śląski S.A. Group announced a new Environmental Declaration in which we pledged to achieve climate neutrality by 2030 in scope I and II.

To achieve this:

- we carried out an energy audit for selected locations of the head office and retail network,
- we received a carbon footprint calculation for 2019 as a base year,
- we are successively expanding our fleet with electric and hybrid cars to achieve CO₂ reduction,
- we implement eco technical and investment solutions around our own buildings,
- we use state-of-the-art air conditioning and ventilation technologies; we are replacing the entire ventilation and air conditioning system in the two buildings of the headquarters in Katowice – the system will be more efficient and will consume less energy,

- we reduce business travel by moving to remote meetings,
- we are upgrading the areas in the head office with: Buzzi Shade (sound absorbing) lamps – recycled, acoustic plaster – the insert is made of material containing 75% or more recycled material,
- we are gradually replacing standard fluorescent lighting with LED lighting and, as of this year, we are installing motion detector lighting in the office areas.

In addition, we offset CO₂ emissions resulting from our operating activities among others by purchasing 100% of energy exclusively from renewable sources. We also undertake educational and awareness-raising initiatives for climate neutrality, including:

- sowing first flower meadow in front of the head office buildings in Katowice and we plan to establish further flower meadows in towns where we have banking facilities.
- creating an Eco Mural at Sokolska Street in Katowice using photocatalytic paints that absorb CO₂, we plan to create more such murals.

We also plan to take care of stands (new or existing) on 100 ha of land nationwide by 2030.

We continue to manage our environmental impact and reduce negative impacts in line with the ING Group Environmental Programme:

- we will reduce our electricity consumption by 50% by the end of 2030 (base year 2014),
- we will reduce our water footprint by 20% by the end of 2022 (base year 2014),
- we continue to recycle 100% of our waste,
- we will continue to use 100% renewable energy.

CO_{2e} emissions

[GRI \[103-1\]](#) [\[103-2\]](#) [\[103-3\]](#) [\[305-1\]](#) [\[305-2\]](#) [\[305-3\]](#) [\[305-4\]](#)

In line with our Environmental Declaration 2021, we are working to reduce our carbon footprint – we have committed to achieving climate neutrality by 2030. We clarify that our commitment applies to Scope I (direct emissions) and II (indirect energy emissions). The base year in counting our emissions is pre-pandemic 2019. Until



now, our carbon footprint has been calculated by ING Group in its GHG Protocol-based tool. In view of the target indicated in the Environmental Declaration 2021, we decided to have our carbon footprint independently calculated by an external company for the years 2019-2021 (the calculations were prepared by the National Energy Conservation Agency S.A.).

The difference in reported historical data in our previous reports relative to the data presented in this report (2019-2020) is due to, among other things:

- Scope I:
 - the consumption of gas, fuel oil and coal currently includes not only actual consumption but also consumption based on estimates,
 - we have included in the calculation the diesel used in the chillers and the loss of refrigerant from the air conditioning,
 - diesel and petrol for the car fleet currently account for 100% of consumption;
- Scope II:
 - we have included electricity consumption above the volume of purchased guarantees of origin in 2019 and the volume of green certificates of the main energy vendor in 2020 (as a result of taking a broader view of energy consumption and adopting estimates for areas for which we do not have information on actual consumption),
 - we estimated the consumption of district heating in all locations for which such data was not directly available;
- Scope III:
 - we have extended the scope of business travel covered – rail travel and travel by taxi and coach have been added to air travel.

Emissions calculations are now prepared and reported in accordance with the [Greenhouse Gas Protocol](#). The calculation includes the bank and its subsidiaries (operational control; ING Commercial Finance Polska, ING Lease (Polska), ING Bank Hipoteczny, ING Services for Business and Nowe Usługi). For the preparation of the emission estimation the consumption of energy carriers was analysed in stationary sources for heating needs (natural gas, fuel oil, coal), consumption of liquid fuels for fuelling the car fleet and generators (petrol, diesel), losses of refrigerant from air-conditioning devices. For scope II of the analysis, the amount of electricity and district heat purchased was

analysed. For scope III of the report, the focus is on emissions related to employee business travel (rail, air, taxi and coach), as well as water consumption, paper consumption and the amount of waste generated.

Calculations have been made assuming an operational approach and adopting a market-based method for calculating Scope II GHG emissions. In 2019, the bank obtained guarantees of origin for electricity from RES covering 97% of the total volume of consumption. In 2020 and 2021, the bank entered into an agreement with a general energy vendor to purchase an Eco-Premium product guaranteeing the supply of energy exclusively from renewable sources (as documented by the relevant certificates), while for the remaining volume of electricity the bank obtained guarantees of origin.

Data for 2019 and 2020 cover a full calendar year. For 2021, we did not have information on actual network heat consumption (Scope II) for December and estimates based on a regression of network heat consumption against the number of degree days in the month were adopted for this month. The source reports from the company calculating CO_{2e} emissions for us for each year are available at these links ([2019](#), [2020](#), [2021](#)). The reports contain detailed information on the calculation methodology adopted and the estimates used for the calculations.

There are no direct CO₂ emissions from biogenic combustion in our emissions. 2019 has been adopted as the base year. In 2020 and 2021 we observe a decrease in emissions compared to the base year, mainly influenced by: pandemic and therefore a reduction in the occupancy of our offices due to remote working, a change in the structure of the car fleet (scope I), lower consumption of thermal energy and acquired guarantees of origin of electricity from RES (scope II), a very large reduction in business travel (scope III).

**CO_{2e} emissions – a breakdown by emission source**

tonnes of CO _{2e}	2019 (base year)	2020	2021
Scope I	5,271.3	3,472.4	3,283.1
Natural gas	664.7	639.3	601.9
Fuel oil	72.8	36.0	38.6
Coal	3.4	3.3	3.3
Petrol fuel	1,746.7	1,684.7	2,081.8
Diesel – car fleet	2,113.9	832.3	415.5
Diesel – generators	37.0	62.5	65.9
Refrigerants	632.7	214.3	76.0
Scope II	6,025.0	4,944.0	4,806.4
Electric energy	812.8	0.0	0.0
District heating	5,212.2	4,944.0	4,806.4
Scope III	746.7	171.7	153.9
Category 1	257.0	50.9	124.7
Paper	237.0	33.2	119.9
Water supply	20.0	17.8	4.8
Category 5	53.9	42.1	9.1
Waste	12.6	5.6	0.4
Water treatment	41.3	36.5	8.8
Category 6	435.8	78.6	20.1
Rail journeys	196.1	32.9	12.7
Air travels	232.4	37.9	2.6
Travel by taxi and bus	7.3	7.9	4.8
Scopes I-III total	12,043.0	8,588.1	8,243.4

CO_{2e} emissions – breakdown by emitted gases (included in the Kyoto Protocol)

tones	2019 (base year)	2020	2021
Scope I	5,271.3	3,472.4	3,283.1
CO ₂ – carbon dioxide	4,638.6	3,258.1	3,207.0
CH ₄ – methane	0.00020	0.00013	0.00013
N ₂ O – nitrous oxide	0.00004	0.00002	0.00002
HFCs – hydrofluorocarbons	0.247	0.112	0.045
PFCs – perfluorocarbons	0.0	0.0	0.0
SF ₆ – sulphur hexafluoride	0.0	0.0	0.0
Scope II – location-based	28,976.2	24,112.2	22,310.2
CO ₂ – carbon dioxide	28,976.2	24,112.2	22,310.2
CH ₄ – methane	0.0	0.0	0.0
N ₂ O – nitrous oxide	0.0	0.0	0.0
HFCs – hydrofluorocarbons	0.0	0.0	0.0
PFCs – perfluorocarbons	0.0	0.0	0.0
SF ₆ – sulphur hexafluoride	0.0	0.0	0.0
Scope II – market-based	6,025.0	4,944.0	4,806.4
CO ₂ – carbon dioxide	6,025.0	4,944.0	4,806.4
CH ₄ – methane	0.0	0.0	0.0
N ₂ O – nitrous oxide	0.0	0.0	0.0
HFCs – hydrofluorocarbons	0.0	0.0	0.0
PFCs – perfluorocarbons	0.0	0.0	0.0
SF ₆ – sulphur hexafluoride	0.0	0.0	0.0
Scope III	746.7	171.7	153.9
CO ₂ – carbon dioxide	689.3	170.6	153.4
CH ₄ – methane	0.070	0.010	0.003
N ₂ O – nitrous oxide	0.210	0.003	0.001
HFCs – hydrofluorocarbons	0.0	0.0	0.0
PFCs – perfluorocarbons	0.0	0.0	0.0
SF ₆ – sulphur hexafluoride	0.0	0.0	0.0
Scopes I-III total – location-based (CO_{2e})	34,994.2	27,756.4	25,747.2
Scopes I-III total – market-based (CO_{2e})	12,043.0	8,588.1	8,243.4



In addition, we present emission performance indicators for the last three years. Our emissions per PLN 1 million of revenue and PLN 1 million of assets are falling dynamically. This is the result of both the reduction in Scope I-III emissions (2021 emissions were 31.6% lower than 2019 emissions), but also due to the increase in revenue (+19.0% in 2021 relative to 2019) and asset value (+27.1% in 2021 relative to 2019). The decline in emissions per FTE recorded a lower negative growth rate due to the lower growth rate of employment (+7.1% in 2021 relative to 2019) relative to the other two categories (income and assets).

Performance indicators related to CO _{2e} emissions			
kg CO _{2e}	2019	2020	2021
CO _{2e} emissions per PLN 1 million of revenue*			
Scope I	911.8	558.8	522.2
Scope II	1,039.4	793.5	696.9
Scope III	118.4	25.0	20.7
Total	2,069.7	1,377.3	1,239.8
CO _{2e} emissions per PLN 1 million of assets			
Scope I	33.3	18.7	17.9
Scope II	38.0	26.5	23.8
Scope III	4.3	0.8	0.7
Total	75.6	46.0	42.4
CO _{2e} emissions per 1 FTE			
Scope I	654.8	412.0	416.7
Scope II	746.4	585.0	556.1
Scope III	85.1	18.4	16.5
Total	1,486.3	1,015.4	989.3

*total including share in profit of associates

Due to the characteristics of the banking industry, emission rates (in particular per revenue and assets) should be analysed taking into account the emissions related to the bank’s client receivables portfolio. We do not currently have emissions data from the bank’s client receivables portfolio for 2019-2020. The emission factors including emissions from the client receivables portfolio in 2021 per 1 million PLN of revenue, 1 million PLN of assets and per 1

FTE are 852.7 tonnes CO_{2e} / 1 million PLN, 29.2 tonnes kg CO_{2e}/ 1 million PLN and 680.5 tonnes kg CO_{2e}/ 1 FTE respectively.

CO_{2e} emissions from the portfolio of receivables from clients

We also performed a first quantification of the CO_{2e} emissions associated with the bank’s client receivables portfolio (own calculation, not verified by an external party). We have taken the decision to share our estimate to inform our stakeholders of our emission in full – emission from the receivables portfolio is a very important component of banks’ emissions (it falls under category III emission under category 15 corresponding to investments) and this component will be the main focus and priority for the bank to reduce the climate impact of our operations. We know that we are at the very beginning of this journey and therefore it is important to know our starting point. We will continue to work on our calculation of issues from the client receivables portfolio in the coming years, both in terms of the methodology itself and the greater availability of higher quality data. Therefore, we cannot exclude the possibility that we will make retrospective recalculations in the future as market practice develops.

Calculations are prepared for both the corporate and retail segments based on the [Global GHG Accounting and Reporting Standard for the Financial Industry](#). At the same time, it is worth noting that an estimate of emission, based on statistical methods, may not be precise. In future periods, the Bank will seek to improve the accuracy of its estimates, including by obtaining more precise data.

CO _{2e} emissions from the client receivables portfolio (Scope III, category 15 element) – data for 2021			
	CO _{2e} emissions (tonnes)	Value of exposure (PLN million)	Emission intensity (CO _{2e} tonnes per 1 million PLN of exposure)
Corporate portfolio (excluding entrepreneurs)	5,231,781	62,340.9	83.9
Group of sectors contributing significantly to climate change*	4 532 934	45,613.0	99.4
Other sectors	698,846	16,727.9	41.8
Mortgage-backed retail portfolio	641,153	50,005.5	12.8
Total	5,872,934	112,346.4	52.3

*Sectors which contribute significantly to climate change are defined as sections A to H and section L of the 2007 PKD classification in accordance with Annex I to Regulation (EC) No 1893/2006



Corporate segment

The calculation for the corporate segment portfolio includes exposures of ING Bank Śląski, ING Lease (Polska) and ING Commercial Finance Polska excluding loans to corporates, as at 31 December 2021. For the purposes of estimation, we used data on greenhouse gas emissions (CO₂ and Co_{2e} for other gases) by sector of activity. Data are published annually by Eurostat, with the latest data available for 2020. On the basis of sector data, we have estimated emission in relation to revenue generated and in relation to assets. We then translated the estimates at the level of national economic sectors to the bank's corporate clients, using the client's core business as the key.

The table above shows the calculations by the two groups of sectors, but excluding the commercial property sector. In total, the loan portfolio analysed represents 86% of receivables from clients in the area of Medium and Large Companies and Strategic Clients. For the first group of sectors contributing significantly to climate change, the average estimated emission was 99 tonnes of Co_{2e} per million gross carrying value (CO_{2e}/ 1 million WBB). For the second group, the other sectors, the value of the indicator was 42 CO_{2e}/ 1 million WBB, and for the analysed part of the corporate portfolio in total – 84 CO_{2e}/ 1 million WBB.

For the analysis of the commercial real estate loan portfolio, a dedicated method for calculating the carbon emission should be used, using data on, inter alia, the energy classes of buildings, energy sources and floor areas. At the moment, the bank does not have an adequate database to perform such calculations.

Retail segment

Within the retail segment, we estimated emission related to mortgage-backed loans. Due to the lack of information on the actual energy consumption of individual buildings and the lack of access to energy performance certificates, our approach was based on the year of construction of the property and the corresponding technical and building regulations. We also use information provided by the Central Statistical Office on the structure of household energy consumption, data from the European Environment Agency on emissions associated with electricity generation, and data from the *2006 IPCC Guidelines for National Green-house Gas Inventories*.

The calculations presented in the table above include exposures of ING Bank Śląski S.A. and ING Bank Hipoteczny S.A. as at 31 December 2021. In accordance with the methodology in the *Global GHG Accounting and Reporting Standard for the Financial Industry*, the amount of emissions has been adjusted by the LTV (the ratio of the outstanding loan amount to the value of the collateral) to reflect the actual emission associated with our financial exposure. In the calculation, we focus on residential units and single-family buildings taking into account around 87% of the bank group's total portfolio.

For the retail mortgage-backed segment portfolio, emissions in 2021 were 641,153 tonnes of CO_{2e} and the emission intensity was 12.8 tonnes of Co2e_{2e} per PLN 1 million of loan principal outstanding.

Electric energy

GRI [103-1] [103-2] [103-3] [302-4]

The main energy reduction measures introduced in 2021 are:

- installation of 20 solar collectors for hot water preparation with a capacity of 35 kW at the headquarters in Katowice,
- installation of 50 kWp photovoltaic panels in Ruda Śląska; the installation is operational and generates energy,
- installation of 128 kWp photovoltaic panels on three roofs of the head office building in Katowice at 34 Sokolska Street – our largest photovoltaic installation to date,
- replacement of lighting from standard to LED:
 - with each architectural conversion, we have replaced the lighting in accordance with the new area standard for the head office buildings and retail chains; to date, we have replaced the lighting in approximately 80% of the area,
 - we have installed movement detectors in the stairwells and passageways – a lighting system that follows the lights, decreasing in intensity and turning off when no one is around,
 - we have installed light sensors to adjust the intensity of artificial light to the current daylight,
 - instead of standard switches, we installed tablets on the 9th floor at 50 Chorzowska Street and on the 3rd floor at 34 Sokolska Street, which visualise the zones and allow the intensity of light in these zones to be regulated,
- we replace cables with new halogen-free cables wherever we upgrade.

Measures to support electromobility:

- we have built and put into use accessible charging stations for electric cars at Rozdzieńska Street in Katowice and at Niedurnego Street in Ruda Śląska.
- in addition, we have installed small charging stations and electric sockets for hybrid cars in our car parks.



GRI [302-1]

Our electric energy consumption

Electric energy consumption					
kWh	2017	2018	2019	2020	2021
Electric energy	31,530,936	30,558,890	31,920,924.	27,666,453	25 709 631

The decrease in energy consumption was mainly due to the remote work of most employees due to the coronavirus epidemic.

Other types of energy (except for electric energy)

Other types of energy					
	2017	2018	2019	2020	2021
Natural gas (m3)	202,705	188,968	105,356	86,389	75,756
Heating oil (l)	17,000	13,012	20,511	10,500	9,666

The electricity we produce

The electricity we produce (photovoltaic panels)					
kWh	2017	2018	2019	2020	2021
Electric energy	-	-	-	43,270	86,965

Car eco-policy

At the beginning of 2019, the Management Board approved the implementation of a long-term eco-strategy for the car fleet and changes in car policy. As of the end of September 2021, we have a 62% green fleet with 12 electric cars. Our cars will be exclusively hybrid or plug-in by 2023. We will also gradually increase our fleet of electric cars, with the aim of achieving a minimum 36% reduction in CO₂ resulting from car use in 2030 (compared to 2019).

Business travels

Business travels					
km	2017	2018	2019	2020	2021
Business travels by company cars	23,608,516	22,827,141	24,684,714	17,735,640	17,662,230
Air travels	2,246,272	3,837,237	2,203,133	301,642	23,689

Business travel was also curtailed due to the COVID-19 pandemic and Board member approval was needed for its execution. From 28 June 2021, we have reinstated the ability to undertake domestic business travel without the need for additional Board member approval. Foreign business travel still requires the approval of a member of the Management Board at all times.

Water consumption

We systematically collect data and analyse water consumption for all locations. As a result, we have developed new standards for the modernization of the buildings of the bank's head office and branches. Using modern dual flush toilets, dishwashers or aerators is a standard with each modernization, thanks to which we can reduce water consumption.

GRI [303-3]

Water consumption					
m3	2017	2018	2019	2020	2021
Water (the source of intake is municipal water supply system)	55,541	57,130	58,284	65,693	40,438

The reason for the increase in water consumption in 2020 were numerous failures and modernisations: refurbishment of the fire protection reservoir, filling and checking it several times, modernisation of the sprinkler system at Chorzowska Street, which required filling several times, we built a rainwater reservoir at Sokolska Street in the summer, which required leakage tests, failure of the sprinkler system at Sokolska Street, failure of hydrant pumps at Sokolska Street, replacement of utility water mains at Sokolska Street, replacement of main valves at



Sokolska Street, refurbishment of main the ice water collector at Sokolska Street, modernisation of the technological heat collector at Sokolska Street, failure at the meeting place in Kielce, renovations in the buildings of the central headquarters and the city centre at Sokolska Street, failure at the meeting place in Kielce, repairs in headquarters and meeting place buildings.

We manage waste wisely

In its business activities, the bank implements and applies the principles of environmental responsibility in many aspects. This also applies to the waste generated. We are working towards a comprehensive approach to waste management.

- It is compulsory to separate waste in meeting places and head office buildings. Additionally, we collect and destroy data media (in paper and magnetic form).
- We set up waste separation bins in open spaces at headquarters, made of 90% recycled materials instead of bins at desks for mixed waste.
- We collect office waste in the form of toner cartridges, furniture waste and electronic waste in meeting areas and head office buildings, and hand it over to an authorised company for disposal.
- We extended the waste segregation with the collection of dead batteries. The containers are located in rooms with printers and kitchenettes in all buildings of the bank's head office.
- All employees of the Head Office in Warsaw and Katowice use the so-called follower printout. This solution allows you to print the document only after we put our ID card to the printer, so we do not waste paper and toner.

GRI [306-2]

Total weight of hazardous waste, broken down by the following disposal methods					
kg	2017	2018	2019	2020	2021
Recycling	17,894	4,130	1,487	1,162	670

100% of our waste is recycled.

Total weight of non-hazardous waste, broken down by the following disposal methods					
kg	2017	2018	2019	2020	2021
Recycling	585,390	540,966	509,030	262,321	18,120

100% of our waste is recycled.

Total weight of non-hazardous waste per category					
kg	2017	2018	2019	2020	2021
Waste paper	554,052	523,040	486,125	243,100	No data available*
Screens	14,094	570	1,487	1,162	560
Electronic equipment and bulk waste	16,976	13,796	18,154	15,510	14,795
Toners	3,800	3,560	3,264	2,549	2,765
Total waste	588,922	540,966	509,030	262,321	18,120*
Waste to be recycled	585,390	540,966	509,030	262,321	18,120*
Waste not to be recycled	3,532	0	0	0	0

*Changing safe containers for shredders in 2021 has changed the entire collection process for this waste. The management of waste paper has been taken over by municipalities, which do not keep quantitative records per producer of this waste. Therefore, the bank does not have data on the amount of waste paper generated for 2021.

The waste disposal method is determined by the company responsible for the recycling of the waste supplied by the Bank. The decrease is largely due to the epidemiological situation and, as a result, remote working and the change from safe containers to office containers. Changing safe containers for shredders in 2021 has changed the entire collection process for this waste. The management of waste paper has been taken over by municipalities, which do not keep quantitative records per producer of this waste. Therefore, the bank does not have data on the amount of waste paper generated for 2021. In the coming years, the bank will work the development of tools to estimate these quantities. In the case of toner cartridges, the increase is due to a change in the process of reporting for disposal – thanks to a more accessible format, users report this waste more quickly, so it is not stored in office spaces.



Eco-initiatives of an educational nature

Bank Hives

In August 2021, a small apiary with two hives populated with bees appeared right next to the Katowice headquarters. Each hive was home to 12,000 bees. Our bees are honeybees. The beehives were painted by children and young people from the Society of Friends of Children, Koszalin District Branch, who were staying at the Smile Turnout at the ING for Children Foundation this summer. The group also attended a workshop at the Environmental Education Centre in Wisła, where they learned more about bee life and beeswax products. We plan to donate the collected honey from our apiary to the ING for Children Foundation so that children can consume it during breakfast.

There are about 470 species of bees in Poland. Almost half of them are threatened with extinction. Bees lack places where they can live, breed and feed safely. Through such initiatives, we want to help bee populations thrive, support the ecosystem and inspire others to do the same.

Flower meadow

In October 2021 we sowed our first flower meadow. An area of approximately 600 m² along the Katowice headquarters will now become home to many plant and insect species including bumblebees, butterflies and small birds. We invited experts from Flower Meadows to collaborate with us on their creation, and the date they were sown was no coincidence either. The mixture used consisted of dozens of perennial and annual flower species. Perennial flower meadows are best established in early spring or autumn. Some seeds start to grow already in autumn under favourable conditions, others wait until spring to develop. We are looking forward to the spring effect and hope that the spring will also bring insect life to our meadow. We hope that the meadow will be a refuge for our bank bees. The first flower meadow at our headquarters is just the beginning. In line with our Environmental Declaration, we plan to set them up in more cities where we have banking facilities. Flower meadows provide a place to live and food for many beneficial insects. In addition, they offer the opportunity to commune with nature in the middle of the city. With our activities we want to inspire to take care of biodiversity also in city centres.

