

**ING Bank Śląski S.A. Group**

**in 2024**

**Annual Consolidated Financial Statements for the year 2024**

This document is a translation of a document originally issued in Polish. The only binding version is the original Polish version.

SELECTED FINANCIAL DATA FROM CONSOLIDATED FINANCIAL STATEMENTS

	for the year ended 31 December			
	in PLN million		in EUR million*	
	2024	2023	2024	2023
Net interest income	8,725	8,171	2,027	1,804
Net commission income	2,294	2,164	533	478
Net income on basic activities	11,246	10,648	2,613	2,351
Gross profit	5,545	5,720	1,288	1,263
Net profit	4,369	4,441	1,015	981
Weighted average number of ordinary shares (units)	130,143,180	130,117,872	-	-
Earnings per ordinary share (in PLN / in EUR)	33.57	34.13	7.80	7.54
Net cash flows	1,320	3,991	307	881

\*) to translate selected data into EUR for items of the Profit and Loss Account and for net cash flows, the exchange rate calculated as the average of the NBP exchange rates prevailing on the last day of each month in the period of 12 months of 2024 (PLN 4.3042) and 12 months of 2023 (PLN 4.5284) was used,

\*\*) the average NBP exchange rate valid for 31 December 2024 (PLN 4.2730) and as at 31 December 2023 (PLN 4.3480) was used to convert selected data into EUR for items in the statement of financial position.

	as at 31 December			
	in PLN million		in EUR million**	
	2024	2023	2024	2023
Liabilities to customers	260,359	245,361	60,931	56,431
Total assets	130	130	30	30
Share capital	17,170	16,736	4,018	3,849
Number of shares (pcs)	130,100,000	130,100,000	-	-
Book value per share (in PLN / in EUR)	131.98	128.64	30.89	29.59
Total capital ratio	14.85%	17.41%	-	-



ANNUAL CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2024 TO 31 DECEMBER 2024

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Consolidated income statement

for the year ended 31 December			
	Note	2024	2023
Interest income	2	13,112	12,409
calculated using effective interest rate method	2	12,365	11,368
other interest income	2	747	1,041
Interest expenses	2	-4,387	-4,238
<b>Net interest income</b>	2	<b>8,725</b>	<b>8,171</b>
Commission income	3	2,887	2,722
Commission expenses	3	-593	-558
<b>Net commission income</b>	3	<b>2,294</b>	<b>2,164</b>
Net income on financial instruments measured at fair value through profit or loss and FX result	4	198	332
Net income on the sale of securities measured at amortised cost	5	-6	-
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	5	-3	1
Net (loss)/income on hedge accounting	6	10	-5
Net (loss)/income on other basic activities	7	28	-15
<b>Net income on basic activities</b>		<b>11,246</b>	<b>10,648</b>
General and administrative expenses	8	-3,958	-3,700
Impairment for expected credit losses	9	-944	-508
including profit on sale of receivables	2.10.2	80	24
Cost of legal risk of FX mortgage loans	10	-92	-106
Tax on certain financial institutions	11	-740	-644
Share of profit/(loss) of associates accounted for using the equity method	22	33	30
<b>Gross profit</b>		<b>5,545</b>	<b>5,720</b>
Income tax	12	-1,176	-1,279
<b>Net profit</b>		<b>4,369</b>	<b>4,441</b>
attributable to shareholders of ING Bank Śląski S.A.		4,369	4,441

for the year ended 31 December			
	Note	2024	2023
Net profit attributable to shareholders of ING Bank Śląski S.A.		4,369	4,441
Weighted average number of ordinary shares		130,143,180	130,117,872
<b>Earnings per ordinary share (in PLN)</b>	13	<b>33.57</b>	<b>34.13</b>

The diluted earnings per share are the same as the profit per one ordinary share.

The consolidated income statement should be read in conjunction with the notes to the consolidated financial statements being the integral part thereof.



# Consolidated statement of comprehensive income

for the year ended 31 December			
	Note	2024	2023
Net profit for the period:		4,369	4,441
Total other comprehensive income, including:	35.2	396	2,945
Items which can be reclassified to income statement, including:		384	2,861
debt instruments measured at fair value through other comprehensive income – gains on revaluation carried through equity		55	273
debt instruments measured at fair value through other comprehensive income – reclassification to financial result due to sale		9	5
cash flow hedging – gains on revaluation carried through equity		-1,447	425
cash flow hedging – reclassification to profit or loss		1,767	2,158
Items which will not be reclassified to income statement, including:		12	84
equity instruments measured at fair value through other comprehensive income – gains on revaluation carried through equity		15	93
actuarial gains/losses		-3	-9
Net comprehensive income for the reporting period		4,765	7,386
attributable to shareholders of ING Bank Śląski S.A.		4,765	7,386

The consolidated statement of comprehensive income should be read in conjunction with the notes to the consolidated financial statements being the integral part thereof.



Consolidated statement of financial position

as at				
	Note	31 Dec 2024	31 Dec 2023	01 Jan 2023
			transformed data	transformed data
Assets				
Cash and cash equivalents	14	8,361	7,041	3,050
Loans and other receivables to other banks	15	21,635	19,620	4,449
Financial assets measured at fair value through profit or loss	16, 17, 20	1,948	2,274	1,953
Derivative hedge instruments	18	61	208	139
Investment securities	19	58,992	56,614	48,433
Transferred assets	20, 16	179	165	164
Loans and other receivables to customers measured at amortised cost	21	166,677	156,521	154,975
Investments in associates accounted for using the equity method	22	185	181	179
Property, plant and equipment	23	1,011	1,002	949
Intangible assets	24	457	493	416
Current income tax assets	12	14	1	572
Deferred tax assets	25	690	1,097	1,829
Other assets	26	149	144	158
Total assets		260,359	245,361	217,266

as at				
	Note	31 Dec 2024	31 Dec 2023	01 Jan 2023
<b>Liabilities</b>				
Liabilities to other banks	27	15,468	13,655	5,640
Financial liabilities measured at fair value through profit or loss	28, 17	1,400	1,822	2,204
Derivative hedge instruments	18	83	280	370
Liabilities to customers	29	219,996	205,290	192,731
Liabilities from debt securities issued	30	509	404	405
Subordinated liabilities	31	1,499	1,526	1,644
Provisions	32	636	542	359
Current income tax liabilities	12	16	115	20
Deferred tax loss	25	1	-	-
Other liabilities	34	3,581	4,991	4,550
Total liabilities		243,189	228,625	207,923
<b>Equity</b>				
Share capital	35.1	130	130	130
Share premium	35.3	956	956	956
Accumulated other comprehensive income	35.2	-4,699	-5,095	-8,040
Retained earnings	35.3	20,783	20,750	16,297
Own shares for the purposes of the incentive program		-	-5	-
Total equity	13	17,170	16,736	9,343
attributable to shareholders of ING Bank Śląski S.A.		17,170	16,736	9,343
Total equity and liabilities		260,359	245,361	217,266

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



# Consolidated statement of changes in equity

for the year ended 31 December 2024

Note: 35	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Own shares for the purposes of the incentive program	Total equity
Opening balance of equity	130	956	-5,095	20,750	-5	16,736
Net profit for the current period	-	-	-	4,369	-	4,369
Other net comprehensive income, including:	-	-	396	-	-	396
financial assets measured at fair value through other comprehensive income - revaluation gains / losses recognized in equity	-	-	70	-	-	70
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	9	-	-	9
cash flow hedge - revaluation gains / losses recognized in equity	-	-	-1,447	-	-	-1,447
cash flow hedge – reclassification to profit or loss	-	-	1,767	-	-	1,767
actuarial gains/losses	-	-	-3	-	-	-3
Other changes in equity, including:	-	-	-	-4,336	5	-4,331
dividend payment	-	-	-	-4,339	-	-4,339
valuation of employee incentive programs	-	-	-	4	-	4
purchase of own shares for the purposes of the employee incentive program	-	-	-	-	-6	-6
settlement of the acquisition of own shares and their transfer to employees	-	-	-	-1	11	10
settlement of the acquisition of an organized part of the enterprise	-	-	-	-	-	-
Closing balance of equity	130	956	-4,699	20,783	0	17,170

The consolidated statement of changes in equity should be read in conjunction with the notes to the consolidated financial statements being the integral part thereof.





## Consolidated statement of changes in equity – cont.

for the year ended 31 December 2023

Note: 35

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Own shares for the purposes of the incentive program	Total equity
<b>Opening balance of equity</b>	<b>130</b>	<b>956</b>	<b>-8,040</b>	<b>16,297</b>	-	<b>9,343</b>
<b>Profit for the current period</b>	-	-	-	4,441	-	<b>4,441</b>
<b>Other net comprehensive income, including:</b>	-	-	<b>2,945</b>	-	-	<b>2,945</b>
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	366	-	-	366
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	5	-	-	5
cash flow hedging – gains/losses on revaluation carried through equity	-	-	425	-	-	425
cash flow hedging – reclassification to profit or loss	-	-	2,158	-	-	2,158
actuarial gains/losses	-	-	-9	-	-	-9
<b>Other changes in equity, including:</b>	-	-	-	<b>12</b>	<b>-5</b>	<b>7</b>
valuation of employee incentive programs	-	-	-	17	-	17
purchase of own shares for the purposes of the employee incentive program	-	-	-	-	-9	-9
settlement of the acquisition of own shares and their transfer to employees	-	-	-	-4	4	-
settlement of the acquisition of an organized part of the enterprise	-	-	-	-1	-	-1
<b>Closing balance of equity</b>	<b>130</b>	<b>956</b>	<b>-5,095</b>	<b>20,750</b>	<b>-5</b>	<b>16,736</b>

The consolidated statement of changes in equity should be read in conjunction with the notes to the consolidated financial statements being the integral part thereof.





## Consolidated cash flow statement

for the year ended 31 December

	Note	2024	2023 transformed data
<b>Net profit</b>		<b>4,369</b>	<b>4,441</b>
<b>Adjustments, including:</b>		<b>-4,660</b>	<b>-6,810</b>
Share of net profit (loss) of associates accounted for using the equity method	22	-33	-30
Depreciation and amortisation	8, 23, 24	340	327
Interest accrued (from the income statement)	2	-8,725	-8,171
Interest paid		-3,817	-4,023
Interest received		13,067	12,018
Dividends received	5	-8	-7
Gains (losses) on investing activities		1	1
Income tax (from the income statement)	12	1,176	1,279
Income tax paid		-975	-1,141
Change in provisions	32, 40	91	172
Change in loans and other receivables to other banks	15, 40	-1,999	-15,146
Change in financial assets measured at fair value through profit or loss	16, 17, 40	336	-315
Change in hedge derivatives	18, 40	345	3,030
Change in investment securities	19, 40	-7,762	-7,127
Change in transferred assets	20, 16, 40	-12	-2
Change in loans and other receivables to customers measured at amortised cost	21, 40	-10,229	-1,268
Change in other assets	26, 40	-58	443
Change in liabilities to other banks	27, 40	642	564
Change in liabilities measured at fair value through profit or loss	17, 28	-448	-382
Change in liabilities to customers	29, 40	14,727	12,529
Change in liabilities from debt securities issued	30, 40	5	-1
Change in subordinated liabilities	31, 40	-27	-118
Change in other liabilities	34, 40	-1,297	558
<b>Net cash flows from operating activities</b>		<b>-291</b>	<b>-2,369</b>

for the year ended 31 December

	Note	2024	2023 transformed data
Purchase of property, plant and equipment	23	-127	-155
Purchase of intangible assets	24	-134	-162
Purchase of debt securities measured at amortised cost		-13,952	-6,504
Disposal of debt securities measured at amortised cost		19,524	5,991
Dividends received	5, 22	37	35
<b>Net cash flows from investing activities</b>		<b>5,348</b>	<b>-795</b>
Long-term loans received	40	3,063	9,680
Repayment of long-term loans	40	-1,731	-2,113
Interest payment on long-term loans	40	-701	-270
Proceeds from the issue of debt securities	30	500	-
Redemption of debt securities	30	-400	-
Interests from issued debt securities		-25	-31
Repayment of lease liabilities	40	-98	-102
Purchase of own shares for the purposes of the employee incentive program		-6	-9
Dividends paid	35.3	-4,339	-
<b>Net cash flows from financing activities</b>		<b>-3,737</b>	<b>7,155</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,320</b>	<b>3,991</b>
of which effect of exchange rate changes on cash and cash equivalents		302	497
<b>Opening balance of cash and cash equivalents</b>		<b>7,041</b>	<b>3,050</b>
<b>Closing balance of cash and cash equivalents</b>	14, 40	<b>8,361</b>	<b>7,041</b>

The consolidated cash flow statement should be read in conjunction with the notes to the consolidated financial statements being the integral part thereof.



