



ING Bank Śląski S.A.

Preliminary Business and Financial Results
for Q4 2019

Warsaw, 6 February 2020

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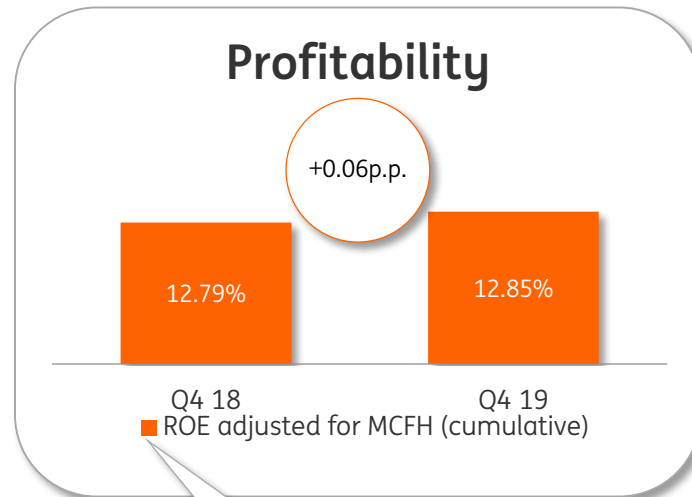
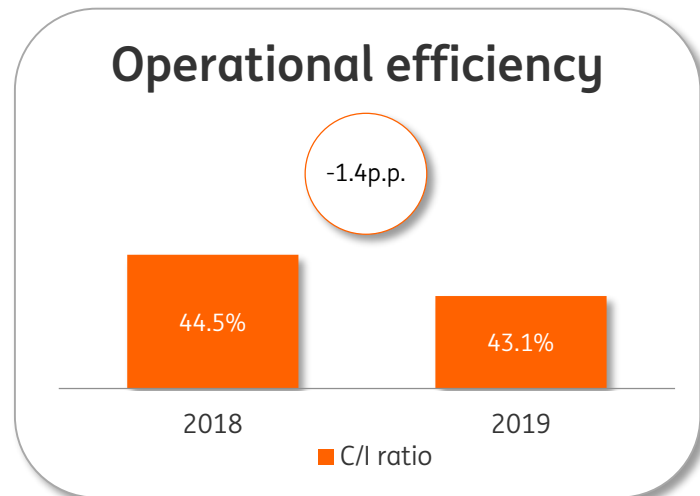
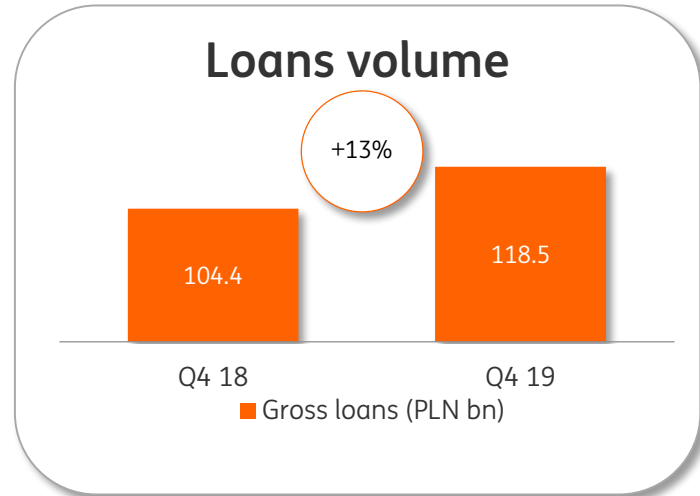
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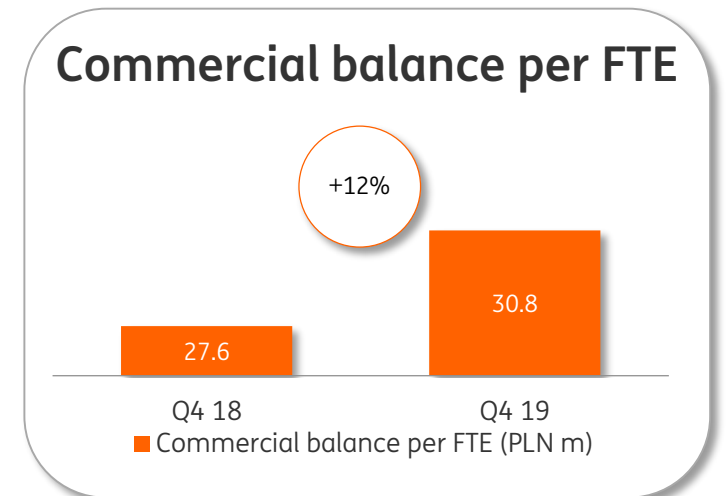
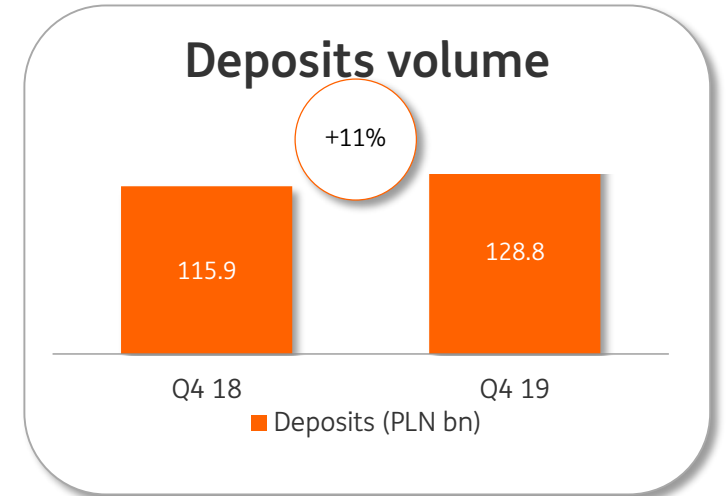
Introduction to financial results and the Bank's market position



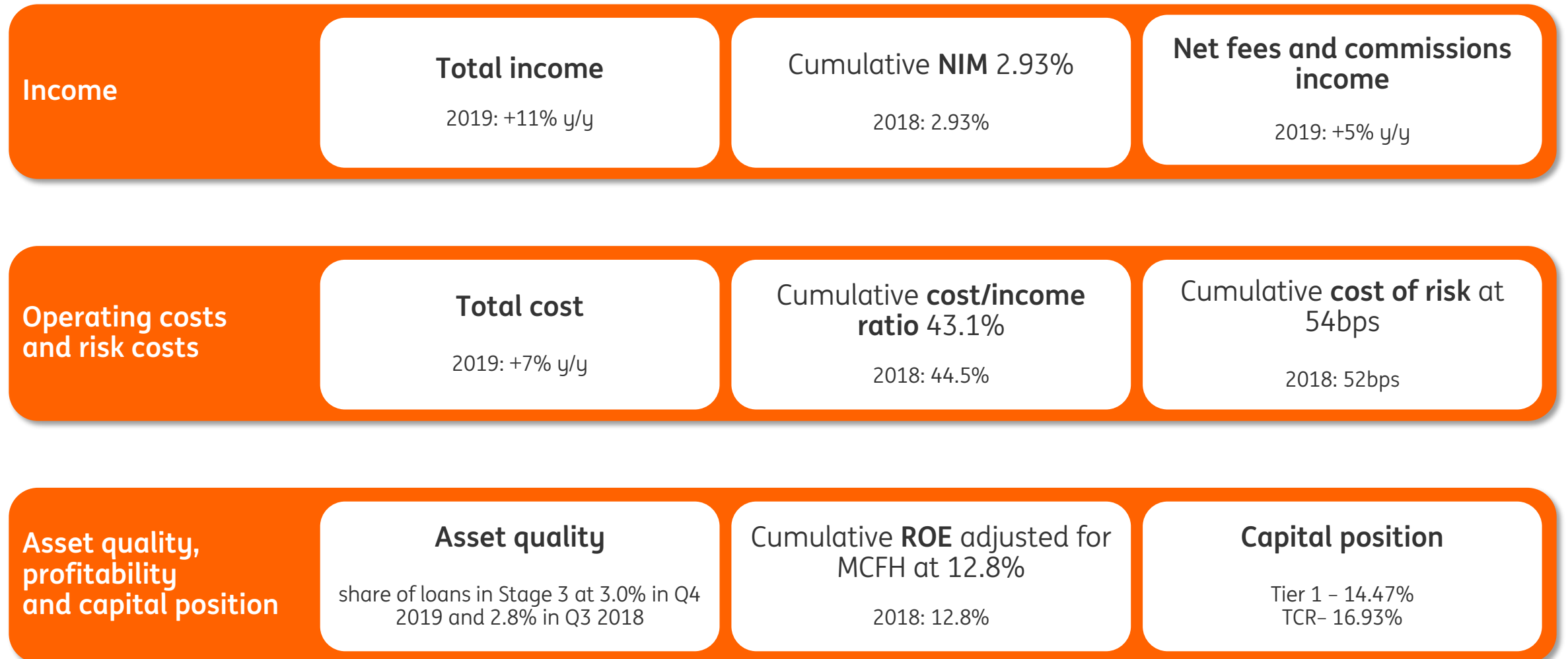
Consistent execution of the strategy



Reported ROE was **11.6%** in 2019 (12.4% in 2018)



Elements shaping income statement



Selected financial data

Including PLN 17.1 million worth of provision for reimbursement of prepaid loans (other income line)

Including PLN 8.9 million worth of additional risk cost for CHF mortgage loans

Including PLN 21.0m worth of adjustment for non-linearity of fees returns for retail loans (NII line)

PLN million	Q4 2018	Q3 2019	Q4 2019	Change q/q	Change y/y	2018	2019	Change y/y
Total income	1,359.4	1,472.1	1,486.8	+ 1%	+ 9%	5,232.4	5,796.4	+ 11%
Total expenses	566.3	604.4	590.8	- 2%	+ 4%	2,326.8	2,497.4	+ 7%
Result before risk costs	793.1	867.7	896.0	+ 3%	+ 13%	2,905.6	3,299.0	+ 14%
Risk costs	98.5	180.2	164.4	- 9%	+ 67%	500.9	605.5	+ 21%
Bank levy	99.5	111.5	113.6	+ 2%	+ 14%	373.8	435.7	+ 17%
Profit before tax	595.1	576.0	618.0	+ 7%	+ 4%	2,030.9	2,257.8	+ 11%
Income tax	143.5	161.2	167.7	+ 4%	+ 17%	507.1	599.1	+ 18%
Net profit	451.6	414.8	450.3	+ 9%	0%	1,523.8	1,658.7	+ 9%
Total capital ratio	15.58%	15.46%	16.93%	+ 1.47 p.p.	+ 1.35 p.p.	15.58%	16.93%	+ 1.35 p.p.
Tier 1	14.74%	14.19%	14.47%	+ 0.28 p.p.	- 0.27 p.p.	14.74%	14.47%	- 0.27 p.p.
ROE (%)	12.4%	12.1%	11.6%	- 0.5 p.p.	- 0.8 p.p.	12.4%	11.6%	- 0.8 p.p.
ROE adjusted for MCFH (%)	12.8%	13.3%	12.8%	- 0.4 p.p.	+ 0.1 p.p.	12.8%	12.8%	+ 0.1 p.p.
C/I ratio (%)	41.7%	41.1%	39.7%	- 1.3 p.p.	- 1.9 p.p.	44.5%	43.1%	- 1.4 p.p.

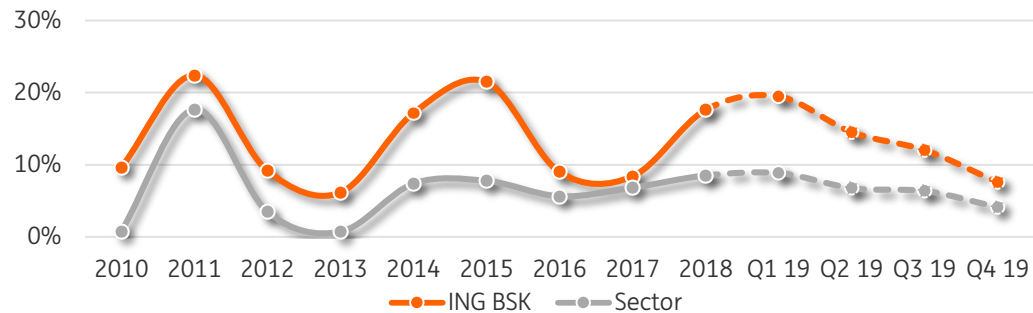
Major business accomplishments

Business volumes

PLN million	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	% change q/q	% change y/y	Change q/q	Change y/y
Total deposits	102,849	102,782	107,468	108,531	115,908	118,653	121,131	123,716	128,800	+ 4%	+ 11%	5,084	12,892
Corporate clients' deposits	34,800	31,671	35,119	34,161	37,590	37,840	39,134	39,366	40,889	+ 4%	+ 9%	1,523	3,299
Retail clients' deposits	68,050	71,112	72,349	74,369	78,318	80,814	81,997	84,350	87,911	+ 4%	+ 12%	3,561	9,593
Total funds entrusted by retail clients	80,315	83,763	85,105	86,557	90,032	93,325	95,043	97,993	102,212	+ 4%	+ 14%	4,219	12,180
Mutual funds assets (TFI) + other off-BS products distributed by the Bank	12,266	12,651	12,756	12,188	11,714	12,512	13,046	13,644	14,302	+ 5%	+ 22%	658	2,588
Total loans	88,484	91,630	96,151	100,637	104,445	108,445	111,474	116,383	118,473	+ 2%	+ 13%	2,089	14,027
Loans to corporate clients incl. leasing and factoring	50,975	52,205	54,428	57,097	59,082	61,124	61,485	63,637	63,461	0%	+ 7%	-176	4,379
Loans to retail clients	37,509	39,425	41,723	43,540	45,363	47,321	49,988	52,746	55,012	+ 4%	+ 21%	2,265	9,649
Mortgage loans	27,540	28,892	30,541	31,989	33,372	34,590	36,465	38,618	40,807	+ 6%	+ 22%	2,189	7,435

Market shares of ING Bank Śląski S.A.

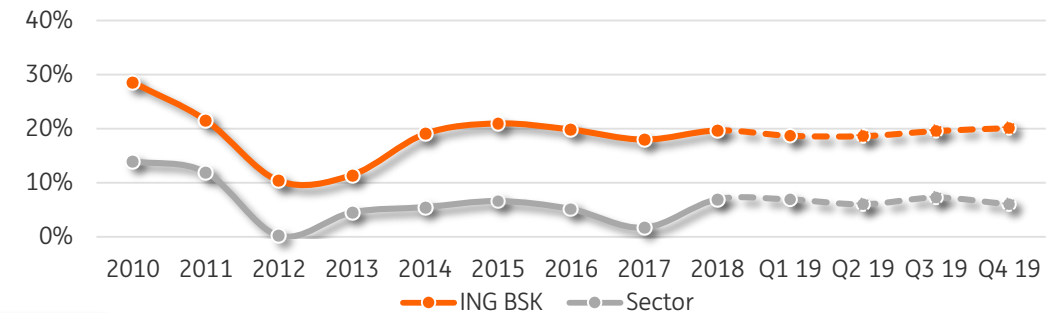
Corporate loans (change y/y)



Market share (%)



Household loans (change y/y)



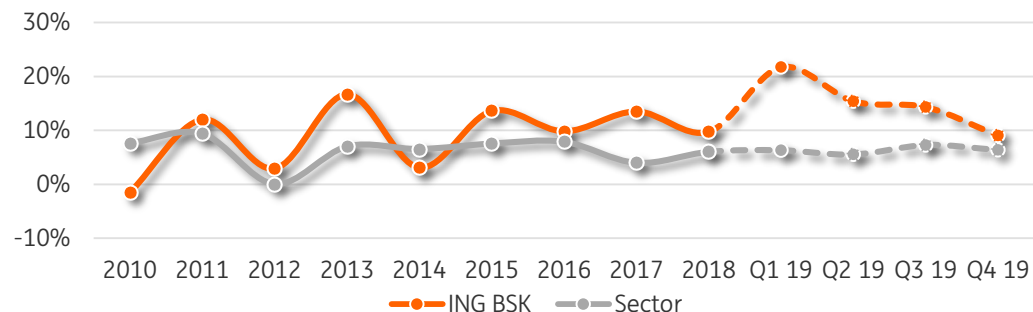
Market share (%)



Market share excl. FX* (%)



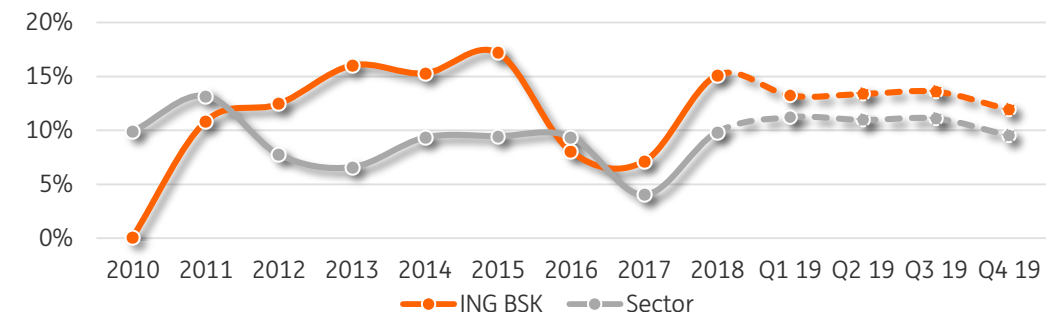
Corporate deposits (change y/y)



Market share (%)



Household deposits (change y/y)



Market share (%)



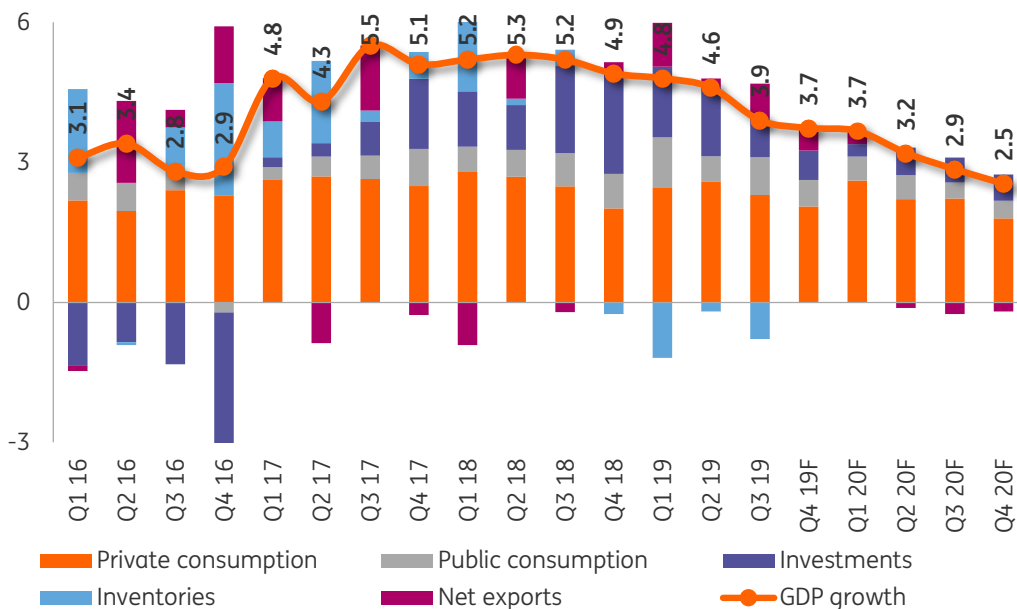
Update on the macroeconomic situation



GDP: Further slowdown as domestic demand subsides

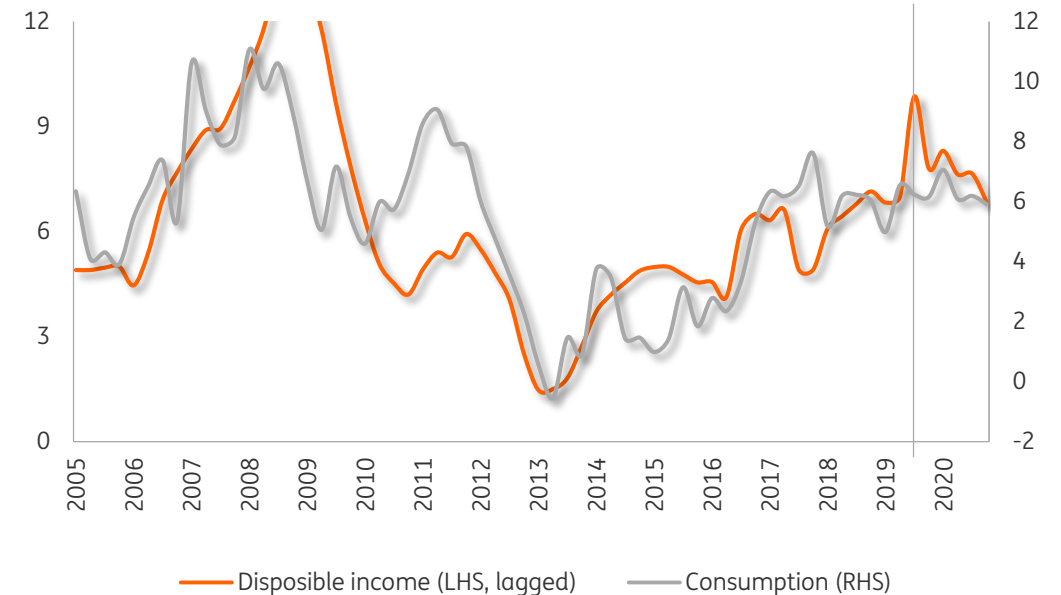
- The Polish economy is **past the peak in the business cycle** and we expect Polish GDP to expand by around 3% y/y in 2020 vs 4.0% in 2019 and 5.2% in 2018. Weaker growth reflects **slowing domestic demand and the impact of Eurozone slowdown**.
- The pro-cyclical impact of new social spending is less than after the 2015 elections, and should diminish further in 2H 2020. The growth in private consumption is 0.5-1.0 p.p. **lower than that implied by disposable income dynamics – households' propensity to save increased**.
- Investment growth should slow from 7.1% y/y in 2019 to 1.4% in 2020. The EU investment cycle is past the peak in last year. Private companies' propensity to invest is constrained by deterioration of institutions, regulatory risk and new burdens placed on the corporate sector.