Hotel for insects

The first hotel for insects appeared at 41 Roździeńska Street in Katowice. It provides shelter and a safe place to nest for all species of invertebrates, e.g. bees, wasps, ladybugs, butterflies .

Eco Mural

Our ecomural was painted with photocatalytic paints – which purify the air. Each square metre of ecomural cleans approximately 3,000 m³ of air per day, which is comparable to the volume of a single tree. The eco mural has not only an ecological function, but above all an educational one. It is a reminder that even a small step to protect the environment makes a big difference to our planet. Especially when these small steps are taken by all of us, because each one counts. We hope that our mural will also inspire others to do the same. The mural is painted with two types of paint. One of them “breaks” the chemical bonds of nitrogen oxides contained in the air and neutralises them. The durability of this paint is 5 years. The second paint used takes about 4 weeks to absorb CO₂. After this time, carbon dioxide absorption is infinite, but at a lower level.

Employee education

Educational video series

In 2016, we launched an internal educational campaign – off culture. Through it, we encourage and inspire employees to be eco-conscious, including through fun stickers that can be found in various places around our offices. They remind you of bad habits and urge you to change. Through them we learn how to optimally separate waste, use air conditioning, heating, lighting and water in our spaces. In 2021, we have taken water conservation and waste separation under the magnifying glass. As part of Off Culture, we directed and published a series of videos with Mr and Mrs Drops and Mr Confused. The launch took place on 22 March on World Water Day. Mesdames et Messieurs – the “Water” couple entertained us, taught us and at the same time shaped our eco-friendly habits.

Proper waste separation should be the absolute basis of every home and business. We have been supported on this topic by an expert – Mr Confused. It is he who is most affected by improper segregation. By helping Mr Confused, we make his life more comfortable, while doing a lot of good for ourselves and our planet.

ING for EKO

In September we also recorded the first episode of the “ING for EKO” video series, in which we presented the bank’s environmental initiatives. For this project we invited Karol Wójcicki, a science journalist and astronomy enthusiast, who explained how our small, everyday activities can make a real difference and save both the environment and our pockets.



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Community involvement is a very important part of how we operate. We implement this through our two corporate foundations: ING for Children Foundation and Polish Art Foundation, but also through partnerships and support to other organisations. Our main focus is on education and actions to care for the environment.

Social involvement

SDG 4, 10, 16, 17

ING Bank Śląski S.A. conducts social and charity activities in priority areas, in line with the sustainable development strategy. We carry out our activities independently as well as in cooperation with social partners and with the support of two corporate foundations – the ING for Children Foundation and the ING Polish Arts Foundation.

Cooperation with partners for education

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

The book written by Justyna Bednarek and illustrated by Joanna Czaplewska was published jointly by the bank and the ING for Children Foundation and premiered on 23 April 2021. This is a story for children with a strong message for us adults. The book addresses issues that are important today, including climate change, caring for the environment and responsible choices. It shows the young reader that they have an impact on their surroundings and that simple solutions can be applied every day. The 9 stories deal with topics including plastic, consumerism and the treatment of animals. Each chapter ends with good practices from environmentalists: how to give a second life to objects, the power of helping and sharing possessions, and that the best gifts are not bought in a shop. The paper used is made from cellulose from trees grown in sustainable forestry areas. The inks used for printing contain no harmful substances and are derived from renewable raw materials. The book is available free of charge to schools, libraries and community organisations. The publication is accompanied by free lesson plans. Instructions on how to order a free copy of the book and a link to the scenarios can be found on the ING for Children

Foundation website. The promotion of the book was accompanied by a Children’s Day competition for employees’ children, a social media competition and a video as part of the #ingforclimate series. In addition, as part of the 30th anniversary of the ING for Children Foundation, bank employees received copies of the book in traditional Christmas parcels. In this way, over 8,000 books were distributed to employees.

We Will Save the World

We Will Save the World is an educational programme that combines broadening students’ ecological knowledge with shaping their character and pro-social attitudes, as well as improving their digital competence. The programme is under the Honorary Patronage of the Ministry of Climate and Environment and the National Library. The programme was inaugurated on 9 September 2021 in an online format. In times of climate crisis and other environmental challenges, young people should know what to do to prevent a global climate catastrophe. The We Will Save the World programme allows them to gain knowledge as well as experience in implementing their own environmental projects. ING Bank Śląski as a strategic partner, together with “ABCXXI – All of Poland Reads to Kids” Foundation, WWF Polska and VISA participates in a programme for children in primary schools. For the purposes of the Save the World Programme, 30 short stories by Polish authors for children and young people on universal moral values in the context of ecological challenges are being written. The programme also uses stories from the book “You too can save the world. Eco-tales from Pietruszkowa Wola”. They will inspire discussions and workshop tasks, as well as pro-ecological projects carried out by pupils. The We Will Save the World programme will be complemented by digital toolkits – to help students design and implement environmental projects for the benefit of the environment and to promote them.

ING Community Investment Global Found

Exempt from the Theory – Generation Lockdown programme

In 2021, the Exempt from the Theory Foundation implemented a project submitted and selected for the programme by ING Group – ING Coronavirus (COVID-19) Community Investment Funding Application Recovery Phase: Build Back Better. The programme “Generation Lockdown in the labour market” aimed to support students (18-25) to find their way in the labour market. The generation of teenagers and students has been affected by the pandemic, due to a more difficult entry into working life, which may affect their future financial independence. The Generation Lockdown programme, aims to provide the right skills to build independence and financial resourcefulness. It was implemented in the first half of 2021 with funding from CI Global Found. 433 secondary schools have participated in the programme, 551 teachers have completed training, 3 824 students have completed their own community projects, the programme has reached over 3 million people. A total of 598 students took part in the interviews and 60 were finally given jobs.

THINK! Foundation

Launched in early 2021, the Financial Health Project was a response to the financial issues and challenges faced by Poles as the COVID-19 pandemic progressed. It was implemented as part of the ING Group programme – ING Coronavirus (COVID-19) Community Investment Funding Application Recovery Phase: Build Back Better. The aim of the Financial Health project was to support financial consumers to manage their personal finances effectively in a difficult economic climate caused by a pandemic. The Think! Foundation primarily carried out information and education activities to increase knowledge and skills and promote good practice in household



budget management, coping with changes in income and taking care of finances in a conscious manner. The project included the launch of a dedicated website, social media, preparation of qualitative and quantitative research, creation of webinars, interviews with experts and #Human Stories videos. Example results from the programme: Facebook reach of the project: 1,666,043, Facebook views of the project: 5,298,292, total reach of information on videos with experts – 528,222 viewers.

Support and education of children and young people

Exempt from the Theory – Social Projects Competition

Exempt from the Theory is the largest competition of social projects in Poland. During the competition, high school students organize their own community projects. In 2021, the majority of projects were carried out online. ING Bank Śląski, as a partner of the Competition, prepared the ING Challenge for young people. In the first half of the year (2020/2021 school year) the challenge was linked to the #remotehelp (#zdalnidopomocy) campaign as a response to the need to develop digital skills and the need to help older people. In the school year 2021/2022, the challenge is being implemented together with the ING Foundation for Children under the name “Step forward”. Its aim is to help children and young people, to give them equal opportunities. Participants in the ING Challenge benefited from mentoring from bank employees. 68 teams and 33 ING mentors from across Poland have signed up to deliver the ING Challenge in the 2021/22 school year, with Step Forward projects being delivered by 30 teams with the help of mentors. In addition, the bank recorded educational videos and organised a webinar on e-volunteering.

INGCoderDojo

ING CoderDojo continued online classes for children (for children of ING employees and non ING employees) in groups: robotics, Minecraft. ING CoderDojo mentors organized two additional 3D programming courses for

employees' children, which were attended by 38 children of employees from all over Poland. In 2021, classes were also held under the patronage of ING CoderDojo at summer camps for employees' children in Krynica, Chłapowo and Niedzica, which was led by the CoderDojo Foundation.

Other initiatives

Lesław Paga Foundation

In 2021 ING Bank Śląski was a partner of the 16th edition of the Capital Market Leaders Academy. This is an extensive training programme in financial market knowledge for university students and graduates. The initiative is aimed at students and university graduates up to the age of 27 with an interest in the financial market. The theme was “The economy in the global challenges of the 3rd decade of the 21st century – ESG and digitalisation.” Meetings for the course began in July and continued until December 2021. The Bank was also a partner of the 4th edition of the Academy of Business Women Leaders. It is a programme for building the personal maturity of young women by combining marketing, communication and image activities with personal and professional development. The aim is to educate young women up to the age of 27, develop their professional and social competences, develop their gender potential, knowledge and attitudes to guide them in their adult life.

Not irresponsible

The Not irresponsible project brings together companies declaring their conscious role in relation to clients, employees, society and nature, putting into practice the idea of sustainable development and corporate social responsibility. ING Bank Śląski has once again joined as a “Supporting Partner of Not irresponsible 2021”. 9. edition of the Conference was devoted to Waste in the context of business, climate and society. The organisers were looking for answers to the questions whether “success in business justifies victims”, “what is greenwashing”, the conference also focused on

environmental degradation and pollution, climate change, fake news, disinformation and manipulation. The event took place in a hybrid format at the Conference Centre of the POLIN Museum of the History of Polish Jews, and the entire event could be watched live on Facebook and YouTube.

Responsible Business Forum

In 2021, ING Bank Śląski continued its partnership in the Responsible Business Forum as an institution that is committed to social responsibility and sustainable development as well as diversity and inclusion initiatives as a Signatory of the Diversity Charter. The Bank was among the employers most advanced in diversity and inclusion management in Poland. The list was created based on the results of the [Diversity IN Check](#) (Polish link) survey conducted by the Responsible Business Forum.

Global Compact Network Poland

As a continuation of its cooperation with the UN Global Compact in 2021, ING Bank Śląski was a partner of the programme “Ethics Standard in Poland – Equal business opportunities” and the Climate Positive programme, which included initiatives related to the European Green Deal, promotion of clean energy technologies (e.g. hydrogen), improvement of air quality or sustainable financial instruments. Representatives of ING Bank Śląski (Leszek Kąsek and Michał Szalast-Dao Quy) have regularly and actively participated in the Steering Committee of this programme. In 2021, ING economists (Rafał Benecki and Leszek Kąsek) co-authored the article “Has the pandemic weakened companies’ motivation for green transition. Findings from ING’s global survey of the corporate sector” in a collective publication coordinated by GCNP – Green Finance in Poland 2021. At the UN Day Gala in October 2021, ING Bank Śląski received three awards from the UNGC for:

- taking ambitious action on climate protection and sustainable development for the sake of future generations,



- setting ambitious corporate objectives that promote women’s leadership and gender equality in business,
- taking ambitious measures to respect labour, human rights and ethical standards.

In addition, Joanna Warmuz, sustainability and CSR expert at the bank, took part in the work of the Roundtable for Climate Education in Poland. The task of the group, consisting of representatives from business, schools and NGOs, is to develop recommendations for the introduction of comprehensive climate education in Polish schools.

Poland 2.0 Summit

ING Bank Śląski was a partner of the Poland 2.0 Summit conference held on 30 October 2021 in Warsaw. This year’s edition of Poland 2.0 Summit focused on the future of the technology, finance and medical industries in the light of globalisation. The conference, in its hybrid form, was the first offline event of its kind for Polish students of foreign universities in the UK and the European Union. The conference was complemented by activities such as the #Nomad Podcast and Edu 2.0. ING presented itself at the conference as an employer as part of its employer branding activities. During the conference, the bank was represented on a panel about the future of AI in cyber security by Maciej Ogórkiewicz – Chief Information Security Officer at ING Bank Śląski.

Donations and sponsoring

SDG 1, 10

Charitable financial donations

In 2021, ING Bank Śląski made 31 charitable donations of a financial nature. Donations were made on the basis of the Donations Policy of ING Bank

Śląski S.A., which was updated on 1 June 2021. The Donation Policy defines the objectives that the bank supports as part of its donations, in selected areas of social investment:

- activities for children and young people, including leisure activities for children and young people – the bank made 5 donations totalling PLN 48.0 thousand,
- science, education and upbringing – especially in the area of financial and climate education – the bank made 9 donations totalling PLN 2,009.2 thousand,
- health care and prevention – the bank made 12 donations totalling PLN 259.5 thousand,
- environmental protection, combating climate change – 1 donation of PLN 30.0 thousand,
- financial support in case of special events involving an employee or his/her family member(s) – the bank made 4 donations totalling PLN 385.0 thousand.

Among the donations for activities supporting science, education, education and upbringing – especially in the area of financial and climate education were donations to the Exempt from Theory Foundation, the “THINK”! Knowledge Society Development Foundation, the Warsaw Banking Institute for the Bakcyl programme. In the area of health care, donations were given to foundations that have been carrying out socially valuable activities for the improvement of health for years, including for the Professor Zbigniew Religa Foundation for Cardiac Surgery Development and Polish Foundation of Gastroenterology, Association for Health Protection and Promotion in Szczyrzyc.

ING Bank Śląski S.A. continued its support for regional and local charities, including supported the Dr. Piotr Janaszek PODAJ DALEJ, West Pomeranian

Hospice for Children and Adults Foundation in Szczecin, Family Rehabilitation Home for Children with Cerebral Palsy Foundation, Małopolskie Hospice for Children in Krakow.

Charitable donations in kind

In 2021, the bank also made in-kind donations of end-of-life IT equipment (in good working condition) and office furniture mostly to schools, care facilities and charities. The value of IT equipment donated to foundations, associations and care institutions amounted to PLN 248,551.46. The bank donated 700 PCs, 745 monitors, 130 laptops and 119 printers. The handover of in-kind donations was carried out on the basis of the Procedure of Resale/ Donations/Disposal of Assets at ING Bank Śląski S.A.

Sponsoring

In 2021, continuing its strategy, ING Bank Śląski S.A. engaged in sponsorship activities aimed at entrepreneurs, young people, activities related to ecology, as well as activities aimed at owners and managers of medium and large-sized companies. They were designed to empower and motivate people to stay a step ahead in life and in business.

In 2021 ING Bank Śląski spent over PLN 3.5 million gross on all sponsorship activities (of which charges from sponsorship contracts include over PLN 2.7 million, and promotion of sponsorship events over PLN 750 thousand).

Breakdown of contractual sponsorship expenditure by category:

- Activities aimed at entrepreneurs (including congresses, conferences, building and maintaining good business relations): PLN 972 thousand.
- Activities targeting young people (including cooperation with universities, hackathons, science and education): PLN 659 thousand.
- Activities related to social responsibility, ecology and environmental protection (including wellbeing): PLN 1,056 thousand.



- Cooperation with foundations: PLN 86 thousand.

European Economic Congress

As every year, the bank became a sponsor of the European Economic Congress (EEC) in Katowice. In the difficult time of the pandemic, when the need to meet and discuss coincided with numerous restrictions, the Congress began to use electronic forms of contact and communication, thus the event took on a hybrid character, which will probably already become a permanent part of the EEC programme. As in the 2020 edition, this time too we used the title “Main Sponsor of the Online Broadcast”. ING Bank Śląski experts took part in many panel discussions, during which they discussed the future of the Polish and European economies in the context of accelerated digitalisation, green transformation or global supply chains:

- Brunon Bartkiewicz – President of the Management Board; attendance at the session: “An economic plan for Poland”;
- Ewa Łuniewska – Vice-President of the Management Board; attending the session: “The financial market and the economy” and “Towards a circular economy?”;
- Michał H. Mrozek – Vice-President of the Management Board; attending the session: “International trade and economic relations after a pandemic”, “ESG” and “Companies that renew the world’s resources”, as well as the presentation of awards in the “Investor without Borders” project and the “Ranking of Decarbonisation Initiatives”;
- Sławomir Soszyński – Vice-President of the Management Board; attending the session: “Cloud Time”;
- Rafał Benecki – Director of the Bureau of Macroeconomic Analysis; participating in the session: “Towards a circular economy?”;

- Przemysław Lewicki – Operational Digital Transformation Tribe Lead, Head of Robotics; participation in the session: “Intelligent automation of business processes” and “BPO shared service centres”.

Open Eyes Economy Summit

Once again the bank has become a strategic sponsor of the Open Eyes Economy Summit. Due to the pandemic, the Congress was held in a hybrid form: physically on 16-17.11.2021 in ICE in Krakow and online for the audience gathered at smartphones and computers. Open Eyes Economy Summit – 5th edition was a great success. Despite the pandemic, the Congress attracted 3,000 people from 27 countries who watched the broadcast from the ICE Congress Centre for a total of almost 3,500 hours. This year the extremely important topic of equal opportunities, diversity management, was raised. Panel discussions and speeches also included topics on ecology, business in times of covid etc. ING experts could not be missing among the speakers from 27 countries:

- Brunon Bartkiewicz – President of the Management Board, with the subject: Business lessons with COVID;
- Maja Chabińska-Rossakowska; HR; topic: Where to look for sources of diversity in an organisation and how to prioritise its dimensions?;
- Anna Golka – Director of the Real Estate Management and Bank Services Department; with the topic “All new energy”;
- Maciej Ogórkiewicz – Director of IT Security Department – Digital trust – new currency or utopia?.

Business Insider Trends

Business Insider Trends is a communication platform with the latest information on business and technology trends relevant to entrepreneurs and managers. The platform includes an editorial section gathering analyses, reports and interviews with leaders of change as well as special

issues of BI Magazine. Business Insider Trends also features online debates from May to October 2021, discussing key trends and how they translate into the economy, company operations and market behaviour. The series of meetings concluded with a hybrid conference held in November 2021.

Our corporate foundations

SDG 1, 4, 10

The ING for Children Foundation

The ING for Children Foundation is one of the oldest corporate foundations in Poland. It implements the social mission of ING, supporting the development, education and independence of children and youth. Through its proprietary programs, it strives to equalize the life chances of young people whose start into adulthood is difficult for various reasons.

Publications

In 2021 we published two books “You too can save the world. Eco-tales from Petrushka Wola” and “Smile Turnouts, or how to successfully conceive, prepare and organise developmental trips for children”. The first one is a modern ecology textbook written by one of the most popular children’s book authors – Justyna Bednarek. “Smiling Holidays, or how to successfully conceive, prepare and organise developing trips for children” is addressed to institutions and organisations working for the benefit of children. It also helps to prepare for the Smiling Holiday or any other trip organised with children.

Both publications are available in electronic format on the foundation’s website. In addition, paper copies of the book “You too can save the world. “Eco-tales from Pietruszkowa Wola’ is given free of charge to schools, libraries and organisations. Since its premiere, the Foundation has donated over 1,850 free copies of the book during events and directly to schools and



libraries, where they have become the basis of ecological educational programs. On our website we also provide workshop scenarios created on the basis of the book by Justyna Bednarek and Julia Łapińska.

In June, the ING for Children Foundation and the ING Polish Arts Foundation announced an art competition entitled FROM COVER TO COVER, in which children were asked to create their own book. Part of the competition included an online workshop with the illustrator “You too can save the world. Eco-tales from Pietruszkowa Wola” Joanna Czaplewska and ecological paper expert Joanna Porębska. There were 40 competition entries made using different techniques.

In the autumn, the foundation took part in two events promoting our publications, at the NGO Festival and at the Silesian Book Fair in Katowice, where at our stand we handed books of “You can also save the world”, “Lucjan Lew, jakiego nie było” (“Lucjan the Lion, as We Know Him”), “Kosmita” (“The Spaceman”) and held many talks with readers and all those who were interested in the foundation’s activities. on 14 November 2021 our guest at the Silesian Book Fair was Justyna Bednarek, author of “You too can save the world. Eco-tales from Pietruszkowa Wola”. Readers could get the writer’s autograph and listen to a book talk on one of the fair stages. The interview with Aatorka was conducted by Aldona Radomska-Paluchowska, Communications Specialist at the foundation.

The Foundation also donates bibliotherapeutic publications published in previous years. In 2021, we donated a total of 1,858 free copies of the books The Spaceman, The Lucian Lion as We Know Him.

30 years of the ING for Children Foundation

In 2021, the ING Foundation for Children celebrated its 3rd birthday. In the foundation’s anniversary year, we changed our logo. The foundation’s new logo was created by children from three orphanages: in Golanka Dolna, Wojstawice and Wrocław. The logo was created during a workshop led by

Jakub de Barbaro, in which pupils painted what they associate the ING Foundation for Children with.

The foundation’s anniversary was marked by a meeting with Brunon Bartkiewicz and the publication of a photo album in which we share our joy of working together for the benefit of children. The album contains photos showing the foundation’s most important activities and information that allows you to see the reach of our initiatives and programmes.

Employee volunteering

Since 2006, the ING Group employees have been participating in the Good Idea voluntary competition. In 2021, the ING Foundation for Children granted funding to 62 projects for a total of 315,299,93 PLN. In 2021, ING volunteers carried out 65 projects for local communities, foundations and schools for a total of PLN 291,299,93. For the sake of the health of both ING volunteers and children, all projects were carried out in an e-volunteering format. As part of this form of cooperation, online meetings were held. In addition, ING volunteers prepared audio/video recordings, multimedia presentations, instructions, crosswords, rebus, organised virtual walks and wrote traditional paper letters. The use of a particular form of e-volunteering was always tailored to the needs and capabilities of the target group and the technical capacity of the beneficiary. The 65 Good Ideas involved 304 ING volunteers and 3,162 children participated in the projects.

In addition to the Good Idea competition, in 2021 the e-volunteers also held dozens of online meetings with children and young people from all over Poland, where they talked about their passions and travels, conducted classes on financial education, online safety and environmental education. There was also cooking together, playing instruments or doing artwork. During the school year, 28 ING employees engaged in regular e-tutoring for the benefit of wards from Katowice orphanages and foreign children supported by the Polish Migration Forum. The purpose of these meetings was above all to learn together, but also to talk, which is so important in

these difficult times. During the activities of the 39 e-volunteers, a total of 253 children were supported.

In 2021, the ING for Children Foundation organised 12 volunteer trainings attended by 321 ING employees. Training sessions included how to minimise the environmental footprint of volunteering projects, how to talk to children about finance, and how to run a good online meeting. The ING for Children Foundation also organises trainings before and after the Good Idea competition in order to better prepare everyone to submit an application/implement their project.

In 2021, we created a new “My Environment” programme, where ING volunteers can win a grant for environmental activities with a community partner of their choice. The grant received can be used to create, for example, a flower meadow for wild pollinators, create an air-purifying mural or a sensory garden.

Orange Power

Orange Power is a programme to activate children and young people with disabilities. In the Olympic edition of the programme, we focused on supporting special and inclusive schools. Orange Power – Olympic edition launched in 2019. The first stage was remote and took place through competitions, joint training with athletes or videos encouraging people to be active. In this formula, 225 students from 22 institutions joined the program received 410 balls, 264 rackets, 220 resistance bands, 88 jump ropes. The grand finale of the programme was in 2021, when the foundation organised five sporting events with the participation of the programme’s ambassadors – Paralympians Alicja Jeromin and Marcin Ryszka and the press attaché of Polish Paralympians Michał Pol.

Smiling Holidays

Smiling Holidays in Wisła are 12-day free stays for groups of children with educational staff. In 2021 there were 12 holidays, including 9 therapeutic



holidays and 3 summer camps. We were visited by 278 children. During the therapeutic holidays we hosted children from:

- Special Primary School No. 24 in Płock,
- Special School and Educational Centre in Lipki Wielkie,
- Association for Assisting Children and Families “For the Family” in Częstochowa,
- Association of Friends of Primary School No. 3 in Prudnik,
- J. Korczaka Special School and Educational Centre in Radom,
- Special School and Educational Centre No. 1 in Nowy Targ,
- Complex of Special Schools in Kolbuszowa Dolna,
- Special School Complex No. 4 in Sosnowiec.