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# Accounting policy and additional notes

## I. Bank and the Group details

### 1. Key Bank data

ING Bank Śląski S.A. ("Parent company", "Parent entity", "Bank") with the registered office in Poland, Katowice, ulica Sokolska 34, zip code 40-086 was entered into the Entrepreneurs Register with the National Court Register maintained by the Commercial Division of the District Court in Katowice under the number KRS 0000005459. The Parent company statistical number is REGON 271514909, and the tax identification number is NIP 634-013-54-75.

### 2. Scope and duration of operations

ING Bank Śląski S.A. offers a broad range of banking services rendered to individual and institutional clients in line with the scope of services outlined in the Bank's charter. The Bank runs operations both in the home currency and in foreign currencies. Additionally, through subsidiaries the Group conducts leasing and factoring activity and provides other financial services. The duration of business of the Parent company is indefinite.

### 3. Share capital

The share capital of ING Bank Śląski S.A. amounts to PLN 130,100,000 and is divided into 130,100,000 ordinary bearer shares with a nominal value of PLN 1.00 each. The Bank's shares are listed on the Warsaw Stock Exchange (banking sector).

## 4. Shareholders of ING Bank Śląski S.A.

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 31 December 2024 held 75% shares in the share capital of ING Bank Śląski S.A. and 75% shares in the total number of votes at the General Meeting of ING Bank Śląski S.A. ING Bank NV belongs to the Group, identified as ING Group for the purposes of these consolidated financial statements.

As at 31 December 2024, the following were shareholders with 5 or more percent of votes at the General Meeting of ING Bank Śląski S.A:

No.	Entity	Number of shares and votes	% of total number of shares
1.	ING Bank N.V.	97,575,000	75.00
2.	Allianz Polska Otwarty Fundusz Emerytalny	9,512,036	7.31

## 5. Entity authorised to audit the financial statements

The entity authorised to carry out the audit is Forvis Mazars Audyt Sp. z o.o. with its registered office in Warsaw.

## 6. Approval of financial statements

These annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2024 to 31 December 2024 were adopted for publication by the Bank's Management Board on 5 March 2025.

The annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2023 to 31 December 2023 were approved by the General Meeting of ING Bank Śląski S.A. on 11 April 2024.



7. ING Bank Śląski S.A. Management Board and Supervisory Board composition

Bank's Management Board

At the end of 2024, similarly to the end of 2023, the composition of the Management Board of ING Bank Śląski S.A. was as follows:

- Mr. Brunon Bartkiewicz - President of the Management Board,
- Ms. Joanna Erdman - Vice-President of the Management Board,
- Mr. Marcin Giżycki - Vice-President of the Management Board,
- Ms. Bożena Graczyk - Vice-President of the Management Board,
- Ms. Ewa Łuniewska - Vice-President of the Management Board,
- Mr. Michał H. Mrożek - Vice-President of the Management Board,
- Mr. Sławomir Soszyński - Vice-President of the Management Board,
- Ms. Alicja Żyła - Vice-President of the Management Board.

At its meeting on 11 April 2024, the Bank's Supervisory Board decided to start the recruitment process for the position of the President of the Bank's Management Board. The above decision was made in connection with the expiry in 2025 of the mandate of Mr. Brunon Bartkiewicz after the end of the current term of office as President of the Management Board of the Bank, i.e. on the date of the General Meeting approving the financial statements for 2024. Mr. Brunon Bartkiewicz has been the Chairman of the Bank's Management Board since 2016.

On 3 September 2024, the Bank's Supervisory Board adopted a resolution to appoint Mr. Michał Bolesławski as President of the Bank's Management Board, subject to the required approval of the Polish Financial Supervision Authority (KNF). The Bank received information about the above-mentioned consent issued by the PFSA on 20 December 2024. The appointment will be effective as of the date of the General Meeting approving the financial statements for 2024. Mr. Michał Bolesławski meets all the requirements set out in the provisions of Article 22aa of the Act of 29 August 1997 - Banking Law. He is not engaged in any activities competitive to the business of ING Bank Śląski S.A., nor is he involved in any competitive company as a partner in a civil law company or partnership or as a member of a corporate body of a competitive legal person. He is also not listed in the Register of Insolvent Debtors maintained pursuant to the Act of 20 August 1997 on the National Court Register.

On 29 November 2024, the Bank received a letter from Mr. Sławomir Soszyński, Vice President of the Management Board of ING Bank Śląski S.A., regarding his resignation from applying for election to the Bank's Management Board of the next term, which will start on the day of the General Meeting of ING Bank Śląski S.A. approving the financial statements for 2024.

Bank's Supervisory Board

On 8 March 2024, the Bank received a letter from Mr. Aleksander Galos, acting as the Chairman of the Supervisory Board of ING Bank Śląski S.A., regarding his resignation from applying for election to the Supervisory Board of the next term of office. The decision not to apply for election to the next term was dictated by the inability of Mr. Aleksander Galos to meet the independence criteria throughout the next full term of office, due to his long-term sitting on the Supervisory Board of the Bank.

On 12 February 2024, the Bank received a statement from Ms Katarzyna Zajdel-Kurowska on her resignation from the position of a member of the Bank's Supervisory Board as of 29 February 2024. The reason for his resignation was his appointment to a position in an international financial institution.

In connection with the expiry of the term of office of the Supervisory Board, on 11 April 2024, the General Meeting of ING Bank Śląski S.A. appointed a new Supervisory Board of the Bank composed of:

- Ms. Monika Marcinkowska – Chairman of the Supervisory Board, Independent Member,
- Ms. Małgorzata Kołakowska – 1<sup>st</sup> Vice-Chairman of the Supervisory Board,
- Mr. Michał Szczurek – Vice-Chairman of the Supervisory Board,
- Mr. Stephen Creese – Member of the Supervisory Board,
- Ms. Dorota Dobija – Independent Member of the Supervisory Board,
- Ms. Aneta Hryckiewicz-Gontarczyk - Independent Member of the Supervisory Board,
- Mr. Arkadiusz Krasowski - Independent Member of the Supervisory Board,
- Mr. Hans De Munck – Member of the Supervisory Board,
- Mr. Serge Offers – Member of the Supervisory Board.

Mr. Stephen Creese, Ms Dorota Dobija, Ms Małgorzata Kołakowska, Ms Monika Marcinkowska, Mr. Hans De Munck and Mr. Michał Szczurek were on the Board of the previous term. The appointed members of the Supervisory Board meet all the requirements set out in the provisions of Article 22aa of the Act of 29 August 1997 - Banking Law. They are not engaged in any activities competitive to the business of ING Bank Śląski S.A., nor are they involved in any competitive company as a partner in a civil law company or partnership or in a capital company, nor do they participate in a competitive legal person as a member of its governing bodies. They are also not listed in the Register of Insolvent Debtors maintained pursuant to the Act of 20 August 1997 on the National Court Register.

At the end of 2024, the composition of the Bank's Supervisory Board did not change.





8. ING Bank Śląski S.A. Group

ING Bank Śląski S.A. is the parent entity of the ING Bank Śląski S.A. Group ("Capital Group", "Group"). The composition of the Group is as follows:

No.	name	type of activity	registered office	% of the Group's share in the share capital and votes on the General Meeting		nature of the capital relationship	recognition in the Group consolidated financial statements
				as at	as at		
				31 Dec 2024	31 Dec 2023		
1.	ING Investment Holding (Polska) S.A., which holds shares in the following subsidiaries and associates:	financial holding	Katowice	100	100	subsidiary	full consolidation
	1.1. ING Commercial Finance S.A.	factoring services	Warszawa	100	100	subsidiary	full consolidation
	1.2. ING Lease (Polska) Sp. z o.o.*	leasing services	Warszawa	100	100	subsidiary	full consolidation
	1.3. Paymento Financial S.A.	financial services and IT solutions for the financial sector	Tychy	100	n/a	subsidiary	full consolidation
	1.4. Goldman Sachs TFI S.A.	investment funds	Warszawa	45	45	associate	consolidation by equity method
2.	ING Bank Hipoteczny S.A.	banking services	Katowice	100	100	subsidiary	full consolidation
3.	ING Usługi dla Biznesu S.A.	accounting, HR and payroll services related to access to information about the account	Katowice	100	100	subsidiary	full consolidation
4.	Nowe Usługi S.A.	education and promotion for the financial market and TURBO Certificates	Katowice	100	100	subsidiary	full consolidation
5.	SAIO Spółka Akcyjna	software sales, robotization of processes	Katowice	100	100**	subsidiary	full consolidation
6.	Dom Data IDS Sp. z o.o.	IT services	Poznań	40	n/a	associate	consolidation with the equity method

\*) In the ING Lease (Poland) Sp. z o.o. Group there are 5 special purpose vehicles in which ING Lease (Poland) Sp. z o.o. holds 100% of the shares. These are: ING Aktywa Spółka z o.o., ING Finance Spółka z o.o., Rel Fokstrot Spółka z o.o., Rel Jota Spółka z o.o. and Rel Project 1 Spółka z o.o.

\*\*) At the end of 2023, ING Investment Holding (Polska) S.A. was the direct owner of SAIO S.A.

Changes in the composition of the Capital Group

Acquisition by the Bank of an associate of Dom Data IDS Sp. z o.o.

On 19 January 2024, ING Bank Śląski S.A. obtained the consent of the President of the Office of Competition and Consumer Protection (UOKiK) for the concentration related to the acquisition of 40% of shares in Dom Data Services Sp. z o.o. in the 4th quarter of 2023. (The approval of the UOKiK’s president was a condition for the finalisation of the acquisition). In April 2024, the company’s name was changed to Dom Data IDS Sp. z o.o.

Acquisition by the Bank of shares in subsidiary SAIO S.A.

On May 27, 2024, i.e. on the date of entry in the shareholder register, ownership of 100% of the shares of SAIO S.A. from ING Investment Holding (Poland) S.A. was transferred to ING Bank Śląski S.A. (in accordance with the provisions of the sale agreement concluded on May 20, 2024 between ING Investment Holding (Poland) S.A. and the Bank).