GDP: Subsiding domestic demand (% y/y, real)



Source: Poland's Central Statistical Office, ING

Household consumption and income growth rate (% y/y, nominal)

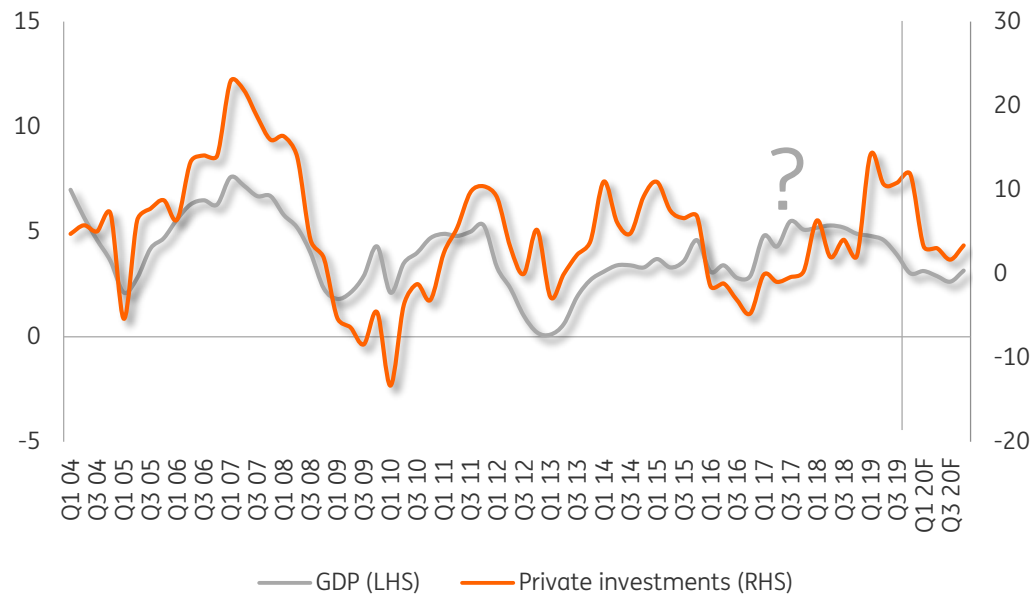


Source: Poland's Central Statistical Office, ING

Investments: Inevitable slowdown ahead

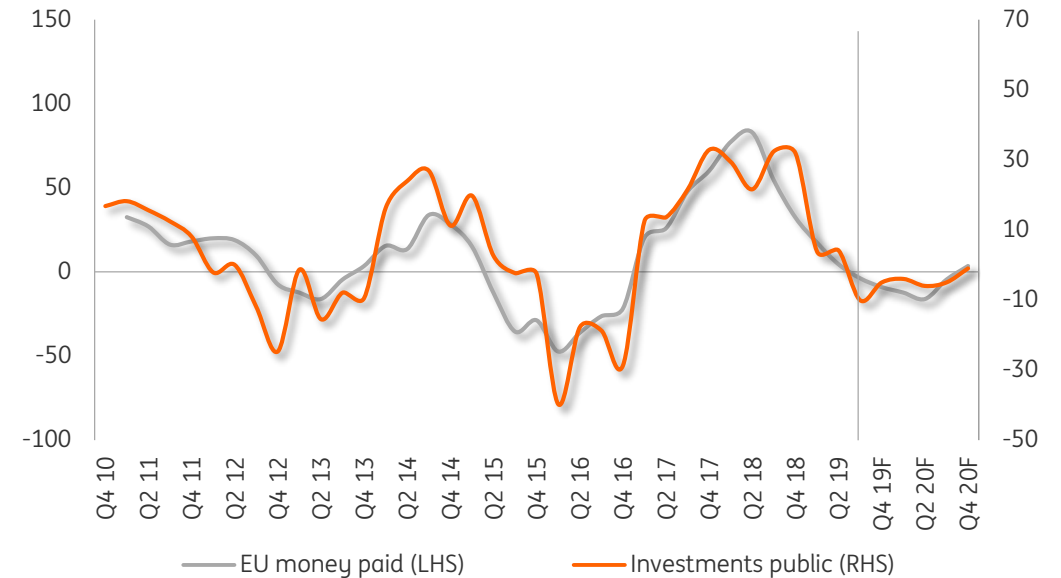
- For the first time in many years private investment growth is slower than GDP growth at the peak of the cycle. The 1H 2019 investment recovery proved to be short-lived, reflecting: (1) **new burdens for the corporate sector** (strict fiscal policy, switch to e-reporting, VAT split payment, occupational pension scheme), (2) **labour scarcity**, (3) **low investments by state-controlled companies** and (4) **rising costs of electricity and wages. The worst situation is observed in the SME sector.**
- Inflows of EU funds to Poland its reached a peak in 2019 and should no longer accelerate. Consequently, public investments should contract in 2020. **Local governments will trim investments** as their revenues diminish (e.g. lowering of PIT).

The investments recovery is lagged in this cycle (% y/y)



Source: Poland's Central Statistical Office, Eurostat, ING

Off the peak in the EU investments cycle (%y/y)



Source: Poland's Central Statistical Office

Poland: Low impact of German/ Eurozone slowdown on Polish GDP

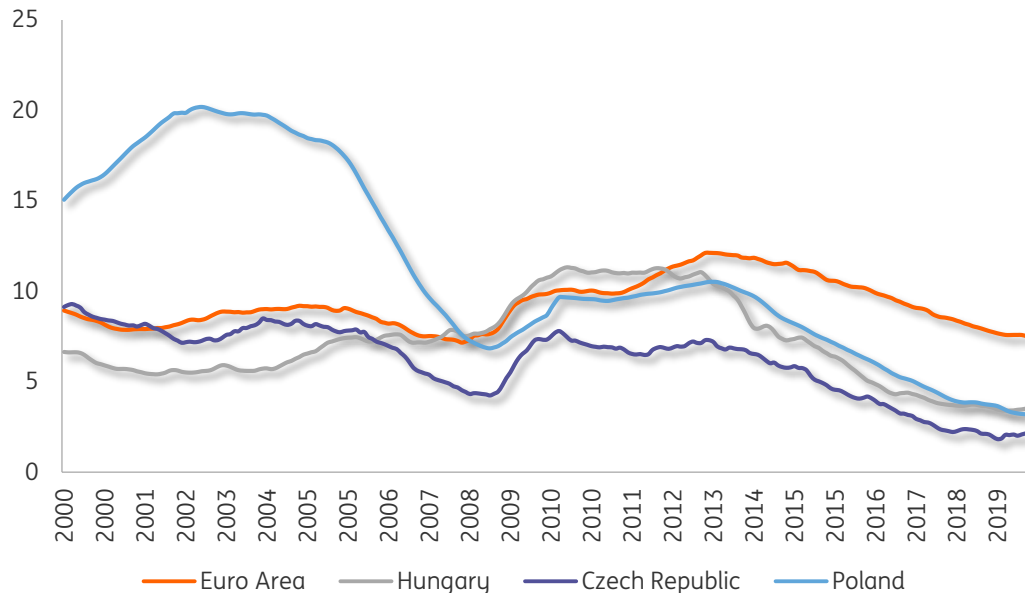
Factors behind the resilience of Polish growth to slowdown in Eurozone/Germany:

- The tight domestic labour markets (historically lowest unemployment, labour shortage and strong wages growth) support domestic consumption.
- The expansionary fiscal and monetary policy (negative real rates). Increase in public sector wages and in the minimum wage.
- Export structure – Poland delivers its product mainly to EU internal markets. Unlike other CEE countries, Polish exporters are less exposed to non-EU markets. Consequently, Polish economy was not affected by the trade war between the US and China.

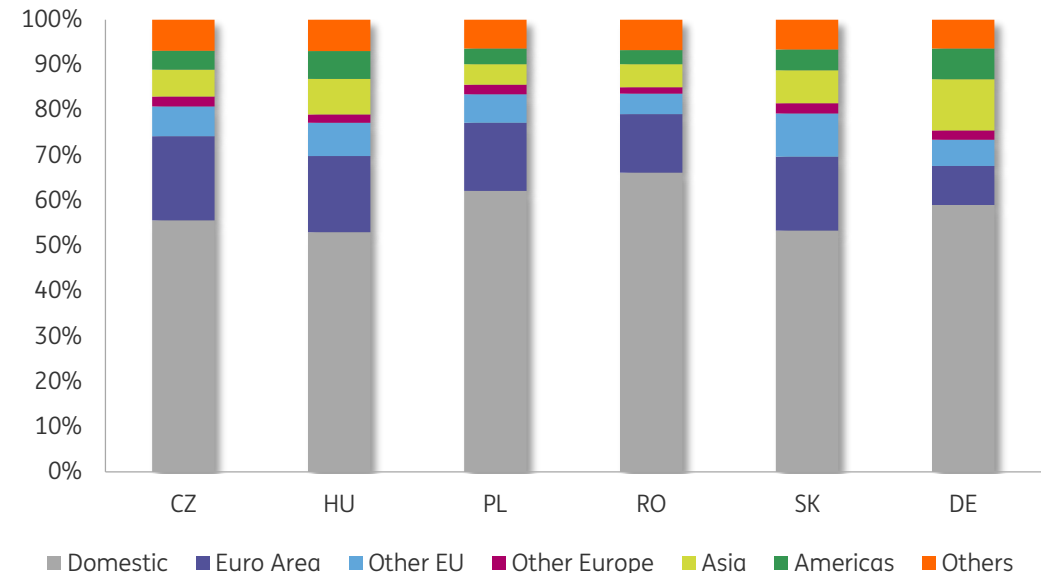
Effects:

- CEE economies/Poland are less reliant on external developments. Domestic demand should shelter growth in 2020, but populist policies threaten long-term prospects.

CEE – historically lowest unemployment rates (%)



Final market for CEE manufacturing production (% of value added)
- Polish products addressed to EU market; low exposure to non-EU markets

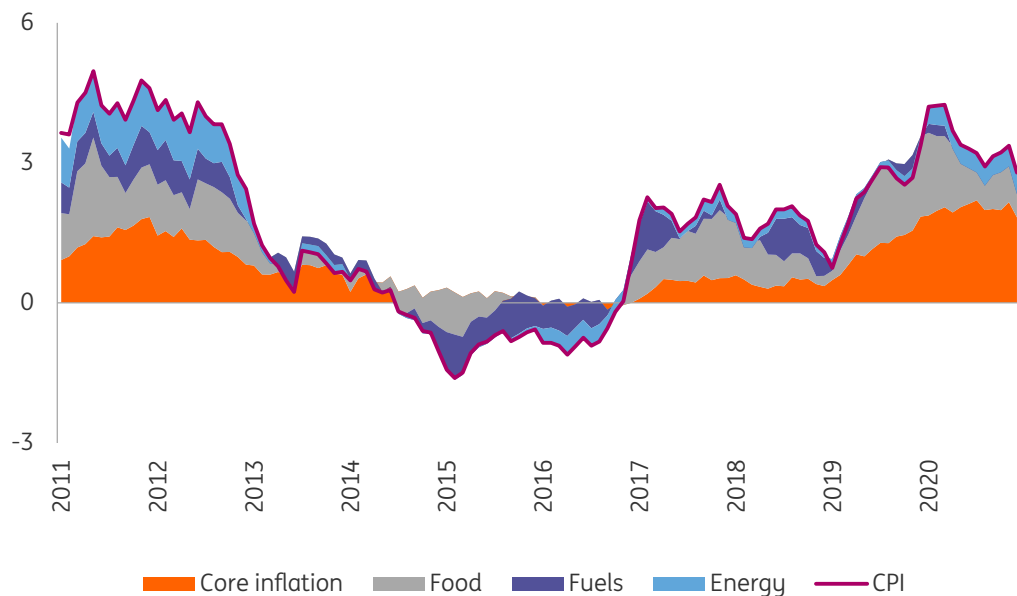


Source: Eurostat

CPI: Inflation should break upper ceiling in Q1 2020, then stay elevated

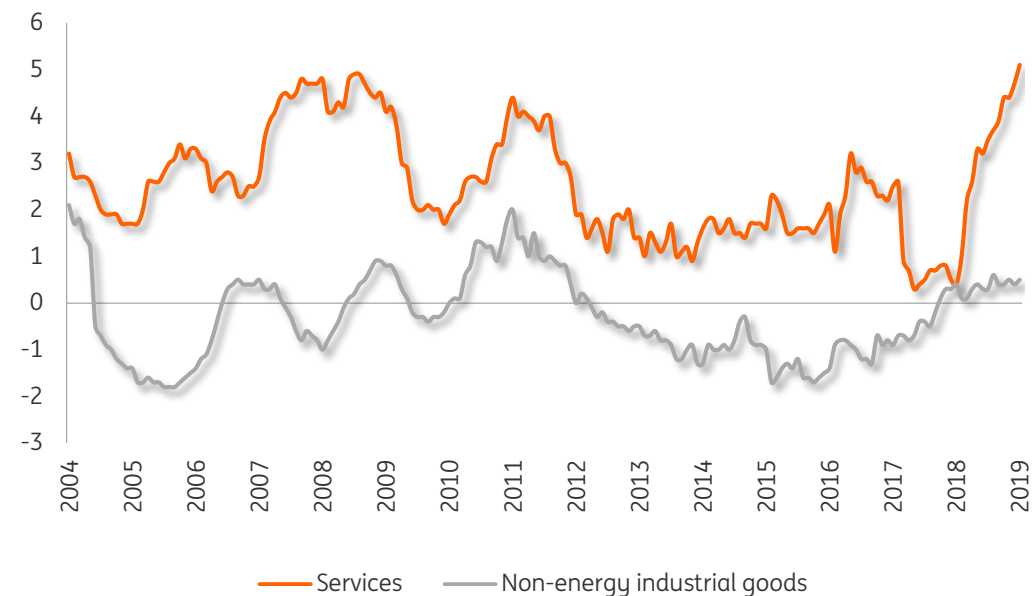
- In Q1 2020 inflation should substantially overshoot 3.5% y/y - the upper ceiling of the NBP's target (2.5% +/-1p.p. y/y). Core inflation should accelerate further driven by labour costs, strong demand, rising wages and electricity prices. After Q1 2020 CPI should subside but remain close to the upper band of the NBP target. Additional risks stem from the planned sugar tax (an additional 0.2-0.3p.p.) or the likely third drought in a row.
- Nevertheless, the Monetary Policy Council will most likely keep the interest rate unchanged both this year and the following year. GDP growth remains among main priorities for the Council. The policy of the main central banks and the slowdown in Poland also discourage any hikes.

CPI: Above the NBP's upper ceiling in Q1 2020 (% y/y)



Source: GUS, ING

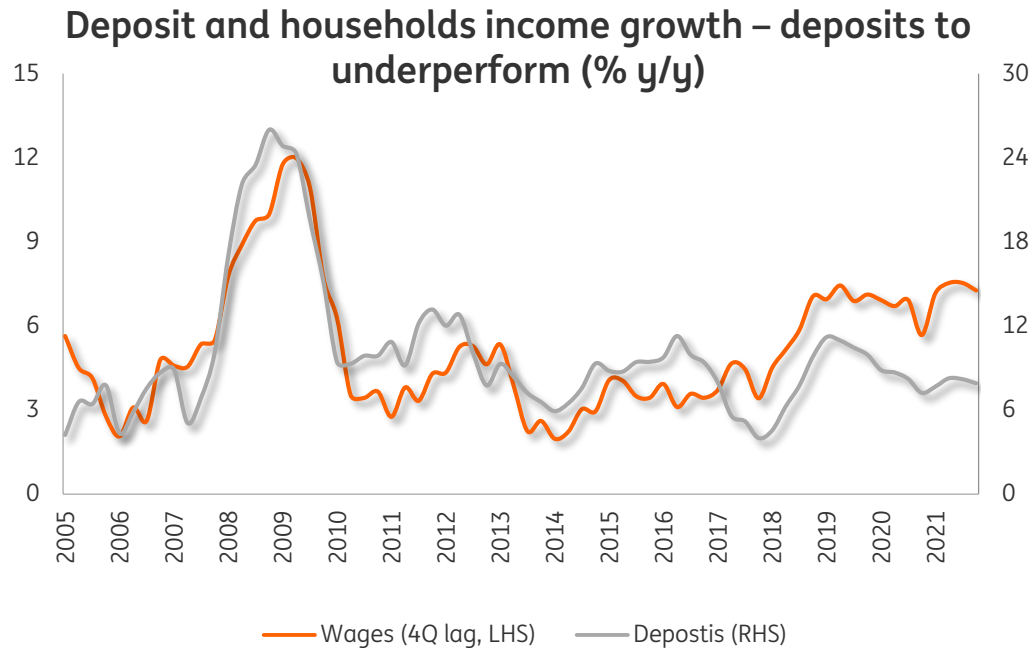
HICP: Core inflation (% y/y) driven by services



Source: Eurostat

Summary: More challenging environment for banks in 2020

- Slowing GDP, fiscal expansion and rigorous tax policy will be the key macro factors affecting banks this year. We expect subdued credit activity, especially in the corporate sector where enterprise credit should stagnate.
- Stable NBP rates combined with high inflation may slow the deposits growth, it may be even greater should new alternative forms of saving appear, e.g. better access to saving bonds or stronger equity market performance. On the other hand, strong labour market, new social benefits and low interest rates should help maintain high demand for mortgage loans.