On summer camps, children from:

- “Pomóż Im” Foundation for Children with Cancer and Hospice for Children in Białystok,
- Society of Friends of Children Regional Branch in Koszalin,
- Centre for Care and Education Institutions “Parkowa” in Kraków.

Virtual Run Warsaw

In 2021, just like the year before, Run Warsaw took place in a slightly different format. For the sake of the safety and health of the employees and their loved ones, only a run was organised in October, with no march and so-called virtual runs. 639 ING employees took part. Their commitment translated into an amount of PLN 63,900, which ING Bank Śląski donated to the ING for Children Foundation in 2022.

Involvement of the ING running team / Orange Power Competition			
Year	Number of runners	Funds for ING for Children Foundation	Projects implemented from the transferred amount
2021	639 runners	PLN 63,900	The Foundation will donate funds for sporting activities for children with disabilities.
2020	744 runners and 2,218 marchers	PLN 185,300	The Foundation will allocate funds for its additional activities in 2021.
2019	706 runners and 1 500 marchers	PLN 145,600	In 2020, the funds raised by ING employees who ran and marched in various sports events, will be allocated to sports equipment for children and the youth taking part in the Olympic edition of the Orange Power Programme. It was aimed at primary schools, sports clubs and organisations caring for children with mobility, hearing or visual impairments.
2018	708 runners and 585 marchers	PLN 100,050	In 2018, the Foundation announced a competition, Orange Power for the children and youth activating projects. The competition was attended by 51 social organisations recommended by the ING employees. The 10 projects selected in a vote were implemented in 2019.

Collections for children’s oncology treatment

In 2021, we launched collections for children’s oncology treatment. The collections programme was established so that our community could help each other during the hardest time, which is a child’s illness. Thanks to the support of ING employees and an additional amount from the ING for Children Foundation, we raised a total of PLN 148,273 to fight children’s cancer.

Training for teachers at the Foundation’s centre in Wisła

The ING for Children Foundation together with the Polish Children and Youth Foundation organised several days of training for teachers from all over Poland. The aim of the training was to support employees before they return to teaching and to equip teachers with tools to help students cope with the psychological effects of the pandemic and the isolation that comes with it.

Teachers took part in workshop sessions lasting several hours, learning to use the “Life Skills – Back to School” tool. It is a method of building social competences that strengthens the ability to work as a team, name one’s strengths, solve problems, set goals and deal with conflicts. The training in our centre in Wisła was attended by 35 teachers as well as consultants from teacher training centres and employees of psychological and pedagogical counselling centres.

ING Polish Arts Foundation

The ING Polish Arts Foundation was established to support Polish artists and female artists, and to present the most current phenomena in art. The foundation builds a collection of contemporary art and carries out artistic and educational projects. In the following year of the pandemic, the foundation implemented a rich programme of online activities, which included an educational project called Artist – Professional, courses for employees and interviews with artists. At the same time, the existing



statutory activities related to the work on the development of the collection, promotion of the artists associated with it and the publishing programme did not cease. Last year the collection grew by as many as 22 objects by 4 female artists, 2 artists and one collective of artists. The development of the collection and its activities are financed from the annual donations of the ING Group companies in Poland and are part of its global art patronage program, which plays an important role in creating the organizational culture.

Collection

The collection of the Foundation includes works created after 1990 by Polish living artists. Currently, the collection includes over 249 works – 86 paintings, 67 photographs, 42 works on paper, 30 objects (sculptures, ceramics, textiles, etc.), 8 videos and 16 installations – by both recognized artists and younger generation artists born in the 80s and 90s. The collection includes works by 40 women and 71 artists. In recent years, the foundation has been actively working towards a more equal representation on the basis of gender. The collection of foundations remains one of the few corporate collections in Poland. The 2021 collection includes paintings by Zuzanna Bartoszek, photographs by Mariola Przyjemska, Łukasz Rusznica, video and object by Ali Savashevich, collages and neon by Sergey Shabohin, gouaches by Aleksandra Waliszewska and fabric by the Slavs and Tatars group.

The works from the collection are on a daily basis in the founders’ offices, mainly in the bank’s headquarters in Warsaw and Katowice, as well as ING Lease and ING Commercial Finance. In 2021, new exposures were created at ING Wealth Management offices and ING Business Shared Services headquarters.

The foundation also shows its collection online. Images of works from the collection are available on the foundation’s internet website under Creative

Commons 3.0 licenses (Attribution, Non-commercial Use, No Derivatives), which allows you to download them in high resolution.

Exhibitions

Due to pandemic constraints, the foundation did not organise a collection exhibition in 2021. As part of a programme of loaning works from the collection, works were exhibited at the following events:

- Solarium of the New Theatre at the New Theatre, Warsaw, 11-15 May 2021.
- ...give us today at the Arsenal Gallery in Białystok, 11 June 25 July 2021.
- They call me Gypsy, though that’s not my name at the Gdańsk City Gallery, 16 July – 26 September 2021.
- A Manifesto for a Better *Life* at the Academy Salon Gallery in Warsaw, 1 October – 19 November 2021.

Foundation Award

Since 2017, the works of the artist, artist or artistic group presented during the Warsaw Gallery Weekend are included in the foundation’s collection through a competition. From 30 September to 1 October 2021, the jury (consisting of: Weronika Szwarc-Bronikowska – collector of contemporary art, Marek Pokorný – curator, director of the Plato Gallery in Ostrava, Hanna Wróblewska – director of the Zachęta National Gallery of Art, and Kamila Bondar and Marcin Kryszewski – members of the Management Board of the ING Polish Arts Foundation) visited 29 exhibitions by artists exhibiting as part of the Warsaw Gallery Weekend.

In 2021, the ING Polish Arts Foundation Grand Prize went ex-aequo to Zuzanna Bartoszek and Ali Savashevich. The jury decided that the foundation would purchase the following works: Susanna Bartoszek “A diagonal walk by pendolino” and “Sorry”, Ala Savashevich: “Beyond. Position. Way”. A Special Prize was also awarded to the Asymetria Gallery

for preparing the exhibition “Pokaz zamknięty / Jerzy Lewczyński, Zdzisław Beksiński, Bronisław Schlabs with the participation of Zbigniew Libera”.

Artist – Professional

In 2021, the Artist-Professional project was held for the fifth time, addressed to students and beginning artists. The aim of the project is to prepare students for the difficult moment of graduating from university and starting their professional career. Functioning in the professional world of art requires not only talent and hard work, but also knowledge of its mechanisms.

During the classes, you can learn about tools and practices helpful in functioning in the artist’s profession. Lectures, workshops and portfolio consultations will be conducted by people who work in the field of art on a daily basis: they include curators and curators, artists and activists, exhibition producers and art market specialists. They tell, among other things, how to properly present yourself to curators and gallery owners, how and where to organize the first exhibitions, where to insure and how to take care of your rights.

From 2020, the Artist-Professional project moved online due to pandemic constraints and continued in this form in 2021. The 12 live lectures were attended by 2012 participants and over 225 people benefited from individual portfolio consultations. Recordings of the activities are made available by the foundation on the programme’s website and were viewed by a total of several thousand people last year. Participants included not only students from most Polish cities, but also those studying at universities across Europe. With this in mind, we have offered two lectures in English in the 2021 edition.

All classes were translated live into sign language, and 5 deaf artists took advantage of the translation.



In 2021 we added a new element to the project for the first time – the Summer School. The first part of the Summer School took on an exceptional formula – its participants took part in the Contexts Festival in Sokołowsko. It was an opportunity for “learning by doing”, so important in artistic education – instead of a laboratory form of training, the participants became part of one of the most important cyclical artistic events in Poland. Our group’s mentors were Ewa Tatar and Agnieszka Tarasiuk – curators and theoreticians, who also actively participate in the Contexts programme.

Artist-Professional 2021 in numbers:

- 2012 participants,
- 84% of participants were women,
- 75% were taking part for the first time,
- 49% students,
- 90% rated the consultation as good or very good,
- 94% rate the portfolio consultations as good or very good.

Publications

In 2021 the ING Polish Arts Foundation in collaboration with Warsaw Gallery Weekend published a new publication: “There is art here. The Warsaw Gallery Scene” telling the story of the last 20 years in Polish art from the perspective of private galleries. The Polish gallery scene has been developing dynamically for two decades. The popular movement of young female and male art dealers has developed imperceptibly into a separate phenomenon with a real impact on art history and about creating a new social space for art. Polish galleries and the artists they represent have become active links in the global circulation of art in the 21st century.

Cooperation with Zachęta – National Gallery of Art

Zachęta – National Gallery of Art has been a partner of the ING Polish Arts Foundation almost from its inception. The long-term cooperation with Zachęta is based on mutual assistance. Zachęta supports the foundation with knowledge and experience, and the foundation makes donations for the purchase of works for the Zachęta collection. According to the foundation’s statute, if we end our activities, our collection will be automatically included in the Zachęta collection. In 2021, Magdalena Komornicka, a long-time curator at Zachęta, became a member of the foundation’s purchasing committee. The Foundation supports Zachęta with an annual donation. In 2021, it was PLN 35,828 and was donated to the purchase of four photographs by Joanna Piotrowska for Zachęta’s collection.

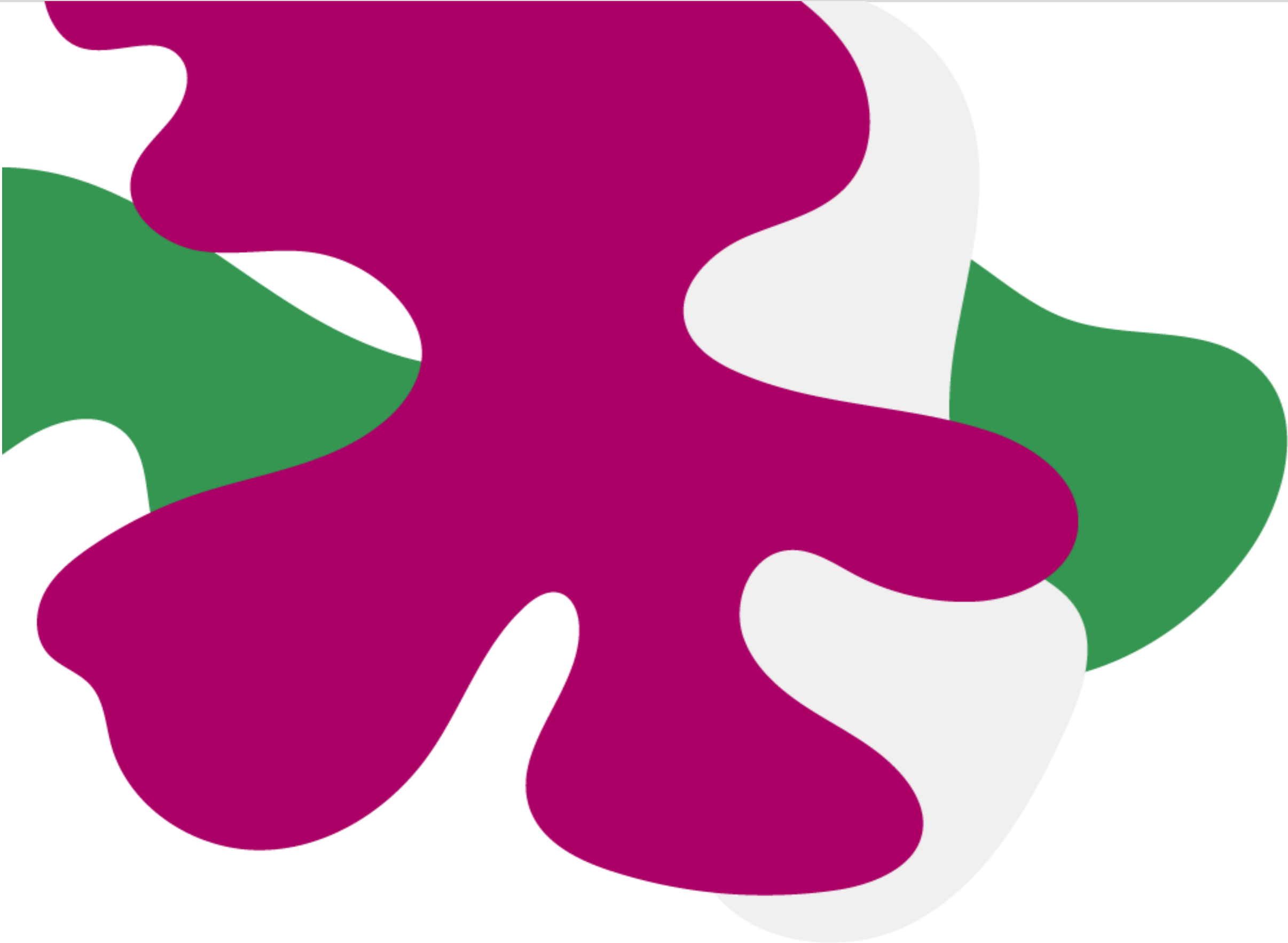
Closest audience – ING employees and clients

The ING Polish Arts Foundation works to popularise contemporary art also among its closest audience, i.e. ING employees. In 2021, we have prepared an extensive online offer consisting of meetings organised in two cycles:

- A lunchtime course in art history – a series of short, half-hour lectures “for beginners” on basic concepts and phenomena in contemporary art and their historical context. Over 4 months, we delivered 20 lectures attended live by 129 employees. They are now available through social media and the foundation’s website, where they have been viewed by several hundred people.
- The course in collecting contemporary art – the classes dealt with the basic issues of art history, the mechanisms of the art market and its Polish specificity. And also the factors that determine the price of an artwork and strategies for collecting with different budgets. A total of 54 bank employees took part in the 4-month course, which consisted of 10 online meetings and a trip to a gallery and auction house.

In addition, in October 2021, we organised tours for employees of events organised as part of Warsaw Gallery Weekend, which were attended by 37 people.

The cooperation between the bank and the foundation resulted in a mural by Magdalena Karpińska realized in November 2021 in the building of ING headquarters at 34 Sokolska Street in Katowice. The mural, which covers an area of 568 m², is a multi-plane composition on three walls with organic motifs – half floral, half abstract – characteristic of the artist. It was painted with special paints that have CO₂-absorbing properties.



ING for employees (S)

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We are aware of the important role employees play in our day-to-day operations. That is why we want to create a friendly workplace and conditions for development. We support diversity and inclusion. We care about the health and well-being of employees.

HR management

SDG 8

Strategy, policies, procedures

GRI [103-1] [103-2] [103-3]

The way we work reflects our organizational structure which is flexible. Working in a bank is based on team effort – nobody works alone.

The principles of organizing our work are defined in the Organizational Regulations of ING Bank Śląski S.A. It contains an organizational chart, as well as the basic rules that guide us when organizing mutual cooperation. We create space for all employees to be independent and responsible.

We focus on building the skills and commitment of our employees in such a way that they can achieve the goals and strategy of our organization, while developing and caring for their overall well-being. We strive to provide the best working conditions. We support employees in leading a healthy lifestyle and encourage them to take care of their health at work and outside.

We make sure that the salaries of our employees are at the market level. Our remuneration policy is based on treating all employees fairly. By managing performance, we support the process of attracting, motivating and retaining talented employees, as well as their development.

The most important internal documents regarding the shaping of working conditions and remuneration in the ING Bank Śląski S.A. Group include:

- The Work Regulations of ING Bank Śląski S.A.,
- Remuneration Policy at the ING Bank Śląski S.A. Group,
- Regulations of remuneration of employees of ING Bank Śląski S.A.,
- Regulations for evaluation of employees of ING Bank Śląski S.A. (Step up).

Other regulations concern areas related to additional benefits for employees in the form of a cafeteria program and assistance benefits under the functioning of the Company Social Benefits Fund, as well as the granting of benefits in connection with disability.

Employees in the bank – in numbers

Every day, the ING Bank Śląski brand is created by over eight thousand people. We employ not only financiers. In our modern organizational structure, there is room for various professions and for employees with various interests and passions that contribute to increasing efficiency, increasing commitment to work, striving for development and innovation. As many as 66% of our bank's employees are women.

On 31 December 2021, the ING Bank Śląski S.A. Group employed 8,694 people. Compared to December of the previous year, the number of employees increased by 187 people (i.e. by 2.2%). At the end of December 2021, ING Bank Śląski employed 8,248 people, i.e. 195 more compared to December 2020.





GRI [102-8]

Number of employees					
	2017	2018	2019	2020	2021
Head Office in Katowice	2,990	3,085	3,117	3,474	3,811
Head Office in Warsaw	725	729	746	827	882
Branches	3,946	3,851	3,827	3,752	3,555
Total Bank	7,661	7,665	7,690	8,053	8,248
ING Lease (Polska) Sp. z o.o.	208	227	232	248	246
ING Commercial Finance Polska S.A.	105	110	112	114	116
ING Bank Hipoteczny S.A.	-	30	39	36	38
Solver Sp. z o.o.	3	2	2	2	-
ING Usługi dla Biznesu Sp. z o.o.	52	49	57	51	43
Nowe Usługi S.A.	3	3	3	3	3
Subsidiary companies	371	421	445	454	446
ING Bank Śląski S.A. Group	8,032	8,086	8,135	8,507	8,694

Percentage of new hires and turnover rate

	2017	2018	2019	2020	2021
Rate of new hires in the reporting period by age group					
Below 30 years	52.0%	48.7%	51.0%	51.8%	56.4%
30 to 50 years	46.5%	48.6%	46.7%	45.9%	40.6%
Over 50 years	1.5%	2.7%	2.3%	2.3%	3.1%
Rate of new hires in the reporting period by gender					
Females	48.0%	47.1%	48.3%	48.0%	46.4%
Males	52.0%	52.9%	51.7%	52.0%	53.6%
Employee turnover rate in the reporting period by age group					
Below 30 years	21.2%	20.1%	22.1%	20.6%	26.5%
30 to 50 years	60.1%	60.8%	60.2%	59.4%	57.3%
Over 50 years	18.7%	19.1%	17.7%	20.0%	16.2%
Employee turnover rate in the reporting period by gender					
Females	65.6%	63.5%	67.2%	64.9%	62.5%
Males	34.4%	36.5%	32.8%	35.1%	37.5%

GRI [102-41]

The percentage of employees who are members of a trade union operating in a bank was:

	2017	2018	2019	2020	2021
The percentage of employees who are members of a trade union operating in a bank	5.6%	5.4%	6.0%	5.6%	5.4%

Trade union-related costs in 2021 amounted to PLN 402.7 thousand.

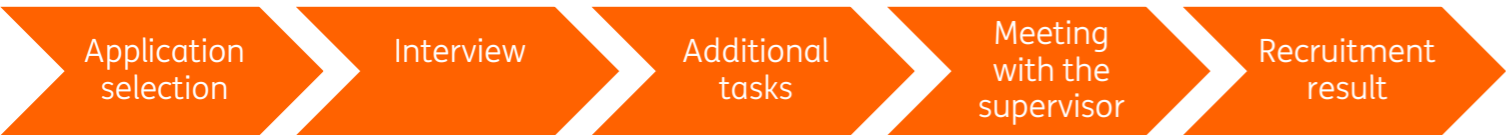


Recruiting new employees

We publish all job advertisements on [our careers page](#). The process of selecting employees may differ depending on the position.

We usually recruit according to the following scheme:

Recruitment process scheme



In addition, we provide a recruitment guide on the website, where we present advice on writing a CV and preparing for a job interview.

Employee Referral Programme

In 2018, we introduced an Employee Referral Programme at our bank because we want to leverage our employees’ network and build the future of ING together. The bank is primarily people. We want employees to be able to shape our workplace and have an impact on who we work with. We care primarily about the knowledge and experience of the people who work here. In 2021, at the recommendation of our employees, we employed a total of 121 people. Since the start of the programme, our employees have successfully referred almost 500 people to us.

Employee Advocacy

We involve our employees in many ways in building and promoting our employer brand. In addition to the Employee Referral Programme, our employees are also involved in career and industry events, promotional campaigns, are the protagonists of career films, articles about careers at ING and are the voice and foundation of our communications. It is thanks to their commitment that we know how things work at ING and can tell others about it. We wrote more about working at the bank from the perspective of our employees on [our website](#) (Polish link).

Parents at work

GRI [401-3]

We attach great importance to the protection of employment stability after returning from parental leave. We also support employees who became parents in their new role. At the beginning, we provide a leaflet with information about their rights and privileges, and then we pay out the benefit on the occasion of the birth of a child. Men working in our bank take advantage of a two-week paid paternity leave. They have this option until the end of their second year of life.

Employee maintenance index after parental leave (percentage of people entitled to parental leave who returned and remained employed by min. 12 months after returning) *				
	Female	Male	Total	
2021	99.6%	99.6%	99.6%	
2020	99.4%	99.1%	99.3%	
2019	99.0%	98.4%	98.9%	
2018	99.7%	100.0%	99.7%	
2017	98.0%	100.0%	99.0%	

**excluding people whose temporary employment contract has ended and people who have quit on their own initiative*

On 1 July 2021, we implemented new benefits that support employees caring for children, and we modified one already existing:

- additional maternity leave - each mother, raising a child up to 2 years of age, may use 10 additional days of maternity leave, while retaining the right to remuneration;
- additional paternity leave - each father bringing up a child up to 2 years of age may use 5 additional days of paternity leave, while retaining the right to remuneration. The condition is that the basic paternity leave has been used beforehand
- childcare - parents bringing up children up to 18 years of age may use 2 days of childcare (so far, the entitlement was applicable to children up to 14 years of age).



Our mode of operation, flexibility

Technology is changing the world at a dizzying pace. Technological companies modify the way of dialogue with clients, but also internal models of work and creating new products or services. It is the same in the banking industry – until recently considered traditional and conservative – and today very modern and based on technology. As ING, we are also changing all the time. We are evolutionarily adjusting the way we operate to the changing world. We are looking for solutions that are consistent with our organizational culture.

We believe that the best solutions are created in teams, which is why working in our bank is all about teamwork. It is the tasks that determine the way we work, not the other way around. *We call this work model the Way of Working* – it includes both departments, as well as expert teams or squads. We focus on close cooperation with clients, flexibility, commitment and efficiency. To achieve this, we apply specific teamwork assumptions: work in short cycles, decomposition of strategies for shorter periods, team autonomy, demo, prioritization, flashbacks and continuous improvement of work.

In the *Way of Workingsystem*:

- we work around common goals,
- together with the team we are looking for the best solutions,
- we have the ability to co-decide with leads,
- we carry out tasks according to priorities and in relation to strategic goals,
- we have autonomy in the way we improve work,
- we work cross-sectionally with people with different competences,
- we communicate directly and often receive feedback,
- we demonstrate the effects of solutions with clients and stakeholders,
- we adjust the plan to the changing reality.

Development and training programs

SDG 4

Employee development

We help discover and direct the potential of our employees. We take care of the development of competences and support in the conscious choice of career path. We promote the creation of development plans by employees, allowing them to analyse, document and monitor progress in the area of their personal needs and development ambitions even more broadly and fully.

We make sure that each employee receives what is necessary to perform the tasks at their workplace. We provide various packages of development and training activities – both internally and with the use of external training, workshops and conferences. We implement projects based on the exchange of knowledge and work with another person – coaching, mentoring and individual consultations. As a result of the pandemic, most of these activities in 2021 have also taken an online form.