Subject of activity of the Capital Group companies

ING Investment Holding (Polska) S.A.

ING Investment Holding (Poland) S.A. is a holding company. Through it, the Bank holds shares in three subsidiaries: ING Lease (Polska) Sp. z o.o. (100%), ING Commercial Finance S.A. (100%), Paymento Financial S.A. (100%) and in one associate company - Goldman Sachs TFI S.A. (45%)

ING Commercial Finance S.A.

The company’s core business is factoring, i.e. receivables financing and servicing services. The company offers factoring with and without recourse. Comprehensive debt management includes monitoring of recipients, preparation of current reports, mediation of debt insurance and debt collection.

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

The company offers all basic types of leasing which allow financing both movables (in the form of cars, vans, heavy transport vehicles, machinery and equipment, construction, medical, equipment and IT equipment) and real estate. The company services are targeted at all market segments: large, medium and small enterprises as well as micro clients (entrepreneurs).

Paymento Financial S.A.

The Company is a regulated entity authorised by the Polish Financial Supervision Authority to provide payment services as a National Payment Institution. The company provides professional financial services and IT solutions for the financial sector. Its services are addressed to financial market participants and e-commerce.



ING Bank Hipoteczny S.A.

The purpose of the company is to acquire and then increase the share of long-term financing in the Group’s balance sheet by issuing long-term mortgage bonds based on mortgage-backed credit claims acquired from ING Bank Śląski or other banks.

ING Usługi dla Biznesu S.A.

The company conducts operations in the following business areas: running an online database of companies and an online B2B commerce and business platform (ALEO), running a platform for invoicing and payment management, accounting, HR and payroll services - accounting, HR and payroll services for entrepreneurs (ING Accounting) and runs and continues to develop the Firmove.pl website launched at the end of 2022, which supports entrepreneurs at every stage of business development and raises awareness in the ESG area.

Nowe Usługi S.A.

The company conducts educational and marketing activities. Provides a portal on investing and the stock market, where investment-related materials are published and a knowledge base is available (edukacjagiieldowa.pl). The company is also involved in the 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.

SAIO S.A.

The business of the company is the sublicensing of SAIO robotization software and the implementation of robotization of business processes at clients as part of its own activities and the partner network being built. The company also provides robotisation services to ING Bank Śląski and selected ING Group entities around the world.

Goldman Sachs TFI S.A.

The company conducts operations in the area of creation and management of investment funds, including acting as intermediary in the sale and redemption of participation units, representing them towards third parties and managing portfolios. The company is part of Goldman Sachs Asset Management - an American asset management company.

Dom Data IDS Sp. z o.o.

The company’s core business is the development and maintenance of processes on the Ferryt platform and processes on the IWA platform for individual, business and strategic customers and for back office employees handling business processes at the Bank.

II. Statement of compliance with International Financial Reporting Standards

These annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2024 to 31 December 2024 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union. The consolidated financial statements take into account the requirements of EU approved standards and interpretations.

1. Changes in accounting standards

In these annual consolidated financial statements, the Group included the following changes to the standards and new interpretations approved by the European Union and effective for annual periods beginning on or after 1 January 2024:

Change		Influence on the Group’s consolidated financial statements
IAS 1 Presentation of financial statements: • classification of financial liabilities as current or long-term • deferment of the date of application and • long-term liabilities with covenants		The classification of financial liabilities as non-current depends on the existence of rights to extend the liability for a period longer than 12 months and the fulfilment of conditions (covenants) for the implementation of such a deferral at the balance sheet date. Disclosure of these covenants in the notes to the financial statements is also required. The implementation of the change did not have an impact on the Group’s consolidated financial statements.
IFRS 16 Leases: Leasing liabilities in transactions sale and leaseback.		The implementation of the changes did not have an impact on the Group’s consolidated financial statements.
IAS 7 Statement of cash flows and IFRS 7 Financial Instruments: Disclosures - Supplier financing agreements		The implementation of the changes did not have an impact on the Group’s consolidated financial statements.



Published standards and interpretations, which were issued by 31 December 2024 and approved by the European Union, but were not applied by the Group earlier:

Change (EU effective date provided for in the parentheses)	Influence on the Group's consolidated financial statements
IAS 21 Effects of changes in exchange rates: Exchange rate forfeiture (financial year beginning on 1 January 2025)	The Group's analyses show that the implementation of the changes will not have a significant impact on the Group's consolidated financial statements

Published standards and interpretations that were issued by 31 December 2024, but were not approved by the European Union as at 31 December 2024 and were not previously adopted by the Group:

Change (expected IASB effective date provided for in the parentheses)	Influence on the Group's consolidated financial statements
IFRS 18 Presentation and disclosures in financial statements (financial year beginning on 1 January 2027)	The new standard published in April 2024, which will replace IAS 1. The implementation of the new guidelines aims to improve the comparability and transparency of the financial statements of the entities. The Group's analyses show that the application of the standard will have an impact on the presentation and scope of disclosures in the Group's consolidated financial statements.
IFRS 19 Subsidiaries without public liability: disclosures (financial year beginning on 1 January 2027)	The new standard published in May 2024 will be voluntarily applied by entities that do not have the status of an entity with public responsibility and that are dependent on entities preparing publicly available consolidated financial statements. According to the Group's analyses, application of the standard will not have an impact on the Group's consolidated financial statements.
IFRS 9 Financial instruments and IFRS 7 Financial instruments: disclosures - Classification and measurement of financial instruments (financial year beginning on 1 January 2026)	The introduced changes are the result of conclusions from the post-implementation review of the guidelines of both standards. The amendments are of a more precise nature with respect to the classification of financial assets (i.e.: resulting from agreements containing ESG or similar clauses) and the derecognition of financial instruments from the balance sheet that are settled via electronic payment systems. The implementation of these changes will not exert a material impact on the Group's consolidated financial statements.
Changes resulting from the annual update of the standards (volume 11) (financial year beginning on 1 January 2026)	The amendments to IFRS F1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 are editorial in nature. According to the Group's analyses, the application of the amendments will not have an impact on the Group's consolidated financial statements.
IFRS 9 Financial instruments and IFRS 7 Financial instruments: disclosures Renewable electricity contracts (financial year beginning on 1 January 2026)	The amendments are intended to better reflect contracts relating to electricity from renewable sources with physical or virtual supply in the financial statements. The changes focus on requirements for purchasing energy for own use, hedge accounting and disclosures. The Group's analyses show that applying the changes, from the perspective of the current economic situation, will not have an impact on the Group's consolidated financial statements.

As at the date of adoption of this report for publication, taking into account the ongoing process of introducing IFRS standards in the EU and the Group's operations, with respect to the accounting principles applied by the Group there are no differences between the IFRS standards that have entered into force and the IFRS standards endorsed by the EU.

2. Going-concern

Consolidated financial statements of the ING Bank Śląski S.A. Capital Group for the period from 1 January 2024 to 31 December 2024 has been prepared on the assumption that the Group will continue as a going concern for a period of at least 12 months from the date of acceptance for publication i.e. from 5 March 2025. As at the date of signing the consolidated financial statements, the Management Board of the Bank does not find any facts or circumstances that would indicate any threat to the Group's ability to continue as a going concern within 12 months from the date of publication as a result of intentional or forced discontinuation or significant limitation of the Group's current operations.

3. Financial statements scope and currency

These annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2024 to 31 December 2024 contain data of the Bank and its subsidiaries and associates (together referred to as the "Group").

These annual consolidated financial statements have been prepared in Polish zlotys ("PLN"). All values, unless otherwise indicated, are rounded to the nearest million zlotys. There may therefore be mathematical inconsistencies in the totals or between the notes.

4. Reporting period and comparable data

Annual consolidated financial statements of the ING Bank Śląski S.A. Capital Group covers the period from 1 January 2024 to 31 December 2024 and includes comparative data:

- for the consolidated statement of financial position as at 31 December 2023 and at 1 January 2023,
- for items from the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 1 January 2023 to 31 December 2023.





5. Consolidation rules

The consolidated financial statements comprise the financial statements of the Bank as well as the financial statements of its subsidiaries. The documents were developed for the term of 12 months ended 31 December 2024.

After being adjusted for IFRS compliance, the financial statements of subsidiaries are developed for the same reporting period as the financial statements of the Parent entity, with the use of uniform accounting principles for similar transactions and business events. Adjustments are made to eliminate any discrepancies in the accounting principles applied.

All significant balances and transactions between Group members, including income and costs, unrealised profits as well as gains and losses under intragroup transactions were eliminated in full. Unrealised losses are eliminated, unless proving impairment occurrence.

III. Significant accounting principles

IFRS provide for the selected accounting policies that may be applied. The key areas where IFRS allow the entity to select the policy and which refer to the Group Accounting Policy include:

- selection of accounting policy to continue to apply the hedge accounting requirements of IAS 39,
- selection of accounting policy for valuation of buildings and land at revalued amount, being its fair value at the balance sheet date.

The Group Accounting Policy complies with IFRS. Group decisions as to the admissible policy selection are presented below.

1. Basis for preparation of consolidated financial statements

The financial statements are prepared in Polish zlotys rounded to one million (unless otherwise stated). The concept of fair value has been applied in the statements for own real property as well as financial assets and liabilities measured at fair value, including derivative instruments, and financial assets classified as measured at fair value through other comprehensive income. Other items of financial assets (including loans and advances) are presented at amortised cost less impairment or at purchase price less impairment. Recognized financial assets that were designated as hedged items in the fair value hedge strategy, and which, in the absence of such designation, would be measured at amortized cost, are measured at amortized cost, taking into account the hedged risk valuation

adjustment. Non-current assets held for sale are recognised at the lower of their carrying amount and the fair value less sales costs.

2. Professional judgment

In the process of accounting principles application to the matters discussed hereinbelow, besides the accounting estimates, professional judgment of the management staff was of key significance.

2.1. Deferred tax assets

The Group recognizes deferred tax assets based on the assumption that it is probable that taxable income sufficient to fully realize the deferred tax asset would be achieved.

2.2. Classification of leases

When acting as a lessor, the Group classifies leases as operating or financial. The classification is based on the assessment to what extent the risks and rewards of ownership of the subject of the lease and in relation to the lease of the assets resulting from the lease are attributable to the lessor and to which the lessee. The substance of each transaction is used to make the said assessment.

2.3. Classification of financial assets

The Group classifies financial assets on the basis of both the business model for holding the financial assets and assessment whether under the contractual terms require solely payments of principal and interest on the principal amount outstanding. The detailed information about assumptions in this regard is presented in item 13.2. *Classification of financial assets.*

3. Accounting estimates

Estimates and assumptions applied to the presentation of the value of assets, liabilities, income and costs are made on the basis of historical data available and other factors considered to be relevant in given circumstances. The assumptions applied for the future and available data sources are the base for making estimates regarding the carrying amount of assets and liabilities, which cannot be determined explicitly on the basis of other sources. The estimates reflect the reasons for/ sources of uncertainties as at the balance sheet date. The actual results may differ from estimates.

The estimates and assumptions are reviewed on an on-going basis. Adjustments to estimates are recognised in the period when the estimate was changed provided that the adjustment applies to this period alone or in the period



when the estimate was changed and in the following periods, should the adjustment impact both the current and future periods.

Below are the most significant booking estimates made by the Group.