Source: NBP, ING

ING BSK Forecasts	2018	2019F	2020F
GDP (y/y)	5.2%	4.3%	3.0%
Investments (y/y)	9.0%	7.1%	1.4%
Consumption (y/y)	4.3%	4.1%	3.3%
Wages (avg., y/y)	7.1%	6.6%	7.4%
Unemployment (eop.)	5.8%	5.3%	5.5%
CPI (avg., y/y)	1.7%	2.3%	3.5%
Reference rate (eop.)	1.50%	1.50%	1.50%
Total credits (eop.; y/y)	7.5%	5.3%	3.3%
Household credits (eop.; y/y)	6.9%	6.2%	4.7%
Corporate credits (eop.; y/y)	8.5%	3.9%	1.2%
Total deposits (eop.; y/y)	8.4%	8.7%	7.2%
Household deposits (eop.; y/y)	9.8%	9.5%	7.7%
Corporate deposits (eop.; y/y)	5.6%	7.1%	6.2%

Business development



New solutions for our clients since the beginning of 2019

- ✓ Apple Pay for individual customers for debit cards
- ✓ Providing access to the test environment under PSD 2
- ✓ BLIK recurring payments



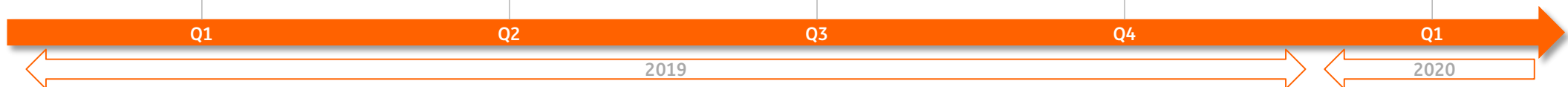
- ✓ View accounts from other banks - 4 banks
- ✓ My Services website
- ✓ Garmin Pay for credit cards
- ✓ A simplified loan process for individual clients



- ✓ Voice control of the Moje ING application
- ✓ Setting up a company and company account at one time
- ✓ Apple Pay for individual customers for credit cards
- ✓ Google Pay for credit cards
- ✓ myID available at ING

- ✓ Combining accounting services with invoice financing
- ✓ Apple Pay for businesses
- ✓ Request for data transfer (eID)
- ✓ RoboPlatform
- ✓ Providing production API
- ✓ Garmin Pay for debit cards

- ✓ Blockchain in a letter of credit transaction
- ✓ Behavioral verification
- ✓ View accounts from other banks - 3 new banks



Retail banking

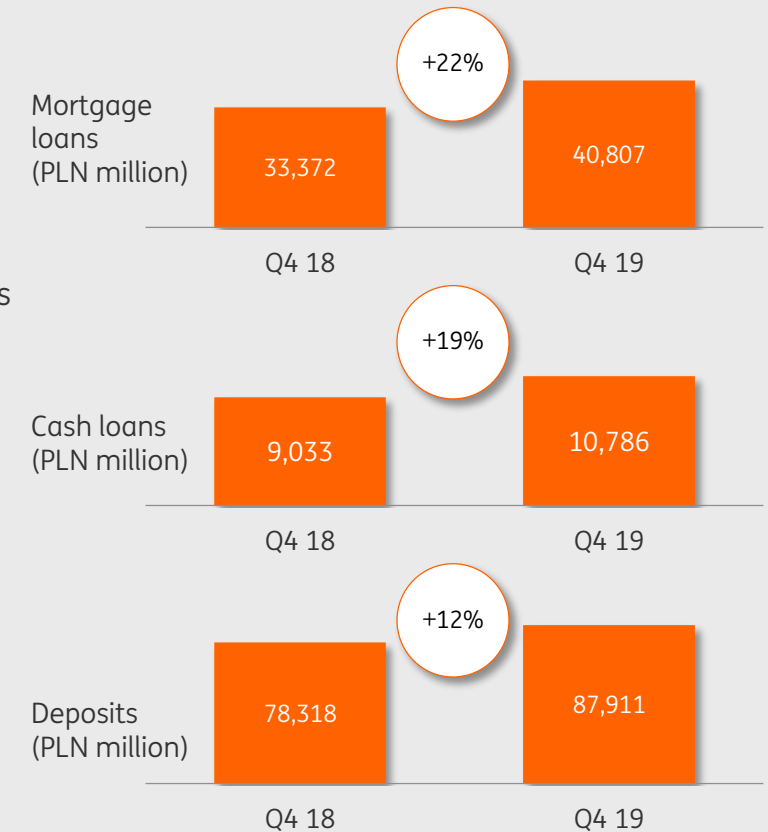
Customer transactions

- We operate 3.5 million current accounts, including 3.1 million for individual clients and 391 thousand for entrepreneurs
- In 2019, our clients carried out +10% y/y more transfers (99.9% electronically; 291.6 million in total), out of which +43% y/y more in mobile banking (90.2 million in total, out of which 26.0 million in Q4, +46% y/y)...
- ... +128% y/y more BLIK transactions (30.7 million in total)...
- ... -5% y/y less transactions in branches (4.0 million in total), and ...
- ... +24% y/y more debit card transactions (686.1 million in total).

Funding

- The portfolio of retail receivables increased by PLN 9.6 billion y/y and PLN 2.3 billion q/q to PLN 55.0 billion, out of which PLN 48.4 billion are receivables from private individuals and PLN 6.6 billion are receivables from entrepreneurs
- We granted PLN 11.4 billion worth of mortgage loans in 2019 (+33% y/y); of which PLN 3.2 billion in Q4 (+66% y/y; including PLN 1.5 billion at fixed rate)
- An 11.6% market share in the volume of PLN mortgage loans
- We granted PLN 5.8 billion worth of cash loans in 2019 (+13% y/y)...
- ... out of which 78% of sales were online

Growing volumes



Corporate banking

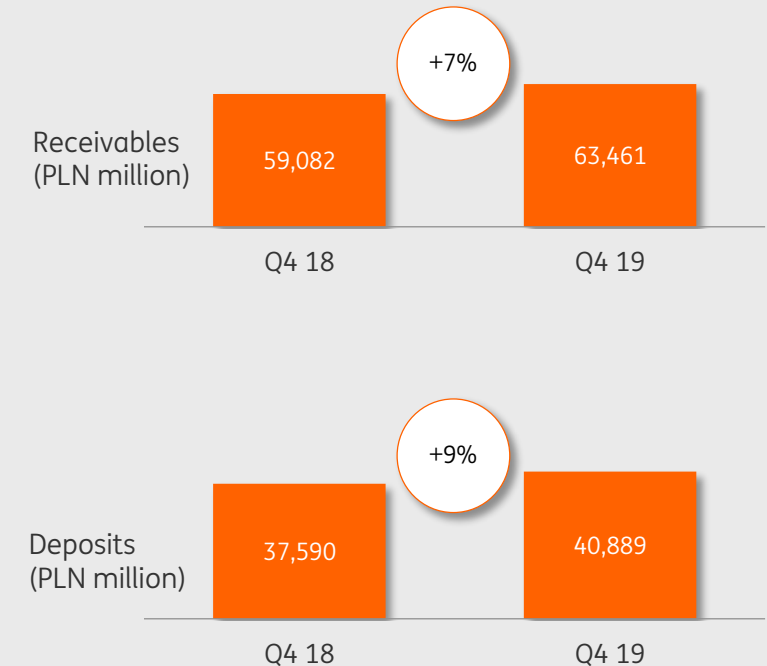
Customer transactions

- We service 71.9 thousand corporate clients, out of which 68.5 thousand SME and mid-corporates
- In 2019, our corporate clients completed 75.6 million transfers (+11% y/y), including 3.7 million in mobile banking (+67% y/y)
- We installed 21.6 thousand POS (out of which 8.2 thousand in 2019); we processed 6.3 million transactions in Q4 2019 (+6% q/q)
- 1,269 stores with the active imoje payment gate (+927 YTD), including 300 shops with Twisto payments (+234 YTD)

Funding

- The corporate receivables portfolio (including leasing and factoring) is PLN 63.5 billion, up by PLN 4.4 billion y/y (+7% y/y)
- The portfolio of receivables from SME and mid-corporate increased by PLN 1.9 billion y/y (+5% y/y) to PLN 38.9 billion
- The portfolio of receivables from strategic clients increased by PLN 2.5 billion y/y (+11% y/y) to PLN 24.6 billion
- The value of the leasing portfolio of our subsidiary ING Lease at the end of 2019 was PLN 9.9 billion
- 96% of credit applications were submitted online

Growing volumes



Q4 2019 preliminary financial results



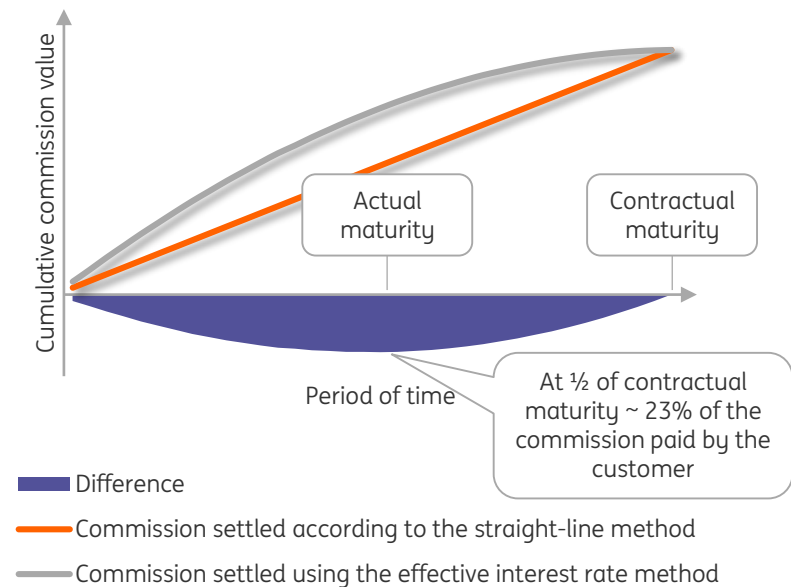
Financial results of ING Bank Śląski S.A.

1. Q3 2019 - PLN 17.1 million worth of provision for reimbursement of prepaid loans (other income line)
2. Q4 2019 - PLN 21.0 million worth of adjustment for non-linearity of fees returns for retail loans (NII line)
3. Q4 2019 - PLN 8.9 million worth of additional risk cost for CHF mortgage loans

PLN million	Q4 2018	Q3 2019	Q4 2019	Change q/q	Change y/y	2018	2019	Change y/y
Net interest income	995.1	1,120.0	1,115.7	0%	+ 12%	3,759.3	4,293.9	+ 14%
Net commission income	330.7	340.4	344.6	+ 1%	+ 4%	1,304.9	1,371.7	+ 5%
Other income	33.6	11.7	26.5	+ 126%	- 21%	168.2	130.8	- 22%
Total income	1,359.4	1,472.1	1,486.8	+ 1%	+ 9%	5,232.4	5,796.4	+ 11%
Total expenses	566.3	604.4	590.8	- 2%	+ 4%	2,326.8	2,497.4	+ 7%
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Profit before tax	595.1	576.0	618.0	+ 7%	+ 4%	2,030.9	2,257.8	+ 11%
Income tax	143.5	161.2	167.7	+ 4%	+ 17%	507.1	599.1	+ 18%
Net profit	451.6	414.8	450.3	+ 9%	0%	1,523.8	1,658.7	+ 9%
Total capital ratio	15.58%	15.46%	16.93%	+ 1.47 p.p.	+ 1.35 p.p.	15.58%	16.93%	+ 1.35 p.p.
Tier 1	14.74%	14.19%	14.47%	+ 0.28 p.p.	- 0.27 p.p.	14.74%	14.47%	- 0.27 p.p.
ROE (%)*	12.4%	12.1%	11.6%	- 0.5 p.p.	- 0.8 p.p.	12.4%	11.6%	- 0.8 p.p.
C/I ratio (%)	41.7%	41.1%	39.7%	- 1.3 p.p.	- 1.9 p.p.	44.5%	43.1%	- 1.4 p.p.
Adjusted data**								
Total income	1,359.4	1,472.1	1,486.8	+ 1%	+ 9%	5,232.4	5,796.4	+ 11%
Total expenses	580.9	637.2	623.6	- 2%	+ 7%	2,326.8	2,497.4	+ 7%
Profit before tax	580.6	543.2	585.2	+ 8%	+ 1%	2,030.9	2,257.8	+ 11%
Net profit	437.1	390.6	426.1	+ 9%	- 3%	1,523.8	1,658.7	+ 9%
ROE* (%)	12.4%	12.2%	11.6%	- 0.6 p.p.	- 0.8 p.p.	12.4%	11.6%	- 0.8 p.p.
ROE* adjusted for MCFH (%)	12.8%	13.3%	12.8%	- 0.4 p.p.	+ 0.1 p.p.	12.8%	12.8%	+ 0.1 p.p.
C/I ratio (%)	42.7%	43.2%	41.8%	- 1.4 p.p.	- 0.9 p.p.	44.5%	43.1%	- 1.4 p.p.

Ramifications of the CJEU judgment regarding refund of commissions on account of prepaid consumer loans

- In Q3 2019, the Bank created a provision for refund of commission on loans prepaid before 11 September 2019 (refund according to the complaint handling procedure); the procedure totalled **PLN 17.1 million** estimated on the straight-line method.
- In connection with UOKiK's decisions taken in Q4 2019, it should be assumed that the commission should be returned using the straight-line method.
- Pursuant to IFRS 9, the Bank settles 100% of commission charged from the client using the amortised cost method, that is the Bank recognises it as part of interest income.
- Under that method, income is recognised faster than under the straight-line method.
- The Bank estimated the difference between the income settlement using the effective interest rate method and the linear method (based on the expected refunds, using historical data concerning prepayment profiles of loans with different tenors) at **PLN 21.0 million**; the amount reduced the gross value of receivables and interest income solely in Q4 2019.

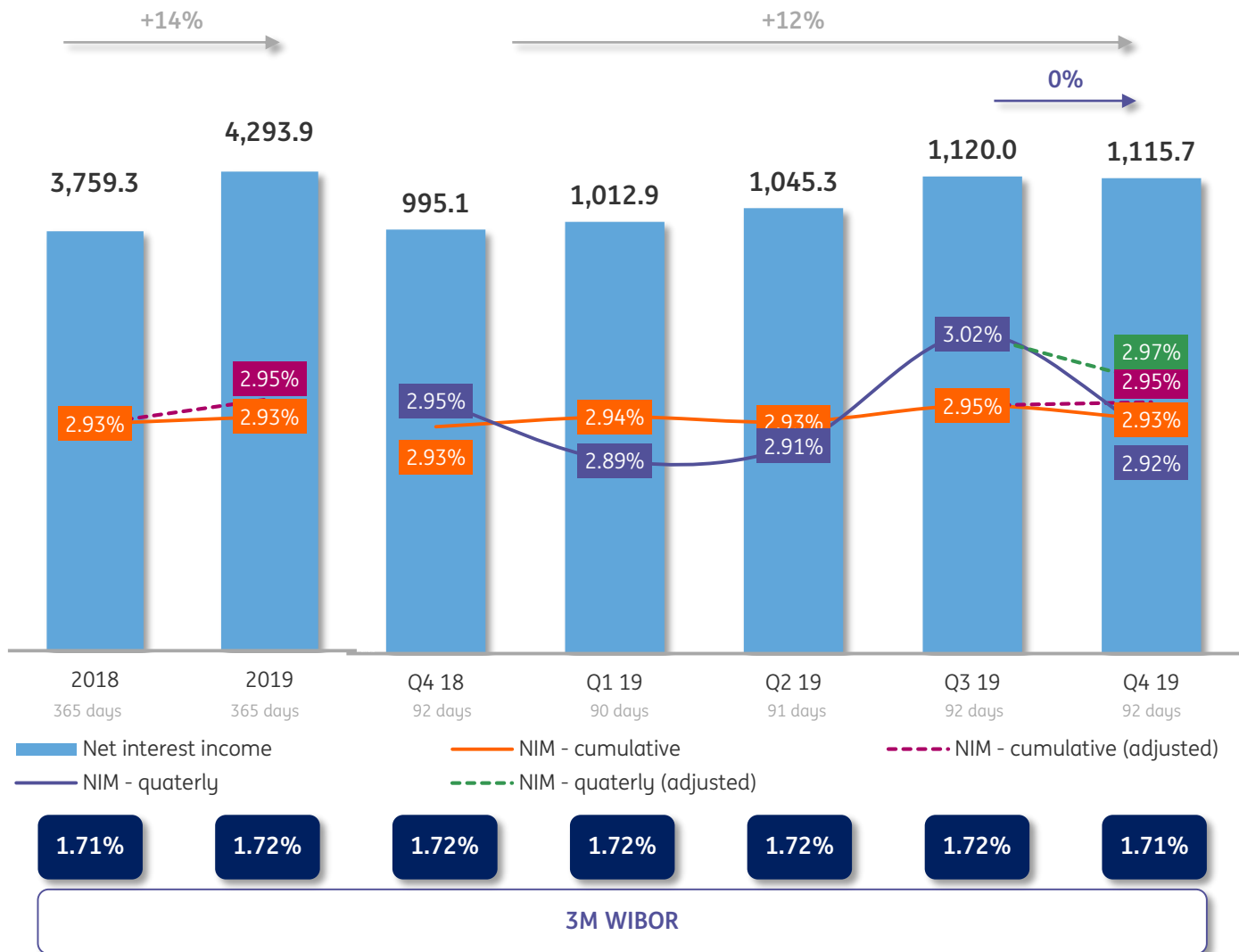


Ramifications of CJEU judgments concerning CHF mortgage loans

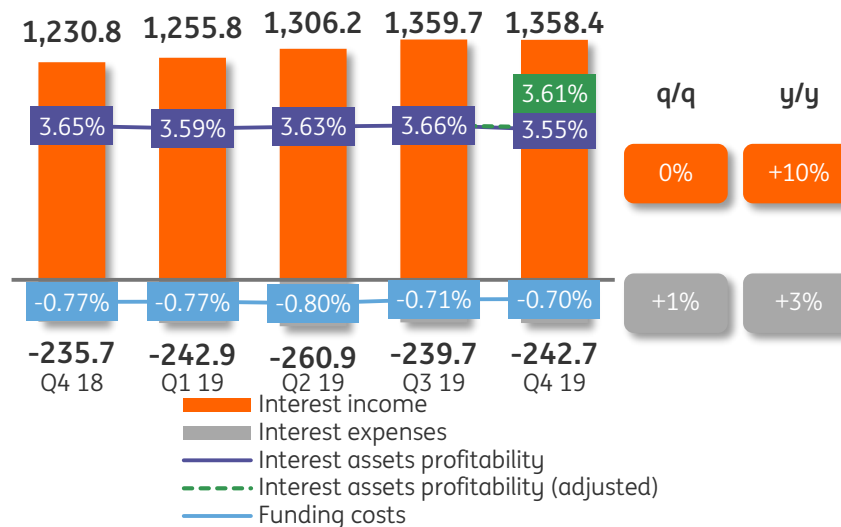
- As at the end of 2019, the Bank had 156 pending court cases with the total carrying value of exposures of PLN 50.8 million.
- In Q4 2019, the Bank changed its approach of estimations and provisions regarding legal risk to reflect that the risk was portfolio-wide.
- As at the end of 2019, **the Bank had PLN 45.0 million worth of portfolio provision, representing 4.80% of the gross loans portfolio**, including:
 - PLN 9.7 million as a provision for disputes concerning repaid exposures, and
 - PLN 35.3 million worth of impairment charge on account of expected losses due to Stage 2 losses for current and future disputes concerning balance sheet exposures.
- **The amount of PLN 8.9 million of that portfolio provision was charged to the Q4 2019 results in terms of risk costs.**
- The portfolio provision charge is not recognized as tax deductible costs.
- **Furthermore, the Bank has PLN 4.6 million worth of impairment charge on account of expected losses due to Stage 2 loans**, following the classification of all CHF mortgage loans as Stage 2 loans.
- The main assumptions of the portfolio provision model:
 - It covers all CHF mortgages, both balance sheet exposures and repaid exposures,
 - It includes the legal costs incidental to court cases,
 - It provides for 3 scenarios (baseline, positive and adverse scenarios), accounting for different outcomes,
 - 4-year time horizon.