We support individual expansion of qualifications by employees in the form of certifications, post-graduate studies or standards of the Polish Bank Association. We inspire development and recommend specific tools. We use internal communities dedicated to the subject of learning and development in communication. We promote digital development activities by encouraging the use of external online training platforms.

E-learning and multimedia tools

We want employees to have easy access to a variety of materials that meet their training needs. Self-education is often the first step in making important individual career decisions. We have made available a wide range of e-learning courses, thanks to which employees have constant access to information on current regulations and principles, e.g. in the field of compliance or on good practices recommended in everyday work. They can also develop “soft” competences such as communication or stress management. The development platform we use also enables employees to draw on materials and training provided by other ING Group countries around the world.

We use modern technologies, primarily in the field of knowledge sharing, such as chats, webinars and knowledge exchange forums (communities). We encourage employees to use courses on MOOC (Massive Open Online Course) platforms, i.e. ready-made training and materials prepared by world-renowned universities and organizations covering a very wide spectrum of knowledge. All employees can make use of the well-equipped e-book library.



Another method of self-improvement are multimedia sources of information, containing the so-called knowledge pills, i.e. presentations, films. In order to share knowledge even more effectively, employees can use a tool that allows them to independently prepare attractive training materials in the form of e-learning, available on an internal platform. The variety of tools meant that almost every employee took part in at least one development activity last year.

Training in figures

GRI [404-1]

Quantitative information on training

	2019	2020	2021
Number of development activities per employee	12.5	22.0	25.0
Number of hours of development activities per employee	24.4	57.6	29.0
Percentage of employees participating in at least one development activity	97%	99%	98%

For many years, training activities were associated with the transfer of theoretical knowledge in training courses lasting many hours. We now encourage employees to acquire knowledge in a more diversified way, in a variety of forms, more digital and in interaction with others. We are also creating opportunities for this by, among other things, implementing a modern My Learning platform in 2021. Within the platform, we will measure the number of activities and their timing. Additionally, thanks to the platform, multi-hour training sessions have been replaced by shorter, substantive webinars, hence the decrease in the number of hours of development activities.

Internships for employees

An internal internship is a proven method for professional development. As part of the activity, the employee gains work experience in another organisational unit of the bank, in the country or abroad. A development internship usually lasts from one to three months. This solution allows you to get to know the specifics of work in a given place, but most of all it is an opportunity to gain new competences and professional experience.

Participation in internal internships

	2017	2018	2019	2020	2021
Participation in internal internships (persons)	170	180	151	102	47

The number of employees taking part in internal placements is linked to the formal process of moving to another unit for the duration of the placement. The bank also operates internships without delegating an employee to another unit, so we encourage employees to take initiative themselves, proactively seek development opportunities, approach their development in an entrepreneurial manner and at the end of the day, not all activities are formalised.

Development in times of change

The sudden change in behaviour caused by the pandemic introduced additional priorities related to the need to equip people with current knowledge, skills and support in adapting to the new normality. The development of competences to lead teams dispersed in remote/hybrid work conditions, building mental resilience, helping to maintain a high level of energy despite the uncertainty and volatility of the situation, and changing the work model related to the sale of services and products or building client relationships are the needs to which we responded by introducing a number of activities supporting employees and managers. We have moved all face-to-face activities into virtual classrooms. We have conducted a number of training sessions, webinars with elements of online workshops for employees and managers on coping with the new reality of preparing for work in the hybrid model: organising remote/hybrid work, work-life balance, energy and emotion management, relationship building skills with teams, taming change and seeking balance, and building trust and teamwork. We made these activities available in a customised Replenish Your Powers calendar application, which was designed to help employees manage their development needs.

In 2021, we provided employees with the LXP platform, which supports employees in building competences faster than before, relevant to the current need and using different methods than the traditional training approach. It combines new technologies with the potential brought by user interactions and relationships. Through the platform, employees have access to educational material from different countries. The implemented solution will allow employees to take their development into their own hands, constantly updating their knowledge and observing their progress and managing their development in one place. The use of artificial intelligence (AI Watson) algorithms and



advanced analytics builds a completely new and personalized employee learning experience. As a result, it translates into the effects and speed of learning.

INGame

In 2021, we changed the organisation’s approach to learning towards digital learning. We wanted to involve employees in this change, so we used the gamification mechanism and combined it with technology to create the INGame. The aim of gamification is to introduce effective ways of learning into organisations based on 6 defined areas:

- Self-directed learning.
- Social learning (social learning strategy, peer to peer learning).
- Effective development strategies based on the latest knowledge in neuroscience.
- Learning ecosystem strategy based on the learning experience platform (LXP My Learning).
- Strategic actions to support adaptation in a hybrid work model.
- Strategies for building learning habits in a changing environment.

The game is available to employees until the end of April 2022, after which the content of the game will be transferred to the LXP My Learning platform and will be available to employees for self-learning.

Development towards new technologies

GRI [103-1] [103-2] [103-3] | SDG 9

Power of Data conference and Code Your Future hackathon

Power of Data Conference: Python Edition is an annual technology event for bank employees, featuring talks and workshops on the practical use of Python, machine learning and automation in everyday work. During the demo session, bank employees demonstrated how they use Python and artificial intelligence to make their daily tasks easier. We saw concrete examples and above all the “technical behind the scenes” of these solutions. The special guest of the conference was Paweł Konior, who presented strategies of being a good programmer. This year’s conference was attended by nearly 400 employees. Power of Data was also an opportunity to announce the results of our Code Your Future hackathon! Hackathon theme: how does Python protect the protein interface from

performing boring and repetitive tasks? - or the use of Python in everyday banking reality. In 6 hours, 33 participants divided into 8 teams tackled 5 tasks. The jury selected the 3 winning teams who provided correct solutions correctly and in the shortest time.

Coding Academy

CodING Academy, is one of our main proposals for bank employees. This 5-month programme consisting of consisting of z e-learning course combined with self-directed work5 workshops with mentors ING mentors and 5 challenges Have fun with CodING. Participation in the programme allows employees of all the bank’s units at gain and develop programming skills. We present in this way that each of us can not only understand IT solutions, but also use them in our daily work. Knowledge gained by the participants allows disenchanting the technology and showing that each of us can develop new skills, which allow carrying out tasks and projects even more efficiently. In 2021, the Coding Academy was attended by nearly 700 employees.

AI Academy

The AI Academy aims to provide an introduction to the world of Data Science. In 2021, we continued our programme activities by delivering further editions of training pathways at different levels. In 2021, 493 bank employees graduated from the AI Academy.

WAW IT

The Virtual IT Support Academy is an initiative launched by the Service Desk Team. It consists of 8 trainers who organise training courses and workshops during which they present the latest IT tools and teach how to use them effectively. The initiative is complemented by an internal WAW IT website, which is a compendium of knowledge about tools and applications. In addition, the website allows for easy and quick enrolment in training courses. In 2021, WAW IT organised 97 training sessions with a total of 6,166 participants.

Annual performance assessment talks

Annual interviews are the basic tool that supports employees in their development. This is a special type of meeting between an employee and a supervisor. During this conversation, we create development plans for the coming year, set new priorities, and settle tasks. We also talk about aspirations and challenges. Feedback and its reciprocity are important here – so that it can be heard by both the employee and the superior.

Employee evaluation intuitively combines the evaluation of work results with an increased role of the so-called soft, i.e. non-financial, categories. It also influences our strong organizational culture.



The assessment model – Step Up – combines values, supports commitment and ensures partnership. Step Up is a philosophy of dialogue with employees and an approach to motivating at the same time. We focus on continuous dialogue and ongoing feedback – not only during formal meetings. This philosophy introduces four major changes:

- strengthens ongoing feedback: supplementing formal interviews with ongoing feedback that has a positive impact on all employees, both at the individual and team level;
- turns the Orange Code into the incentive system: Orange Code behaviour is one of the three dimensions of goal setting and employee evaluation;
- focuses on strengthening the practice of posing individual Challenges to each employee, encouraging them to leave the comfort zone.

We want our employees to discover their potential, pursue their ambitions and feel fully supported. It is an approach in which we focus on dialogue and employee motivation.

The Step Up model assumes setting annual goals in three independent categories: Work Results, Orange Code and Challenges. Goals in the Work Results dimension are set by the supervisor, while the employee proposes goals, which are Challenges. All goals set for a given year should be consistent with the bank’s strategy. As part of the annual interview, each employee assesses himself (self-assessment) and is assessed by the supervisor (manager’s assessment) in all categories. Both the employee’s self-assessment and the manager’s assessment are carried out on a descriptive scale: Needs improvement, As expected, Above expectations. Based on the descriptive assessment, award points will be automatically calculated for a given category. The final evaluation of the employee is determined by the supervisor and discussed with the employee during the interview.

GRI [404-3]

Percentage of employees who took part in annual interviews					
	2017	2018	2019	2020	2021
Percentage of employees who took part in annual interviews	97%	96%	*93%	*94%	*96%

**Only long-term absentees did not participate in the interviews.*

Programmes for students and graduates

We encourage students to cooperate with us as part of internship initiatives and programmes. This solution allows them to get to know their future employer. We offer many development paths in a variety of internship programmes.

Internship with the Lion

The internship with the Lion is a unique internship on the market, addressed to students who are agile in the world of technology and have various passions. At ING Bank Śląski, we develop interns throughout the year. We offer an Internship with the Lion to students and graduates in all areas of the bank. Our interns gain valuable experience by working with the best experts on the market, for example in the Agile methodology. Many of them receive an offer of permanent cooperation after the internship. In 2021, 269 interns from across the country participated in Internship with Lion.

ChallengING

ChallengING is an annual Programme of development, intensive learning and work on ambitious tasks within the path chosen by the student. We delegate to the participants the execution of independent tasks in a given department or under a specific project. On the design and software development path, students receive tasks related to business analysis of internal client needs, solution design, Programming and testing. Meanwhile on the Data Science path, the participants carry out tasks by taking on two rotating roles – that of Big Data analyst and data engineer.

Ambassador programme

Once again, we organized the Ambassador Programme, which is a form of cooperation between ING Bank Śląski and university communities all over Poland. ING student ambassadors cooperate with us in building the bank’s image as an attractive employer at selected universities. Last year, 12 selected students represented us in the academic community. Ambassadors work under the mentorship of our employees, offering support in getting to know ING and shaping career paths.

International Talent Programme

As part of the International Talent Program we implement on 8 business paths: risk, IT, retail and corporate banking, finance, HR, Operation & Change, Analytics. The international talent program gives participants the opportunity to



participate in important projects, numerous development activities and foreign internships. A total of 4 new people joined the programme in 2021.

We know how employees rate us

The basis of our development are committed employees, so we systematically ask them what influences their work the most and what they need to achieve full satisfaction. We invite employees to participate in regular and anonymous surveys such as OHI, OHI Pulse (Organizational Health Survey) and thematic surveys on Diversity and Inclusion as well as Non-Financial Risks.

The Organisation Health Inquiry (OHI) measures an organisation's ability to adapt and innovate in order to achieve long-term success. The study focuses on key organisational skills and capabilities related to issues such as leadership, innovation and education. As part of this survey, we also examine how our relationships with clients and the outside world are going.

Through the OHI Pulse survey, we regularly gather insights from all employees – enabling us to monitor ING's progress on OHI priorities and ultimately improve the health of our organisation. The survey also helps us not to lose momentum, to have an ongoing dialogue and to respond quickly to employee feedback. The OHI Pulse survey is shorter than the full OHI diagnostic survey.

Two surveys took place in 2021: the full OHI survey (in May) and OHI Pulse (in November). 67% of employees participated in the May edition. Employees rated the use of external ideas (87%) and clarity of strategy and stimulating leadership (85% each) highest. 62% of employees participated in the November edition. Shared vision and clarity of strategy (86% each) and use of external ideas (84%) were rated highest. As part of our post survey activities, we want to focus not only on areas that need to be improved, but above all on our strengths. Our priorities will therefore be a shared vision, clarity of strategy, employee engagement and clarity of role. After each study, we analyse its results together and discuss how to improve our organization – how to strengthen our strengths and develop areas that need improvement. On this basis, we prepare action plans and report their implementation.

Diversity and equal opportunities

GRI [103-1] [103-2] [103-3] | SDG 5, 10

Diversity policy

“At ING, we promote diversity – we actively work for non-discrimination, equal opportunities, integration of people with disabilities and respect for diversity, because this is the right thing to do. This approach also enables us to implement our strategy” - with these words begins the ING Diversity Manifesto, which we adopted in 2016, which explains what diversity is to ING, why it is important and needed, and what employees can do to promote it. To stay one step ahead, we need teams that are a healthy mix of different perspectives and backgrounds. Such teams are more creative, adapt to changes faster, and the solutions they propose are more innovative.

Our approach

Along with the development of our company, the group of our clients becomes more and more diverse. Providing them with the best possible experience is a key element of our business strategy. To better understand our diverse clients, we need a team that is just as diverse. At the same time, we want to make sure that every person who works at ING feels like a part of it and is accepted for who they are, regardless of their origin or beliefs – everyone is welcomed at ING. Inclusion is enshrined in our Orange Code, which encourages us to help others succeed. The organization benefits from it because we work better when we feel part of the team and can be ourselves.

The 70% principle

We value diversity and inclusion, but we also recognize that we have a lot of work to do. That is why we introduced the 70% principle. Our goal is that no group is made up of more than 70% of the same sex, nationality, person or age group. Of course, we recognize that this may not always be appropriate or possible at all levels. This is why managers have ultimate responsibility for building diverse teams and selecting the appropriate dimensions of diversity to focus on – while taking into account the 70% principle and our global priorities (gender, nationality and age group). We recognize that diversity is more than these global priorities, and we will continue our efforts to include everyone, regardless of their cultural background, experience, religion, sexual orientation, perspectives, viewpoints etc. This is part of our ongoing efforts to creating meaningful change.



Diversity management

At ING, we condemn all forms of discrimination. We work together to create an inclusive workplace and therefore play our part in building an inclusive world. One example is our Global Code of Conduct. It lists 10 basic principles that we expect from employees. ING's Global Code of Conduct is based on the values and behaviour of our Orange Code and applies to all ING employees worldwide. Our employees can also report any discriminatory events to a special e-mail address.

Education in the field of diversity management

We focus primarily on building awareness of multiculturalism and inclusion among our employees and managers as well as on point activities supporting selected areas of *Diversity&Inclusion*, such as: support for people with disabilities, support for parents and people in financial difficulties, activities in the field of health and researching employees' perspective in the area of diversity and inclusion.

Diversity and inclusion was also one of the themes of the “*Why difference matter?*” conference, where we talked about incorporating multiculturalism within organisations. We also organised a Diversity Week with thematic webinars, webcasts and e-learning courses. On 3 December 2021, we also celebrated together the International Day of Persons with Disabilities. In addition, our managers had the opportunity to participate in workshops on managing diverse teams and in e-learning to build awareness of diversity and inclusion.

A package of benefits related to disability

We are building a working environment where all employees have level playing field. As part of the package of benefits for people with disabilities, which supports employees and their families, we can find monthly, permanent allowances introduced from 2019, financed by the Company Social Benefits Fund for employees with a certificate of moderate or severe disability and bringing up children with a disability certificate.

By supporting people who take care of their loved ones with a moderate or significant degree of disability, we offer an option of taking an additional 2 days off from work, when caring for a spouse / partner, parents, parents-in-law or grandparents. In the case of caring for a child with a certified degree of disability, the employee may take advantage of additional 5 days of care. Taking care of our employees with a certified slight degree of disability, we offer an additional 3 days off, retaining the right to remuneration.

Diversity management performance

The bank was also included in the first and second edition of *Diversity&Inclusion Rating*. *Diversity&Inclusion Rating* is an initiative of Responsible Business Forum, which was created in cooperation with Deloitte experts. It brings together entities who draw strength from different dimensions of diversity, allows the assessment of a company's level of maturity in diversity management and an inclusive organisational culture, and is also a summary of activities in this area. The questionnaire that was completed by the companies consisted of 4 parts: the rudiments of management, Programmes and activities, commitment building and performance indicators. We were also ranked in the 'Cashless for Equality' report at the top of a ranking of companies that care about professional and social equality for LGBT people.

Total number of incidents of discrimination

GRI [406-1]

Each of us, anonymously or by name, may report irregularities related to material breaches of labour standards, internal regulations, as well as ethical standards in the bank's business practices. We can do this through channels such as: Whistle (electronic form on the intranet site) and e-mail notification to the Mobbing-Discrimination box.

Entries made by name, confidentiality and discretion are guaranteed. In the Whistle app, you can also make a report anonymously. The President of the Management Board is informed about each report from the Whistle application, who makes decisions on explanatory actions and accepts their result. The report sent to the Mobbing-Discrimination mailbox goes to the representatives of the HR area. In the years 2017-2020, none of the applications that we received as part of the “Whistle” application was classified as “discrimination”. We also did not receive such reports to the Mobbing-Discrimination e-mail box. In 2021, we received one report of pay and gender discrimination. The notification was not confirmed.

Remuneration principles

GRI [103-1] [103-2] [103-3] | SDG 8

The document defining the remuneration principles is the Remuneration Policy in the ING Bank Śląski S.A. Group This policy sets out the key assumptions for shaping the remuneration policy used to attract and retain employees by ensuring a market-competitive level of remuneration, and defines the components of remuneration. The



assumptions of the remuneration package are further clarified in the Remuneration Regulations for employees of ING Bank Śląski S.A. The bonus principles are set out in the Employee evaluation regulations of ING Bank Śląski S.A., which describe the principles for assigning tasks, appraising employees and awarding bonuses.

We offer our employees stable employment contract using the arm’s length principle. The remuneration of the lowest-level employees – in relation to the minimum wage – is presented below.

GRI [202-1]

The ratio of the remuneration of the lowest level employees, broken down by gender, to the minimum wage					
	2017	2018	2019	2020	2021
Female	200%	190%	178%	154%	159%
Male	200%	190%	178%	154%	154%

During the recruitment process, as well as when making decisions regarding promotions, the remuneration of candidates is consulted with individual personnel consultants (HR Business Partner). This practice is intended to counteract unjustified pay gaps. At the same time, the bank has a simplified management structure with an expert path, the purpose of which is to increase employee development opportunities. This allows for the systematic promotion of employees and an increase in the level of remuneration.

Remuneration of the bottom-level employees vis-à-vis the market*					
	2017	2018	2019	2020	2021
Bank / Market	143%	125%	119%	114%	120%

**basic salary compared to the banking sector*

We develop a friendly work place

Benefits offered to employees

GRI [401-2] | SDG 3

In a world where we face the lack of time for favourite activities, pursuing passion and developing relationships with loved ones, every free moment gains exceptional value. Therefore, apart from other forms of rewarding and appreciating employees, we have introduced a number of additional days off. We support employees, also in difficult life situations, by offering them additional vacation days (apart from the legal provisions):

- additional days of special leave, on the occasion of the birth of a child or wedding (higher than specified in state regulations),
- an additional 5 days of leave per year for parents of a child with a disability certificate,
- an additional 2 days off for employees caring for the disabled family members,
- an additional 3 days off for employees with a certified mild degree of disability,
- an additional Family Day Off, which can be enjoyed by employees on an hourly basis,
- an option to receive days off as an award, up to 5 days per calendar year,
- an additional day off for employees working on a shift basis (i.e. at night, on Sundays and public holidays),
- an option to take advantage of sabbatical (a longer break at work to regenerate forces or for additional training).

In addition, we offer our employees the possibility to take advantage of:

- 8 hours per year for volunteer activities,
- medical care, employee pension scheme and group insurance co-financed by the employer,
- company car – a company car is awarded to an employee due to the position in the organizational structure, in accordance with the Policy of ING Bank Śląski S.A. regarding company cars,



- cafeteria programme (including the option of a sports package, cinema tickets, discounts, gift cards and many others),
- work from home (also for sales network employees).

Sabbatical

As part of the Sabbatical Programme, it is designed to enable employees to take a break from their work, our employees can enjoy:

- one month off – once every 3 years,
- three months off – once every 5 years,
- six months off – once every 7 years.

The programme allows employees to take a free break from work, the purpose of which is to rest from everyday work. During the Sabbatical period, the employee is on a justified leave from work without the right to remuneration, but at the same time is entitled to benefits, such as: medical care, social fund, benefits related to the Cafeteria Programme, group insurance, Employee Pension Plans, company car (if granted as part of the status benefit).

Upon return from Sabbatical leave, the employee is guaranteed to return to his or her current position with his or her current salary. Since the start of the programme in June 2018, 48 employees have already benefited from this form of rest from work.

Medical care

In 2021, we implemented improvements to our employee healthcare offering by, among other things, introducing a higher standard of accessibility to appointments, increasing the reimbursement cost limit from PLN 700 to PLN 1,000 per quarter and ensuring that employees have access to flu vaccinations regardless of the number of preparations available on the market during the season.

Together with our healthcare provider, we also organised a COVID-19 vaccination campaign for employees and their family members.

Insurance financed by ING

Since 2021, we have insured with Nationale-Nederlanden all employees who have submitted a relevant declaration on the insurer’s website. As part of the employer-financed contribution, employees also use the “Pandemic under

control” insurance, under which they can receive preventive help in quarantine and post-hospital care after COVID-19. Employees can still take advantage of other insurance variants under the self-funded offer at both Nationale Nederlanden and PZU. The number of people covered by the new insurance offer increased from 67% to 82% of the insured in 2021.

Employee Pension Programme

The Employee Pension Programme is a solution thanks to which the bank enables employees to collectively and voluntarily accumulate additional funds for retirement. The programme is intended for all employees employed for a period of at least 3 months. It is enough to submit a declaration of participation. Employees who have joined the programme, the bank finances the basic premium, which is invested in selected investment funds. The programme also allows for systematic investment of additional own funds. The account balance can be viewed via the internet application. By joining the Employee Pension Programme, ING Bank Śląski S.A. pays contributions to the individual employee register each month, which build additional capital for future retirement.

Our goal is to maintain employee participation in the Employee Pension Programme at a level above 60%. The achievement of this objective was as shown in the table below.

Participation of employees in the Employee Pension Programme					
	2017	2018	2019	2020	2021
Percentage of employees	70%	77%	77%	77%	75%

The decrease in the participation of people in the Employee Pension Programme is related to the large increase in the number of employees, while a new employee cannot immediately join the Employee Pension Programme due to the requirement to have worked at least 3 months. New employees (especially from the young group) are not immediately interested in joining a scheme, as the topic of saving for retirement is often distant to them. Over time, these individuals join the Employee Pension Programme, e.g. as a result of the promotion/education activities that the employer organises every year.

Under this form of saving for future pensions, the Bank finances for the employees, who have joined the programme, the basic contribution of 3.5% of their salary. Due to the favourable principles of the existing Employee Pension Programme, the bank was able to decide not to launch the Employee Capital Plans programme. In 2021, we began the process of digitising the Employee Pension Programme so as to eliminate the paper workflow and



thereby streamline the process of joining the Employee Pension Programme and requesting changes to the programme.

Cafeteria Programme

The cafeteria Programme has been operational at the Bank for 2017 years now. Employees have access to sports cards and flexible offer of benefits. The cafeteria is available to all employees and the number of scored points depends on the employee's salary level. Employees can choose from a wide range of products on-line, such as cinema or theatre tickets, weekend or vacation time, or they can do shopping at sports stores or bookstores.