3.1. Estimation of expected credit losses for financial assets

The Group applies IFRS 9 requirements regarding impairment in order to recognize and measure the impairment for expected credit losses on debt financial assets that are measured at amortised cost or at fair value through other comprehensive income.

The expected loss in the portfolio of individually insignificant exposures is calculated collectively as a probability-weighted average from three macroeconomic scenarios with different probabilities of occurrence. The final level of the provisions results from the sum of the expected credit losses estimated each year in the future till the maturity date for Stage 2 and Stage 3 assets and in 12-month horizon for Stage 1 assets, including discount.

To determine impairment (or reverse it) in the ISFA (Individually Significant Financial Assets) portfolio, the present value of expected future cash flows has to be calculated. The amount of the future cash flows is determined among others taking account information about the current and forecasted economic standing of the borrower, the forecast value of the recovery amount from collateral of the credit exposure and the macroeconomic factors.

The methodology and assumptions used to estimate both the amount and the time of future cash flows are regularly reviewed and adjusted as needed.

Macroeconomic factors

Credit risk models for the purposes of IFRS 9 were built on the basis of historical relations between changes in economic parameters (i.e. GDP or interest rates) and their subsequent effect on changes in the level of credit risk (PD/LGD). By the end of 2019, changes in macroeconomic forecasts were relatively slow, moving smoothly from one phase of the cycle to another, without drastic and shocking events changing the macroeconomic situation. After sharp increases in interest rates and inflation, caused, among others, by the war in Ukraine, the situation is now beginning to stabilise. However, the introduced additional support programmes for mortgage loans mitigate the effect of changing macroeconomic forecasts in relation to what macroeconomic indicators alone would show.

As at 31 December 2024, the Group revised its macroeconomic indicators forecasts. The macroeconomic assumptions used to determine the expected credit losses are based on forecasts prepared by the Bank’s Macroeconomic Analysis Office, supplemented by management adjustments where, in the opinion of the management, recent economic events have not been fully captured. The effect of changes in macroeconomic

assumptions reduced the level of provisions for expected credit losses at the end of 2024 by PLN 82 million compared to the end of 2023.

Management adjustments and recalibration of models

In times of heightened volatility and uncertainty, where portfolio quality and the economic environment are changing rapidly, models are undermined in their ability to accurately predict losses. To mitigate model risk, additional adjustments can be made to address data quality issues, methodology issues or expert opinions. They also include adjustments resulting from overestimation or underestimation of allowances for expected credit losses by IFRS 9 models.

Due to the growing impact of climate risk on credit risk, at the end of 2024 the Group decided to create a management adjustment that measures potential financial losses resulting from the indirect or direct impact of clients’ compliance with low-emission requirements or with an economy based on sustainable development. The correction of PLN 30 million covered the portfolio of corporate clients, including strategic clients.

At the end of 2023, the Group introduced a management adjustment increasing the value of provisions for expected credit losses for models with very low default - uLDP MSSF9 (uLDP - ultra low default portfolio) - in the amount of PLN 17 million. In the 4<sup>th</sup> quarter of 2024, the Group implemented the uLDP model, which includes previously used reserve models for strategic customers within the corporate portfolio, as a result of which the adjustment was terminated. Simultaneously with the implementation, the second stage of work on the uLDP model began, which is to cover a wider pool of models and reconstruction of capital models. The Group decided to apply a management adjustment to maintain the adequacy of provisions for the corporate portfolio until the implementation of the second stage. As at the end of 2024, the Group created an allowance for expected credit losses in the amount of PLN 9 million.

The trend of new insolvency in the real estate sector and underestimation of losses led the Group to create a management adjustment for strategic clients within the corporate portfolio, which would address the potential risk of underestimating future losses. As a result, as at 31 December 2024, the Group created a correction in the amount of PLN 4 million.

Due to incomplete implementation of new models or a time-based change of models for corporate clients (including the MSSF9 model for the SME portfolio, the in-default module for the portfolio of small and medium-sized enterprises), the Group estimated the impact of the use of new models on the amount of allowances for clients not yet covered by these models. As a result, at the end of 2024, the Group introduced a management adjustment



reducing the value of provisions for expected credit losses in the amount of PLN 37 million (at the end of 2023, the total impact of management adjustments for this reason resulted in a reduction of provisions by PLN 1 million).

At the end of 2023, the Group applied a management adjustment to address the risk associated with rising interest rates and inflation. Its amount was PLN 178 million (retail clients PLN 52 million, corporate clients PLN 126 million). Due to the stabilisation of interest rates and inflation, it was decided to reverse this adjustment at the end of 2024.

The aforementioned management adjustments did not affect the classification of exposures to Stages presented in these consolidated financial statements.

At the end of 2023, the Group applied a management adjustment in the amount of PLN 19 million, in connection with the statutory assistance programme enabling customers with PLN mortgage loans to suspend 4 instalments in 2022 and 2023, respectively. In the first half of 2024, the Group resolved this adjustment. At the same time, in connection with the introduction of a new aid programme in May 2024, the Group decided to cover exposures benefiting from support, the collective criterion of a significant increase in risk. As a result, exposures with a gross carrying amount of PLN 5,436 million were transferred to Stage 2.

The division of adjustments into stages and into corporate and retail segments is presented in chapter

**II.2.10.2. Quality of the loan portfolio**, in section *Risk and capital management*.

In 4<sup>th</sup> quarter 2024, the Group, in accordance with the provisions of Recommendation R, periodically recalibrated credit risk models. The recalibration involved the inclusion of newer data periods in the calculation of model risk parameters. The value of correlation of macroeconomic parameters with risk parameters has changed. Changes made in parameterisation of models resulted in an increase of provisions for expected credit losses by PLN 19 million for the retail portfolio and a decrease of provisions by PLN 53 million for the corporate portfolio.

Description of the indications for identification of impairment of financial assets, methodology of calculation of impairment losses and applied accounting principles are described in point **13.11. Expected credit losses**.

**Thresholds used to identify a significant increase in credit risk**

Determining the threshold of a significant increase in credit risk requires judgment and is a significant source of uncertainty in the estimates of expected losses.

Thresholds of PD parameters increase in the lifetime of exposures in relation to PD at origination which indicate significant increase in credit risk are established for models based on assumed methodology.

At the end of 2024 and 2023 these triggers were as follows:

**2024**

	Strategic clients portfolio	Corporate retail portfolio (SME model)	Mortgages (MTG model)	SE&Micro portfolio (SBF model)	Consumer Lending Portfolio (CLN model)	Investment portfolio
Relative threshold	0.61	1	0.98	0.5	0.7	0.61
Absolute threshold	100bp	250bp	75bp	300bp	350bp	100bp

**2023**

	Strategic clients portfolio	Corporate retail portfolio (SME model)	Mortgages and SE&Micro portfolio (MTG and SBF model)	Consumer Lending Portfolio (CLN model)	Investment portfolio
Relative threshold	1	1	0.5	0.7	1
Absolute threshold	100bp	250bp	75bp	350bp	100bp

Absolute threshold – indicates maximum difference between PD at the reporting date and PD at initial recognition which triggers classification to Stage 2

Relative threshold – indicates the maximum measure of the relationship between the PD as at the reporting date and the PD from the initial recognition of the exposure, taking into account the scaling factor determined at the level of a particular exposure, based on the PD from the initial recognition, beyond which the asset is classified to Stage 2.

Exceeding at least one of the above thresholds results in classification of a financial asset to Stage 2.

In addition, regardless of the relative and absolute thresholds described above, the Group has an additional condition for identifying a significant increase in credit risk - a three-fold increase in the PD parameter since the exposure was granted.

Different levels of triggers depending of the portfolio result from different characteristics of these portfolio and depend, among others, on the level of average default rates for specific portfolio.





Sensitivity analysis of expected credit losses on assumed PD threshold

In order to show the sensitivity of expected losses to the level of the adopted PD threshold, the Group estimated the allowances for expected losses in Stages 1 and 2 with the following assumptions:

- all these financial assets would be below the PD threshold and assigned 12-month expected losses and
- all of these assets would exceed this PD threshold and have lifetime expected losses assigned to them.

These estimates show, as at 31 December 2024, hypothetical lower expected losses for Stage 1 and Stage 2 assets by approximately PLN 260 million (including PLN 170 million for corporate portfolio and PLN 90 million for retail portfolio) or higher by approximately PLN 670 million (respectively PLN 390 million for corporate portfolio and PLN 280 million for retail portfolio).

The estimates made as at 31 December 2023 show, respectively, hypothetical lower losses expected for Stage 1 and Stage 2 assets by approximately PLN 280 million (including PLN 190 million for corporate portfolio and PLN 90 million for retail portfolio) or by approximately PLN 600 million (respectively PLN 360 million for corporate portfolio and PLN 240 million for retail portfolio).

Macroeconomic forecasts and probability weights applied to each of macroeconomic scenarios

Below are presented the macroeconomic forecasts of key factors adopted as at 31 December 2024 and 31 December 2023 and the deviations of expected losses in the upside, baseline and negative scenarios from the reported expected losses, weighted by the probability of the scenarios - broken down into corporate, retail and for the entire loan portfolio. The analysis takes into account changes in the time horizon of expected losses (migrations between Stages) resulting from the macroeconomic scenarios used in the analysis. The presented deviations from reported losses do not take into account the impact of management adjustments described earlier. The macroeconomic assumptions used to determine these deviations for the base scenario are based on forecasts prepared by the Bank's Macroeconomic Research Bureau, with forward curves for interest rates based on year-end positions.

The tables present the results of the analysis of the change of exposure in Stages and the change of allowance coverage for the entire loan portfolio and separately for the corporate and retail portfolios.

For both the entire loan portfolio and its corporate and retail part, the selective application of a negative scenario with a weight of 100% increases the level of provisions in all Stages (1/2/3). The average increase of the allowance for the entire portfolio, on a consolidated basis, is about 12% compared to the average scenario used in the calculation of allowances at the end of 2024 (for the corporate portfolio, an increase of the impairment loss by 15% and for the retail portfolio by 6%). The increase of provisions in this scenario is mainly caused by the migration of exposures to Stage 2 caused mainly by negative GDP growth in the short term and moderate increase of the unemployment rate.

If a 100% weight were applied, for the positive scenario there would be a decrease of allowance by approx. 7% on the entire portfolio (for corporate portfolio by 8% and for retail portfolio by 5%). A positive effect of GDP growth and stable values of other variables are observed here (unemployment rate: about 2%, interest rate: 7.5%).

The application of a weight of 100% for the base scenario remains almost neutral for the amount of provisions (decrease by 1% on the entire portfolio).