Net interest income

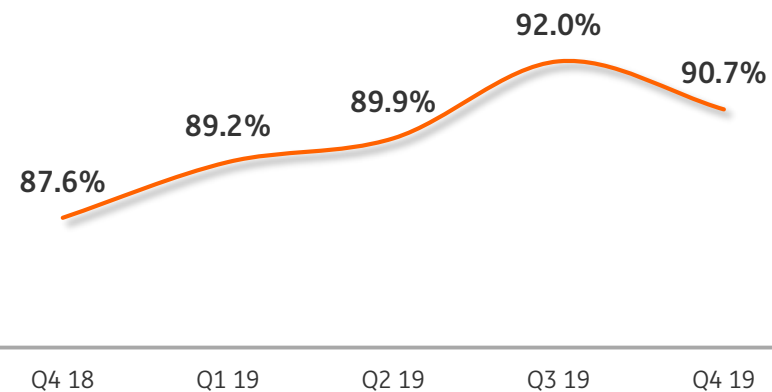
Net interest income (PLN million) and net interest margin



Interest income and expenses (PLN million)

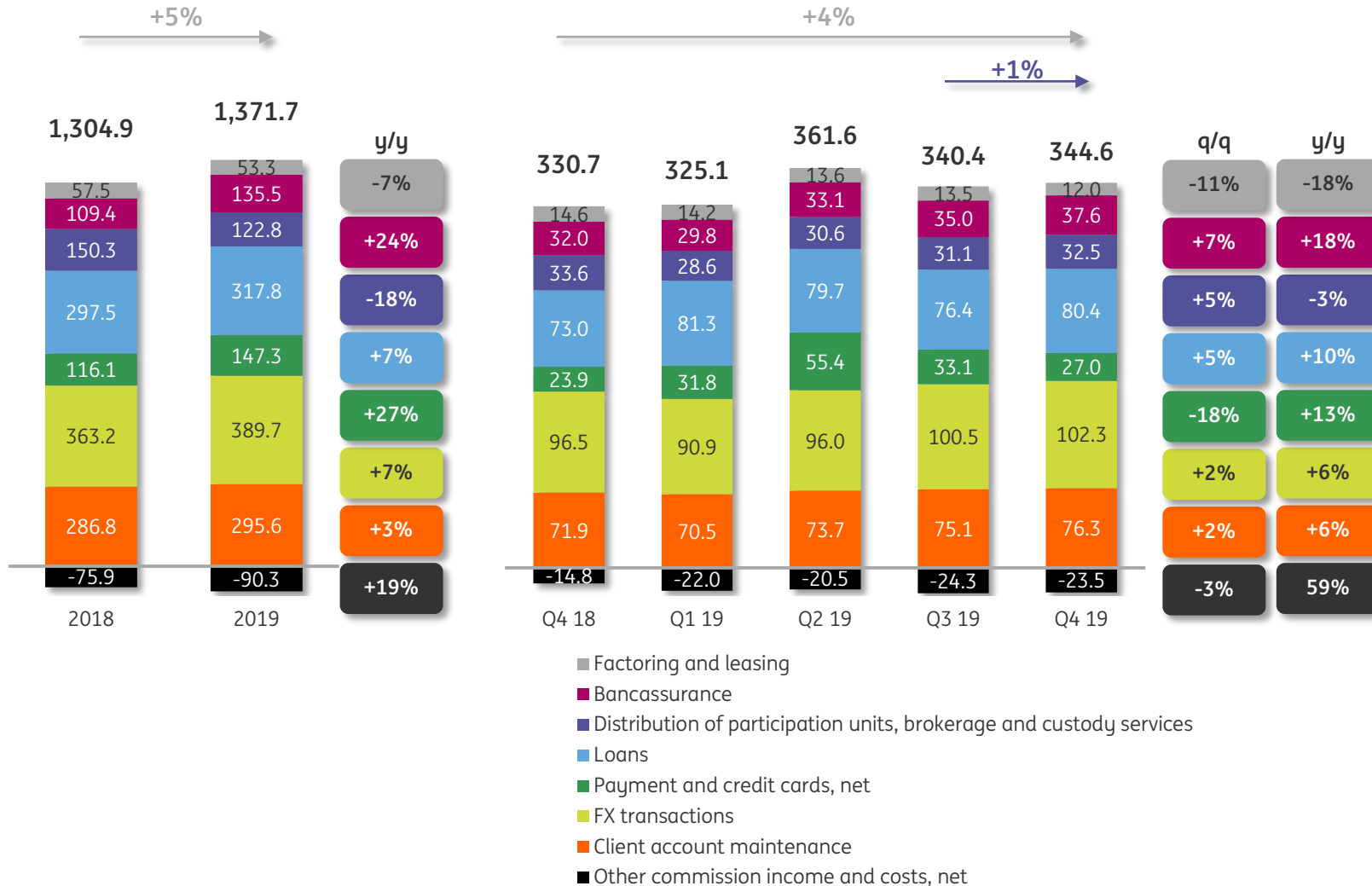


Loan to deposit ratio



Fee and commission income

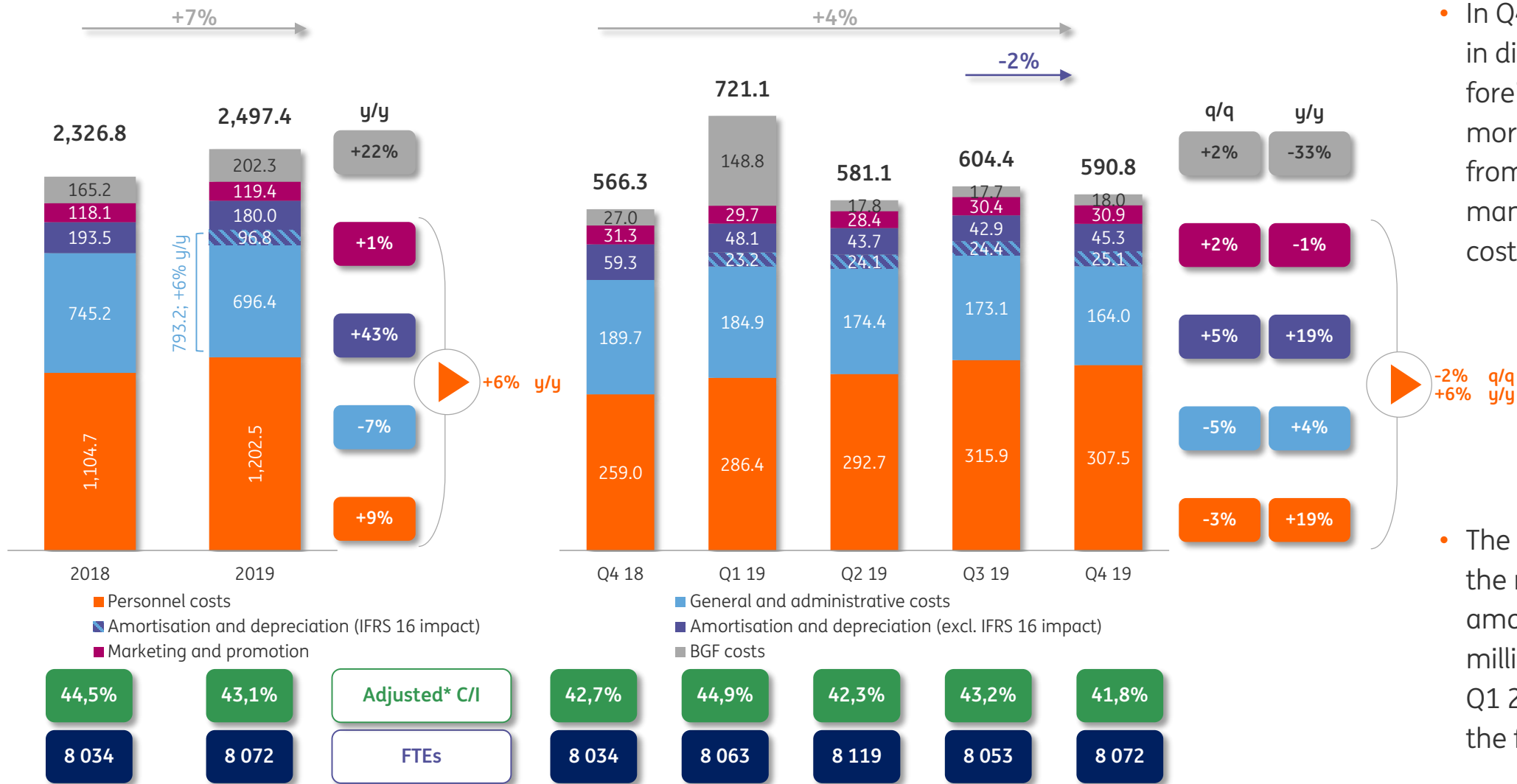
Fee and commission income per category (PLN million)



- Payment- and credit card fees under the impact of the annual settlements with partners in Q2 2019
- Quarterly result on cards under pressure from higher operating costs of devices and lower revenues from card use
- Result on distribution of participation units under the regulatory pressure in 2019
- The result on the sale of insurance products in 2019 supported by cross-selling with credit products

Total expenses

Total expenses (PLN million)

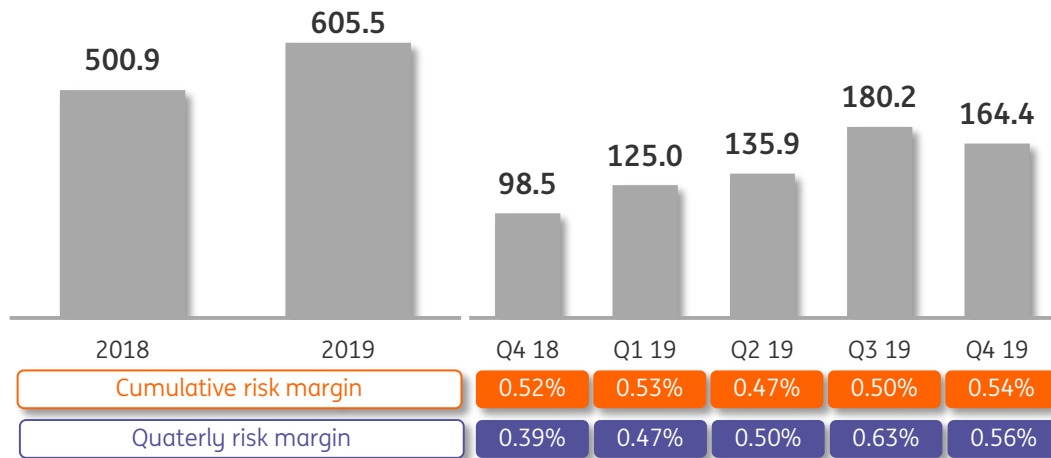


- In Q4 2019, PLN 13 million in dispute costs (related to foreign currency mortgages) transferred from operating and general management costs to risk costs

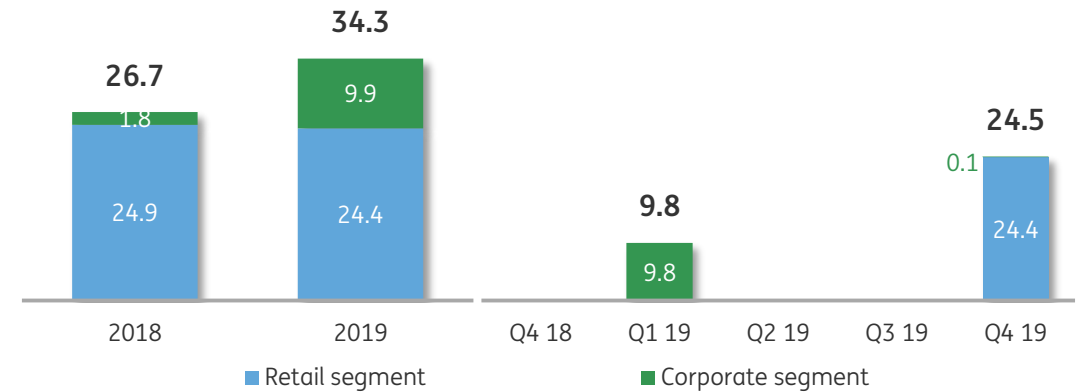
- The annual contribution for the resolution fund amounted to PLN 131.2 million (PLN 58.2 million in Q1 2018) – fully booked in the first quarter costs

Cost of risk

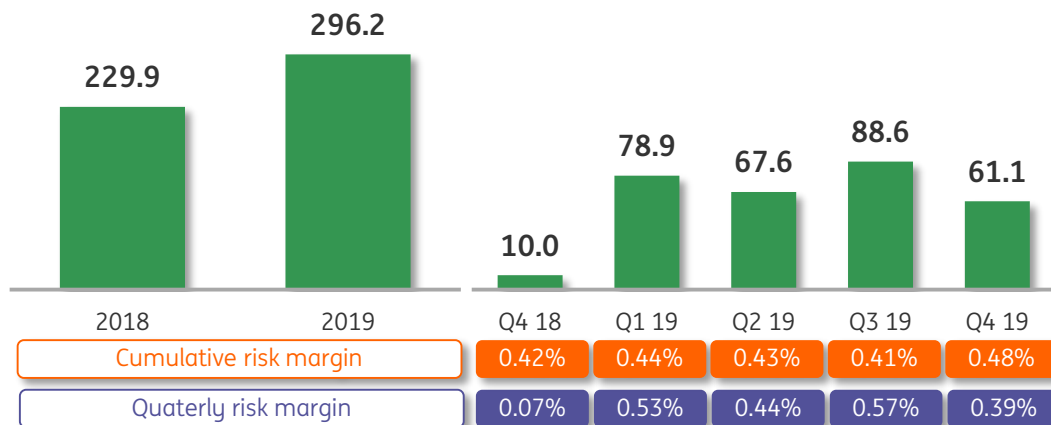
Group (PLN million)



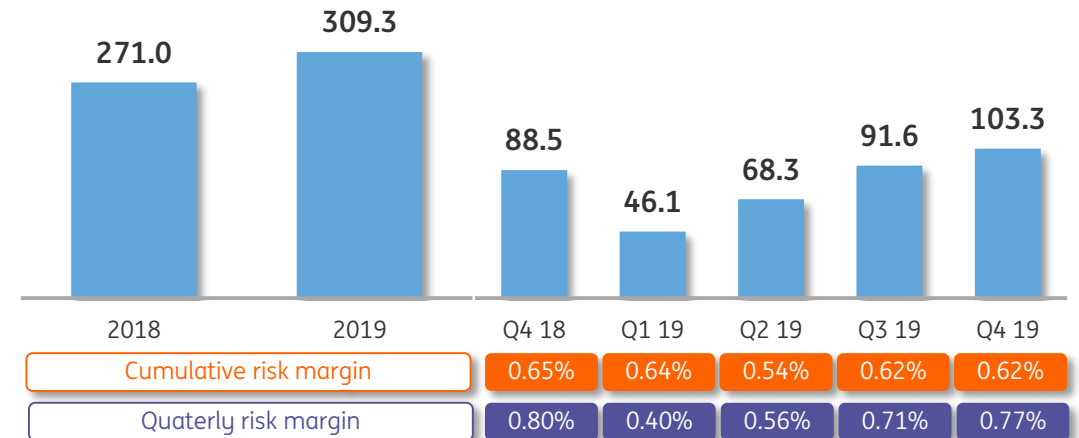
Impact of sales of non-performing portfolios on the cost of risk (PLN million)



Corporate banking (PLN million)



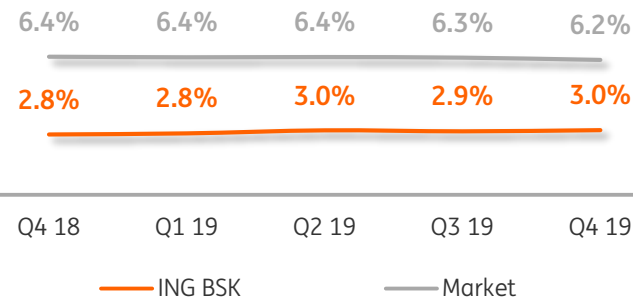
Retail banking (PLN million)



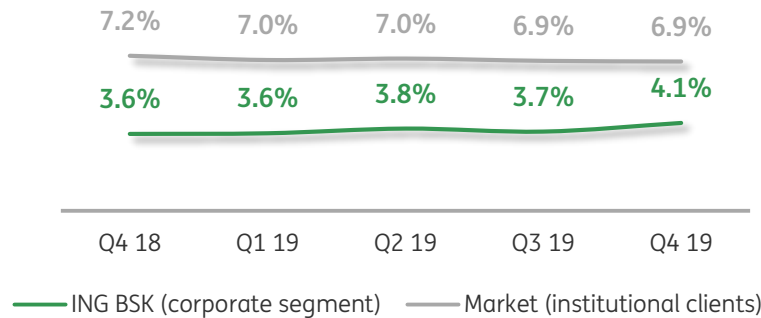
Portfolio quality and provisioning

Share of non-performing portfolio in the total portfolio

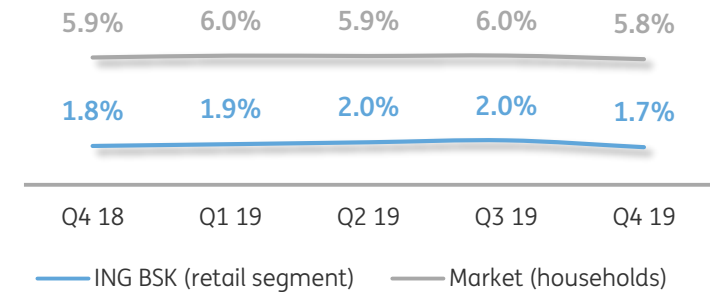
Group



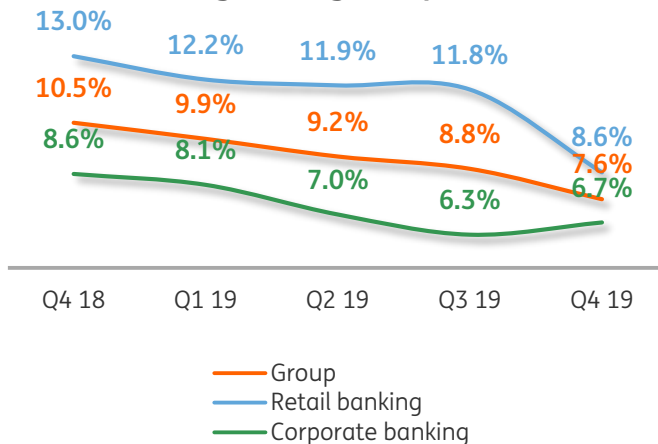
Corporate banking



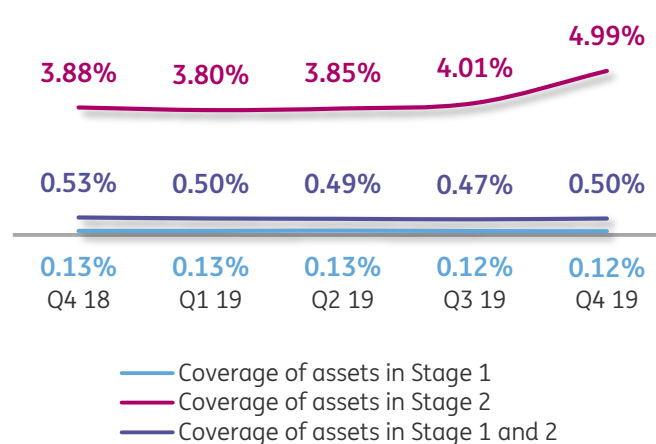
Retail banking



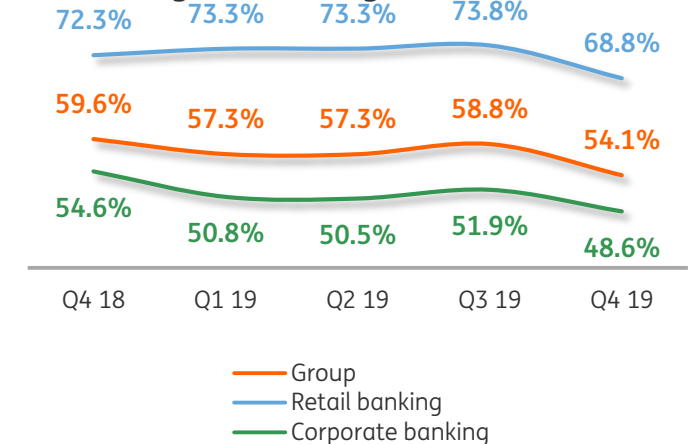
Share of Stage 2 in gross portfolio



Provisioning ratio – Stages 1 and 2

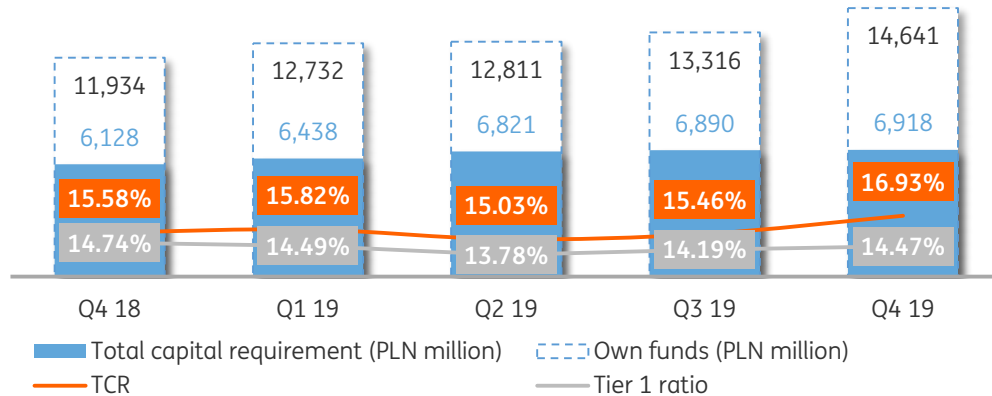


Provisioning ratio – Stage 3



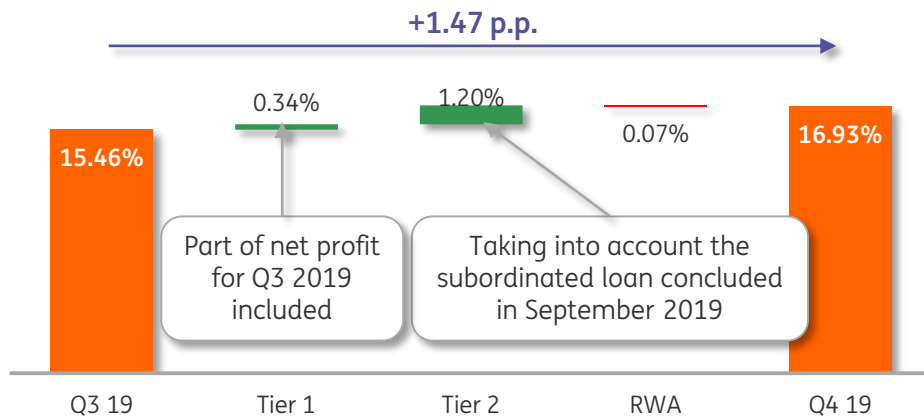
Capital adequacy

Consolidated total capital ratio and capital requirements

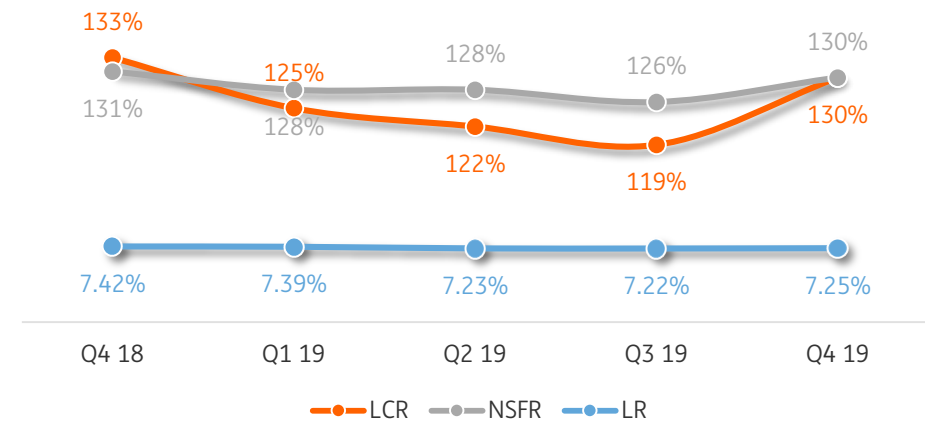


- TCR and Tier 1 ratio are, respectively, 3.0 p.p. and 2.5 p.p. above the minimum capital requirements for ING BSK which are 13.955% and 11.955%, respectively.
- TCR and Tier 1 ratio would be 16.62% and 14.16%, if ING BSK had not phased in IFRS 9 implementation.
- In September 2019, we concluded a subordinated loan agreement with ING Bank N.V. worth EUR 250 million. The consent of the PFSA's regarding the recognition of this subordinated loan in capital was granted in November 2019.