An important element of the Cafeteria Programme is the possibility of transferring the remaining and unused points at the end of the year to the ING Children Foundation, which allows for supporting the statutory goals of the Foundation and more effective use of the pool of points that the employee received during the year.

The cafeteria offer is under constant development, and employees can report themselves to potential vendors whose products they would like to see in the system.

In 2021, employees gained access to the use of a mobile app for the cafeteria programme, further increasing the flexibility of using this benefit.

Engaging employees (volunteering)

As part of the ING Volunteering program, we encourage employees to implement social projects for the communities in which they operate and are close to them. We guarantee each employee eight paid hours a year for volunteering. Volunteers carry out undertakings for schools, kindergartens, NGOs, and hospitals. They teach basics of finance and entrepreneurship. Together with kids, they refurbish, read, play sports or partake in blood donation initiatives and charity runs.

In 2019, 7 052 hours 865 of our employees devoted to selfless help in voluntary activities, including ING for Children Foundation. In 2020 this was 1,072 hours and 188 people respectively and in 2021 1,045 hours and 201 people. Due to the coronavirus pandemic, many activities from this area have moved to the online space. Their type, scope and form were tailored to the needs of beneficiaries and the capacities of employees at a difficult time of the pandemic.

Communication with employees

Chats with Management Board members

Several times a year, employees can ask questions to members of the Management Board in an anonymous chat. Each question shall be answered by the Management Board directly in a chat or, if time is not available, in a subsequent summary. There are over 400 questions at any one time. The questions often concern business topics, changes in the bank but also everyday life such as broken down ventilation system or recommended reading. Understandably, the questions asked in 2021 were about peri-pandemic topics, but also about the new hybrid working model or technology.

Intranet Yammer and Stream

We use the latest Office 365 technology to help us focus on the things that really matter in our day-to-day work. An intranet collects the information most important to employees, Yammer communities give employees a space for discussion, and Stream allows you to post videos or record video instructions. In all communication channels, we write simply – briefly, clearly and comprehensibly. In addition, thanks to personalisation, each employee receives the information they need most to do their job. The subscription system also allows you to view content on a variety of topics, including from intranets, Yammer communities and Stream channels from other ING Group countries. Thanks to the integration of the intranet with the O365 suite of applications – we can easily combine different channels of communication – contact the author of the publication, ask a question, view a video or engage through discussion – ratings and comments. An important element of the new intranet is the community thread. In Yammer we can comment, publish posts and also set up our own communities. We also have the ability to follow ING's social profiles and post videos within channels on the Stream platform. In 2021, our employees actively participated in more than 160 communities. Very popular in Yammer are communities where employees look for up-to-date information and posts, e.g. @Dobrzepoinformowni, @BBblog – CEO's blog or the Learning Matters community, where development at ING and looking for ways to improve new skills plays an important role. Closed communities – dedicated to selected topics and groups – are also very popular.

CEO's blog

One of the channels for open communication with employees is BBblog. The blog is maintained by CEO Brunon Bartkiewicz. He shares his thoughts and observations, publishes information on important events in the bank, but also on everyday life. The blog has been running for four years and is currently followed by over 7,500 employees.



All entries are freely commented on by the employees. Since 28 September 2021, BBblog has been operating as part of the new Yammer social platform, which is also available on employees' phones. This makes it much easier to stay in touch, access content and engage. We closed 2021 with 36 entries that perfectly complemented all communication and supported a sense of security and community in what was still a challenging and uncertain year.

“Baśka” magazine

Another effective communication channel is the in-house newspaper “Baśka”, which has been published continuously since 1994. The year 2021 was a landmark in the magazine's history – the first electronic edition was published in the summer of that year. Going paperless is an important element of responsibility and care for the environment and natural resources, firmly embedded in ING's values. We used Progressive Web App (PWA) technology. This makes the magazine accessible on computers as well as mobile devices. What has remained the same is the mission of “Baśka”. In addition to its informative and educational function, great importance is attached to the human side of the magazine. Stories of employees, interviews, articles by ING experts, reportage all prepared by the employees themselves – this makes them not only interesting and well-suited to the target group, but above all reliable and showing the issues from the employee's point of view. The magazine is published every two months.

Newsletter “Let's be in touch”

Since the outbreak of the pandemic, the CEO newsletter has become a strong pillar of internal communication to all employees. Leading topics related on the one hand to safety and work organisation and on the other hand to strategy, development and business. In 2021, an important theme taken up periodically in its pages was preparing to enter a new hybrid working model. In the newsletter, the CEO promoted further educational material on the topic, e.g. about synchronous and asynchronous working, effective meetings, team and deep work organisation. They are all permanently available on the intranet on the hybrid work page.

The newsletter “Let's be in touch” comes out every 1-2 weeks and had 40 issues in 2021. Individual issues of the newsletter have an average of 7,500 impressions. We surveyed readers' needs in November/December 2021. 94% of respondents said they wanted to receive it with the same frequency.

Calendar of events

An accessible intranet tool that brings together all internal events in one place with links to sign up for workshops, webinars, chats and conferences. We have published over 100 events in the 2021 calendar.

Care for the well-being of employees

GRI [103-1][103-2] [103-3] [403-6] | SDG 3

We complement the solid foundations with an attractive package of well-being activities. Whatever the circumstances. ING Bank Śląski cares for the well-being of its employees in 4 complementary areas: Health, Activity, Energy and Finance. In 2021 in each of them we implemented activities that, according to the situation and needs, supported our mental and physical health, general condition and well-being, as well as home budgets and care for the financial future. All bank employees and associates can benefit from many well-being activities, regardless of the form of employment.

Oncology Prevention Programme

The Oncology Prevention Programme is an important component of the initiatives taken to support the wellbeing of ING employees. As the incidence of cancer increases each year, we have set ourselves the goal of raising employee awareness of oncological prevention. We are committed to promoting preventive testing and to mobilising and creating conditions for all employees to participate in such medical testing.

Since October 2019 the bank has started cooperation with renowned diagnostic and therapeutic centres in Poland. Nearly 1,200 people benefited from funding for genetic tests during the two editions of the “We test genes at ING” campaign. In spite of the pandemic, we carried out a total of nearly 1 500 preventive examinations for breast and gastrointestinal diseases in compliance with the sanitary regime. Employees covered by the programme can take a day off to undergo gastroenterological examinations.

During the webinars, we expanded our knowledge of cancer in general and held educational sessions dedicated to female and male cancers. We also participated in workshops with a psycho-oncologist entitled: “Employee with a diagnosis of oncological disease” – discussing the functioning of people with a diagnosis of oncology and teaching communication with sick people.

If a cancer has been diagnosed, each of the employees can count on support in the treatment process, recovery and professional activity. We know that in addition to support in completing the formalities related to the disease, the presence and support of a person who has been struggling with cancer is very important. This role is played today at ING Navigator of Oncological Treatment.



Dietetic Wednesdays and Health Conference

In April 2021, we invited our employees to participate in a series of dietary lectures, the topics of which were chosen by the employees themselves. After the lectures, a group of employees selected by lot could benefit from free advice from a dietician. In June 2021, we organised the Health Conference in a remote format. We learned more about lifestyle diseases, mental health, sleep hygiene and addictions. A total of over 1,600 people took part in the series of events. In addition to the webinars, our employees had the opportunity to ask individual questions to specialists in psychology and psychiatry via an anonymous chat.

Mental health

Mental health is also at the heart of our focus in 2021. We have invited everyone to participate in a series of workshops and webinars entitled A World for Yes! Build mental resilience. We built awareness of the tools we have at the bank to help us look after our mental health. Our leaders had the opportunity to participate in workshops and individual meetings with a business psychologist, during which they learned how to respond to workplace crises in their teams and how to build their own mental resilience in order to manage their team effectively and at the same time not experience burnout.

Psychological support and mental well-being

In the interests of the mental wellbeing of employees and those close to them, we have set up an anonymous helpline staffed by chartered psychologists who (not just during a pandemic) are available to talk about wellbeing, concerns, problems, how best to look after yourself and maintain health and balance, and how to support colleagues, peers and loved ones. The services can be used by all ING employees, irrespective of the employment form. Consultations can be arranged for themselves, but also for relatives who stay with the employee in the same household.

As part of educational and supportive activities for our employees, we also organized a series of meetings with psychologists, including an anonymous live chat on topics related to, among others, with managing emotions, stress and relationships. A total of 1,832 people took part in them.

Physical activity

In September 2021, we commissioned the Active ING sports activity platform. It is actively used by 650 employees, creating and participating in challenges ranging from running and cycling to reading and cooking.

Run Warsaw

Since 2017 we have been the General Partner of the Run Warsaw event. For every runner who completes a 10 km run and has covered the distance 5 km while marching, the bank transfers money to the ING Foundation for Children. In 2021 we once again took part in Run Warsaw. Due to the pandemic situation, we have cancelled the I'm marching-supporting. Together with our loved ones, we could choose a stationary run in Warsaw, or a virtual run anywhere. We ran all over Poland – in the mountains, by the sea, at lakes, in cities and towns. A total of 639 ING employees took part in Run Warsaw. All this to jointly support the ING for Children Foundation and promote a healthy lifestyle.

“Power House” (Mocodajnia)

Out of concern for the health and safety of our employees, during the pandemic period, we moved the physical activities from the “Power House” (our hall in Katowice at 50 Chorzowska Street) for air. We called the action “We exercise under the cloud”. As part of this action, during the summer season, in five parks located in Katowice, Tychy, Chorzów and Warsaw, “Power House” instructors, who are also bank employees, conducted yoga and dance classes. In addition, we have launched a programme called “Active Break” to prevent back disorders resulting from prolonged sitting while working at a computer. 1,375 employees have enrolled in the programme. At the end of the year we had almost 12,250 plays on Youtube, employees worked out a total of 487 hours.

We create friendly spaces

We know very well that the proper arrangement of space is important not only for the ergonomics of work, but also for our creativity, therefore:

- we are gradually replacing desks with electronic ones and chairs with more ergonomic ones,
- we modernize ventilation in buildings,
- we create new arrangements of common spaces (restaurants, cafes, rest areas),
- we implemented the “Escape” (Odkocznia) project as part of which we launched a Juice Point, Bakery, Play room and a meeting zone,
- we ordered new recycled bins that will help us care for the environment also in common areas.



Financial awareness

Our aim is to educate employees on financial matters and promote their financial well-being by imparting useful knowledge. The launch of activities in this area was preceded by a survey of employees' opinions, which confirmed their interest in such activities. Responding to their needs, we focus on areas such as:

- promoting knowledge about saving programmes for future retirement,
- support in the field of personal taxes in the form of conferences, chats and brochures prepared by external experts,
- providing knowledge and support in the field of the market situation in Poland, financial psychology and household budget.

Functioning in an era of pandemics and preparing to work in a hybrid model

The hybrid working model, a combination of remote and onsite working in different configurations, is an approach that allows employees to find a balance between their needs and preferences and the comfort of working in the office and interacting with colleagues.

Replenish Your Powers Programme

We have prepared a solution to support the development of the necessary skills of employees to work in a hybrid model, which will be the result of an agile transformation to a new reality as a post-pandemic effect.

We have calibrated the scope of the Hybrid Working Model – Replenish Your Powers programme to the challenges we identified in the in-depth study and the challenges forecast based on market data. We carried out all activities 100% online, in the following formats: webinars with workshop elements, workshops, inspiration meetings, panels with experts, Oxford debates. Various forms of microlearning and social and collaborative learning are a key success factor for the strategy due to the adaptation of the form of delivery to the diverse preferences of employees. This, in turn, had an impact on the willingness to use the knowledge provided and to take action independently in a different way than before. The skills needed to work in a hybrid work model were developed in 4 learning paths (focuses) and comprehensively addressed all identified challenges. The programme was embedded in the framework of ING's strategy – Think Forward and thus operationalised here and now one of the pillars of this strategy: the learning organisation.

The Hybrid Working Model – Replenish Your Powers included 66 events scheduled until mid-February 2022. In addition to the workshops, the events were recorded and the recorded material is available on the LXP platform.

Programmes for employees and managers

We prepare for the hybrid working model individually, in teams and at an organisation-wide level. As part of the support programmes for employees and managers that we have developed in 2021, our focus over the coming months will be on getting our teams into the rhythm of the hybrid working model. Among other things, we have before us the development of new habits and practices, especially related to our work in the office, and the preparation of leaders for tasks related to their integrative role in the various teams.

Financial support linked to the COVID-19 pandemic

In the wake of the COVID-19 pandemic, we have put together a financial support package for employees who have succumbed to coronavirus infection in the form of:

- automatic adjustment of basic sick pay to 100%,
- granting a discretionary benefit, depending on the worker's financial situation.

In addition, we have launched additional social support options for bank employees:

- for employees who were adversely affected by the COVID-19 pandemic, we granted additional cash benefits financed from the social fund to cover current living needs. We provided assistance to workers whose per capita income in the family was significantly reduced due to the inability of other persons in the household to earn money or the reduction of earnings. A total of 31 people benefited during the pandemic period, including 7 in 2021,
- in 2021, we launched the possibility of subsidising rehabilitation stays for employees who have been severely affected by COVID-19 and are struggling with complications from the disease. This option was exercised in 2021 by 14 employees of our bank.

Financial allowances

We paid additional financial benefits to our employees in 2021. We know that working in the unique conditions of a pandemic required them to be responsible, flexible and perfectly organised across all teams. Disbursements included:



- COVID benefit of PLN 1,800 gross as a thank you for working during the pandemic period (for all employees hired as of 15 December 2021),
- an adaptation allowance of PLN 1,200 gross as one-off support for the organisation of the home office (for all employees employed as at 31 December 2021, excluding those on maternity, parental, parental and unpaid leave).

The above benefits were paid and recognized as costs in Q4 2021. Their total value was PLN 31.8 million.

Occupational health and safety

GRI [103-1] [103-2] [103-3] [402-5] [403-1] [403-2] [403-3] [403-4] [403-5] [403-7] [403-9] | SDG 3

OHS management

Occupational health and safety management in the bank is based on the applicable external legal regulations and the internal bank procedures, instructions and employee handbooks drawn up on the basis of these regulations.

In order to create safe working conditions and continuously monitor the state of risks, the Occupational Risk Assessment is regularly carried out and updated by the Bank's occupational health and safety staff. It identifies the significant risks present in the workplace and the preventive measures implemented to minimise them. Work on the Occupational Risk Assessment is carried out in cooperation with the company's occupational physician and employee representatives, including the Company Social Labour Inspector during meetings of the Occupational Health and Safety Committee. Employees must familiarise themselves with the Occupational Risk Assessment during their initial and periodic training in occupational safety and health, where the Occupational Risk Assessment is an integral, mandatory module of the training.

Employees are required to report hazards directly to their supervisor and the Health and Safety Officer. Applications are made via the dedicated OHS email box. Due to the specific nature of work in the bank and the hazards present in the workplaces, accidents suffered by employees are classified as light accidents for which no additional preventive measures need to be taken. The most common injuries sustained by employees are bruises, cuts, sprains and fractures. Health and safety services are required to visit each bank site twice a year and check health and safety conditions. In addition, an inspection of the facility is mandatory after any employee report on health and safety conditions in order to verify the report and take remedial action. In 2021, due to the ongoing pandemic, cyclical

checks have been limited to employee notifications. During this period, OHS focused on ensuring that adequate precautions were in place to prevent COVID-19 contamination of employees.





Accidents at work by gender

	2017	2018	2019	2020	2021
Number of light accidents	30	27	20	10	14
Females	24	21	18	8	12
Males	6	6	2	2	2
Number of serious accidents	0	0	0	0	0
Females	0	0	0	0	0
Males	0	0	0	0	0
Number of fatal accidents	0	0	0	0	0
Females	0	0	0	0	0
Males	0	0	0	0	0
Total number of accidents at work	30	27	20	10	14
Females	24	21	18	8	12
Males	6	6	2	2	2
Total number of persons injured in accidents	30	27	20	10	14
Accident frequency rate*	3.92	3.52	2.6	1.24	1.66
Females	4.55	4.03	3.47	1.51	2.17
Males	2.51	2.45	0.80	0.73	0.68
Total number of days of work incapacity due to accidents at work**	4.67	8.54	2.34	0.65	2.45
Females	5.80	12.38	3.23	0.97	3.35
Males	2.18	0.37	0.52	0.04	0.75
Accident severity rate***	11.93	24.33	9.05	5.30	13.93
Females	14.92	31.29	10.06	6.63	14.38
Males	8.67	1.50	6.50	0.50	11.00
Absenteeism rate****	37.38	68.30	18.75	5.20	19.61
Females	46.41	99.07	25.84	7.74	26.82
Males	17.44	2.92	4.13	0.29	5.97

*IR, calculated as the total number of persons injured in accidents/employment × 1 000; **LDR, calculated as the ratio of the total number of days lost to the number of planned working hours of employees in the reporting period × 200 000; *** calculated as the number of days lost due to accidents/number of accidents; ****AR, calculated as the total number of days absent from work/number of days worked per year × 200 000

The bank has a special occupational health and safety tab on its internal portal, which contains all important information on occupational health and safety, contact details for health and safety staff, procedures, instructions and other information on occupational health and safety. We strive to ensure that health and safety instructions and procedures are clear and clearly described to employees. Therefore, all documents have been moved to a pictorial form that makes it easier to remember the principles.

The year 2021 will primarily focus on the monitoring of employee illness cases and the current epidemiological situation related to the pandemic situation in the country – COVID-19. Due to the dynamics of the pandemic, reports are updated daily and sent to the Bank's Management Board.

OHS Committee

The bank has an Occupational Health and Safety Committee, which includes an occupational physician, an occupational health and safety specialist, an HR representative and representatives from the social side. During the meetings, current problems and initiatives in the field of occupational health and safety are discussed. Together with the Company Social Labour Inspector, banking units are visited and investigations are carried out to determine the circumstances and causes of occupational accidents. Occupational Health and Safety Committee meetings are held in accordance with regulations, and during the pandemic period were held online. In addition, topics related to pandemic prevention were consulted with the company doctor.

OHS training

In order to continuously raise employees' awareness of Occupational Health and Safety and to ensure compliance with labour legislation, an OHS training system is implemented in the bank. All employees in the bank are required to complete training and this process is monitored by the OHS service. Training takes place on an e-learning platform. The scope of the training covers the hazards that are present in the bank and the amount of training provided vs. when the employee's training expires is reported systematically once a month. We systematically organise training courses for our employees in the principles of first aid, which are attended by around 500 people every year. Training is provided by paramedics, ensuring both theoretical and practical knowledge. Activities in this area in 2021 have been reduced due to the ongoing pandemic.



OHS training among employees

	2017	2018	2019	2020	2021
Preliminary	912	392	595	1,270	1,544
Periodic	2,341	802	1,303	2,675	2,013

Preventive examinations

Preventive occupational health examinations for bank employees include initial, periodic and follow-up examinations. An employee is allowed to work in a given position on the basis of a medical certificate stating that there are no contraindications to work. All data concerning the health of employees is kept at the centre providing occupational health services, and medical certificates for the employee’s admission to work are kept in the employees’ individual folders. Every year we reimburse around 2,000 employees for the cost of corrective glasses for computer work. This process is fully automated. In addition, there is a clear procedure on how an employee can apply for a refund.

AEDs

Our head office buildings and meeting places are systematically equipped with AEDs – devices used to save human lives in the event of sudden cardiac arrest. Along with providing such equipment, health and safety professionals also provide training to employees and demonstrate how a defibrator works and how to use it correctly. For this purpose we have purchased a phantom and a training device. Currently, we already have 70 defibrillators throughout Poland.



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We are pleased to present the next integrated report of ING Bank Śląski covering 2021. We have prepared this document in accordance with the best global standards:

- the Global Reporting Initiative’s international non-financial reporting guidelines GRI Standards at the basic compliance level (Core), and
- International Integrated Reporting Council (IIRC) Integrated Reporting Guidelines as published in 2013.

This report also meets the formal requirements of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and on the conditions under which information required by legal regulations of a third country may be recognised as equivalent.

This report presents the activities of ING Bank Śląski S.A. Group from 1 January 2021 to 31 December 2021 unless a different period is indicated in the text. Both financial and non-financial data relate to the ING Bank Śląski S.A. Group. (and selected financial data of ING Bank Śląski S.A.). There were no significant changes in the size, structure, form of ownership or supply chain of our bank during the reported period. The report does not include corrections to information from the previous report. The current report does not involve any significant changes in reporting coverage or measurement methods used compared to the previous report. It concerns the activities of the ING Bank Śląski S.A. Group and the effects of these activities.

In the report we have included relevant information on the strategy, management, performance and prospects of our bank. We presented them taking into account the economic, social and environmental context. We also present our understanding of business responsibility and the impact we have on the environment – now and in the future. We believe that our integrated report explains how the non-financial aspects of our business affect our ability to create and sustain value in the short, medium and long term.

We issue the report on an annual basis. The previous report for 2020 was published in March 2021.

How the Integrated Report was created

In accordance with the GRI Standards guidelines, we conducted a process consisting of three steps:

- Identification

At this stage, we identified key issues in the area of the bank’s responsibility and the activities it carries out. We also analysed other sources, including press publications during the reporting period, topics covered in internal communications, current business strategy and sustainability strategy. We have also taken into account topics relevant to non-financial reporting in our industry.

- Prioritization

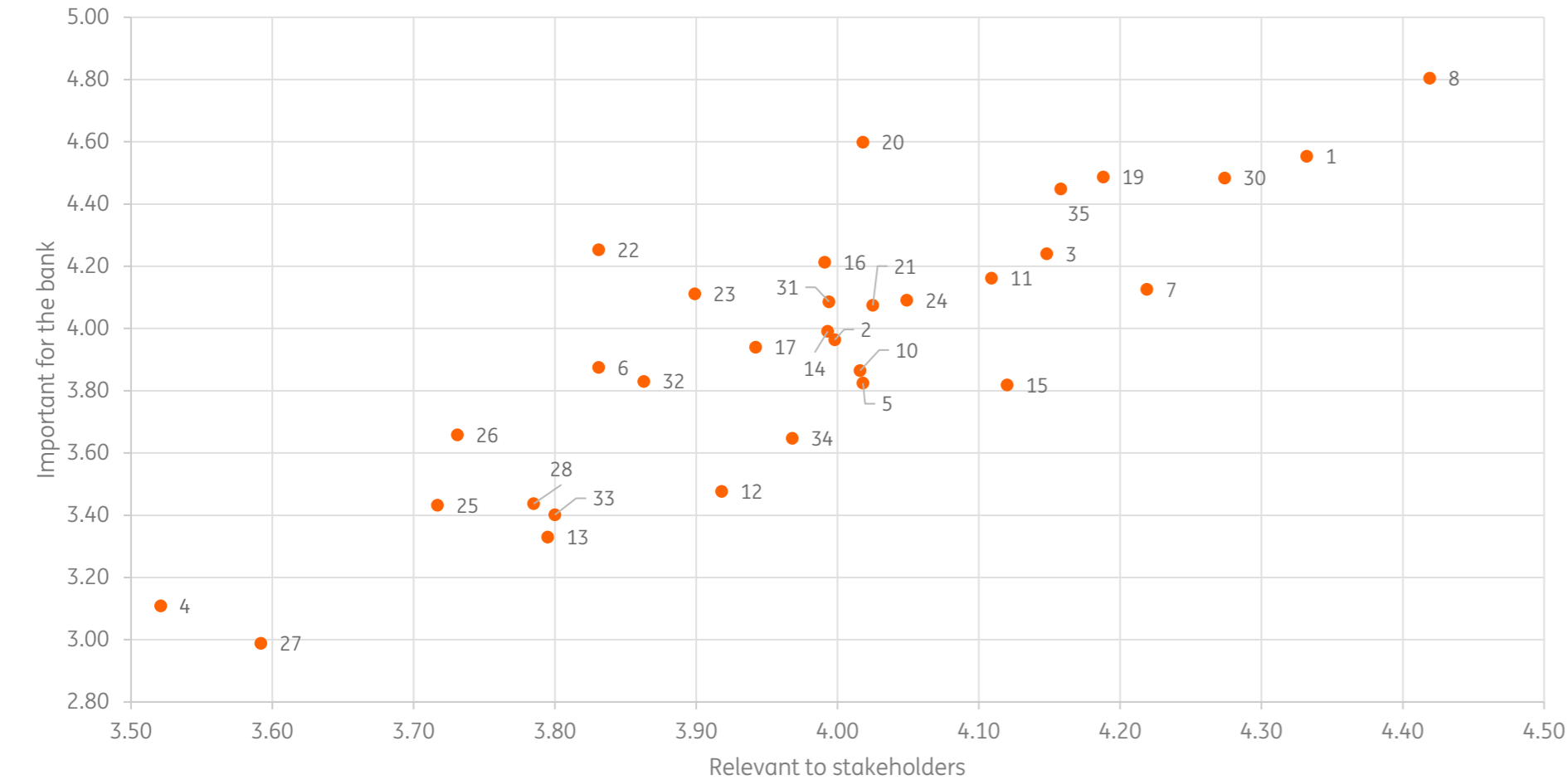
We have conducted surveys among external stakeholders, including: clients, analysts, regulators, investors, the media, NGOs, vendors, students and our employees. With the survey deliverables, we were able to define the most important topics to be included in the report.