2024

total loan portfolio

		2025	2026	2027	Expected losses weighted by probability – deviation from losses reported in %		Change in the share of Stage 2 in relation to the entire portfolio in %	Weight assigned to the scenario to determine the reported expected losses	Reported expected losses (collective assessment in Stage 1, 2 and 3)				
					Total	by Stages			Total	by Stages			
Upside scenario	GDP	4.7%	6.3%	4.6%	-7%	Stage 1	-9%	-6%	20%	2,553	Stage 1 279 Stage 2 601 Stage 3 1,673		
	Unemployment	2.4%	2.2%	2.0%		Stage 2	-18%						
	Real estate price index	9.6%	6.0%	6.3%		Stage 3	-3%						
	3 months' interest rate	7.6%	7.7%	7.7%									
Baseline scenario	GDP	3.5%	3.8%	2.8%	-1%	Stage 1	-1%	-1%	60%				
	Unemployment	3.0%	3.0%	2.9%		Stage 2	-3%						
	Real estate price index	6.5%	4.7%	3.9%		Stage 3	0%						
	3 months' interest rate	4.4%	4.2%	4.4%									
Negative scenario	GDP	1.7%	-0.3%	0.2%	12%	Stage 1	2%	32%	20%				
	Unemployment	4.3%	5.9%	7.1%		Stage 2	44%						
	Real estate price index	2.0%	2.7%	2.6%		Stage 3	3%						
	3 months' interest rate	3.6%	2.7%	2.3%									



2024

retail portfolio

		2025	2026	2027	Expected losses weighted by probability – deviation from losses reported in %		Change in the share of Stage 2 in relation to the entire portfolio in %	Weight assigned to the scenario to determine the reported expected losses	Reported expected losses (collective assessment in Stage 1, 2 and 3)						
					Total	by Stages			Total	by Stages					
Upside scenario	GDP	4.7%	6.3%	4.6%	-5%	Stage 1	-5%	-1%	20%	834	Stage 1	109			
	Unemployment	2.4%	2.2%	2.0%		Stage 2	-11%								
	Real estate price index	9.6%	6.0%	6.3%		Stage 3	-3%								
	3 months' interest rate	7.6%	7.7%	7.7%											
Baseline scenario	GDP	3.5%	3.8%	2.8%	0%	Stage 1	0%	0%	60%				Stage 2	176	
	Unemployment	3.0%	3.0%	2.9%		Stage 3	0%						Stage 3	549	
	Real estate price index	6.5%	4.7%	3.9%											
	3 months' interest rate	4.4%	4.2%	4.4%											
Negative scenario	GDP	1.7%	-0.3%	0.2%	6%	Stage 1	5%	2%	20%						
	Unemployment	4.3%	5.9%	7.1%		Stage 2	15%								
	Real estate price index	2.0%	2.7%	2.6%		Stage 3	3%								
	3 months' interest rate	3.6%	2.7%	2.3%											

2023

retail portfolio

		2024	2025	2026	Expected losses weighted by probability – deviation from losses reported in %		Change in the share of Stage 2 in relation to the entire portfolio in %	Weight assigned to the scenario to determine the reported expected losses	Reported expected losses (collective assessment in Stage 1, 2 and 3)					
					Total	by Stages			Total	by Stages				
Upside scenario	GDP	5.4%	4.6%	4.6%	-5%	Stage 1 -8%	-9%	20%	934	Stage 1 133 Stage 2 203 Stage 3 598				
	Unemployment	2.2%	2.2%	2.0%		Stage 2 -11%								
	Real estate price index	5.6%	5.4%	7.8%		Stage 3 -3%								
	3 months' interest rate	7.0%	7.9%	8.1%										
Baseline scenario	GDP	2.5%	3.5%	3.0%	0%	Stage 1 0%	-2%	60%						
	Unemployment	3.0%	3.0%	3.0%		Stage 2 -2%								
	Real estate price index	3.7%	4.1%	6.0%		Stage 3 0%								
	3 months' interest rate	4.4%	4.4%	4.6%										
Negative scenario	GDP	-1.7%	1.5%	0.9%	7%	Stage 1 8%	13%	20%						
	Unemployment	4.7%	5.9%	7.1%		Stage 2 17%								
	Real estate price index	-1.9%	2.2%	3.9%		Stage 3 3%								
	3 months' interest rate	2.8%	2.3%	2.2%										



3.2. Measurement of financial instruments not quoted in active markets

The fair value of financial instruments not quoted in active markets is measured using valuation models. For non-option derivatives, the models based on discounted cash flows apply. Options are measured using appropriate option valuation models. Valuation models used by the Group are verified prior to their usage.

As a rule, in models the Bank uses observable data from active markets. However, in certain circumstances, to choose the right valuation parameter, the Bank makes an estimate by comparing a given instrument to another one present in another market but having similar or identical features. Application of the prudence principle requiring to choose the lower value of assets and the higher value of liabilities as being more probable – especially in the conditions of lower liquidity or/and volatility in financial markets – is fundamental in the valuation made under this approach. Change of assumptions concerning these factors may impact valuation of some financial instruments.

Sensitivity analysis of the valuation of financial instruments not listed on active markets is presented in additional note 37. Fair value.

3.3. Legal risk related to the portfolio of mortgage loans indexed to the Swiss franc exchange rate

The Group holds receivables due to CHF indexed retail mortgage loans. The table below presents the individual elements that make up the gross and net balance sheet value of these receivables.

as at 31 December	2024	2023
number of contracts (in pieces)	2,416	2,753
capital balance	484	584
the amount of the adjustment to the gross carrying amount	-387	-510
other elements of the gross carrying amount (interest, ESP)	5	3
<b>gross carrying amount</b>	<b>102</b>	<b>77</b>
impairment for expected credit losses, including:	-6	-8
Stage 2	-2	-3
Stage 3	-4	-5
<b>Net carrying amount of CHF-indexed mortgage loans</b>	<b>96</b>	<b>69</b>
Provision for legal risk of CHF-indexed mortgage loans	253	128

In addition, the table below presents the change in 2023 and 2022:

- in gross carrying amount adjustments for CHF-indexed mortgage loans recognised in the statement of financial position, and
- in provision for legal risk of CHF-indexed mortgage loans.

	2024		2023	
	an adjustment to the gross carrying amount for loans recognized in the statement of financial position	provision for legal risk of CHF-indexed mortgage loans	an adjustment to the gross carrying amount for loans recognized in the statement of financial position	provision for legal risk of CHF-indexed mortgage loans
<b>Balance at the beginning of the period</b>	<b>510</b>	<b>128</b>	<b>582</b>	<b>53</b>
<b>Changes in the period, including:</b>	<b>-123</b>	<b>125</b>	<b>-72</b>	<b>75</b>
provisions recognised/ reversed	-12	102	93	12
transfer between provisions*	-34	38	-73	73
utilisation, including from settlements	-61	-15	-81	-10
FX differences	-16	-	-11	-
<b>Balance at the end of the period</b>	<b>387</b>	<b>253</b>	<b>510</b>	<b>128</b>

Provision for legal risk of CHF-indexed mortgage loans is presented in liabilities under Provisions and applies to:

- mortgage loans indexed to CHF removed from the statement of financial position,
- parts of CHF-indexed mortgage loans recognised in the statement of financial position, for which the estimated loss value exceeds the sum of gross exposures,
- costs resulting from court proceedings with respect to CHF-indexed loans recognised in the statement of financial position.

As at 31 December 2024, the number of CHF-indexed mortgage loan agreements removed from the statement of financial position, excluding closed agreements as a result of cancellation of the agreement by the court or as a result of conversion to PLN loans in connection with the settlement (for more details, see the settlement programme in note 32. Provisions), amounted to 2,543 (2,479 as at 31 December 2023) and the corresponding disbursement amount was PLN 358 million (PLN 352 million as at 31 December 2023).





Detailed information on the legal environment related to the legal risk of the portfolio of CHF-indexed mortgage loans and information on court cases in connection with concluded CHF-indexed mortgage loan agreements are presented later in the report in note 32. Provisions.

Changes in the period regarding the estimation of the adjustment / provision for legal risk, both in relation to loans in the Bank's portfolio and in relation to repaid loans, the Group presents in the statement of profit or loss in the item Cost of legal risk of FX mortgage loans (note 10.).

The amount of the adjustment to the gross carrying amount / provision due to legal risk for the portfolio of CHF-indexed mortgage loans presented in the statement of financial position and already removed from the statement of financial position depends on many variables, i.e. the scale of settlements with borrowers, the expected number of future disputes, possible future legal settlements, ended with a nullifying judgement and the distribution of probabilities of individual scenarios.

As at 31 December 2024, a portfolio approach was used to estimate the adjustment to the gross carrying amount / legal risk provision for the CHF-indexed mortgage loan portfolio recognised in the statement of financial position and already removed from the statement of financial position.

The adjustment to the gross carrying amount of the CHF portfolio is aimed at reflecting the actual and expected changed cash flows resulting from the agreement (this approach results from the fact that the legal risk related to the portfolio of CHF-indexed mortgage loans changes the estimation of payments on these assets, and the introduction of a correction to the gross carrying amount allows the presentation of the gross carrying amount at a value that will reflect the actual and expected changed cash flows resulting from the agreement).

For financial assets that have already been removed from the statement of financial position, the creation of provisions for legal risk on a portfolio basis results from the assessment of the probability of a cash outflow.

As at 31 December 2024, potential losses due to legal risk are estimated as probability-weighted average of three scenarios - base, positive and negative - taking into account the estimated probability of occurrence. The scenarios on which the estimation is based are diversified in terms of the expected number of court cases (calculated on the basis of the Bank's professional judgement resulting from the Bank's experience to date and an analysis of the current market situation with regard to cases ended with a annulling judgement), as well as the scale of settlements with customers expected by the Bank.

As at 31 December 2024, for the portfolio of CHF-indexed mortgage loans recognised in the statement of financial position, the Bank assumes in each scenario that for a specific part of the portfolio there may be:

- cancellation of the loan agreement after the end of the final court proceedings or
- conversion of loans indexed to CHF to loans denominated in PLN (whose interest rate is determined based on the WIBOR rate) through voluntary settlements.

The calculation of losses in the event of cancellation of the loan agreement is based on the assumption that the Bank will refund instalments to the customer and return the principal of the loan granted to the Bank by the customer, without taking into account the recovery by the Bank of remuneration for the borrower's use of the capital. This solution, depending on the scenario, covers from 54% to 58% of the portfolio of CHF-indexed mortgage loans included in the statement of financial position, which are not subject to legal proceedings. For CHF-indexed mortgage loans recognised in the statement of financial position being the subject of litigation, the Bank recognised the full loss resulting from the annulment. The positive, baseline and negative scenarios differ in the number of litigation cases and the size of the settlement portfolio, and the weights of the different scenarios are equal.

The calculation of losses in the case of conversion of loans from CHF-indexed to PLN-denominated through voluntary settlements was made in accordance with current estimates and terms of the settlements offered by the Bank with the right to remuneration. This solution, depending on the scenario, covers from 5% to 15% of the CHF-indexed mortgage portfolio recognised in the statement of financial position.

As at 31 December 2024, for financial assets already removed from the statement of financial position, the Bank assumes in each scenario that for a specific part of the portfolio there may be a cancellation of the loan agreement after the end of the legally binding court proceedings. The calculation of losses in the event of cancellation of a loan agreement is analogous to the CHF-indexed mortgage portfolio recognised in the statement of financial position. This solution, depending on the scenario, covers 10% to 15% of financial assets already removed from the statement of financial position, which are not subject to legal proceedings. For mortgage loans already removed from the statement of financial position being the subject of litigation, the Bank recognised the full loss resulting from the annulment. The positive, baseline and negative scenarios differ in their assumptions about the number of contentious cases, and the weights of the individual scenarios are equal. In 2024, the approach to costs related to penal interest and court costs and the estimate of the expected number of litigation cases were updated in the provision estimate, which affected the calculation of losses in the event of cancellation of the agreement. The other assumptions remained unchanged.