Consolidated total capital ratio – decomposition of q/q change



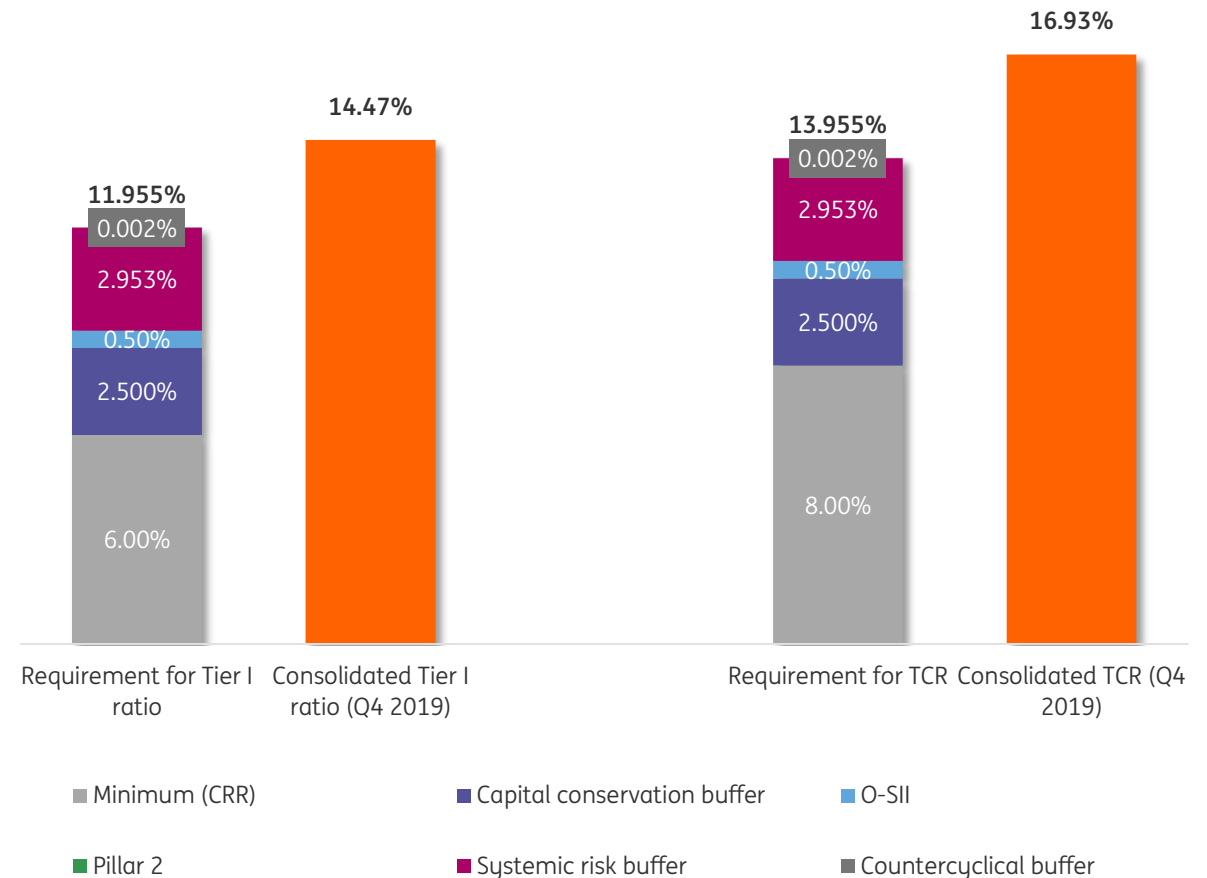
Other capital and liquidity ratios



ING BSK plans to pay 30% of earnings as a dividend

- The intention of the Management Board is to pay out around 30% of 2019 earnings as dividend
- PFSA requirements for ING BSK regarding the payment of up to 50% of net profit as 2019 dividend:
 - Tier 1 ratio > 11.955%
 - TCR > 13.955%
- Capital adequacy of ING BSK at the end of 2019 (Tier 1 and TCR):
 - separate, respectively 15.69% and 18.36%
 - consolidated, respectively 14.47% and 16.93%

Capital requirement to pay 50% of net profit as a dividend



Appendixes

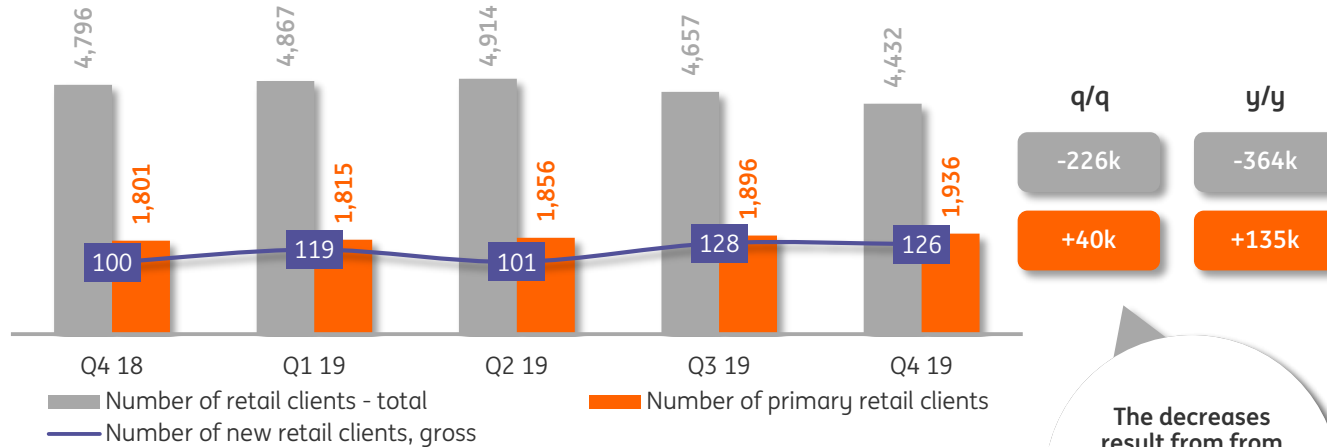


Retail banking

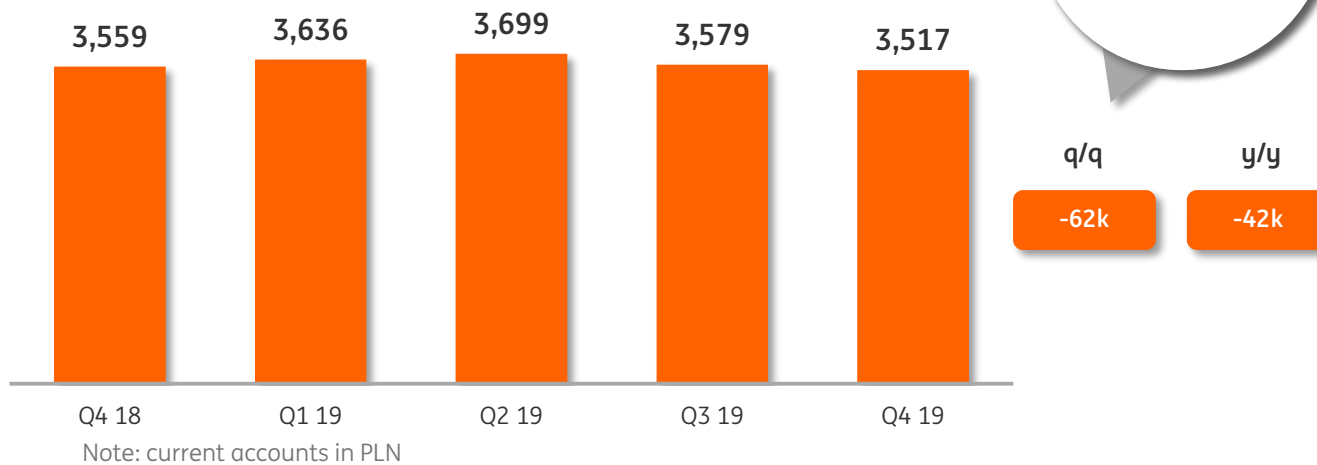
Client base

4.4 million retail clients

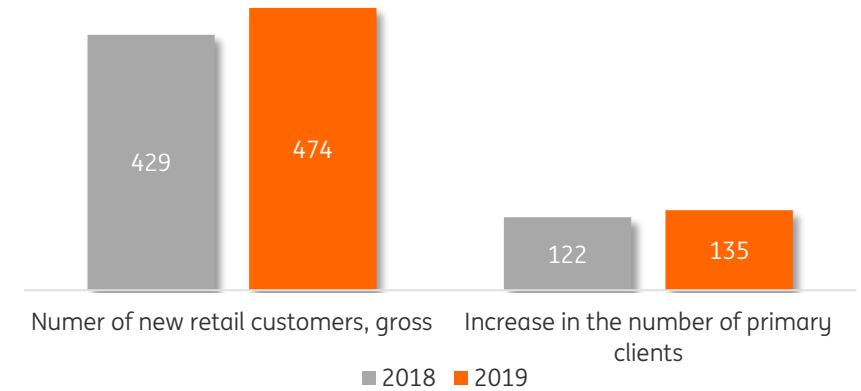
Number of retail clients (thousand)



Number of retail clients' current accounts (thousand)



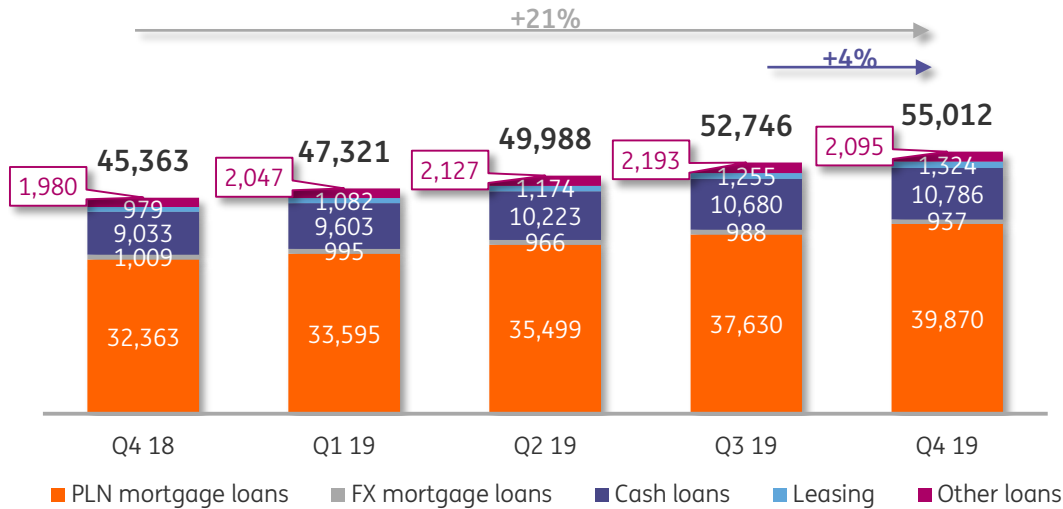
Acquisition of retail clients (thousand)



- Direct Accounts represent 85% of current accounts
- In Q4 2019, our clients set up **80.4k Trusted Profiles** – there are already **725.4k** such profiles. Clients used them to **sign 316.6k documents** in Q4 2019
- In Q4 2019, our clients filed, through our agency, **13.1k applications for the 500+ child benefit** and **2.8k for the +300 school start benefit**

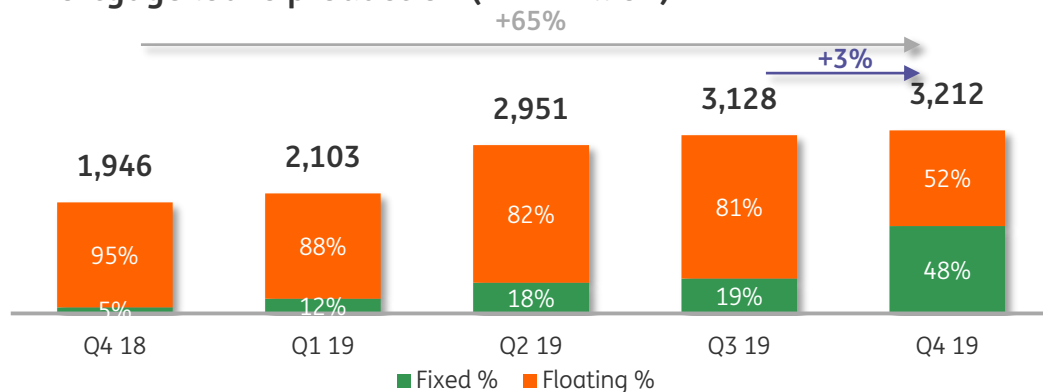
Retail lending

Loan portfolio of retail clients (gross; PLN million)

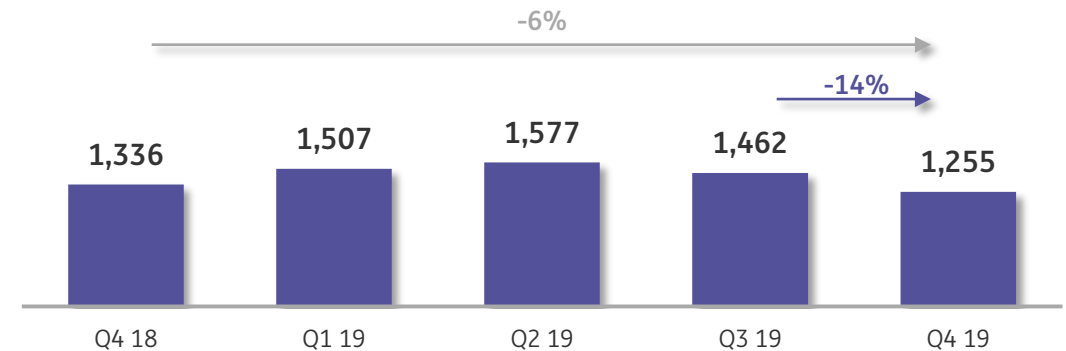


- **PLN 1.3 billion** worth of cash loans granted to retail clients in Q4 2019 (-6% y/y)
- **PLN 3.2 billion** worth of mortgage loans granted in Q4 2019 (+65% y/y), which translates into a **21.0%** market share
 - out of which PLN 1.5 billion worth of fixed interest rate mortgage loans (PLN 3.1 billion since the product launch)
- An **11.6%** market share in terms of in PLN mortgage loans; **8.6%** in total mortgage loans (Q4 2019)

Mortgage loans production (PLN million)



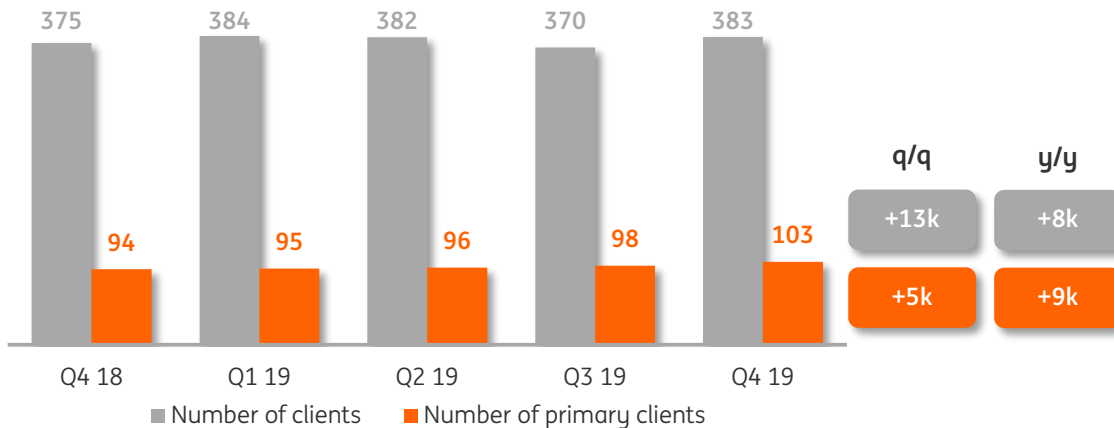
Cash loans production (PLN million)



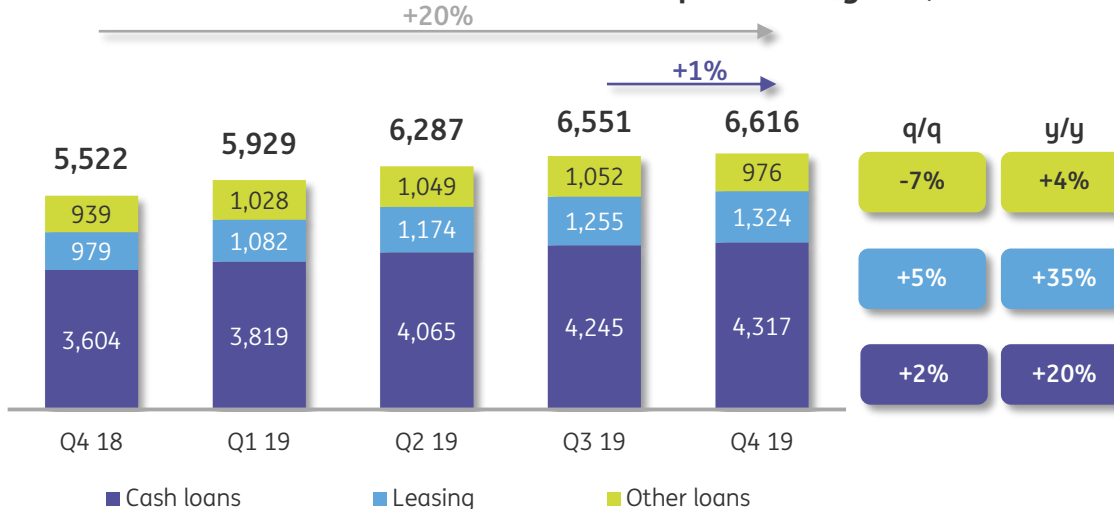
ING supports entrepreneurs

383 thousand entrepreneurs

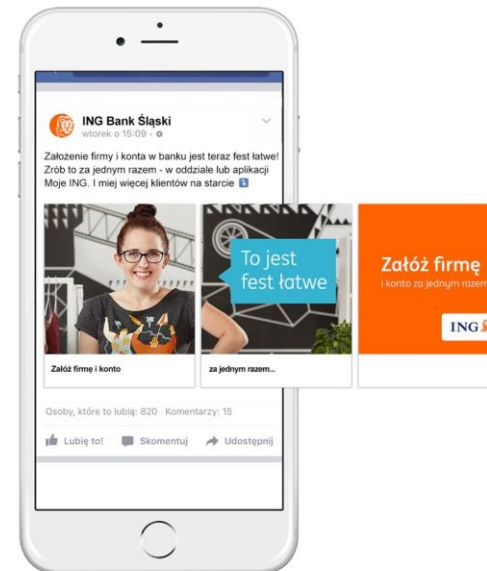
Number of entrepreneurs (thousand)



Loans and other receivables from entrepreneurs (gross; PLN million)