- Validation

We reviewed and clarified the indicated topics with management. The management has determined the measure of the impact of the identified topics on the environment and on the Bank. It translated directly into the reported aspects.



Materiality matrix



Topics in the materiality matrix

No.	Aspect	No.	Aspect
1.	Economic performance	17.	Employment (conditions, contracts, salaries)
2.	Economic impact	18.	Health and safety of employees
3.	Innovation	19.	Development and education
4.	Sustainable cities	20.	Diversity and equal opportunities
5.	Sustainable financing	21.	Anti-discrimination
6.	Responsible sales and marketing	22.	Human and employees' rights
7.	Client privacy	23.	Relations with local communities
8.	Cyber security	24.	Charitable and philanthropic activities
9.	Use of natural resources	25.	Public policy
10.	Energy consumption	26.	Impact on the social environment / local communities
11.	Water and wastewater management	27.	Ethics and anti-corruption
12.	Impact on biodiversity	28.	Corporate governance
13.	Greenhouse gas emissions	29.	Stakeholder Relationship Management
14.	Waste management	30.	Supply chain management
15.	Climate risk management	31.	Anti-competitive behaviour
16.	Climate risk resilience scenarios	32.	Risk management

Topics that have been identified as most relevant by management:

- Economic performance
- Cyber security
- Greenhouse gas emissions
- Climate risk management
- Health and safety of employees
- Diversity and equal opportunities
- Ethics and anti-corruption



- Risk management

Key topics derived from the materiality matrix and identified by management		
No.	Aspect	Our response in the report
1.	Cyber security	Cyber security
2.	Economic performance	Consolidated performance of the ING Bank Śląski S.A. Group
3.	Employment (conditions, contracts, salaries)	Human capital management – Strategy, policies, procedures, remuneration principles
4.	Ethics and anti-corruption	Ethics, values and compliance
5.	Energy consumption	Electric energy
6.	Innovation	Technological development, Development towards new technologies
7.	Client privacy	Personal data security
8.	Risk management	Risk management system
9.	Climate risk management	ESG risk management
10.	Greenhouse gas emissions	CO2e emissions
11.	Health and safety of employees	Care for well-being of employees, Health and safety at work
12.	Diversity and equal opportunities	Diversity and equal opportunities

W We have detailed the key themes in the report. We present both the approach to managing them and the corresponding indicators. We have also chosen to present other aspects of reporting to the extent that best reflects their nature and importance to the organisation.

The figures in the report come from internal reporting systems. We checked them all carefully before publishing them.

Who was involved in the drafting of the report

Work on the report was coordinated by a team comprising representatives from the areas of sustainable development and CSR, investor relations and financial reporting. The Report is a result of work of many other contributors.

These included primarily:

- employees of all layers who participated in the preparatory works, completed the questionnaires, and prepared inputs for the report,
- clients, analysts, vendors, NGOs, academia and media who responded to the survey.

The contribution of all the people and institutions allowed us to prepare the Management Board Report on Operations of the ING Bank Śląski S.A. Group in 2021.

- Any questions related to this Report please send to the following contact persons:

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GRI indicators

GRI [102-55]

Profile indicators

Overall indicators		
Indicator number	Indicator number	Reference in the body of the report
GRI 102-1 – 2016	Name of organisation	How does ING Group operate in Poland
GRI 102-2 – 2016	Description of the organisation’s activities, main brands, products and/or services	Who we are The scale of our activity
GRI 102-3 – 2016	Location of organisation’s headquarters	Who we are
GRI 102-4 – 2016	Location of operations	Who we are
GRI 102-5 – 2016	Form of ownership and legal structure of the organisation	Shareholding structure
GRI 102-6 – 2016	Markets served	Who we are
GRI 102-7 – 2016	Scale of operations	Who we are The scale of our activity
GRI 102-8 – 2016	Data on employees and other persons working for the organisation	Employees in the bank – in numbers
GRI 102-9 – 2016	Supply chain description	Responsibility in the supply chain
GRI 102-10 – 2016	Significant changes during the reporting period regarding size, structure, ownership or value chain	How does ING Group operate in Poland
GRI 102-11 – 2016	Explanation of whether and how the organisation applies the precautionary principle	ESG risks
GRI 102-12 – 2016	External economic, environmental and social statements, principles and other initiatives adopted or endorsed by the organisation	Involvement in industry initiatives and organisations
GRI 102-13 – 2016	Membership of associations and organisations	Involvement in industry initiatives and organisations
GRI 102-14 – 2016	Statement by top management	Letter from the President
GRI 102-15 – 2016	Description of key impacts, opportunities and risks	Letter from the President Business environment Risk management system
GRI 102-16 – 2016	The organisation’s values, code of ethics, principles and standards of behaviour	Ethics, values and compliance
GRI 102-17 – 2016	Mechanisms for obtaining advice on ethical and legal behaviour and on matters relating to the integrity of the organisation	We combat conflicts of interest We report instances of breach of law and Business Ethics Standards
GRI 102-18 - 2016	Supervisory structure of the organisation with committees reporting to the highest governance body	Competencies of the Management Board Organisation of ESG risk management
GRI 102-40 – 2016	List of stakeholder groups engaged by the reporting organisation	Relationship management
GRI 102-41 – 2016	Employees covered by collective agreements	Employees in the bank – in numbers
GRI 102-42 – 2016	Basis for identification and selection of stakeholders involved by the organisation	Relationship management
GRI 102-43 – 2016	Approach to stakeholder engagement including frequency of engagement by type and by stakeholder group	Relationship management
GRI 102-44 – 2016	Key themes and issues raised by stakeholders and the response from the organisation, including through their reporting	About the report



Reporting

Indicator number	Name of indicator	Reference in the body of the report
GRI 102-45 – 2016	Recognition in the report of undertakings recognised in the consolidated financial statements	How does ING Group operate in Poland
GRI 102-46 – 2016	Process of defining report content	About the report
GRI 102-47 – 2016	Relevant themes identified	About the report
GRI 102-48 – 2016	Explanation of the effect of any adjustments to the information contained in previous reports, including the reasons for and impact of such adjustments (e.g. mergers, acquisitions, change of base year/period, nature of business, measurement methods)	About the report
GRI 102-49 – 2016	Significant changes from the previous report regarding the scope, coverage or measurement methods used in the report	About the report
GRI 102-50 – 2016	Reporting period	About the report
GRI 102-51 – 2016	Date of publication of the last report	About the report
GRI 102-52 – 2016	Reporting cycle	About the report
GRI 102-53 – 2016	Contact details	About the report
GRI 102-54 – 2016	Indication whether the report was drawn up in accordance with the GRI Standard Core or Comprehensive option	About the report
GRI 102-55 – 2016	GRI index	GRI index
GRI 102-56 – 2016	Policy and current practice with regard to external verification of the report	GRI index

GRI 102-56 - Report was subject to external assurance.



Management approach

Indicator number	Name of indicator	Reference in the body of the report
GRI 103-1 2016	Explanation of topics identified as important with indication of limitations	<ul style="list-style-type: none">• Economic performance: Consolidated performance of the ING Bank Śląski S.A. Group• Ethics and anti-corruption: Ethics, values and compliance• Risk management: Risk management system• ESG risk management• Health and safety of employees: Care for well-being of employees, Health and safety at work• Cyber security: Cyber security• Employment (conditions, contracts, wages): Human capital management – Strategy, policies, procedures, remuneration principles• Energy consumption: Electric energy• CO2e emissions• Client privacy: Personal data security• Diversity and equal opportunities: Diversity and equal opportunities• Innovation: Technological development, Development towards new technologies
GRI 103-2 2016	Management approach and its elements	<ul style="list-style-type: none">• Consolidated results of the Group Economic performance: Consolidated performance of the ING Bank Śląski S.A. Group• Ethics and anti-corruption: Ethics, values and compliance• Risk management: Risk management system• ESG risk management• Health and safety of employees: Care for well-being of employees, Health and safety at work• Cyber security: Cyber security• Employment (conditions, contracts, wages): Human capital management – Strategy, policies, procedures, remuneration principles• Energy consumption: Electric energy• CO2e emissions• Client privacy: Personal data security• Diversity and equal opportunities: Diversity and equal opportunities• Innovation: Technological development, Development towards new technologies
GRI 103-3 2016	Evaluation of the management approach	<ul style="list-style-type: none">• Economic performance: Consolidated performance of the ING Bank Śląski S.A. Group• Ethics and anti-corruption: Ethics, values and compliance• Risk management: Risk management system• ESG risk management• Health and safety of employees: Care for well-being of employees, Health and safety at work• Cyber security: Cyber security• Employment (conditions, contracts, wages): Human capital management – Strategy, policies, procedures, remuneration principles• Energy consumption: Electric energy• CO2e emissions• Client privacy: Personal data security• Diversity and equal opportunities: Diversity and equal opportunities• Innovation: Technological development, Development towards new technologies



Specific indicators

GRI 401-3, 403-9, 404-1, 405-1 – indicators reported partially due to non-availability of some data required by the guidelines.

Specific indicators		
Indicator number	Name of indicator	Reference in the body of the report
GRI 201-1 – 2016	Direct economic value generated and distributed	Consolidated performance of the ING Bank Śląski S.A. Group
GRI 202-1 – 2016	Ratios of standard minimum wage by gender compared to local minimum wage	Remuneration principles
GRI 203-2 - 2016	Significant indirect economic impact	Business strategy
GRI 205-2 - 2016	Training for employees and managers on anti-corruption policies and procedures	We counteract corruption
GRI 205-3 - 2016	Confirmed cases of corruption and action taken in response	We counteract corruption
GRI 302-1 - 2016	Energy consumption in the organisation	Electric energy
GRI 302-4 - 2016	Reductions in energy consumption	Electric energy
GRI 303-3 - 2016	Water intake	Water consumption
GRI 305-1 - 2016	Disclosure 305-1 Direct (Scope 1) GHG emissions	CO _{2e} emissions
GRI 305-2 - 2016	Energy indirect (Scope 2) GHG emissions	CO _{2e} emissions
GRI 305-3 - 2016	Other indirect (Scope 3) GHG emissions	CO _{2e} emissions
GRI 305-4 - 2016	GHG emissions intensity	CO _{2e} emissions
GRI 306-2 - 2016	Waste by management method	We manage waste wisely
GRI 308-1 - 2016	Percentage of new vendors that have been assessed according to environmental criteria	Responsibility in the supply chain
GRI 401-2 - 2016	Fringe benefits provided to full-time employees	Benefits offered to employees
GRI 401-3 - 2016	Parental leave	Parents at work
GRI 402-5 - 2018	Training of employees in occupational safety	Occupational health and safety
GRI 403-1- 2018	Occupational health and safety management system	Occupational health and safety
GRI 403-2- 2018	Type and rate of work-related injuries	Occupational health and safety
GRI 403-3- 2018	Occupational health services	Occupational health and safety
GRI 403-4- 2018	Employee participation, consultation and communication on health and safety	Occupational health and safety
GRI 403-5 - 2018	Training of employees in occupational safety	Occupational health and safety
GRI 403-6 - 2016	Health promotion among employees	Care for the well-being of employees
GRI 403-7 - 2018	Prevention and mitigation of impacts on health and safety in the workplace	Occupational health and safety Responsibility in the supply chain
GRI 403-9- 2018	Type and rate of work-related injuries	Occupational health and safety
GRI 404-1 - 2016	Number of training hours per year per employee by employment structure	Training in figures
GRI 404-3 - 2016	Percentage of employees subject to regular job quality assessments and career development reviews, by gender and employment category	Annual performance assessment talks
GRI 405-1 - 2016	Composition of supervisory bodies and employees by gender, age, minority membership and other diversity indicators	Employment structure
GRI 405-2 - 2016	Ratio of basic salary of men to women by occupation	Employment structure
GRI 406-1 - 2016	Incidents of discrimination and corrective actions taken	Total number of incidents of discrimination
GRI 414-1 - 2016	New suppliers that were screened using social criteria	Responsibility in the supply chain



SDG index

SDG	Name	Reference in the body of the report
1	End poverty in all its forms everywhere	Donations and sponsoring, Our corporate foundations
3	Ensure healthy lives and promote well-being for all at all ages	Sustainability Strategy “Our responsibility”, ESG Strategy, Value creation model, Principles for ESG risk management, Benefits offered to employees, Care for the well-being of employees, Occupational health and safety
4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Sustainability Strategy “Our responsibility”, ESG Strategy, Value creation model, Social involvement, , Our corporate foundations, Development and training programs
5	Achieve gender equality and empower all women and girls	ESG Strategy, Value creation model, Diversity policy, Diversity and equal opportunities
7	Ensure access to affordable, reliable, sustainable and modern energy for all	Sustainability Strategy “Our responsibility”, ESG Strategy, Green Statement, Sustainable financing
8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Sustainability Strategy “Our responsibility”, ESG Strategy, Principles for ESG risk management, Value creation model, HR management, Remuneration principles
9	Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation	Rozwój technologiczny, Development towards new technologies
10	Reduce income inequality within and among countries	Sustainability Strategy “Our responsibility”, ESG Strategy, Value creation model, Business responsibility, Simple and understandable banking, Availability and flexibility, Social involvement, Donations and sponsoring, , Our corporate foundations, Diversity and equal opportunities
11	Make cities and human settlements inclusive, safe, resilient, and sustainable	Sustainability Strategy “Our responsibility”, Green Statement
12	Ensure sustainable consumption and production patterns	ESG Strategy
13	Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy	Sustainability Strategy “Our responsibility”, ESG Strategy, Value creation model, Principles for ESG risk management, Green Statement, Sustainable financing, The impact of operating activities on the natural environment and climate
14	Conserve and sustainably use the oceans, seas and marine resources for sustainable development	Principles for ESG risk management
15	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	Principles for ESG risk management, Green Statement
16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	ESG Strategy, Ethics, values and Compliance, Social involvement
17	Strengthen the means of implementation and revitalize the global partnership for sustainable development	Involvement in industry initiatives and organisations, Social involvement



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Glossary

Add-on – Imposed on the capital requirements in keeping with Regulation No. 575/2013 (CRR).

Adjusted Return on Equity (ROE) – adjusted for MCFH – Return on – return on equity excluding the revaluation reserve for the cash-flow hedging instruments – net profit/ average equity for 5 subsequent quarters (excluding the revaluation reserve for the cash-flow hedging instruments).

Agile – It is a new way of working at selected bank units, adopted from the IT sector. It enables fast response to changing client and market needs.

AIRB – Advanced Internal Rating-Based – It is a method used to measure credit risk.

ALCO / ALCO Committee Asset– Liabilities Committee.

Bank – Bank when capitalised means ING Bank Śląski S.A.

Bank tax – A popular name of the tax on certain financial institutions. The monthly tax of 0.0366% (0.44% per year) is collected from the value of assets as at the month-end – upon previous deductions. For banks, the value of assets is reduced by the amount of sovereigns held and own funds of a bank and PLN 4 billion, for example. The banks that have launched rehabilitation proceedings and state-owned banks (BGK – Bank Gospodarstwa Krajowego) are exempted from the tax.

Bank's Group – the ING Bank Śląski S.A. Group

Basel III – Regulations on capital requirements and risk management at credit institutions. The Basel III solutions were introduced in the European Union with Regulation No 575/2013 (CRR) and Directive No 2013/36/EU (CRD IV).

BFG – Bank Guarantee Fund – A deposit guarantee and resolution scheme. BGF guarantee covers deposits being the equivalent of up to EUR 100,000.

BGK – Bank Gospodarstwa Krajowego – a state-owned development bank. The main task of BGK is to support economic development of Poland and improve the quality of life for Poles.

BRRD – Bank Recovery and Resolution Directive of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms.

CAPI method – Computer Assisted Personal Interview – an interviewing technique in which the interviewer records the answers of the respondent on mobile devices.

Capital conservation buffer – An element of macroeconomic supervision of the banking sector. The buffer is imposed on all banks; it has to comprise the top-quality capital (Tier 1) and account for 2.5% of the capital requirement at the maximum. In 2016-2017, it was 1.25%; in 2018, it went up to 1.875%; and in 2019 has increased to 2.5%.

Carbon footprint – The total set of greenhouse gas emissions caused directly or indirectly by an individual, organisation, event or product.

CAWI method – Computer Assisted Web Interview – an interviewing technique in which the respondent or interviewer uses electronic questionnaires.

Compliance – Ensuring observance of laws, norms and standards, and recommendations.

Corporate segment – Simply: natural persons running their own business, clients of mid and big companies segments and strategic clients.

Cost share ratio (C/I) – Cost to Income ratio – The ratio is calculated as the ratio of operating expenses (excluding bank tax) to income, including the net profit of associates consolidated with the equity method.

Costs of risk – Pursuant to IAS 39: the balance of provisions made and released under impairment of assets, credit facilities and cash loans granted to clients, first and foremost. Under IFRS 9: the balance of the allowance for expected losses and the provision for legal risk of foreign currency mortgage loans.

Coverage of the impaired loan portfolio with write-offs – NPL coverage ratio. The ratio of impairment losses and other client receivables to clients to the value of impaired loans and other receivables to clients. Pursuant to IFRS 9 the ratio of impairment losses reflected in Stage 3 and POCI (purchased or originated credit impairment) assets to the value of such receivables.

CPI – Consumer Price Index that measures changes in the price level of consumer goods and services. The most popular global inflation/deflation index.

Credit Information Bureau – An institution that processes information on the repayment discipline of liabilities of natural and legal persons.

Credit rating – Evaluation of the ability of a legal entity drawing a loan to repay the debt in full that is to repay interest and principal on the contractual terms and conditions. The entity can be both a company and a state, for example.

CRR – Regulation (EU) No 575/2013 of the European Parliament and of the Council.

CSR – Corporate Social Responsibility.



CVA – Credit Value Adjustment is the difference between the risk-free portfolio value and the true portfolio value that takes into account the possibility of a counterparty’s default.

EAD – Exposure At Default – It is a measure showing bank exposures at client’s default.

EaR – Earnings at Risk – It is a measure showing the maximum potential change in earnings versus the earnings budgeted in the financial plan.

Easy Lending – The Bank’s approach to financing the mid and big companies on simplified terms.

EBA – European Banking Authority

Equator Principles Association – The rules adopted by international financial institutions which set the social and environmental responsibility standards for financial risk management of development projects.

ESG – Enviromental, Social, Government – an abbreviation that stands for environmental, social and corporate governance factors, respectively.

ESR – Environmental and Social Risk – environmental and social risk.

Factoring – Purchase by the factor of not past-due receivables of companies (clients) due thereto from business partners (offtakers) under delivery of goods and services.

Fast Track – A simplified lending track in the mid and big companies segment.

FCR – First Call Resolution – It is a contact centre performance evaluation. It checks what volume of problems reported by clients to the contact centre is solved at the first contact.

Funding cost – interest cost/ average interest liabilities for 5 subsequent quarters.

GDP – Gross Domestic Product – Aggregated market value of goods and services produced by national and foreign factors in a given country and in a given period.

Global Reporting Initiative (GRI) – An international organisation which publishes non-financial reporting guidelines.

Guarantee – A bank guarantee is a written commitment of the bank to pay the amount given there to the beneficiary on the terms and conditions stated therein. The agreement is, however, of securing nature only. It is not a tool to settle commercial agreements.

IAS – International Accounting Standards; gradually superseded by the IFRS, i.e. International Financial Reporting Standards.

ICAAP – Internal Capital Adequacy Assessment Process – this is an internal capital estimation model.

IFRS – International Financial Reporting Standards and their interpretations approved by the International Accounting Standards Board.

ILAAP – Internal Liquidity Adequacy Assessment Process – it is a model for estimating liquidity resources.

Impaired Loans (NPL Ratio) – Non-Performing Loans Ratio – simply: the share of “bad” loans in the gross lending portfolio. Pursuant to IFRS 9 it is the share of receivables reflected in Stage 3 and POCI (purchased or originated credit impairment) assets to the gross lending portfolio.

Impaired receivables – Non-performing loans (NPLs) – “Bad” loans in simple terms; that is loans wherefor clients default on payment or it is highly probable that they will default in the future. Pursuant to IFRS 9 the term covers receivables reflected in Stage 3 and POCI (purchased or originated credit impairment) assets.

Interest assets – Assets earning interest income for the bank; loans granted to clients form their major portion.

Interest liabilities – Liabilities generating interest cost for the bank; client deposits form their major portion.

Interest margin ratio – Annual net interest result / average interest assets for 5 consecutive quarters.

KRS – National Court Register.

LCR – Liquidity Coverage Ratio Computed as a ratio of very liquid assets to short-term liabilities. It is introduced in stages. The minimum value is: 60% in 2014 and 2015, 70% in 2016, 80% in 2017 and 100% starting from 2018.

Leasing – The agreement, whereunder the owner of an assets item (lessor) provides the user (lessee) with the right to use the assets item for a defined period in exchange for payment or a series of payments.

LGD – Loss Given Default – The share of an asset (exposure) that is lost if a borrower defaults.

Loans / Deposits ratio (L/D) – Total net loans and other receivables to clients without Eurobonds/ liabilities to clients.

Loans and other receivables from clients (gross/net) – unless otherwise indicated, includes all receivables from clients regardless of the valuation model adopted.

MiFID II – Markets in Financial Instruments Directive II – directive on services and sales of investment products and advisory services in their scope.

MPC – Monetary Policy Council – A body of the National Bank of Poland (NBP). Its tasks include but are not limited to determining the NBP interest rates.