The change in the estimate due to the adjustment to the gross carrying amount / provisions for legal risks of mortgage loans indexed to CHF recognised in the statement of financial position and already removed from the statement of financial position in 2024 compared to their balance as at 31 December 2023 resulted from the periodic review of the main assumptions of the calculation, taking into account the expected number of new litigation cases and the update of other model parameters.

The main sources of uncertainty for the above estimates are the number of litigation cases and the propensity of clients to conclude settlements in accordance with the programme offered by the Bank.

As at 31 December 2024:

- a change in the share of the portfolio of loans subject to voluntary settlements by +/-5 p.p. at the expense of the share of the portfolio of loans not affected by loss would result in a change in the level of gross carrying amount adjustment for CHF-indexed mortgage loans recognised in the statement of financial position by +/- PLN 12 million (compared to +/- PLN 7 million as at 31 December 2023),
- a change in the share of the portfolio of loans affected by cancellation of the loan agreement by +/-5 p.p. at the expense of the share of the portfolio of loans not affected by loss would result in a change in the level of gross carrying amount adjustment for CHF-indexed mortgage loans recognised in the statement of financial position by +/- PLN 12 million (compared to +/- PLN 17 million as at 31 December 2023),
- a change in the share of the portfolio of loans covered by voluntary settlements at the expense of the share of the portfolio of loans affected by the cancellation of the loan agreement by +/-5 p.p. would result in a change in the level of gross carrying amount adjustment for CHF-indexed mortgage loans included in the statement of financial position by +/- PLN 3 million (compared to +/- PLN 10 million as at 31 December 2023),
- a change in the share of loans removed from the financial statements affected by the cancellation of the loan agreement at the expense of the share of loans removed from the financial statements not affected by loss by +/-5 p.p. would result in a change in the provision for legal risk for mortgage loans indexed to CHF already removed from the statement of financial position by +/- PLN 10 million (compared to +/- PLN 11 million as at 31 December 2023).

4. Consolidation policies

4.1. Subsidiaries

Subsidiaries are those entities that are controlled by the Bank. Control exists when the Bank has a direct or indirect influence on the financial and operating policy of the entity, which allows it to obtain a return (i.e. economic benefits) from the activity of this entity.

Conditions proving the exercise of control shall not be deemed to be fulfilled if the existing rights are of a purely protective nature, i.e.: they are defined as rights securing the Bank’s interests resulting from a given commitment.

The control reassessment is done each time if the facts and circumstances indicate a change to the terms and conditions being the basis for the analysis of a specific involvement, however at least once a year.

The financial statements of subsidiaries are included in the consolidated financial statements from the date of acquisition until the date on which the Parent company ceases to control the subsidiary, if applicable.

If the control ceases, the Bank:

- no longer recognises the assets and liabilities of the unit that formerly was a subsidiary in the consolidated financial statements,
- recognises any gains or losses associated with the loss of control events attributable to the former controlling interest.

Retained investments are recognised at fair value as at the control loss date, which is the date of initial recognition of the investment in the Bank’s books, depending on the conditions, as:

- interest in joint arrangements, or
- interest in associates or
- financial assets classified and measured based on the purpose of holding thereof.

4.2. Associates

Associates are all entities over which the Bank has significant influence but not control in financial or operational terms, generally accompanying a share of between 20% and 50% of the voting rights. The consolidated financial statements include the Group share in profits or losses of associates according to its share in net assets of associates, from the date of obtaining significant influence until the date the significant influence ceases.

Investments in associates are initially recognised at purchase price and then accounted for using the equity method. The share of the Group in the profits (losses) since the date of acquisition is recognised in the statement of



profit or loss, whereas its share in changes in other capital since the date of acquisition – in other capital. The carrying amount of the investment is adjusted by the total changes of different items of equity after the date of their acquisition.

When the share of the Group in the losses of the investment becomes greater than the share of the Group in that investment, the Group discontinues the recognition of any further losses or creates provisions only to such amount it has assumed obligations or has settled payments on behalf of the respective investment.

Unrealised gains on transactions between the Group and such entities are eliminated pro rata to the Group's interest in those entities. Unrealised losses are also eliminated, unless there is evidence of impairment of the asset transferred.

4.3. Transactions eliminated in consolidation process

Intragroup balances and gains and losses or income and expenses arising from intra-group transactions are excluded from the consolidated financial statements.

4.4. Assumption of control over an entity other than an ING Group member

The acquisition approach is applied when settling the purchase of entities from non-associated parties. At the acquisition date, the Bank recognizes, separately from goodwill, purchased identifiable assets and taken over identifiable liabilities, taking into account recognition criteria and all non-controlling interests in the acquired entity.

5. Foreign currency

5.1. The functional currency and the presentation currency

These consolidated financial statements are presented in Polish Zloty, which is the functional currency and the presentation currency of the Bank.

5.2. Transactions in foreign currency

Transactions expressed in foreign currencies are translated at FX rate prevailing at the transaction date. The financial assets and liabilities, being result of the said transactions and denominated in foreign currencies are translated at the FX rate prevailing on a given day. The foreign exchange differences resulting from the settlements of the said transactions and the balance sheet valuation of the financial assets and liabilities denominated in foreign currency are recognised in the statement of profit or loss in the specific item *FX result*, which is an element of *Net income on financial instruments measured at fair value through profit or loss and FX result*.

Foreign exchange differences under changes to the fair value of debt financial instruments classified as financial assets at fair value through other comprehensive income are recognised in accumulated comprehensive income relating to financial assets classified to this financial category.

6. Net interest income

Interest income and expense for all financial instruments are recognised in the income statement.

Revenue from interest on financial assets measured at amortised cost and measured at fair value through other comprehensive income is recognised in the income statement at amortised cost using the effective interest rate or effective interest rate adjusted for credit risk.

The effective interest rate is the rate that discounts the estimated future cash inflows or payments made in the expected period until the expiry of the financial instrument, and in justified cases in the shorter period, to the net carrying amount of the asset or financial liability.

When calculating the effective interest rate, the Group estimates the cash flow, taking into account all the provisions of the financial instrument contract; however, it does not take into account potential future losses related to bad loans. The calculation includes all fees and commissions paid and received by the parties to the contract that form an integral part of the effective interest rate, transaction costs and all other bonuses and discounts.

Potential future credit losses are only taken into account for financial assets that are impaired due to credit risk at the time of initial recognition. The above is aimed at calculating the effective interest rate adjusted for credit risk.

Interest income includes interest and commissions (received or due) included in the calculation of the effective interest rate on: loans with repayment schedules, interbank deposits and securities.

In the case of financial assets or a group of similar financial assets classified under Stage 3, interest income is accrued from the net carrying amount of the receivable (i.e. value reduced by an impairment loss) using the interest rate used to discount future cash flows for the purpose of estimating impairment losses.

Interest income/expense on derivatives designated as hedging instruments in cash flow hedge accounting including interest income/expense from settlements of the price alignment amount resulting from the service in accordance with the settled-to-market approach are presented in *Net interest income as other interest income*.

7. Commission income and costs

Commission income arises from providing financial services by the Group and comprises i.a. fees for extending a loan, the Group's commitment to extend a loan, cards issue, cash management services, brokerage services,





insurance products-related services and asset management services. Commission income comprises also margins on FX derivatives transactions.

Fees and commissions (both income and expenses) directly attributed to origination of financial assets with repayment schedule are recognised in the statement of profit or loss as effective interest rate component and are part of the interest income.

The Group recognizes the following effective interest rate-adjusting commissions:

- commissions for application review and credit commitment letter issue,
- commissions for limit/overdraft granted,
- commissions for granting loan or limit/overdraft,
- commission for restructured loan processing,
- commission for amending the credit agreement as to the amount, currency or schedule of repayments,
- costs of credit and cash loan agency commissions.

Other commissions attributed to origination of financial assets without the repayment schedule are settled using a straight-line method throughout the agreement term.

The Group recognizes the following commissions as the ones cleared on a straight-line basis:

- the commissions described as the commissions adjusting the effective interest rate for the loans for whose commissions no cash flows can be estimated (first of all, current account overdrafts, working capital loans and revolving loans),
- commissions for issuing, confirming or prolonging the time and increasing the amount of guarantees or letters of credit,
- commissions for multi-facility agreements,
- commissions for the loan or limit/overdraft granted to start another lending year.

Fees on commitment to extend a cash loan, which is likely to be taken, are deferred and as at the date of financial assets origination are settled as the component of effective interest rate or using straight-line method based on the above mentioned criterion.

Other fees and commissions relating to the financial services offered by the Group – like cash management services, brokerage services and asset management services – are recognised in the income statement including the five steps approach:

- 1) identify the contract with a customer,
- 2) identify individual performance obligations in the contract,
- 3) determine the transaction price,
- 4) allocate the transaction price to individual performance obligations,
- 5) recognise income when (or as) each performance obligation is satisfied.

Based on the performed analysis, the Group recognised commission and fee income:

- once the service has been delivered (also for upfront fees) i.e. at transfer of the control over the goods or services,
- over time, if the service delivery is over time,
- at point-in-time, when the Group performs a key operation,
- when there is an actual benefit from the perspective of the customer.

After (or during) satisfaction of the performance obligations, the Group recognises as income the amount which equals the transaction price, that was allocated to this individual performance obligation.

Commission income that was accrued and is due but was not paid on time is derecognised from the Group’s financial result upon the lapse of 90 days.

Income and costs under bancassurance commission

Fees and commission related to insurance products are recognised in the income statement according to their economic content and classified as:

- commissions being part and parcel of a fee under a financial instrument wherewith the insurance product is linked,
- fee for agency service, and
- fee for additional services after the insurance product sale.

Prior to implementation of the insurance product, in order to recognise it properly in the statement of profit or loss, the Group analyses features of the insurance product and also the link between the insurance product and the banking product. In this analysis, the Group takes account of the prevalence of the economic content over the legal form. The factors analysed by the Group include but are not limited to:



- manner in which an insurance product is offered, option of purchasing a banking product without the insurance product as well as option of purchasing only the insurance product at the Group,
- pricing conditions of the two products sold together and separately,
- profitability of the insurance and banking products sold together and separately,
- sales target of combined products versus sales target of the same banking products sold without insurance,
- option of concluding an insurance agreement outside the Group,
- number of resignations and the value of refunded insurance premiums,
- settlement cycle with a client,
- scope of activities performed by the Group for the insurer and their duration.

Insurance products offered with loans are treated by the Group as linked to lending products, mainly because of lack of the possibility to purchase at the Bank an insurance product without a loan or a cash loan.

For the absolute majority of insurance products linked with lending products functioning at the Group, the income on insurance products is earned based on monthly settlements with both the insurer and the client. Since the client may resign at any time from the insurance coverage for the following month, the Group treats such insurance as renewed each month and settled for each month separately.

Therefore, the income on insurance products settled monthly is recognised in the income statement also on a monthly basis. The Group recognises the income on such insurance in the commission income on insurance products. The Group analogically presents the costs directly related to these insurance products. Such an approach ensures compliance with the matching principle.

The Group applies an analogical approach to real property insurance with mortgage loans. Taking account of the materiality principle, the Group presents full income on this insurance in the net commission income.

Most insurance products linked with the Group’s deposit products (current accounts and savings accounts) use the monthly-settlement structure. Therefore, the income on insurance products settled monthly is recognised in the income statement also on a monthly basis. The Group recognises the income on such insurance in the commission income on insurance products.