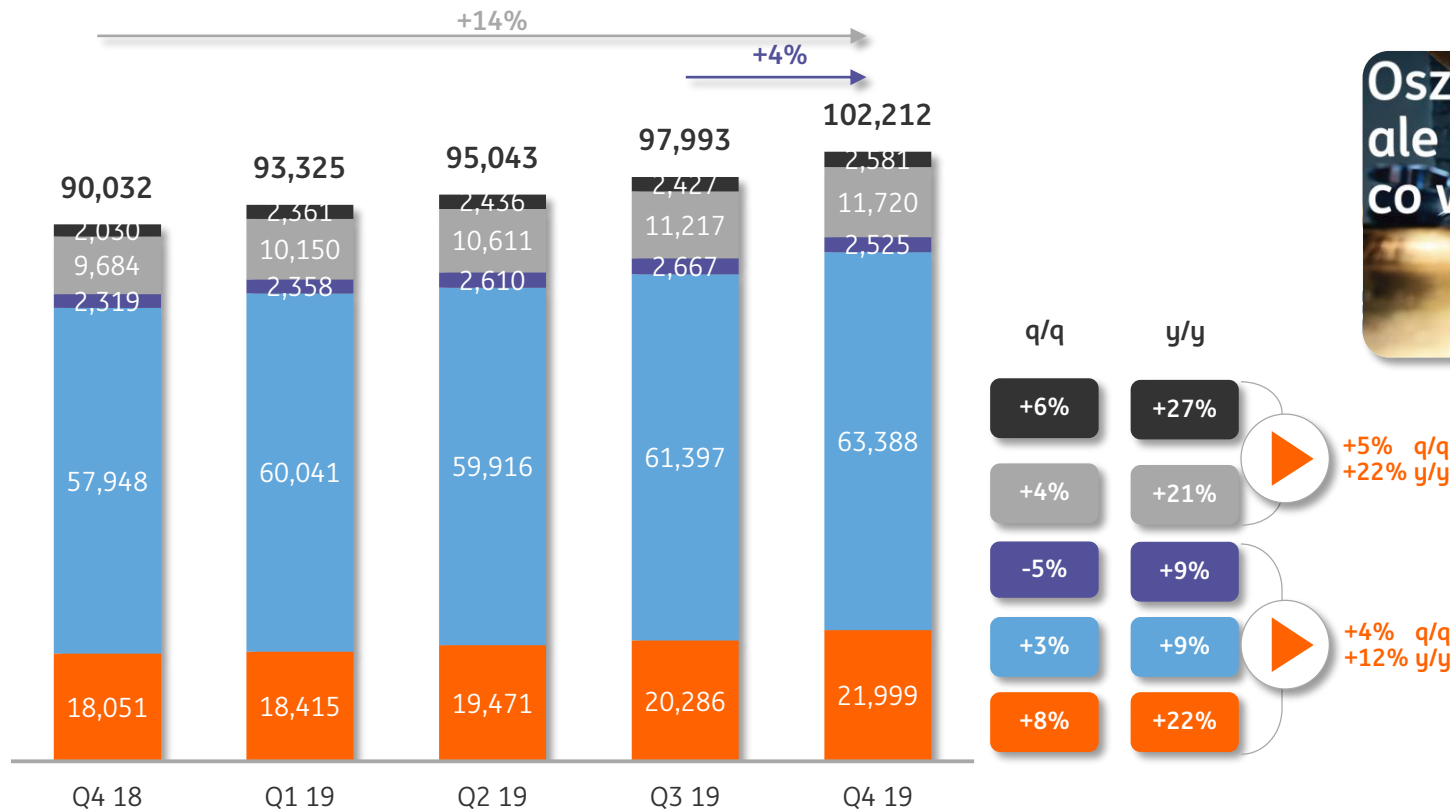


- We maintain **391 thousand current accounts** for **383 thousand entrepreneurs** out of which **97% are Direct Accounts**

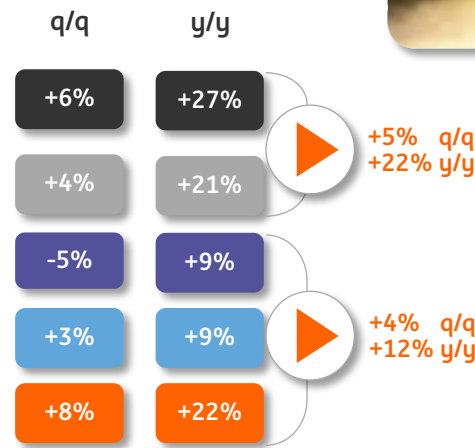


Savings and investments

Portfolio of funds entrusted by retail clients (PLN million)



- Assets accumulated on brokerage accounts
- Mutual funds and other off-BS products
- Term deposits and structured products
- Savings accounts
- Current accounts



- We maintain **91.0 thousand brokerage accounts**
- The number of brokerage accounts increased in Q4 2019 by **4.0 thousand**; all accounts were opened **via Moje ING**
- In Q4 2019, **38% of brokerage fees** were generated using **mobile devices**
- **107.3 thousand bank clients invest regularly**
- In Q4 2019, **28.5% of the purchases** of open-end funds' participation units were carried out in **mobile banking**

Progressive evolution of banking

ING is becoming more and more digital



Average rating of Moje ING mobile application in stores

Google Play ★ ★ ★ ★ ★ 4.9

App Store ★ ★ ★ ★ ★ 4.8

Electronic banking

We have **447.9k mobile cards** (+19% kw/kw, ~3x y/y)

~ **1,809k clients with active BLIK** (+7% q/q, +32% y/y), including 761k clients who made a transactions in Q4 2019 (+14% q/q, +69% y/y)

~ **10.2 million BLIK transactions in Q4 2019** (+25% q/q, ~2x y/y), including **7.8 million e-commerce transactions** (+33% q/q, ~2x y/y)

~ **26.0 million transfers** in mobile banking in Q4 2019 (+8.2 million y/y, +46% y/y)

In Q4 2019, **online sales of cash loans represented 81% of cash loans** to individual clients and **65% of cash loans sold** to entrepreneurs

2.0m
active mobile banking clients

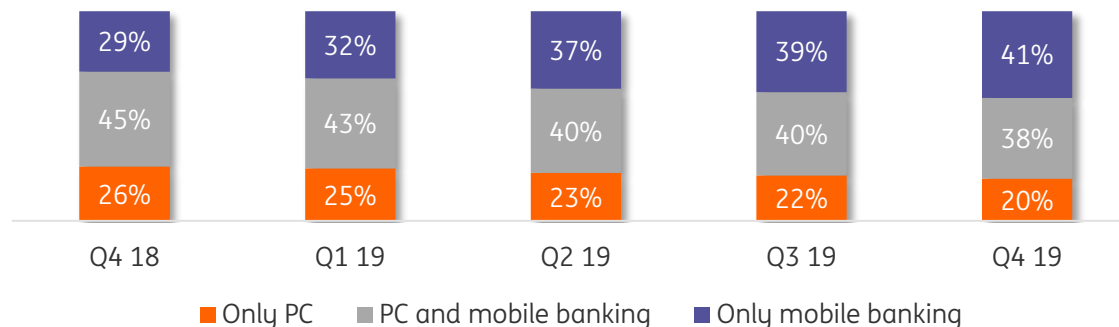
Physical distribution network

317 branches with self-service zones

1,012 machines for cash self-service, including 832 cash recycling automated teller safes, out of which 834 are contactless ATMs/Recyclers

65 ING Express sales points at shopping malls

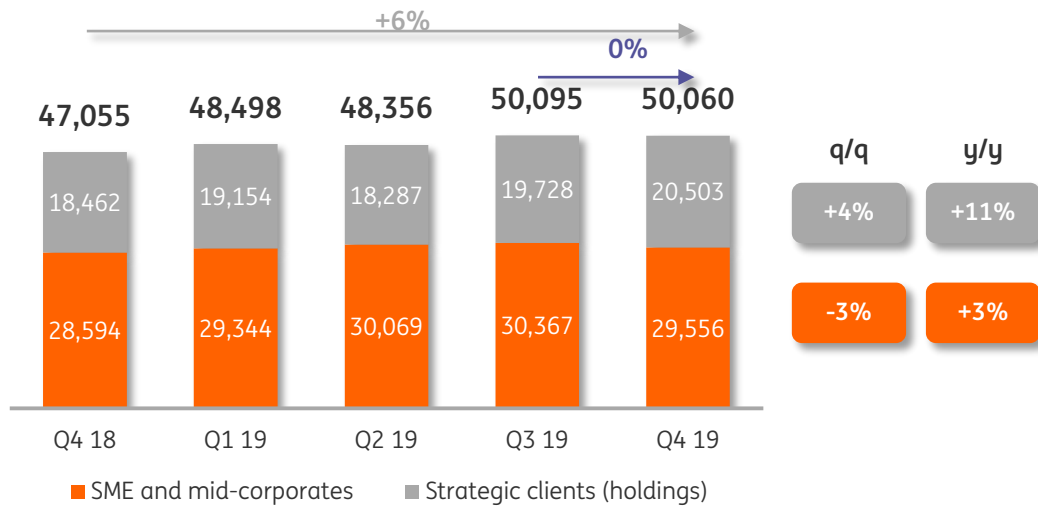
How our clients use internet banking (as per number of users)



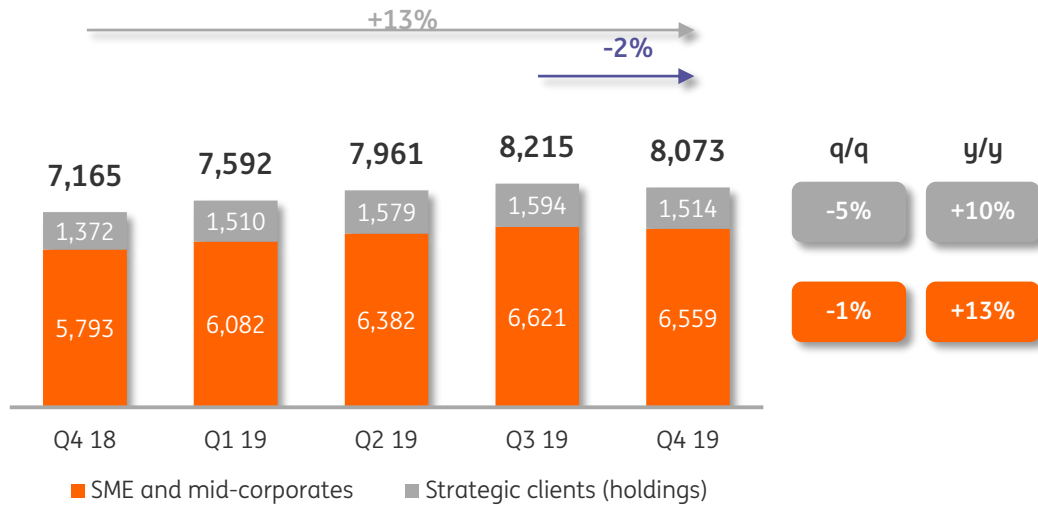
Corporate banking

Receivables

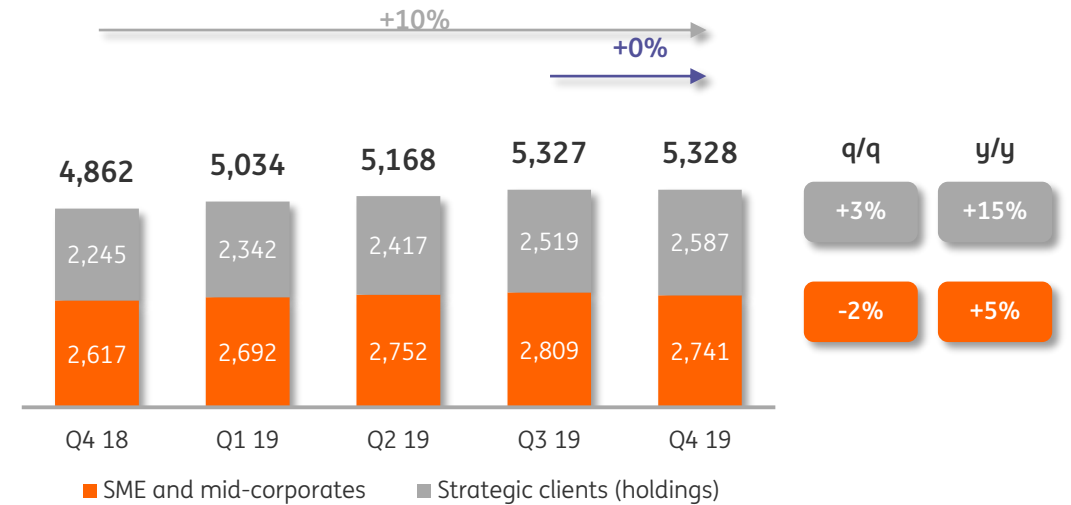
Loans volume (gross; PLN million)



Leasing receivables volume* (gross; PLN million)

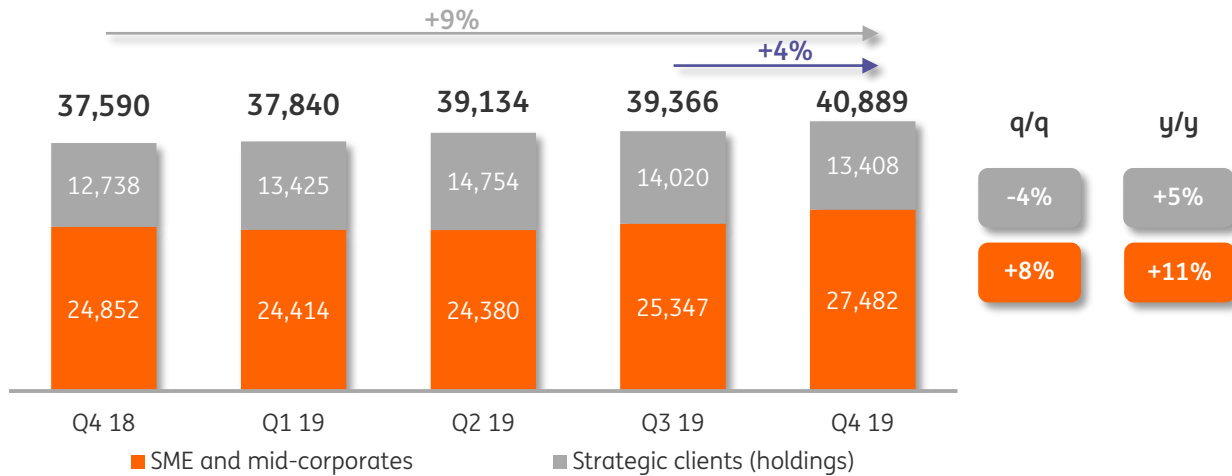


Factoring receivables volume (gross; PLN million)

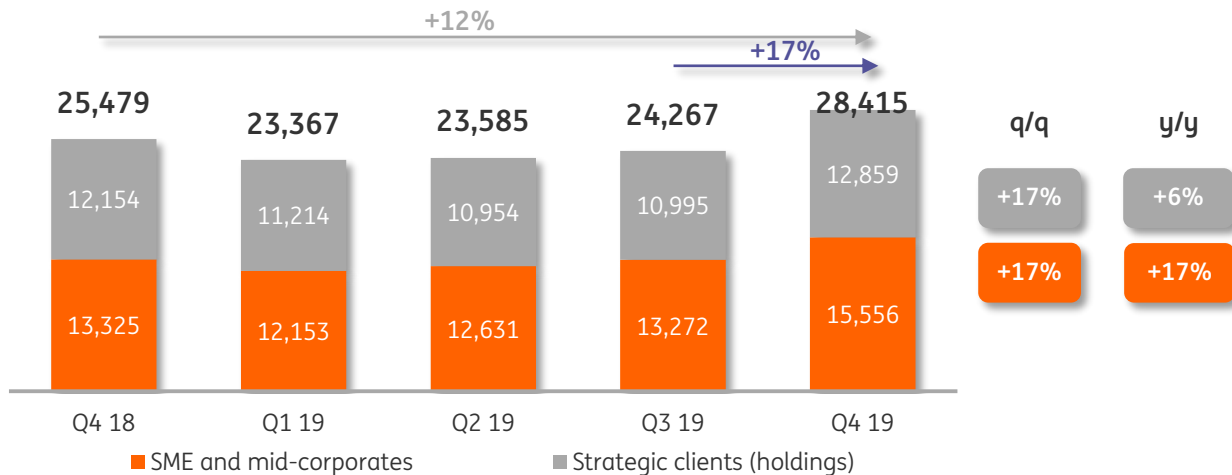


Cash management

Corporate deposit volume (PLN million)



Corporate current accounts volume (PLN million)



+3,300

new SME and mid-corporate clients
acquired in Q4 2019

We offer our clients a network of self-service cash machines, including:

- 141 depositories,
- 117 depositories in customer locations,
- 156 mini CDMs in customer locations,
- 13 micro CDMs in customer locations,
- 16 fee collection machines in customer locations.

**Number of mobile transfers
increased by +83% y/y**

Selected initiatives

Register of VAT taxpayers

A new act mandating businesses to verify whether or not the counterparty's bank account is listed in the so called register of VAT payers came into effect as of 1 September 2019. From 1 January 2020, there have been new regulations imposing sanctions on payers who fail to make such a verification. We prepared a tool based on RoboPlatform to support the clients in their new obligations and to check whether or not the contractor's account is in the register. The tool has been in place since September and has been offered to clients via ING Usługi dla Biznesu.

Round table of the banking sector in Poland

The Strategic Customers Department organized a meeting for representatives of financial institutions and non-profit organizations involved in the promotion of sustainable development. This was the first round table of the banking sector in Poland organized on such a large scale. The purpose of the meeting was to start a discussion among representatives of banks operating in Poland and to develop a common position on climate change and to find answers to the questions concerning our position as the banking sector in today's world, the market participants' perception of trends that will change the economy and individual businesses and whether there is a joint action plan for the upcoming transformation.

Financial results and other information

Income statement

Consolidated financial income statement (PLN m)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	q/q		y/y		2018	2019	y/y	
									Δ	%	Δ	%			Δ	%
Net interest income, of which:	883.0	920.0	961.2	995.1	1,012.9	1,045.3	1,120.0	1,115.7	-4.3	-0.4%	120.6	12.1%	3,759.3	4,293.9	534.6	14.2%
Interest income	1,098.1	1,150.2	1,194.7	1,230.8	1,255.8	1,306.2	1,359.7	1,358.4	-1.3	-0.1%	127.6	10.4%	4,673.8	5,280.1	606.3	13.0%
Interest expenses	215.1	230.2	233.5	235.7	242.9	260.9	239.7	242.7	3.0	1.3%	7.0	3.0%	914.5	986.2	71.7	7.8%
Net commission income	318.1	339.6	316.5	330.7	325.1	361.6	340.4	344.6	4.2	1.2%	13.9	4.2%	1,304.9	1,371.7	66.8	5.1%
Result on trade operations and revaluation	53.5	44.6	26.4	29.6	46.0	40.6	23.5	20.2	-3.3	-14.0%	-9.4	-31.8%	154.1	130.3	-23.8	-15.4%
- Net income on instruments measured at fair value through profit or loss and FX result	18.0	24.4	27.1	21.4	31.4	25.1	26.6	25.2	-1.4	-5.3%	3.8	17.8%	90.9	108.3	17.4	19.1%
- The result on the sale of securities measured at amortized cost	1.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0	-	1.0	0.0	-1.0	-
- Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	32.2	18.3	0.0	3.8	15.8	16.4	3.6	0.5	-3.1	-86.1%	-3.3	-86.8%	54.3	36.3	-18.0	-33.1%
- Net income on hedge accounting	2.2	2.0	-0.7	4.4	-1.2	-0.9	-6.7	-5.5	1.2	-17.9%	-9.9	-	7.9	-14.3	-22.2	-
Net income on other core activities	2.3	6.0	2.0	4.1	2.4	3.8	-14.6	2.3	16.9	-	-1.8	-43.9%	14.4	-6.1	-20.5	-
Share in net profit (loss) of associated entities recognised under the equity method	0.0	0.0	-0.2	-0.1	-0.1	-0.1	2.8	4.0	1.2	42.9%	4.1	-	-0.3	6.6	6.9	-
Income	1,256.9	1,310.2	1,305.9	1,359.4	1,386.3	1,451.2	1,472.1	1,486.8	14.7	1.0%	127.4	9.4%	5,232.4	5,796.4	564.0	10.8%
Expenses	628.3	555.0	577.2	566.3	721.1	581.1	604.4	590.8	-13.6	-2.3%	24.5	4.3%	2,326.8	2,497.4	170.6	7.3%
- personnel expenses	275.4	286.1	284.3	259.0	286.4	292.7	315.9	307.5	-8.4	-2.7%	48.5	18.7%	1,104.7	1,202.5	97.8	8.9%
- other expenses	309.2	224.1	247.2	248.0	363.4	220.6	221.2	212.9	-8.3	-3.8%	-35.1	-14.2%	1,028.5	1,018.1	-10.4	-1.0%
- depreciation and amortisation	43.7	44.8	45.7	59.3	71.3	67.8	67.3	70.4	3.1	4.6%	11.1	18.7%	193.5	276.8	83.3	43.0%
Profit before risk costs	628.6	755.2	728.7	793.1	665.2	870.1	867.7	896.0	28.3	3.3%	102.9	13.0%	2,905.6	3,299.0	393.4	13.5%
Risk costs	94.8	173.7	133.9	98.5	125.0	135.9	180.2	164.4	-15.8	-8.8%	65.9	66.9%	500.9	605.5	104.6	20.9%
- retail	37.5	103.3	41.7	88.5	46.1	68.3	91.6	103.3	11.7	12.8%	14.8	16.7%	271.0	309.3	38.3	14.1%
- corporate	57.3	70.4	92.2	10.0	78.9	67.6	88.6	61.1	-27.5	-31.0%	51.1	511.0%	229.9	296.2	66.3	28.8%
Tax on certain financial institutions	87.5	92.1	94.7	99.5	102.2	108.4	111.5	113.6	2.1	1.9%	14.1	14.2%	373.8	435.7	61.9	16.6%
Profit (loss) before tax	446.3	489.4	500.1	595.1	438.0	625.8	576.0	618.0	42.0	7.3%	22.9	3.8%	2,030.9	2,257.8	226.9	11.2%
Income tax	124.1	117.7	121.8	143.5	113.5	156.7	161.2	167.7	6.5	4.0%	24.2	16.9%	507.1	599.1	92.0	18.1%
Net profit (loss), of which:	322.2	371.7	378.3	451.6	324.5	469.1	414.8	450.3	35.5	8.6%	-1.3	-0.3%	1,523.8	1,658.7	134.9	8.9%
Net profit (loss) attributable to the shareholders of ING BSK	322.2	371.7	378.3	451.6	324.5	469.1	414.8	450.3	35.5	8.6%	-1.3	-0.3%	1,523.8	1,658.7	134.9	8.9%
Number of shares issued (m)	130.1	130.1	130.1	130.1	130.1	130.1	130.1	130.1	0.0	0.0%	0.0	0.0%	130.1	130.1	0.0	0.0%
Earnings per share (PLN) - annualised	9.91	11.43	11.63	13.88	9.98	14.42	12.75	13.84	1.09	8.6%	-0.04	-0.3%	11.71	12.75	1.04	8.9%