MREL – Minimum Requirement for own funds and Eligible Liabilities. The institution transposed into Polish law under the Act on the Bank Guarantee Fund, Deposit Guarantee Scheme and Resolution of 10 June 2016.

Mystery Shopper – One of the methods used to score the client service satisfaction where service quality is assessed during client sales and service points visits.

NBP – National Bank of Poland – a central bank which acts as the issue bank, the bank of banks and the central state-owned bank.

NPS – Net Promoter Score – a client loyalty survey. Client database is split into three categories: promoters, neutral clients and detractors. NPS ratio is the difference between the share of promoters and detractors in the entire client database.

NSFR – Net Stable Funding Ratio – stable funding ratio. It is computed as the ratio of available stable funding to require stable funding. In accordance with the Regulation of the European Parliament and of the Council (EU) No 876/2019, the minimum level of the ratio is 100% and is valid from the end of June 2021.

OHI – Organizational Health Index – organization health survey.

O-SII buffer – Buffer of Other Systemically-Important Institution – an element of macroeconomic supervision of the banking sector. The buffer is imposed on banks of systemic importance on both the standalone and consolidated bases. The buffer takes values from 0% to 2% of the capital requirement.

Own funds – The funds forming Tier 1 capital (encompassing, inter alia, share capital, supplementary capital, reserve capital and retained earnings of previous years) and Tier 2 capital (encompassing inter alia subordinated liabilities, when approved by the competent regulator).

PACE – An organised process boosting innovations across ING Group. It fosters a fast market launch of new products and services, developed by small and independent scrums.

PD – Probability of Default – a measure of the probability of default.

PFSA – Polish Financial Supervision Authority – supervises the banking sector as well as the capital, insurance and pension markets, payment institutions and payment services offices, electronic money institutions and the sector of credit unions.

RAS – Risk Appetite Statement – The document that sets the maximum risk the group is willing to accept for a given type of risk.

Retail segment – Simply: natural persons and natural persons running business.

Return on Assets (ROA) – net profit/ average assets for 5 subsequent quarters.

Return on Equity (ROE) – net profit/ average equity for 5 consecutive quarters.

Return on Net Assets – Annual interest income / average interest assets for 5 consecutive quarters.

Risk cost margin ratio – Net loan loss provisions (pursuant to IFRS 9: allowances for expected credit losses and provisions for legal risk of foreign currency mortgage loans) to the average value of the gross loan portfolio for 5 consecutive quarters.

SREP – Supervisory Review and Evaluation – One of the supervisory tools of the Polish Financial Supervision Authority. The aim of the BION process is to identify the size and nature of the risk to which the bank is exposed, to assess the quality of the risk management process, to assess the level of

capital covering the risk arising from the bank’s operations and bank management.

SWIFT – Society for Worldwide Interbank Financial Telecommunication – association for the Worldwide Interbank Financial Telecommunication. SWIFT participates in international transactions between financial institutions.

Tier 1 – Top-quality capital, computed in line with Basel III regulations.

Tier 1 capital ratio – The ratio of the Tier 1 capital to off-balance sheet assets and liabilities, including risk weights; the ratio is calculated in line with Basel III regulations.

Total capital ratio (TCR) – It is computed as the relation of own funds to off-balance sheet assets and liabilities including risk weights; the ratio is calculated in line with Basel III regulations.

United Nations Environment Program Finance Initiative – A global partnership between the United Nations and over 200 representatives of the world financial sector. The partnership seeks to promote sustainable funding.

United Nations Global Compact – The largest global initiative gathering business striving after sustainable growth.

VaR – Value at Risk – the ratio which defines the anticipated maximum potential loss at certain probability.

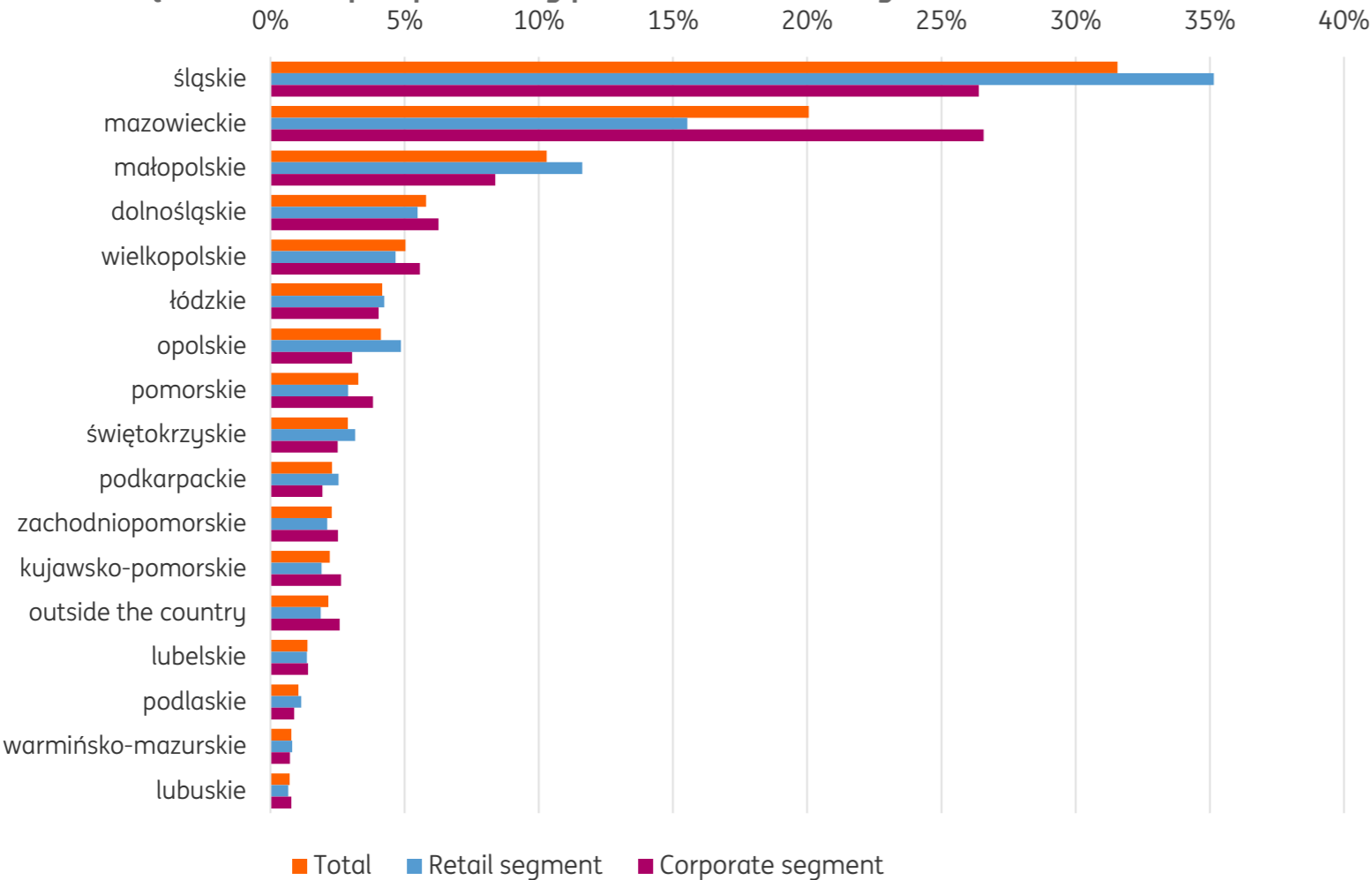
WCAG – International guidelines on making Web content more accessible. These guidelines read how to make content accessible to everyone, regardless of one’s ability, age, equipment or software.

WIBOR – Warsaw Interbank Offered Rate – It is a reference interest rate of loans on the Polish interbank market.



Our clients in figures

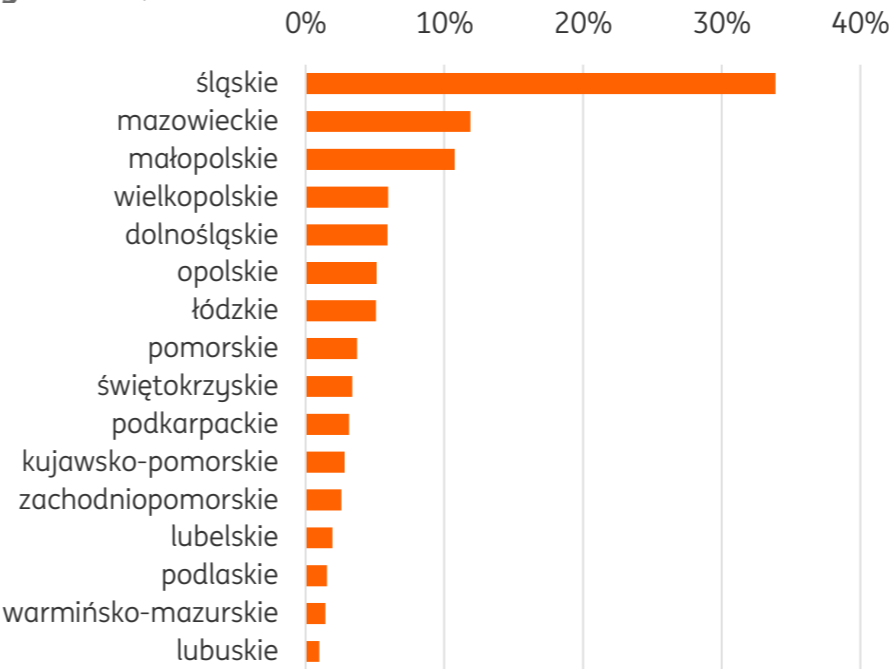
Structure of ING Bank Śląski S.A. Group deposits* by province as at 2021 yearend



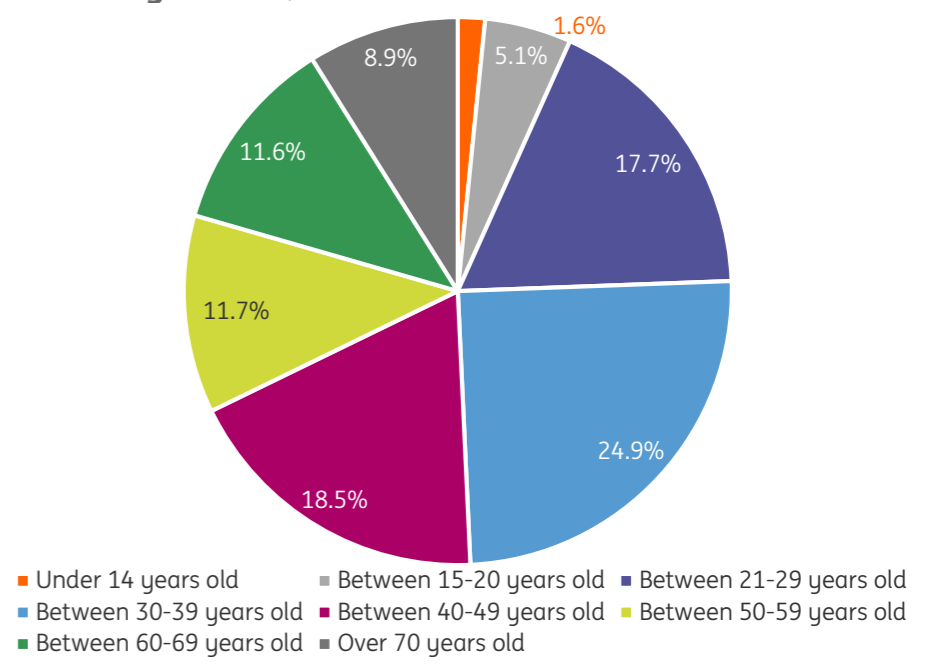
*deposits and other liabilities vis-a-vis clients

Retail segment

Structure of retail clients by province (as at 2021 yearend)

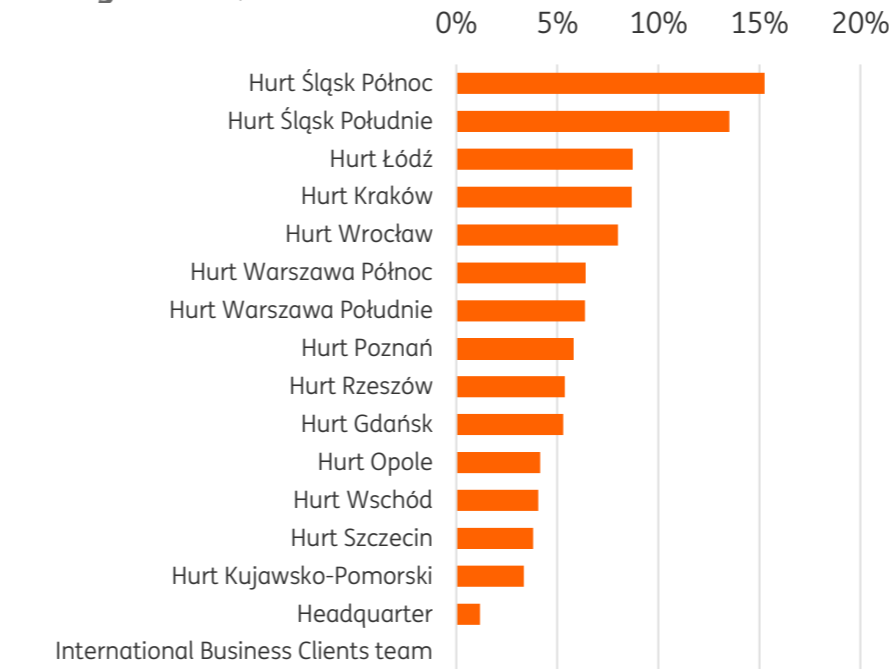


Structure of the number of individual clients by age (as at 2021 yearend)

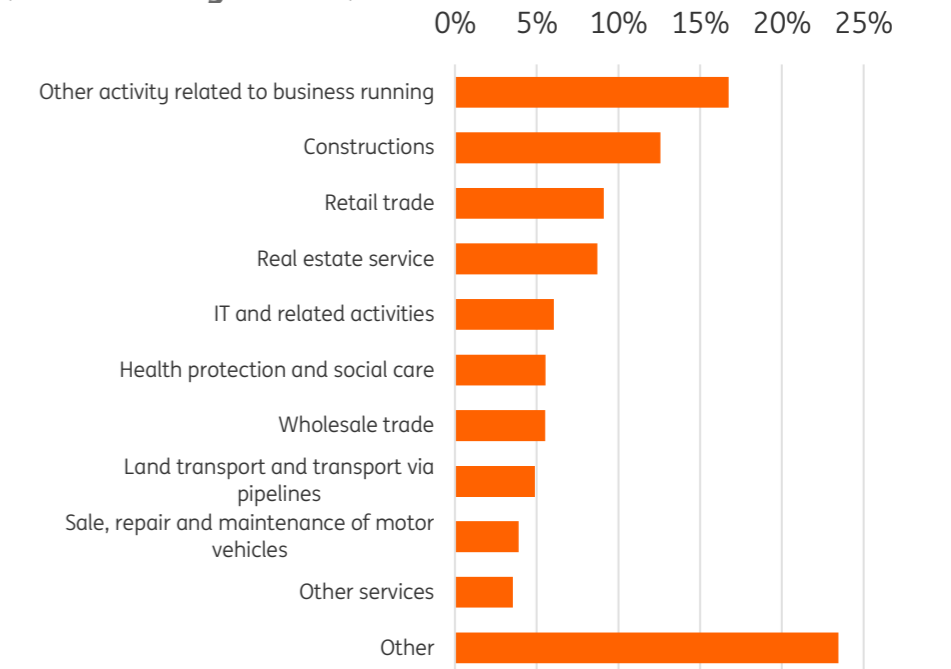


Corporate segment

Structure of SME and mid-corporates by region (as at 2021 yearend)



Structure of the number of corporate clients by industry (as at 2021 yearend)





Our employees in figures

Number of employees broken down by gender and duration of employment contract

	2017	2018	2019	2020	2021
Female	5,531	5,506	5,480	5,608	5,612
Indefinite period of time	5,283	5,259	5,146	5,194	5,161
Fixed-term	248	247	334	414	451
Male	2,501	2,580	2,655	2,899	3,082
Indefinite period of time	2,328	2,399	2,455	2,609	2,796
Fixed-term	173	181	200	290	286
Total	8,032	8,086	8,135	8,507	8,694
Indefinite period of time	7,611	7,658	7,601	7,803	7,957
Fixed-term	421	428	534	704	737

Number of employees broken down by gender and type of employment contract

	2017	2018	2019	2020	2021
Female	5,531	5,506	5,480	5,608	5,612
FTE	5,406	5,383	5,353	5,502	5,510
Part time	125	123	127	106	102
Male	2,501	2,580	2,655	2,899	3,082
FTE	2,456	2,540	2,597	2,842	3,030
Part time	45	40	58	57	52
Total	8,032	8,086	8,135	8,507	8,694
FTE	7,862	7,923	7,950	8,344	8,540
Part time	170	163	185	163	154

Number of employees broken down by region and type of employment contract (1/2)

	2017	2018	2019	2020	2021
Dolnośląskie	251	252	248	248	249
Unspecified	236	240	241	231	227
Temporary	15	12	7	17	22
Kujawsko-pomorskie	118	123	119	113	116
Unspecified	114	117	112	106	108
Temporary	4	6	7	7	8
Lubelskie	60	61	59	58	57
Unspecified	58	60	57	56	55
Temporary	2	1	2	2	2
Lubuskie	36	35	36	36	37
Unspecified	35	34	31	34	34
Temporary	1	1	5	2	3
Łódzkie	190	188	189	183	181
Unspecified	176	181	180	173	173
Temporary	14	7	9	10	8
Małopolskie	375	372	357	356	330
Unspecified	348	349	337	336	315
Temporary	27	23	20	20	15
Mazowieckie	1,470	1,493	1,505	1,572	1,597
Unspecified	1,383	1,392	1,410	1,451	1,495
Temporary	87	101	95	121	102
Opolskie	208	208	200	199	183
Unspecified	196	198	188	193	182
Temporary	12	10	12	6	1



Number of employees broken down by region and type of employment contract (2/2)

	2017	2018	2019	2020	2021
Podkarpackie	120	102	100	99	96
Unspecified	115	99	94	92	88
Temporary	5	3	6	7	8
Podlaskie	58	53	51	48	49
Unspecified	54	50	51	48	49
Temporary	4	3	0	0	0
Pomorskie	149	147	147	146	138
Unspecified	139	133	136	134	127
Temporary	10	14	11	12	11
Śląskie	4,495	4,543	4,626	4,949	5,183
Unspecified	4,287	4,323	4,294	4,475	4,648
Temporary	208	220	332	474	535
Świętokrzyskie	97	98	95	102	93
Unspecified	92	95	92	101	91
Temporary	5	3	3	1	2
Warmińsko-mazurskie	33	34	34	34	32
Unspecified	30	32	33	31	31
Temporary	3	2	1	3	1
Wielkopolskie	261	266	262	259	245
Unspecified	241	246	244	242	235
Temporary	20	20	18	17	10
Zachodniopomorskie	111	111	107	105	108
Unspecified	107	109	101	100	99
Temporary	4	2	6	5	9

Employment structure

GRI [405-1] [405-2]

Number of employees broken down by employment level and age group

	2017	2018	2019	2020	2021
Senior management	32	36	34	35	36
Below 30 years	0	0	0	0	0
30 to 50 years	25	24	20	14	17
Over 50 years	7	12	14	21	19
Management	424	415	427	242	271
Below 30 years	3	0	0	0	1
30 to 50 years	359	344	342	187	195
Over 50 years	62	71	85	55	75
Lower management	339	354	319	441	447
Below 30 years	5	4	3	2	7
30 to 50 years	280	294	254	346	339
Over 50 years	54	56	62	93	101
Specialists	7,060	7,114	7,115	7617	7798
Below 30 years	1,023	992	987	1,179	1294
30 to 50 years	5,122	5,178	5,121	5,316	5318
Over 50 years	915	944	1,007	1,122	1186
Other employees	177	167	240	172	142
Below 30 years	78	78	137	91	67
30 to 50 years	79	74	86	72	66
Over 50 years	20	15	17	9	9



Employment structure and the ratio of basic salary of males and females (1/2)

	Female	Male	The ratio of salary of males to females
2021			
Senior management	12	24	108%
Management	101	170	95%
Lower management	251	196	91%
Specialists	5,140	2,658	102%
Other employees	108	34	108%
2020			
Senior management	10	25	115%
Management	98	144	96%
Lower management	241	200	93%
Specialists	5,116	2,501	101%
Other employees	143	29	104%
2019			
Senior management	9	25	113%
Management	225	202	95%
Lower management	159	160	94%
Specialists	4 903	2,212	97%
Other employees	184	56	100%
2018			
Senior management	10	26	108%
Management	221	194	100%
Lower management	188	166	95%
Specialists	4,964	2,150	92%
Other employees	123	44	100%

Employment structure and the ratio of basic salary of males and females (2/2)

	Female	Male	The ratio of salary of males to females
2017			
Senior management	10	22	98%
Management	227	197	95%
Lower management	180	159	97%
Specialists	4,969	2,091	97%
Other employees	145	32	100%



Changes in the regulations

Changes in the banking sector regulations

Name	Effective date	Description
Act of 31 July 2019 amending certain acts to reduce regulatory burdens	On 1 January 2021, an amendment to extending the scope of consumer protection came into force	Among the changes introduced by the Act is the extension of the scope of application of provisions on prohibited clauses in agreements with consumers to natural persons conducting business activity.
Act of 27 November 2020 amending the act on tax on goods and services and certain other acts	1 January 2021	<p>The Act introduced solutions to simplify the settlement of tax on goods and services by taxpayers – the SLIM VAT (Simple Local and Modern VAT) package, incl. relating to:</p> <ul style="list-style-type: none">• no need to obtain confirmation of receipt of corrective invoices in minus,• introducing a new condition in the form of having documentation, which shows that the seller has agreed with the buyer “the conditions for lowering the tax base for the supply of goods or services specified in the correcting invoice and these conditions have been met, and the invoice is consistent with the documentation held”,• extending the deadline for deducting input VAT up to a total of 4 settlement periods, and in the case of quarterly taxpayers, the deduction on the current terms, i.e. up to 3 settlement periods,• consistent exchange rates – adding an optional solution for taxpayers in the field of exchange rates used for VAT and CIT settlements,• introducing the possibility of deducting input tax resulting from invoices documenting the purchase of accommodation services for resale,• increasing the limit on unchecked gifts of small value from PLN 10 to PLN 20,• introducing a provision on the settlement of correcting invoices increasing the price.
Act of 28 November 2020 amending the act on corporate income tax and certain other acts	1 January 2021	<p>The act introduced two alternative taxation options, i.e. .:</p> <ul style="list-style-type: none">• a system modelled on the Estonian solution linking taxable income with the categories of balance sheet law and consisting in a significant modification of the existing taxation principles – the so-called lump sum on income of capital companies,• the flat-rate tax will be available to capital companies (i.e. limited liability and joint-stock companies) under certain conditions, e.g. their shareholders are only natural persons, and its total operating revenues from the previous tax year or the value of average operating revenues are not exceed the amount of PLN 100 million, including the amount of VAT, etc.,• a special investment fund which (in an economic sense) will enable taxpayers to settle the depreciation of fixed assets faster in tax costs without interfering with the current tax settlements.
Act of 28 November 2020 amending the act on personal income tax, the act on corporate income tax, the act on flat-rate income tax on certain revenues generated by natural persons and certain other acts	1 January 2021	<p>The act introduced many significant changes for taxpayers, including:</p> <ul style="list-style-type: none">• introducing the obligation to prepare and make public by the largest CIT taxpayers, i.e. taxpayers whose revenues exceeded EUR 50 million in a tax year, as well as tax capital groups information about the implemented tax strategy for the tax year, hereinafter: report,