- Commissions under insurance products not linked to banking products are recognised in the income statement:
- on a straight-line basis during the insurance policy term – if the Group, apart from other sales operations, also provides additional services during the insurance term,

- on a one-off basis – if the Group does not provide any additional services during the insurance policy term.

Should there be a risk of refund of the fee under the insurance product, the Group decreases its income by the amounts of estimated provisions. The provisions for refunds are established based on the historical data on actual refunds made in the past and based on projections as to the amount of refunds in the future.

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

Net income on financial instruments measured at fair value through profit or loss and FX result includes gains and losses arising from disposal and change of fair value of assets and liabilities measured at fair value through profit or loss at initial recognition excluding interest rate derivatives designated as hedging instruments in strategies based on cash flow hedge accounting principles..

Net income on financial instruments measured at fair value through profit or loss and FX result also includes fair value adjustments for pre-settlement credit risk and analogous risk generated by the Group (bilateral value adjustment).

**9. Net income on the sale of securities and dividend income**

Net income on the sale of securities measured at fair value through other comprehensive income consists of realised gains and losses arising from the sale of debt securities measured at fair value through other comprehensive income and dividend income.

Revenue from dividends is recognised in the income statement on the date of determining the shareholders' rights to receive them.

The result on the sale of securities measured at amortized cost consists of the realized profits and losses arising from the sale of debt securities measured at amortized cost.

**10. Net (loss)/income on hedge accounting**

This item includes the measurement of hedged and hedging transactions in fair value hedging accounting and the net income on measurement of hedging instruments in the ineffective part of hedge relationship of cash flows hedge accounting.

**11. Net (loss)/income on other basic activities**

Net income on other basic activities includes cost and income not attributed directly to Group’s banking and brokerage activity. These include in particular: net income due to sale of assets (non-current assets and intangible



assets), income on sales of other services, income due to recovered bad debts, received and paid damages, penalties and fines.

12. Lease contracts and factoring services

12.1. The Group as lessor

The Group is a party to lease contracts, on the basis of which it transfers for payable usufruct non-current assets for an agreed period. Lease contracts are classified by the Group based on the extent whereto the risk and benefits due to holding of leased asset are attributable to lessor and lessee.

The lease contract shall be concluded for the term ranging from five to ten years, including transfer of the legal title to the beneficiary (lessee) after lease contract expiry. The ownership of leased asset is the collateral for the liabilities arising from lease contracts.

There are no contingent lease payments within the Group. There are no unguaranteed residual values attributable to the lessor within the Group.

In case of lease contracts, which result in transferring substantially all the risks and rewards following holding of the leased asset (financial lease), the subject of such lease contract is derecognised from the statement of financial position. A receivable amount is recognised in an amount equal to the present value of minimum lease payments. Lease payments are divided into financial income and reduction of the balance of receivables in such a way as to achieve reaching a fixed rate of return from the outstanding receivables.

Interest on financial leases is presented in *Interest income* in the item *Interest on loans and other receivables to customers*.

Lease payments for contracts which do not fulfil requirements of a finance lease are recognised as income in the income statement, using the straight-line method, throughout the period of the lease.

12.2. Factoring services

The Group provides factoring services in local and international trade. Handling and financing receivables as well as risk management are their essence. In addition, as part of factoring activities, the Group provides additional services, in the field of financial limits for debtors, debt collection and taking over commercial risk. Domestic factoring without taking over risk (with recourse) is the dominant form of factoring activity of the Group.

Interest income and commissions included in the calculation of the effective interest rate are recognized in the income statement under *Net interest income*, and other commission income under *Net commission income*.

13. Financial assets and liabilities

13.1. Initial recognition

The Group recognizes a financial asset or liability in the statement of financial position when it becomes bound by the provisions of the contract of this instrument.

Purchase and sale transactions of financial assets measured at amortised cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss are recognised in accordance with the accounting method adopted for all such operations on the transaction settlement date – the date on which the asset is delivered to the unit or delivered by the unit. Loans and receivables are recognised upon disbursement of funds to the borrower.

Upon initial recognition, a financial asset or financial liability is measured at fair value, increased in the case of a financial asset or liability not classified as measured at fair value through profit or loss, by significant transaction costs that can be directly attributed to the acquisition or issue of the financial asset or financial liability

13.2. Classification of financial assets

The Group classifies financial assets into one of the following categories:

- measured at amortised cost,
- measured at fair value through other comprehensive income,
- measured at fair value through profit or loss.

Financial assets measured at amortised cost

Financial assets shall be measured at amortised cost if both of the following conditions are met and is not designated to be measured at fair value through profit or loss:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt financial assets measured at fair value through other comprehensive income

Financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met and it is not designated for measurement measured at fair value through profit or loss:





- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and sell financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments measured at fair value through other comprehensive income

Equity instruments are measured at fair value through other comprehensive income in a situation where, upon initial recognition in the Group’s books, an irrevocable decision has been made to designate a specific investment to be measured at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss

All financial assets that do not meet the criteria for classification to financial assets measured at amortised cost or financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.

Business model assessment

The Group assesses the objectives of the business model at the level of the Group’s unit that manages financial assets and is a so-called business owner of the particular financial assets portfolio. The following business models are identified for managing the financial assets i.e. in order to:

- collect contractual cash flows,
- collect contractual cash flows and sell financial assets,
- other (e.g.: in order to maximize profits on sales).

The business models are established at the level which is the best reflection of the Group approach to management of financial assets in order to fulfil business objectives and generate cash flows.

During assessment, the Group verifies all areas of Group’s units activities identified as business owners of a particular portfolio of financial assets and which may have influence on the decisions taken with regard to holding assets in the Group’s portfolio, including but not limited to:

- assumptions of the product offer,
- organisational chart of a Bank’s unit,

- assumptions of assessment of the performance of the particular assets portfolio (e.g.: approach to planning, management information assumptions, key assessment indicators),
- approach to compensation of the key managers in relation to portfolio performance or cash flows generated on the portfolio,
- the risk generated by the assets portfolio and approach to management of those risks,
- assessment of sales activities from assets portfolio (frequency, volume and reasons for the sales), and
- assessment of expectations regarding sales activities in the future.

The Group permits the sales of financial assets held to collect contractual cash flows, due to the following reasons:

- increase of credit risk,
- sales close to maturity,
- infrequent sales,
- sales insignificant in value.

The Group took the following assumptions:

- Sales close to maturity means the sales of financial assets whose:
  - original maturity is more than 1 year and sales occurs less than 6 months before maturity date,
  - original maturity is less than 1 year and sales occurs less than 3 months before maturity date.
- infrequent sales means that the number of sales compared to the average number of items in the business model is less than 10%,
- insignificant in value means for which both the value of the sales compared to the total value of the business model and the net gains from the sales compared to the total net interest income of the business model is less than 10%.

Assessment of cash flow characteristics

In order to assess the cash flow characteristics the Group formulated the following definitions:

- principal – means fair value of the financial asset at initial recognition in the Group’s books,
- interest – means the payment including consideration for:
  - time value of money,





- credit risk resulting from principal amount outstanding within a specified period,
- other basic lending risks and costs (e.g. liquidity risk and administrative costs), and
- profit margin.

The assessment is to confirm that the realised cash flows are solely repayment of principal and interest on the principal amount outstanding. The Group verifies the contractual terms, which have influence on the timing of realised cash flows and the amount of the cash flow realised on particular financial asset.

In particular the Group verifies the following conditions:

- contingent events which have influence on the timing and the amount of cash
- leverage,
- prepayment or funding extension conditions,
- non-recourse conditions for the realised cash flows,
- terms that modified the consideration for time value of money.

The assessment of the conditions that modified the time value of money is conducted based on qualitative or quantitative analysis.

In case the qualitative assessment does not provide the conclusions as to the realised cash flow characteristics, the Group performs a quantitative assessment. The quantitative assessment is based on comparison of the difference between:

- undiscounted contractual cash flows and
- undiscounted cash flows that would arise at benchmark asset that not include the conditions modifying consideration for time value of money.

If the difference between assessed cash flows is significant, then the verified asset will be obligatorily classified to measurement measured at fair value through profit or loss, as the realised cash flows are not solely repayments of principal and interest on principal amount outstanding.

13.3. Classification of financial liabilities

The Group classifies financial liabilities into one of the following categories:

- measured at fair value through profit or loss,
- measured at amortised cost,

- financial guarantees.

Financial liabilities measured at fair value through profit or loss

Derivatives that are liabilities and financial liabilities recognised as a result of the short sale of securities are measured after initial recognition measured at fair value through profit or loss.

Financial liabilities measured at amortised cost

Financial liabilities being a contractual obligation to deliver cash or other financial asset to another entity not measured at fair value through profit or loss, being a deposit or loan received or a financial liability recognised in the result on financial asset sales transaction that cannot be derecognised from the statement of financial position.

Financial guarantees

A financial guarantee is a contract under which the issuer undertakes to make specified payments to the beneficiary to compensate the beneficiary for losses caused by the failure of a specified debtor to make repayments under the original or modified terms of a debt instrument contract.

13.4. Derecognition

The Group derecognizes a financial asset when, and only when: the contractual rights to the cash flows from the financial asset expire or the Group transfers the financial asset and the transfer qualifies for derecognition.

The Group transfers a financial asset if and only if it:

- transfers the contractual rights to receive cash flows, or
- retains contractual rights to receive cash flows but assumes a contractual obligation to remit the cash flows.

In a situation where the Group retains contractual rights to cash flows but assumes a contractual obligation to transfer these cash flows to a third party, the Group treats such a transaction as a transfer of a financial asset only if all of the following three conditions are met:

- the Group is not required to pay the final recipients until it receives the corresponding amounts resulting from the original asset,
- under the transfer agreement, the Group may not sell or pledge the original asset other than a security for the obligation to transfer cash flows established for the benefit of final recipients,
- the Group is required to remit all the cash flows received from the original asset without material delay.



When transferring a financial asset, the Group assesses the extent to which it retains the risks and rewards of ownership of the financial asset. Accordingly, where the Group:

- transfers substantially all the risks and rewards of ownership of the financial asset, it derecognizes the financial asset,
- retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset,
- neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, then the Group determines whether it has retained control of the financial asset. In this case if the Group has retained control, it continues to recognize the financial asset, and if the Group has not retained control, it derecognizes the financial asset to the extent of its continuing involvement in the financial asset.

The Group derecognizes a financial liability (or part of a financial liability) from its balance sheet when, and only when the obligation specified in the contract is satisfied or cancelled or expires.

The Group derecognizes financial assets or their part, if the rights pertaining to the financial assets expire, the Group waives such rights, sells those receivables, they are cancelled or as a result of significant modification of the loan or cash loan contractual terms.

The Group reduce the gross carrying amount of a financial asset when the Bank has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This principle is applied, among others, to accrued penalty interest, also when the principal amount of the related financial assets is still recognized in the statement of financial position.

The amounts of receivables written down as loss and recovered thereafter reduce the value of impairment loss in the income statement.

The derecognition of financial assets measured at amortised cost in connection with their sale is settled taking into account the previously created allowance for expected credit losses. Therefore, gains and losses resulting from derecognition of financial assets measured at amortised cost were presented in the statement of profit or loss in the item *Impairment for expected credit losses - profit on sale of receivables* and *Result on sale of securities measured at amortised cost*.