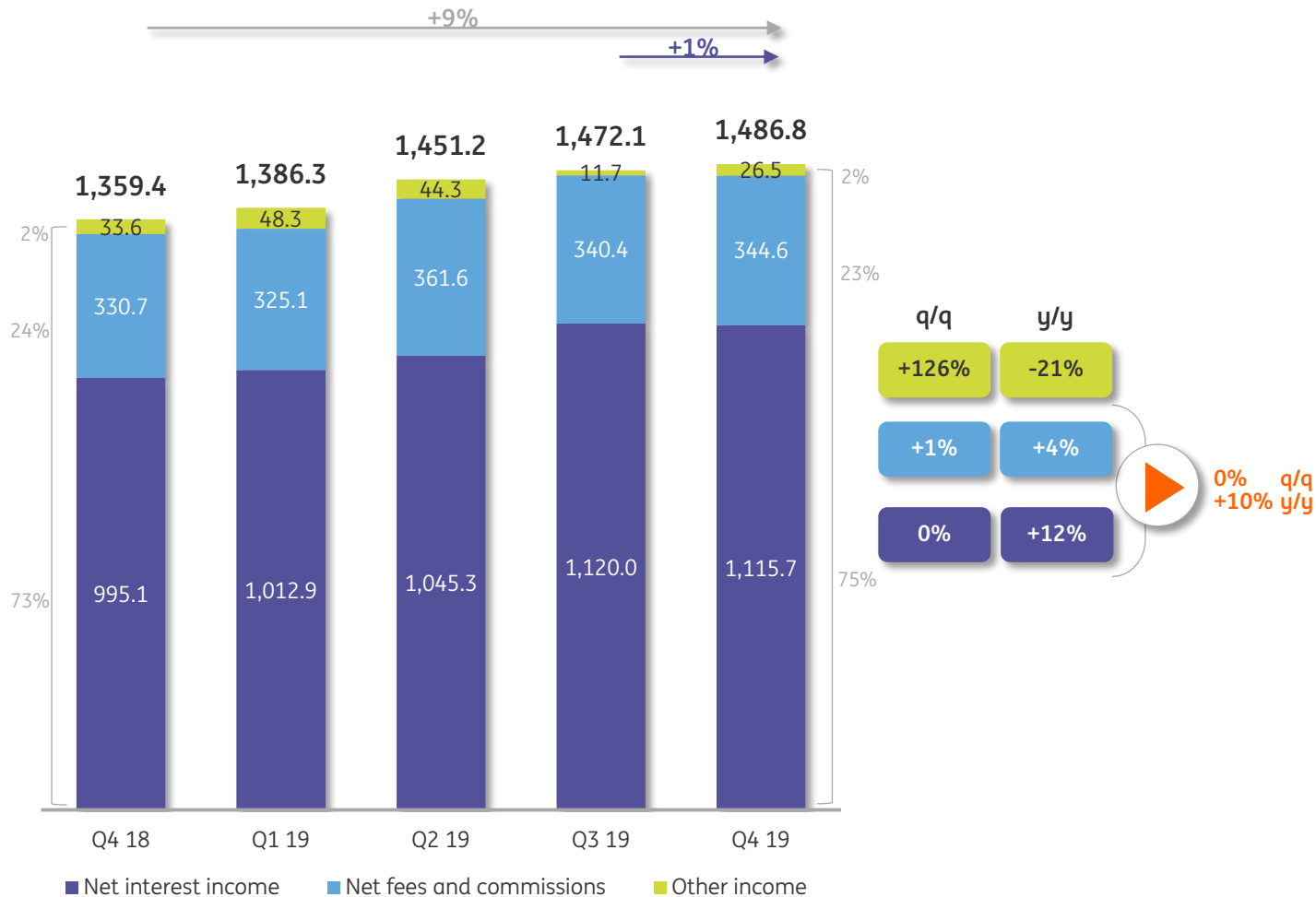
Statement of financial position

Consolidated statement of financial position (PLN m)

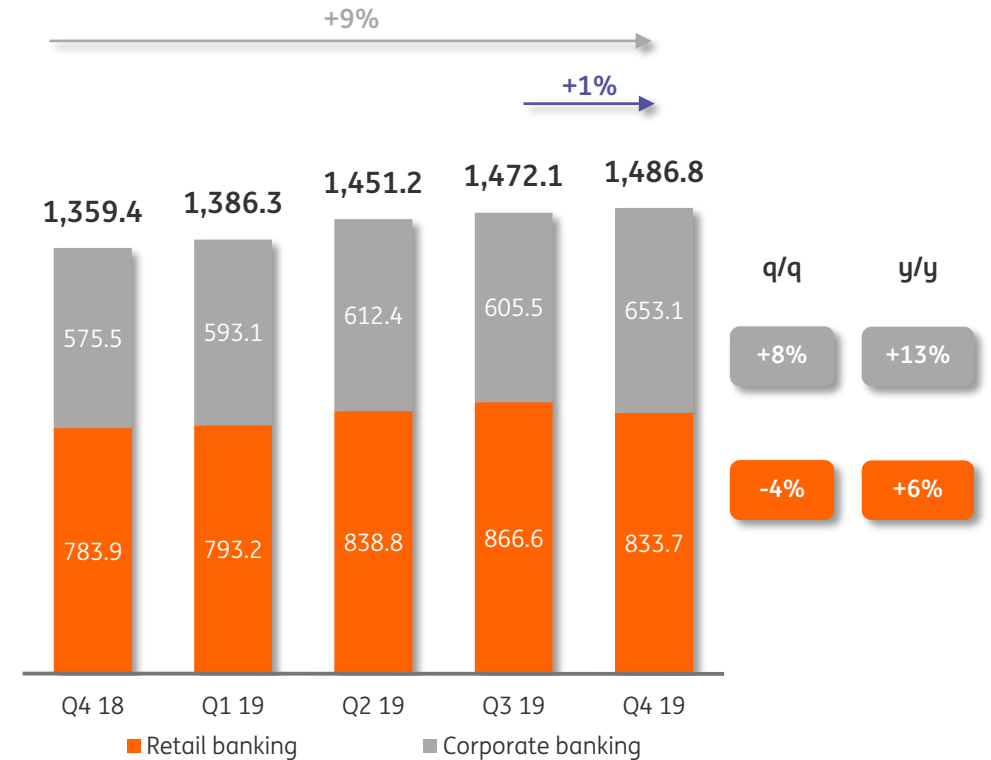
	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	q/q		y/y	
										Δ	%	Δ	%
ASSETS													
- Cash in hand and balances with the Central Bank	2,815.2	2,042.4	1,781.5	1,529.8	1,237.4	1,760.3	2,293.5	2,792.5	1,402.9	-1,389.6	-49.8%	165.5	13.4%
- Loans and receivables to other banks	2,234.5	2,017.4	951.8	621.8	776.5	987.9	694.3	804.7	798.5	-6.2	-0.8%	22.0	2.8%
- Financial assets held for trading	1,314.8	1,263.6	2,317.9	1,556.8	1,934.9	2,234.3	2,796.9	1,243.7	1,224.2	-19.5	-1.6%	-710.7	-36.7%
- Investments	29,471.5	29,135.7	28,677.0	28,823.4	31,937.3	29,977.3	31,315.3	32,063.4	33,824.5	1,761.1	5.5%	1,887.2	5.9%
- Derivative hedge instruments	967.2	960.6	880.2	836.5	909.6	929.3	869.0	883.6	851.6	-32.0	-3.6%	-58.0	-6.4%
- Loans and receivables to customers	87,544.0	90,290.5	94,724.3	99,223.8	103,125.8	107,387.4	110,509.9	115,728.9	118,288.1	2,559.2	2.2%	15,162.3	14.7%
- Non-financial assets	980.0	965.6	956.8	974.0	995.3	1,437.8	1,358.5	1,346.4	1,385.9	39.5	2.9%	390.6	39.2%
- Property, plant and equipment held for sale	11.1	10.9	16.2	16.2	10.9	12.1	20.7	2.8	3.6	0.8	28.6%	-7.3	-67.0%
- Tax assets	257.1	276.4	335.2	356.3	398.2	431.7	419.8	399.2	445.6	46.4	11.6%	47.4	11.9%
- Other assets	418.5	347.2	401.6	445.7	487.0	559.3	631.2	748.6	385.8	-362.8	-48.5%	-101.2	-20.8%
Total assets	126,013.9	127,310.3	131,042.5	134,384.3	141,812.9	145,717.4	150,909.1	156,013.8	158,610.7	2,596.9	1.7%	16,797.8	11.8%
EQUITY AND LIABILITIES													
LIABILITIES													
- Liabilities due to other banks	4,109.0	6,288.8	4,882.0	6,882.2	5,195.8	5,004.3	7,359.2	7,593.1	6,256.1	-1,337.0	-17.6%	1,060.3	20.4%
- Financial liabilities measured at fair value through profit and loss	735.1	225.9	748.3	855.8	1,109.5	618.5	947.4	266.7	247.9	-18.8	-7.0%	-861.6	-77.7%
- Valuation of derivatives	979.2	819.0	817.3	646.5	578.1	711.4	613.1	724.8	667.2	-57.6	-7.9%	89.1	15.4%
- Derivative hedge instruments	699.2	622.6	677.7	574.0	611.8	727.4	505.1	569.7	546.0	-23.7	-4.2%	-65.8	-10.8%
- Liabilities due to customers	104,503.3	104,662.1	109,174.1	110,205.0	117,682.5	120,414.0	122,992.0	125,786.3	130,473.5	4,687.2	3.7%	12,791.0	10.9%
- Liabilities under issue of debt securities	300.3	302.2	300.2	302.2	300.3	302.2	300.2	302.2	399.7	97.5	32.3%	99.4	33.1%
- Subordinated liabilities	626.9	632.4	655.6	641.9	1,076.9	1,077.2	1,065.0	2,188.7	2,131.1	-57.6	-2.6%	1,054.2	97.9%
- Provisions	91.9	115.6	125.1	164.9	152.4	152.2	158.7	227.9	205.7	-22.2	-9.7%	53.3	35.0%
- Tax liabilities	232.9	244.8	68.3	53.8	280.3	345.4	212.3	389.0	381.3	-7.7	-2.0%	101.0	36.0%
- Other liabilities	1,941.3	1,338.0	1,718.0	1,910.2	1,503.7	2,951.5	2,536.3	2,702.7	2,078.9	-623.8	-23.1%	575.2	38.3%
Total liabilities	114,219.1	115,251.4	119,166.6	122,236.5	128,491.3	132,304.1	136,689.3	140,751.1	143,387.4	2,636.3	1.9%	14,896.1	11.6%
EQUITY													
- Share capital	130.1	130.1	130.1	130.1	130.1	130.1	130.1	130.1	130.1	0.0	0.0%	0.0	0.0%
- Supplementary capital – share premium account	956.3	956.3	956.3	956.3	956.3	956.3	956.3	956.3	956.3	0.0	0.0%	0.0	0.0%
- Revaluation reserve	493.2	684.0	557.0	450.6	1,169.7	1,392.2	1,729.2	2,357.3	1,867.3	-490.0	-20.8%	697.6	59.6%
- Retained earnings	10,215.2	10,288.5	10,232.5	10,610.8	11,065.5	10,934.7	11,404.2	11,819.0	12,269.6	450.6	3.8%	1,204.1	10.9%
Equity attributable to shareholders of ING BSK	11,794.8	12,058.9	11,875.9	12,147.8	13,321.6	13,413.3	14,219.8	15,262.7	15,223.3	-39.4	-0.3%	1,901.7	14.3%
- Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0	-
Total equity	11,794.8	12,058.9	11,875.9	12,147.8	13,321.6	13,413.3	14,219.8	15,262.7	15,223.3	-39.4	-0.3%	1,901.7	14.3%
Total equity and liabilities	126,013.9	127,310.3	131,042.5	134,384.3	141,812.9	145,717.4	150,909.1	156,013.8	158,610.7	2,596.9	1.7%	16,797.8	11.8%
Number of shares issued (m)	130.1	130.1	130.1	130.1	130.1	130.1	130.1	130.1	130.1	0.0	0.0%	0.0	0.0%
Book value per share (PLN)	90.66	92.69	91.28	93.37	102.40	103.10	109.30	117.32	117.01	-0.30	-0.3%	14.62	14.3%

Income per category

Income per P&L line (PLN million)

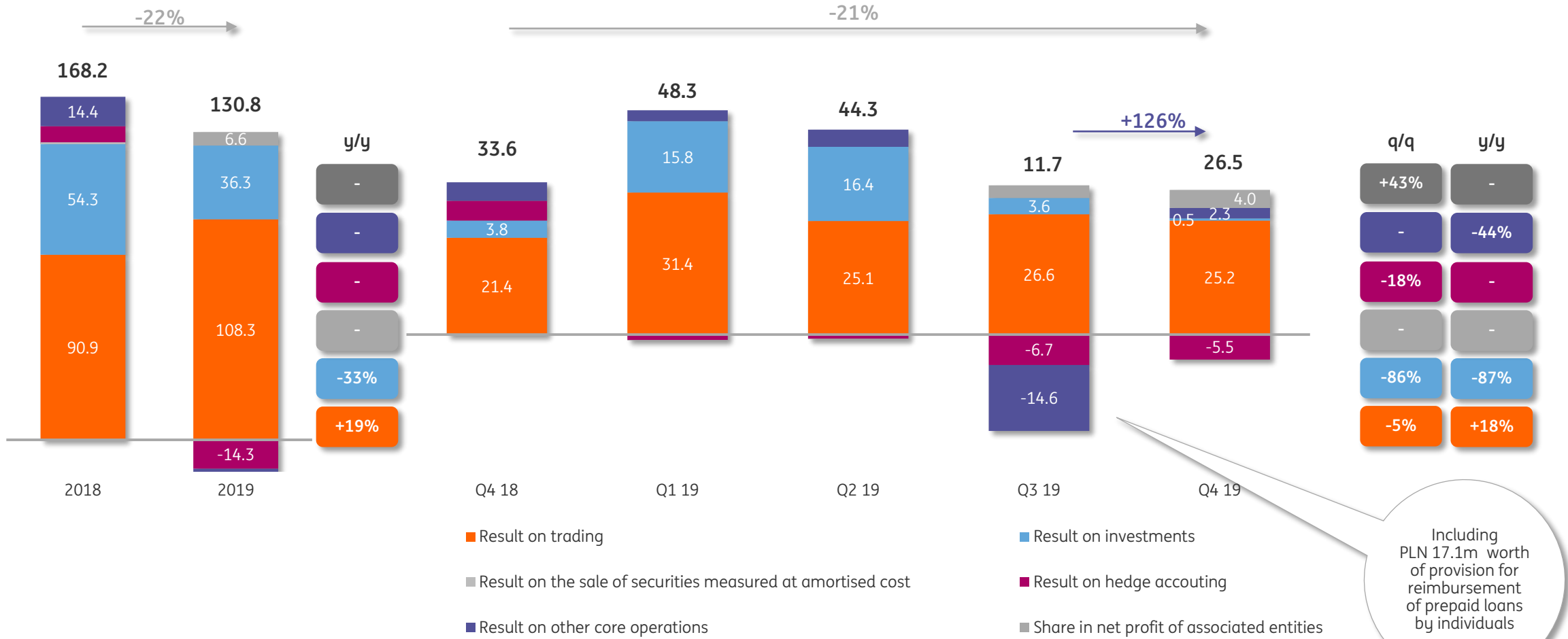


Income per business line (PLN million)



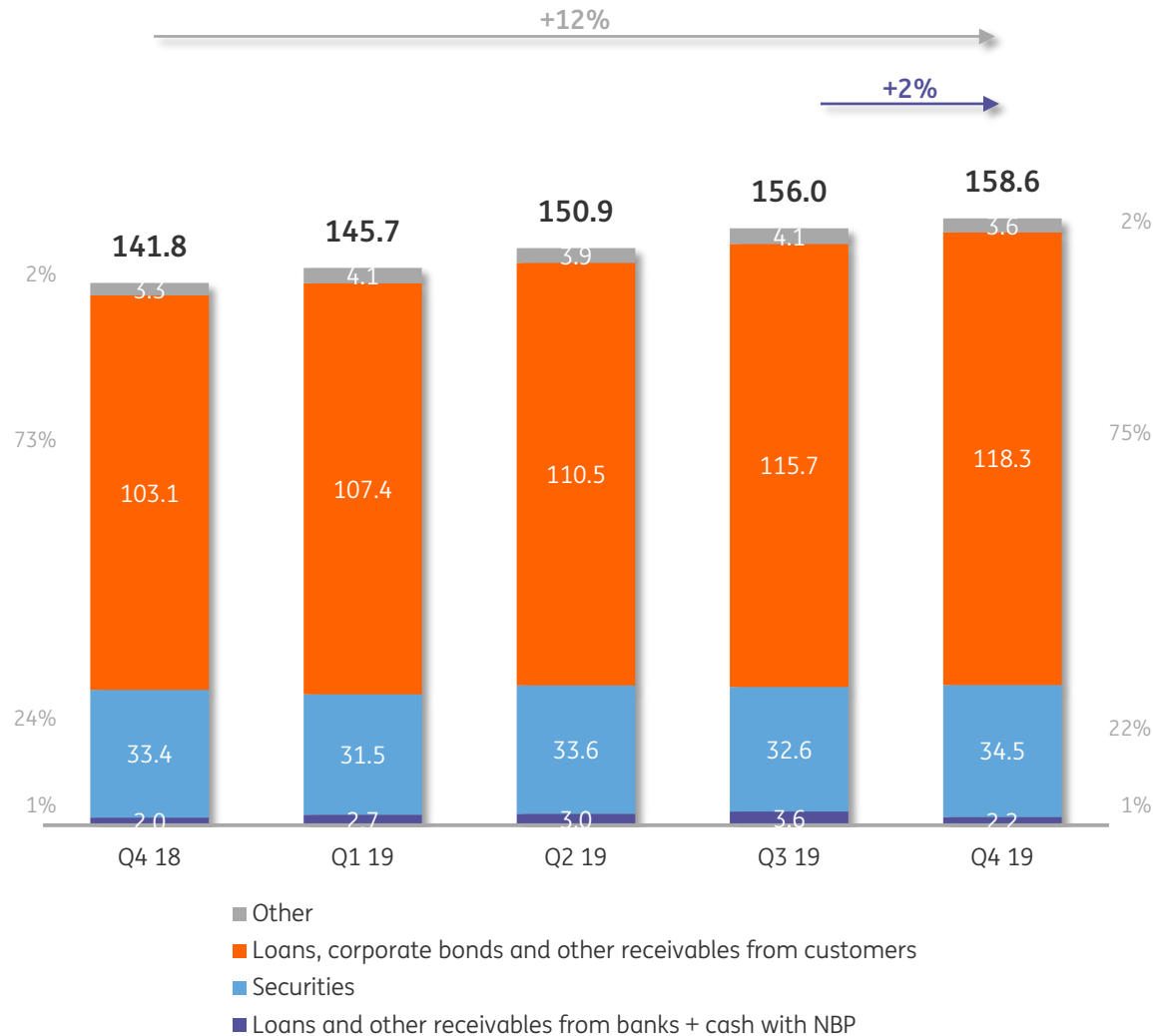
Other income

Other income (PLN million)