		<ul style="list-style-type: none">the report should be prepared in Polish and posted on its website by the end of the twelfth month following the end of the tax year and submitted to the Head of the Tax Office competent for the taxpayer at the website address. The prepared reports will be made public. Non-compliance is sanctioned by a fine of up to PLN 250 thousand,extending the scope of transactions subject to verification for compliance with the arm’s length principle, in particular when the beneficial owner is established in the so-called “Tax haven”,covering limited partnerships and some general partnerships with CIT,changes in the so-called real estate clause,taxation of the issue of liquidation assets in kind – so far there has been a dispute in this respect between tax authorities and administrative courts,introducing a definition of a real estate company along with the principles for their taxation,limiting the possibility of settling losses resulting from restructuring activities,extension of the exemption from the minimum tax on commercial real estate for the period of the epidemic – the existing exemption was extended for the period from 1 January 2021 until the end of the month in which the epidemic will be cancelledlimiting the possibility of using reduced or increased depreciation rates in relation to fixed assets used in activities, the income of which is exempt from income tax – during the period of using such an exemption,increasing the revenue limit entitling to the reduced 9% CIT rate from EUR 1.2 million to EUR 2 million.
Regulation of the Minister of Finance, Funds and Regional Policy of 28 December 2020 amending the regulation on the properties of tax authorities and Regulation of the Minister of Finance, Funds and Regional Policy of 28 December 2020 amending the regulation on certain taxpayers and remitters for which tasks are performed by the head of a tax office other than the locally competent	1 January 2021	<p>The regulations changed, with effect from 1 January 2021, the existing jurisdiction of the tax authorities for a large part of taxpayers, including banks. These changes also had effects on the basis of submitted declarations and conducted administrative proceedings. Until 31 December 2020, the tax office competent for ING Bank Śląski S.A. was the First Silesian Tax Office in Sosnowiec, and on 1 January 2021, the First Mazowiecki Tax Office in Warsaw, hereinafter referred to as: I Mazowiecki Tax Office</p> <p>In addition, the I Mazowiecki Tax Office took over the role of the tax office competent for the largest entities, being a nationwide office, the so-called special office.</p> <p>On the other hand, large enterprises went to 19 established specialized tax offices (referred to as WUS). On the other hand, small entities with foreign capital returned to the regional tax offices – an exception to this rule is the situation in which such an entity was classified under the WUS.</p> <p>The matters related to the lump-sum corporate income tax collected by payers from non-residents (the so-called withholding tax) on a nationwide scale were taken over by the Head of the Lublin Tax Office in Lublin.</p> <p>This authority is also locally competent in matters of overpayment of the flat-rate corporate income tax collected by remitters at the request of a non-resident taxpayer of this tax.</p>
Act of 10 December 2020 amending the Excise Duty Act and certain other acts	1 January 2021	<p>The act introduced new principles for the registration of excise taxpayers, as well as the creation of a Central Excise Tax Register kept by the Director of the Tax Administration Chamber in Poznań, which replaced registers kept by heads of tax offices.</p> <p>Paper registration applications have been replaced by electronic registration.</p> <p>Excise entities that were already registered in databases maintained by heads of tax offices do not re-register, but are obliged to electronically confirm their previous data and supplement the registration declaration with information on the tax authority competent for the entity. The update had to be made by 30 June 2021.</p>



[Act of 25 February 2021 on amending the Act – Banking Law and certain other acts](#)

Most of the provisions entered into force on 28 April 2021.

The amendment to the Banking Act implements the requirements of the CRD V Directive. The changes concern, among other things, remuneration policy, supervisory measures that may be applied by the Polish Financial Supervision Authority, capital buffers and interest rate risk.

[Act of 30 March 2021 amending the Excise Duty Act and certain other acts](#)

1 May 2021, with some provisions coming into force earlier

The deadline for filing the CIT-8 return for 2020 and paying the tax has been postponed by 3 months, i.e. until 30 June 2021. The deadline for submitting transfer pricing information (TPR-C) and a statement on the preparation of local transfer pricing documentation has been extended. The validity of certificates of residence issued in 2020 has been extended by recognising them as valid also in 2021, subject to a declaration from the counterparty that the certificate is up to date. Excise declarations were required to be filed electronically from 1 July 2021, and excise registers were required to be filed electronically from 1 January 2022 (this deadline, as far as excise registers are concerned, was postponed by one year by the Act of 29 October 2021 amending the Excise Duty Act and the Act amending the Excise Duty Act and certain other acts, published in the Journal of Laws under entry 2313).

[Regulation of the Minister of Finance, Funds and Regional Policy of 28 December 2020 amending the regulation on the exclusion or limitation of the application of art. 26 sec. 2e of the Corporate Income Tax Act](#) and

31 December 2020

Under both Regulations, for corporate income tax payers, the entry into force of the new withholding tax (WHT) mechanism, scheduled for 1 January 2019, has been deferred until the end of June 2021 and thereafter until the end of 2021, respectively.

[Regulation of the Minister of Finance, Funds and Regional Policy of 25 June 2021 amending the regulation on the exclusion or limitation of the application of art. 26 sec. 2e of the Corporate Income Tax Act](#)

30 June 2021

New principles introduced as of 1 January 2019 to the CIT Act have imposed an obligation on the payer of withholding tax (WHT) to collect the tax and settle it with the tax authority after exceeding the limit of PLN 2 million of amounts paid to the payee for royalties, interest, dividends, or certain intangible services – consulting, legal, market research, advertising, etc. Only at a later stage, after submitting the application and proving that the relevant conditions provided for in the regulations have been met, it will be possible to return the resulting overpayment.

Despite the postponement of the application of the indicated provisions, the regulations on the obligation to exercise due diligence in applying a lower rate or tax exemption, the necessity to determine the real owner of the amounts paid, or the anti-abusive clause, prohibiting the application of preferences to the payment of dividends or interest when the payment is artificial in nature or contrary to the purpose of the regulations, are still in force.

[Act of 30 March 2021 amending the Act on Prevention of Money Laundering and Terrorist Financing and certain other acts](#)

In principle, the law came into force on 15 May, but some of the changes come into force on 31 July/31 October 2021.

The changes relate, inter alia, to detailed principles on the application of financial security measures, the extension of the scope of information in the Central Register of Actual Beneficiaries and the obligations relating to their verification.

[Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and internal control system and remuneration policy in banks](#)

Most of the regulations came into force on 11 June 2021; selected new requirements are effective from 28 June / 31 December 2021

The regulation sets out how the risk management system and the internal control system operate in banks, including the procedure for anonymous reporting of breaches of the law and the procedures and ethical standards applicable in the bank to a designated member of the management or supervisory board, and the detailed scope of the remuneration policy. The amendments concern, among other things, the determination of risk limits, interest rate risk in the banking book and variable components of remuneration.

[Recommendation S on good practices in the management of mortgage-secured credit exposures](#)

30 June 2021

Recommendation S is a set of good practice principles for mortgage- backed credit exposures. The purpose of the amended Recommendation S is, *inter alia*, to extend its current wording by principles concerning the management of credit exposures secured by mortgage-backed fixed interest rate or periodically fixed interest rate so as to take into account the risk related to these loans. The purpose of issuing the revised Recommendation S is, inter alia, extending its current wording to include principles for the management of mortgage-secured credit exposures bearing a fixed interest rate or periodically a fixed interest rate, so as to take into account the risk associated with these loans. Among the range of loans secured by residential mortgages for retail clients, banks should also have such loans. They should



		<p>also allow clients to change the interest rate formula under an already concluded mortgage secured loan agreement from a variable interest rate to a fixed interest rate or periodically fixed interest rate.</p> <p>The provisions of the Recommendation relating to loans with an option of release from the obligation vis-a-vis the bank related to a credit exposure secured by a mortgage on a residential real estate in the event of the borrower's transfer to the bank of ownership title to the real estate being credited (the so-called "keys for debt" loans), lay down specific principles for assessing creditworthiness and collateral.</p>
Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, own funds requirements and eligible liabilities, counterparty credit risk, market risk, CCP exposures, collective investment undertakings exposures, large exposures, reporting and disclosure requirements as well as Regulation (EU) No 648/2012	Most of the provisions entered into force on 28 June 2021.	The CRR2 regulation deals with prudential requirements for banks. The changes concern, among others the leverage ratio, the introduction of a net stable funding ratio as well as detailed capital requirements for credit and market risk. The provisions of the regulation also affect reporting and disclosure of information by banks.
Act of 20 May 2021 amending the act on tax on goods and services and certain other acts	1 July 2021	The act introduced a number of changes to the Polish legal system, known as the VAT e-commerce package, aimed at facilitating cross-border trade in the European Union and reducing the administrative burden on businesses.
Regulation of the Minister of Finance, Funds and Regional Policy of 29 June 2021 amending the Regulation on the detailed scope of data contained in tax declarations and records with regard to value added tax	1 July 2021	<p>The most important changes introduced by the regulation are:</p> <ul style="list-style-type: none">• possibility to collectively show receipts with NIP up to the amount of PLN 450, issued pursuant to Article 106e(5)(3) of the VAT Act,• substantive and formal clarification of the provisions of the Regulation relating to the designation of certain groups of goods and services and to special procedures,• the possibility of showing in the records the reduction of input tax referred to in Article 86(19a) of the Act by means of an internal document.
Act of 8 July 2021 on amending the act on the Bank Guarantee Fund, the deposit guarantee scheme and compulsory restructuring and certain other acts	Most of the provisions entered into force on 15 September 2021.	The Act implements the provisions of the BRRD II Directive and amends the provisions on the forced restructuring of banks. It includes, among others provisions on the requirements for banks to maintain an appropriate level of eligible liabilities (MREL).
Act of 11 August 2021 amending the Act on Goods and Services Tax and the Act – Banking Law	1 October 2021	<p>The Act (referred to as the SLIM VAT 2 Package) introduces a number of simplifications in the settlement of VAT, as well as adapting national legislation to the situation resulting from the withdrawal of the Kingdom of Great Britain and Northern Ireland from the European Union.</p> <p>The more significant changes resulting from the amendment include:</p> <ul style="list-style-type: none">• the introduction of facilitations with regard to the VAT Split Payment Mechanism consisting in the possibility of<ul style="list-style-type: none">• transfers between VAT accounts at different banks,• authorising the release of funds from the VAT account if the taxable person's tax arrears have been deferred or paid in instalments,• releasing funds transferred from the VAT account being closed to the so-called technical account,• the use of funds collected in the VAT account to pay contributions to the KRUS;



		<ul style="list-style-type: none">• allowing a taxable person who has accounted for tax on the importation of goods in a tax return to amend that return in the event that the correct amount of tax was not accounted for in the initial return;• removal of the 3-month restriction on the deduction of VAT on intra-Community acquisitions of goods (ICT), imports of services and other reverse charge cases;• simplification of VAT deduction with regard to passenger cars used exclusively for business purposes by extending the deadline for submitting VAT-26 form to the 25th day of the month following the month in which the first vehicle-related expense was incurred; the information should be submitted no later than by the deadline for submitting JPK_V7 / JPK_V7K records for a given month;• Enabling VAT deduction after the deadline for deduction “on a current basis” by extending the number of settlement periods in which the taxpayer will be able to deduct by adjusting the return;• as regards relief for bad debts, adjustment of the provisions to the guidelines of the CJEU, i.e.:<ul style="list-style-type: none">• extending the time limit for using bad debt relief to three years, starting from the end of the tax year in which the invoice was issued,• extending the application of the bad debt relief by removing the condition that the entity to which the relief is applied must not be, at the time of application, in the course of restructuring proceedings, bankruptcy or liquidation;• allowing (optionally) for a joint declaration by the supplier and the purchaser on the choice of tax treatment of the real estate in the notarial deed.
Recommendation Z on the principles of internal governance in banks	1 January 2022	Recommendation Z is a collection of good practices in the field of internal governance. The internal governance includes in particular: the bank management system, the bank’s organization, principles of operation, powers, duties and responsibilities as well as mutual relations between the supervisory board, the management board and persons performing key functions in the bank.
Recommendation R on principles for classification of credit exposures, estimation and recognition of expected credit losses and management of credit risk	1 January 2022	The revised Recommendation R is a set of good practices concerning the classification of credit exposures, estimation and recognition of expected credit losses, in accordance with the accounting and credit risk management policies adopted and applied by banks. The need to develop Recommendation R in a new wording resulted in particular from the entry into force of International Financial Reporting Standard 9 (IFRS 9) in 2018.
Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on establishing a framework to facilitate sustainable investment, amending Regulation (EU) 2019/2088	The regulation entered into force on 12 July 2020, but the specific requirements apply from 1 January 2022/1 January 2023	The EU taxonomy provides for the extension of the scope of non-financial reporting to include information on how and to what extent a company’s activities are related to economic activities that qualify as environmentally sustainable.
Act of 29 October 2021 amending the act on tax on goods and services and certain other acts	01 January 2022	<p>The introduction of the National e-Invoice System (KSeF), i.e. a nationwide ICT system operated by the Ministry of Finance, in which entrepreneurs will be able to issue and receive electronic structured invoices. This will be one of the acceptable forms of documenting sales alongside paper invoices and electronic invoices. Structured invoices will be issued based on a uniform logical structure provided by the Ministry of Finance.</p> <p>From 1 January 2022, the use of the e-Invoice system will be voluntary, while in 2023 it is planned to introduce universal invoicing based on KSeF in Poland.</p>
The Act of 29 October 2021 amending the Act on Personal Income Tax, the Act on Corporate Income Tax and certain other acts, the so-called “Polish Deal”	1 January 2022	This Act is referred to as the Polish Deal (originally: New Deal) and introduces a significant number of changes to existing tax principles, in particular personal income tax, of systemic importance. Tax changes in the area of personal income tax include, inter alia, elimination of the possibility to deduct health contributions from personal income tax, increase in the amount of the tax-free sum, introduction of the so-called middle class relief or the so-called return relief.



In the area of corporate income tax, the changes implemented by the Polish Deal include:

- amendments to the transfer pricing rules with regard to:
 - definition of related entities – the previously used term “company without legal personality” has been replaced by “company not being a legal person”,
 - transfer pricing adjustments,
 - the financial safe harbour mechanism – the period in which a taxpayer will be able to take advantage of this institution will be the tax year, the moment for which a loan (credit, bond) agreement should comply with the financial safe harbour conditions with regard to interest rates has been specified,
 - local transfer pricing documentation,
 - the extension to 14 days of the deadline for the taxpayer to submit local documentation when requested by the tax authority (instead of the current 7 days),
 - elimination of the statement on preparation of transfer pricing documentation as a separate document and moving it, with its amended content, to the transfer pricing information (TPR form),
 - signing the transfer pricing information – as a rule, the information is signed by the head of the entity within the meaning of the Accounting Act, however, if the entity is managed by a multi-person body – by one or more persons authorised to represent it. In addition, the amended regulations have allowed the transfer pricing information to be submitted by an attorney who is an advocate, legal adviser, tax adviser or statutory auditor, and a proxy (acting in accordance with the principles of representation);
- the introduction of the so-called holding regime, including the definition of a holding company and a subsidiary, as well as the inclusion of CIT exemptions introduced by the holding regime in anti-abuse regulations;
- remodelling the withholding tax procedure by, inter alia, implementing additional restrictions/conditions that must be met in order for remitters to apply reduced withholding tax rates or exemptions from withholding tax. The material scope of payments subject to the pay and refund mechanism has been narrowed (in relation to the provisions implemented in 2019) to income of a passive nature (e.g. interest, copyright, trademarks and dividends). The same applies to the personal scope, which has been narrowed down to non-residents who are related parties of the payer or issuer (the relationship is determined on the basis of transfer pricing rules). The total annual amount of disbursements that are conditional on meeting additional requirements (PLN 2 million) is left. The existing exemption opinion is replaced by a preference opinion. The definition of beneficial owner has been modified. The legislator has allowed the payer to use a copy of the taxpayer’s residence certificate;
- modification of the rules on lump-sum taxation on income of capital companies (the so-called Estonian CIT), aimed at expanding the catalogue of entities entitled to opt for this taxation, as well as relaxing the necessary conditions to be met;
- extension of the catalogue of capital gains income;
- the introduction of reliefs for entrepreneurs incurring costs in connection with the employment of employees in research and development activity, test production of a new product or its market launch and the increase of revenues from product sales;
- introducing a robotisation allowance;
- enabling simultaneous use of the R&D tax credit and the IP Box preference;
- the introduction of a tax credit for taxpayers supporting sports, cultural activities and higher education and science;
- the introduction of relief on the costs of Initial Public Offerings (IPOs) for new entrants;
- promoting cashless transactions by introducing an income tax deduction for the purchase of a payment terminal or fees for the use of such a terminal;



- the introduction of a consolidation relief for taxpayers wishing to carry out economic expansion in domestic and foreign markets, through the acquisition of shares in capital companies operating in these markets;
- introducing changes to the depreciation of buildings and residential premises by excluding the possibility to treat depreciation deductions as tax deductible costs (this restriction will enter into force on 1 January 2023 for buildings and premises purchased until 31 December 2021);
- introduction of an obligation to keep accounting books (tax records) using computer programmes, as well as an obligation to send them in a structured form by the deadline for filing the return for the tax year (this obligation will come into force on 1 January 2023);
- introduction of a new definition of Management Board ownership to limit the phenomenon of Polish residents registering companies in the territory of a foreign country;
- introducing changes to depreciation in real estate companies by limiting the amount of tax deductible depreciation on real estate to the amount of depreciation deducted in accordance with the Accounting Act;
- removing interpretation doubts that have arisen and adapting them to the Polish economic reality with thin capitalisation;
- the introduction of provisions to counter situations where tax revenues within a group of related entities are reduced as a result of the conversion of debt financing into equity financing;
- the introduction in taxation of a new concept of so-called revenue shifting, designed to prevent the possibility of obtaining a tax advantage through tax schemes aimed at transferring revenue to tax jurisdictions with a low effective tax rate;
- the introduction of regulations limiting the generation of artificial tax deductible costs in the form of payment of the so-called “hidden dividend”, so-called profit stripping – the legislator finally postponed the application of the new regulation until 1 January 2023;
- sealing of regulations on tax deductible costs by clarifying the way of determining the limit of debt financing costs – modification of the wording of Article 15c of the CIT Act;
- amending the rules on entity reorganisations to counteract the possibility that tax neutrality could lead to an exemption from capital gains tax;
- introduction of provisions on tax on passed-through income – newly added Article 24aa in the CIT Act. Costs that will generate tax on pass-through income include:
 - costs of intangible services (consultancy, advertising, management and control, data processing, guarantees and sureties, and services of a similar nature),
 - fees and charges for the use or right to use certain intangible assets,
 - the transfer of the risk of insolvency of the debtor,
 - costs of debt financing (including penalties and fees for remuneration for the transfer of functions, assets and risks – if the sum of such costs incurred in a tax year for the benefit of entities (including unrelated entities) constitutes at least 3 per cent of the sum of deductible costs incurred in that year in any form;
- introduction of an alternative minimum income tax from legal persons and changes in the scope of limiting the costs of intangible services purchased from related entities – taxpayers who are financial enterprises within the meaning of art. 15c of paragraph 1. 16 of the CIT Act, i.e. banks based in Poland (Article 24ca(14)(2) of the CIT Act), the current Article 15e of the UCIT, which limits the inclusion of acquired intangible services from related entities as tax costs, and this regulation is appropriately included in the provisions defining alternative income tax, becoming one of the elements of the tax base with this tax;
- relaxation of the rules related to the formation and operation of tax capital groups (PGK);
- amending the conditions for benefiting from the tax exemption in the PSI and SSE;



[Act of 20 May 2021 on the Protection of the Rights of the Purchaser of a Dwelling or Single-Family House and the Developer Guarantee Fund](#)

1 July 2022

- introducing amendments to the foreign controlled entity (CFC) legislation.

In addition to numerous changes in income taxes, the Polish Deal also affects the tax on goods and services through such solutions as:

- option to opt for taxation of financial services – the option to tax financial services, which until now have benefited from VAT exemption, is introduced. The option to opt for taxation of financial services will only apply to business to business (B2B) relationships. Financial services provided to non-business persons (individual clients) will continue to be compulsorily exempt from VAT. The decision to opt for taxation will be binding on the taxpayer for at least 2 years;
- the introduction of a new category of taxable persons, i.e. VAT groups. A VAT group shall mean a group of entities related by financial, economic and organisational links, registered for VAT. The purpose of the introduced solution is to enable such entities to settle jointly for VAT purposes. The model based on joint settlements is intended to be voluntary. The functioning of the VAT group is expected to significantly simplify settlements between its members and to have a positive impact on efficiency and liquidity within the group. As a new category of VAT taxpayer, it will apply from 1 July 2022.

In addition to the above, as a result of the amendment to the Tax Ordinance, the Polish tax system implements a completely new instrument called the “investment agreement”, which enables the conclusion of an agreement between an investor and a tax authority on the tax consequences of a planned investment in the territory of the Republic of Poland. The investment agreement is to take the form of an agreement concluded between the tax authorities and a taxpayer who is an investor that plans or has commenced investments in the territory of Poland with a value of at least PLN 100 million (PLN 50 million from 2025). The conclusion of this agreement is therefore intended to provide a protective power with regard to the tax consequences of the planned/conducted investment covered by the agreement concluded.

Among other things, the Act sets out the principles for banks to maintain housing trust accounts. As a result of the amendments, the bank’s control over the implementation of development projects will be extended. The Act also provides for the intermediation of banks for contributions from developers to the Developer Guarantee Fund.



Management Board statement

Correctness and reliability of the presented financial statements

According to the best knowledge of the Bank’s Management Board, the financial data for 2021 and comparable data presented in the annual financial statements of ING Bank Śląski S.A. and the annual consolidated financial statements of the ING Bank Śląski S.A. Group have been prepared in accordance with the applicable accounting principles and reflect truthfully, fairly and clearly the property and financial standing of the Bank and the Bank’s Capital Group and the financial result achieved by the Bank and the Bank’s Capital Group. The Management Board’s report contained in this document presents a true image of the development, achievements and situation (including a description of the basic types of threats and risks) of the Bank and the Bank’s Group in 2021.



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

2022-03-11	Brunon Bartkiewicz President	<i>The original Polish document is signed with a qualified electronic signature</i>
2022-03-11	Joanna Erdman Vice-President	<i>The original Polish document is signed with a qualified electronic signature</i>
2022-03-11	Marcin Giżycki Vice-President	<i>The original Polish document is signed with a qualified electronic signature</i>
2022-03-11	Bożena Graczyk Vice-President	<i>The original Polish document is signed with a qualified electronic signature</i>
2022-03-11	Ewa Łuniewska Vice-President	<i>The original Polish document is signed with a qualified electronic signature</i>
2022-03-11	Michał H. Mrożek Vice-President	<i>The original Polish document is signed with a qualified electronic signature</i>
2022-03-11	Sławomir Soszyński Vice-President	<i>The original Polish document is signed with a qualified electronic signature</i>
2022-03-11	Alicja Żyła Vice-President	<i>The original Polish document is signed with a qualified electronic signature</i>