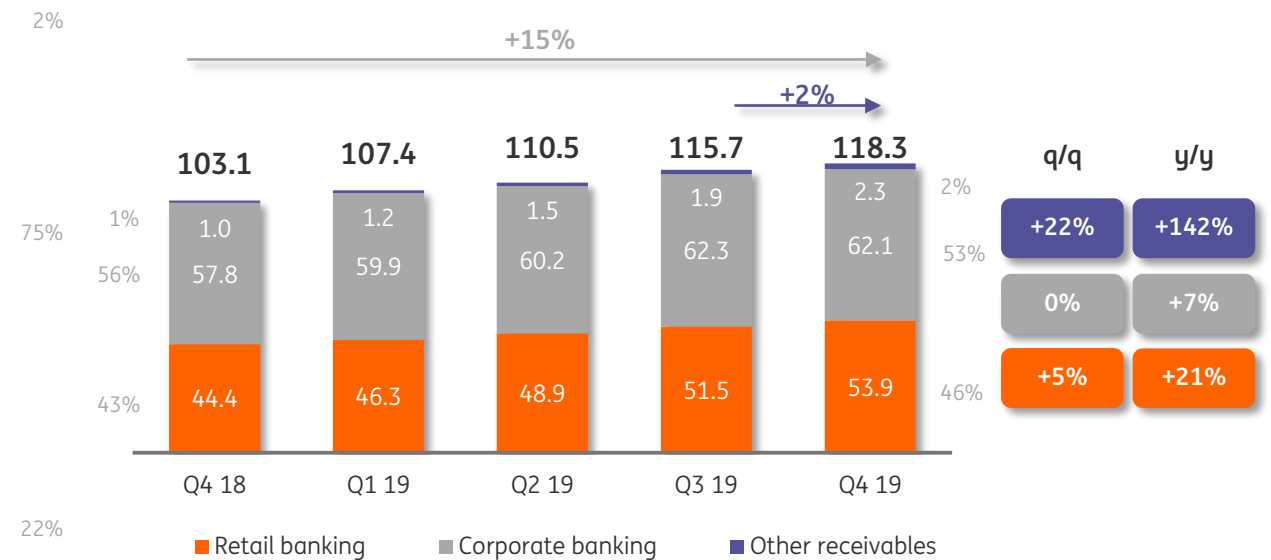


Bank assets

Assets structure (PLN billion; %)

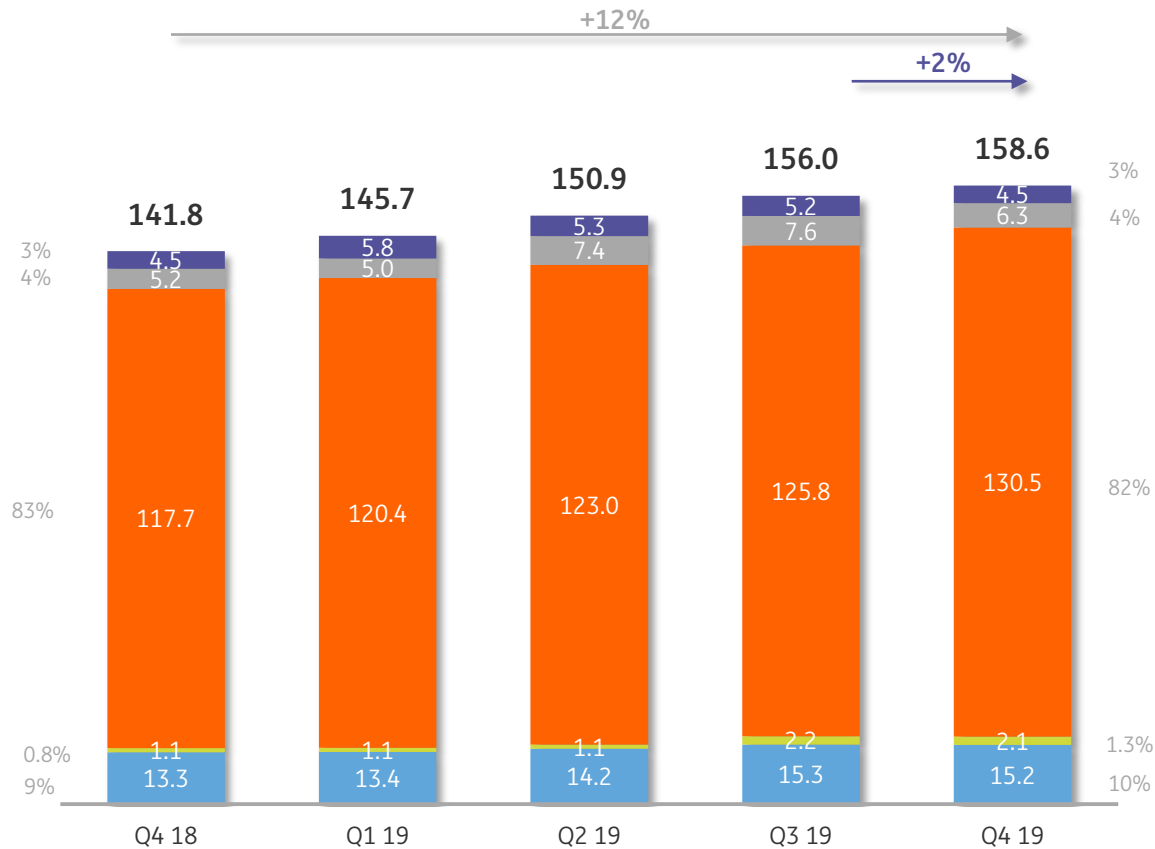


Loans and other receivables from customers (net; PLN billion)

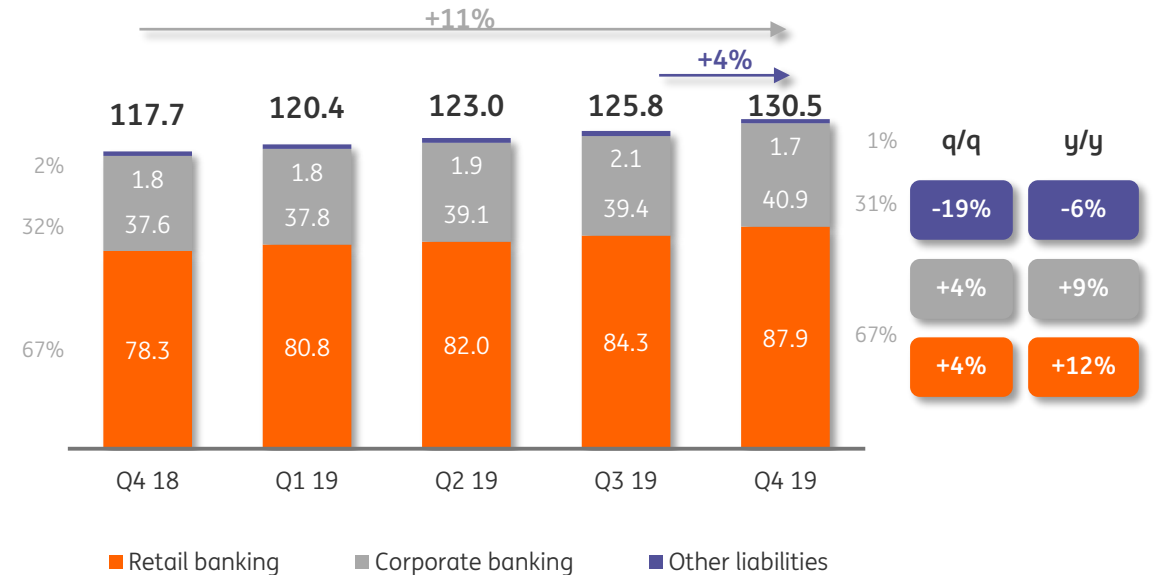


Bank equity and liabilities

Structure of equity and liabilities (PLN billion; %)



Deposits and other liabilities to customers (PLN billion)

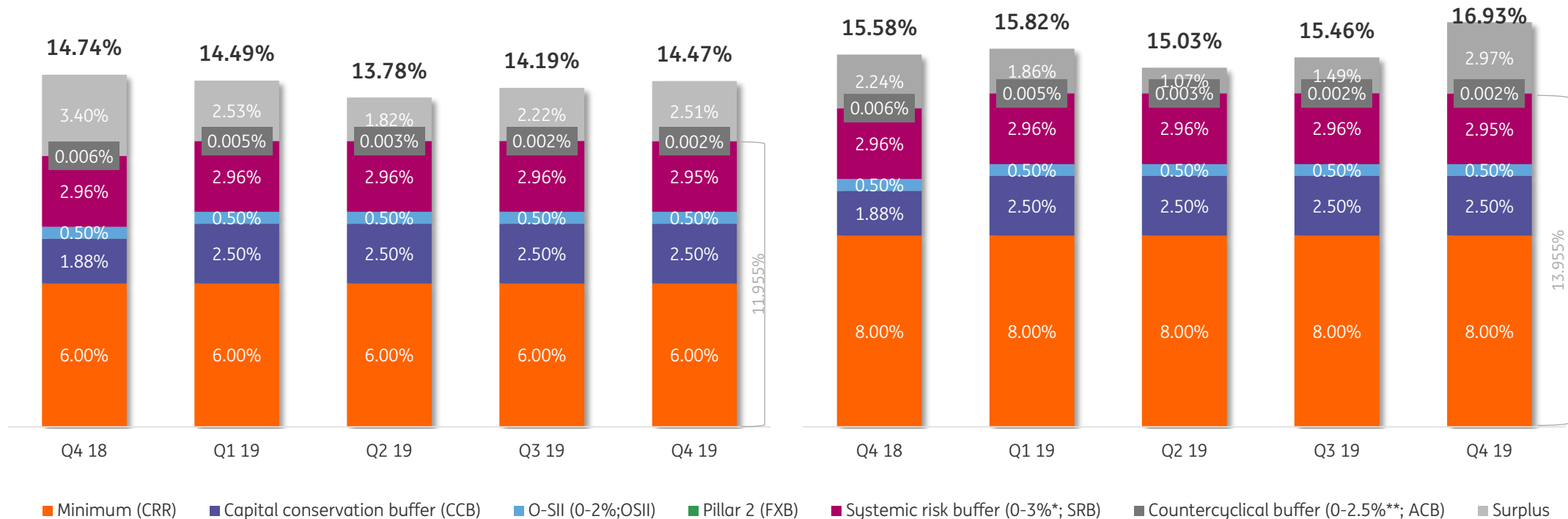


■ Equity ■ Subordinated debt ■ Deposits and other liabilities to clients ■ Liabilities to banks ■ Other

Capital requirement structure

Consolidated capital requirement structure – Tier 1

Consolidated capital requirement structure – TCR



- The estimated MREL requirement according to current BGF methodology, bail-in strategy (as % of RWA):
 $(CRR_{TCR} + FXB + OSII) + [1 - (CRR_{TCR} + FXB + OSII)] * (CRR_{TCR} + FXB + OSII + CCB + SRB + CB) = 21.3\%$ (Q4 2019 estimates)

48 *It may reach the level of 3%-5% after the decisions of i) the European Commission, ii) the European Commission and the European Systemic Risk Board and iii) the European Banking Authority; the 5% level may be exceeded after the consent of the European Commission; **In justified cases, it may exceed 2.5%



Lending exposure by industry

Non-banking portfolio of corporate clients – balance sheet exposure (PLN m)

Consolidated approach

No	Industry	Exposure as at 31.12.2019	%
1	Wholesale trade	8,227	13.0%
2	Real estate service	8,043	12.7%
3	Financial intermediation	4,015	6.3%
4	Foodstuff and beverage production	3,584	5.7%
5	Public administration and national defence	3,082	4.9%
6	Retail trade	2,715	4.3%
7	Manufacture of fabricated metal products	2,599	4.1%
8	Land and pipeline transportation	2,591	4.1%
9	Remaining services connected with running business	2,337	3.7%
10	Rubber industry	2,315	3.7%
11	Power industry	2,161	3.4%
12	Equipment rent	2,039	3.2%
13	Wood and paper industry	1,776	2.8%
14	Constructions industry	1,692	2.7%
15	Agriculture, forestry, fishery	1,584	2.5%
16	Post office and telecommunications	1,523	2.4%
17	Mechanical vehicles sale, repair and service	1,379	2.2%
18	Other non-metallic mineral products	1,038	1.6%
19	Chemicals and chemical goods production	893	1.4%
20	Other	9,708	15.3%
Total exposure		63,301	100.0%

Lending exposure by industry

Non-banking portfolio of corporate clients – balance sheet and off-balance sheet exposure (PLN m)

Consolidated approach

No	Industry	Exposure as at 31.12.2019	%
1	Wholesale trade	12,571	13.5%
2	Real estate service	8,346	9.0%
3	Financial intermediation	5,584	6.0%
4	Retail trade	4,847	5.2%
5	Foodstuff and beverage production	4,748	5.1%
6	Constructions industry	4,617	5.0%
7	Manufacture of fabricated metal products	4,332	4.7%
8	Remaining services connected with running business	3,691	4.0%
9	Power industry	3,594	3.9%
10	Public administration and national defence	3,267	3.5%
11	Rubber industry	3,105	3.3%
12	Land and pipeline transportation	2,998	3.2%
13	Equipment rent	2,661	2.9%
14	Wood and paper industry	2,365	2.5%
15	Mechanical vehicles sale, repair and service	2,073	2.2%
16	Other non-metallic mineral products	1,800	1.9%
17	Post office and telecommunications	1,798	1.9%
18	Agriculture, forestry, fishery	1,723	1.9%
19	Information technology and related activities	1,617	1.7%
20	Other	17,335	18.6%
Total exposure		93,072	100.0%

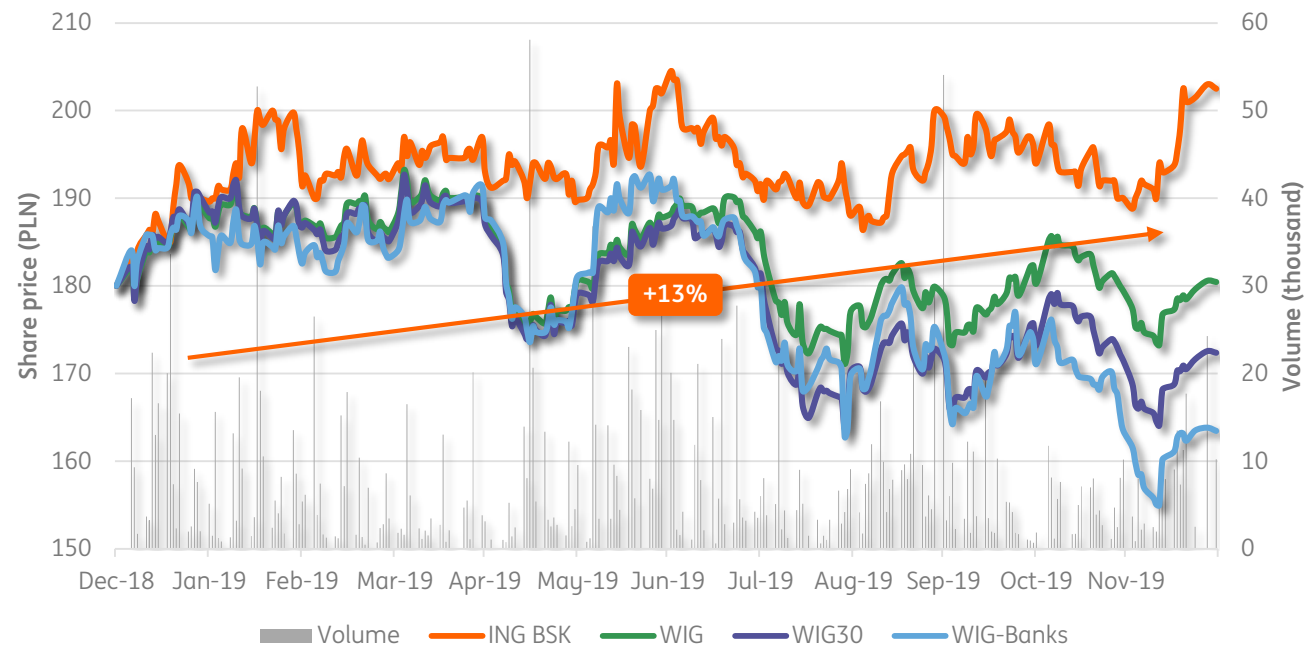
ING Bank Śląski S.A. shares

ING BSK share price:
PLN 202.5 (30 December 2019)

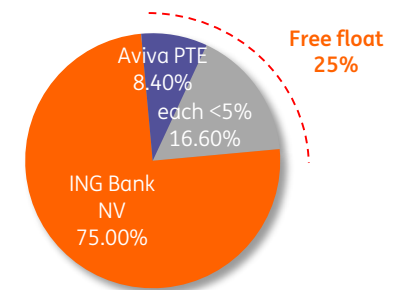
Capitalisation: **PLN 26.3bn zł** (EUR 6.2bn)
 Free float: **PLN 6.6bn** (EUR 1.5bn)

ISIN: PLBSK0000017
 Bloomberg: ING PW
 Reuters: INGP.WA

ING BSK shares vs. WSE indices recalculated for comparability



ING Bank Śląski S.A. shares



Market ratios (Q4 2019)

P/E 15.9x

P/BV 1.7x

Glossary

Simplified definitions of presentation terms :

- **LCR** - Liquidity Coverage Ratio. Computed as a ratio of high-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 ultimately 100% starting from 2018.
- **Retail clients** - individuals and entrepreneurs being sole traders.
- **Corporate clients** - SME, mid-corporates and strategic clients (holdings).
 - SME - corporates with annual turnover of up to EUR 10m.
 - Mid-corporates - corporates with annual turnover between EUR 10m and EUR 125m.
 - Strategic clients - holdings with annual turnover over EUR 125m.
- **Net interest margin** - the ratio of net interest income to the average value of interest earning assets (incl. loans, bonds) as at the end of individual quarters in a given period (five quarters for cumulative margin and two quarters for quarterly margin).
- **NSFR** - Net Stable Funding Ratio. It is computed as the ratio of available stable funding to required stable funding. In keeping with Regulation of the European Parliament and of the Council (EU) No. 575/2013, the target net stable funding ratio (NSFR) has not been defined.
- **C/I ratio** - the ratio of costs (excluding risk costs and bank levy) to bank's revenues (including the share in the net profit of associated entities).
- **Cost of risk** - the net result of created and released provisions due to the deterioration in value/quality of the bank's financial assets (e.g. loans) to the average value of gross loans.
- **Provisioning ratio** - the ratio of provisions established to impaired loans as part of Stage 3 loans.
- **Bank levy** - tax from certain financial institutions; in the case of banks it is paid monthly on the surplus of assets over own funds, treasury bonds and fixed level of PLN 4 billion; the tax rate is 0.0366% monthly (0.44% annually).
- **ROA** - the ratio of net profit to the average assets in a given period.
- **ROE** - the ratio of net profit to the average equity in a given period.
- **L/D ratio** - loan to deposit ratio; the ratio describing what portion of deposits was used to fund lending.
- **MCFH** - Macro Cash Flow Hedge; revaluation reserve from measurement of cash flow hedging instruments.
- **Risk weighted assets (RWA)** - the sum of assets multiplied by the risk weights of a given asset category.
- **Tier 1 ratio** - the ratio of Tier 1 capital (the capital of the highest quality) to the bank's risk weighted assets.
- **Total capital ratio (TCR)** - the ratio of total own funds (including subordinated debt (so-called Tier 2)) to the bank's risk weighted assets.

Investor Information

ING Bank Śląski S.A. prepares the financial statements under the International Accounting Standards (IAS) adopted by the European Union (IFRS-EU).

The financial information presented in this document has been prepared based on the same accounting principles as applied in the ING Bank Śląski S.A. Annual Report. All figures in this document are unaudited. Minor differences in figures are possible.

Certain statements contained herein are not historical facts; some of them in particular are forecasts and future expectations that are based on current views and assumptions of the Management Board and that involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from data contained or implied in such statements due to the following: (1) changes in general economic conditions, (2) changes in performance of financial markets, (3) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness, (4) changes affecting interest rate levels, (5) changes affecting currency exchange rates, (6) changes in general competitive factors, (7) changes in laws and regulations, (8) changes in the policies of governments and/or regulatory authorities, and (9) conclusions with regard to purchase accounting assumptions and methodologies. ING Bank Śląski S.A. assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason.

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