13.5. Modification of contractual cash flows

When the terms of the loan and cash loan agreements are renegotiated and contractual cash flows of a financial asset are modified, the Group assesses if such modification was significant and should result in the extinguishment of that financial asset and recognition of a new financial asset. A financial asset is extinguished if either the qualitative or the quantitative criteria are met.

Qualitative criteria

The Group assumes that such significant modification of the terms of the agreement will take place in case of a:

- change of the debtor with the consent of the Group, or
- change of the legal form/type of the financial instrument or
- change of loan currency unless it was included in contractual terms, or
- the modified financial asset does not meet the SPPI test, i.e. the cash flows from the financial asset do not represent, on specified dates, solely payments of principal and interest on the principal amount outstanding, or
- change in interest rate from fixed to floating or vice versa for financial assets that are not credit-impaired, or
- change of the financial instruments from revolving to non-revolving or vice versa for financial assets that are not credit-impaired, or
- increase of the exposure amount of 50% or an extension of the tenor of the facility/instrument by 50%, if the present value of cash flows under the modified terms, discounted at the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original agreement, discounted using the original effective interest rate.

Quantitative trigger

A financial asset is deemed to be extinguished when the present value of cash flows under the modified loan terms, discounted at the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original agreement, discounted using the original effective interest rate.

For modifications that do not lead to a derecognition of the financial asset, the net present value difference (using the original effective interest rate) between the cash flows of the asset before and after modification is recognised in the statement of profit and loss.



13.6. Measurement

After initial recognition, the Group measures financial assets, including derivatives that are assets, at their fair values, except for the financial assets measured at amortised cost using the effective interest method.

After initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for:

- financial liabilities measured at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value, in particular a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument,
- financial liabilities resulting from the transfer of a financial asset which do not qualify for derecognition or which are recognised on a continuing involvement basis,
- commitments to provide a loan at a below-market interest rate which it shall subsequently measure it at the higher of:
  - the amount of impairment for expected credit losses, and
  - the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with principles of IFRS 15,
- contingent consideration recognised by the Group acting as an acquirer in a business combination to which IFRS 3 applies, which it shall subsequently be measured at fair value through profit or loss.

If the estimates of payments or inflows change (excluding immaterial modifications and changes in estimates of expected credit losses), the Group adjusts the gross carrying amount of the asset or the amortised cost of the financial liability (or group of financial instruments). For this purpose, the Group translates the gross carrying amount of a financial asset or the amortised cost of a financial liability as the present value of estimated future contractual cash flows that are discounted at the original effective interest rate of the financial instrument (or the credit-adjusted effective interest rate for purchased or credit-impaired financial assets created) or, where applicable, the revised effective interest rate.

In particular, the Group adjusts the gross carrying amount of the portfolio of mortgage loans denominated in foreign currencies, taking into account the changed estimated cash flows from these agreements resulting from the legal risk of this portfolio. The adjustment is recorded as a separate line in the income statement Cost of legal risk of FX mortgage loans.

Granted financial guarantees are measured at the higher of:

- the amount being the most appropriate estimate of the expenditures needed to fulfil the current obligation arising from the financial guarantee, upon consideration of the probability of materialisation thereof;
- the amount recognised at the initial recognition, adjusted with the settled amount of commission received for granting the guarantee.

13.7. Gains and losses resulting from subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or financial liability that is not part of a hedging relationship is recognised as follows:

- a gain or loss on a financial asset or financial liability classified as measured at fair value through profit or loss is recognised in the income statement;
- a gain or loss on an asset measured at fair value through other comprehensive income is recognised directly in equity through statement of changes in equity.

Interest income is calculated using the effective interest rate method. The relevant value is computed by applying the effective interest rate method to the gross carrying amount of the financial asset, except for:

- purchased or originated credit-impaired financial assets. The Group applies the credit risk adjusted effective interest rate to the value of amortised cost of a financial asset as of the initial recognition, and
- financial assets that are not purchased or originated credit-impaired financial assets which subsequently became credit-impaired financial assets (Stage 3).

For those financial assets the Group applies the effective interest rate to the value of amortised cost (net) of a financial asset in subsequent reporting periods.

Dividends on an equity instrument are recognised in the income statement when the entity's right to receive payment is established.

Foreign exchange gains and losses arising from a change in the fair value of a financial asset measured at fair value through other comprehensive income denominated in foreign currency are recognised directly in equity only for non-monetary assets. Foreign exchange gains and losses arising from monetary financial assets (e.g. debt securities) denominated in foreign currency are recognised directly in the income statement.





At the moment of derecognition of financial assets from the balance sheet, cumulated gains and losses recognised previously in equity:

- regarding debt financial assets are recognised in the income statement,
- regarding equity instruments are recognised in equity.

The fair value of financial assets and liabilities quoted in an active market (including securities) is determined on the basis of the bid price for long position and offer price for short position. Should there be no active market for a given instrument or for the securities not quoted on an active market, the Group establishes the fair value with the use of valuation techniques that include using recent arm's length market transactions, discounted cash flow analysis and option pricing models and other techniques commonly used by market players.

Market activity is assessed on the basis of frequency and the volume of effected transactions as well as access to information about quoted prices which by and large should be delivered on a continuous basis.

The main market and the most beneficial one at the same time is the market the Group can access and on which in normal conditions it would enter into sale/purchase transactions for the item of assets or transfer of a liability.

Based on the employed methods of determining the fair value, financial assets/liabilities are classified to the following categories:

- Level 1: financial assets/liabilities measured directly on the basis of prices quoted in the active market.
- Level 2: financial assets/liabilities measured on the basis of measurement techniques based on assumptions using data from an active market or market observations.
- Level 3: financial assets/liabilities measured on the basis of measurement techniques commonly used by the market players, the assumptions of which are not based on data from an active market.

The Group verifies on a monthly basis whether any changes occurred to the quality of the input data used for individual measurement techniques and determines the reasons therefor and their impact on the fair value calculation for the financial assets/liabilities item. Each identified case is reviewed individually. Following detailed analyses, the Group takes a decision whether its identification entails any changes to the approach for fair value measurement or not.

In justified circumstances, the Group decides to make changes to the fair value measurement methodology and their effective date construed as the circumstances change date. Then, it assesses the impact of changes on the classification to the individual categories of the fair value measurement hierarchy. Any amendments to the

measurement methodology and their rationale are subject to detailed disclosures in a separate note to the financial statements.

13.8. Derivative instruments and hedge accounting

Derivative instruments are measured at fair value without cost of transactions, which are to be incurred. The base of initial fair value valuation of derivatives is the transaction price, i.e. fair value of received or paid amount.

Settlements exchanged for Interest Rate derivatives cleared via a central counterparty that are subject to settled to market contracts reduce the derivative's carrying value.

The credit risk component is included in the fair value measurement for derivative instruments through credit valuation adjustments. Valuation adjustments are estimated per counterparty considering the expected pre-settlement exposure credit risk and the same risk generated by the Group. This approach provides for the possibility of occurrence of risk of bilateral value adjustments. The adjustment is made using the expected positive exposure estimated through numerous simulations (the results from the scenarios leading to a negative outcome are eliminated) and the present market value (or its estimation through referencing to comparable data) of credit default swaps (CDS). Own risk of the Bank and the risk of materialisation of a scenario of concurrent client and Group insolvency are calculated by analogy.

In addition, for receivables resulting from matured or terminated but unsettled derivatives, the Group establishes impairment losses using the methodology applied to assessing the risk of impaired credit receivables.

The two adjustments as mentioned above were differently reflected in the financial statements. Fair value adjustments due to risk for non-matured transactions were presented in the item Net income on financial instruments measured at fair value through profit or loss and FX result, whereas the impairments losses for matured transactions in the item Impairment for expected credit losses.

If a transaction whose fair value was adjusted in the previous reporting period in the item Net income on financial instruments measured at fair value through profit or loss and FX result becomes mature or subject to restructuring, then the amount of the previous fair value adjustment is moved to the item Impairment for expected credit losses and the added part of the impairment loss for such already matured transaction is presented in the statement of financial position in the item Impairment for expected credit losses. Therefore the financial result is impacted only by the amount of surplus of the current impairment loss (or write-down) for a mature transaction above the amount of the fair value adjustment made before the transaction has matured.



The Group uses derivative instruments in order to hedge against FX and interest rate risk, arising from activity of the Group. Those derivatives, which were not designated as hedge instruments pursuant to the principles of hedge accounting, are classified as instruments measured at fair value through financial result.

13.8.1. Hedge accounting

The Group applies the hedge accounting requirements of IAS 39.

Hedge accounting presents the offsetting effects of fair value changes of both hedging instruments and hedged items which impact the income statement.

The Group designates certain derivative instruments as fair value hedging instrument or cash flow hedging instrument.

Fair value hedge

The Group applies the fair value hedge accounting in order to hedge changes in fair value of fixed-rate debt instruments classified to the portfolio of assets measured at fair value through other comprehensive income and fixed-rate debt instruments classified to the portfolio of assets at amortised cost against the risk resulting from interest rate changes.

Cash flow hedge

The Group applies cash flow hedge accounting in order to hedge the amount of future cash flows of certain portfolios of assets/liabilities of the Group or the portfolio of highly probable planned transactions against the interest rate risk and the highly probable planned transactions against the FX risk.

13.8.2. Derivative instruments not qualifying as hedging instruments

Changes in fair value of derivatives that do not fulfil the criteria of hedge accounting are disclosed in the statement of profit or loss for the current period. Changes in fair value of interest rate derivatives arising from ongoing accrual of interest coupon are disclosed under *Net interest income on derivatives*, whereas the remaining part of changes in the fair value of interest rate derivatives is presented under *Net income on financial instruments measured at fair value through profit or loss and FX result*.

Changes in the fair value of FX derivatives are presented under *Net income on financial instruments measured at fair value through profit or loss and FX result*.

13.9. Offsetting financial instruments

The Group offsets financial assets and financial liabilities and presents them in a net amount in the statement of financial position when and only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

In order to mitigate credit risk, the Group concludes master agreements with contracting parties, with which the Bank concludes transactions. These master agreements provide for offsetting financial assets and liabilities in case of a breach of the master agreement. Due to the conditional nature of these contractual provisions, there is no netting in the financial statements and the effects of conditional netting are presented in note 38. *Offsetting of financial instruments*.

13.10. Repo / reverse repo transactions

The Group presents the financial assets sold with the repurchase clauses (repo, sell-buy-back transactions) in its statement of financial position, simultaneously recognising a financial liability under a repurchase clause. This is done in order to reflect the risks and benefits arising on this asset item that are retained by the Group after the transfer.

For the securities purchased with a reverse repurchase clause (reverse repo, buy-sell-back), the financial assets held are presented as receivables arising from repurchase clause, hedged with securities.

13.11. Expected credit losses

Estimation of the impairment loss is based on the expected credit loss. This approach shall be applied to debt financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, lease receivables, contract assets, irrevocable loan commitments and financial guarantees, except for investment in equity securities.

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



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

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

The Group applies the definition of exposures in default status, impaired exposures and non-performing exposures in accordance with regulatory requirements. A debtor or an exposure is assessed as default is also identified as an impaired and non-performing exposure.

Three stage approach

During the process of estimating expected credit losses, the change of the credit quality for a particular credit exposure since initial recognition is described based on three stages, the reflecting the various approaches to measurement the expected credit losses:

- Stage 1 includes performing exposures that have not had a significant increase in credit risk since initial recognition. Expected credit loss shall be measured based on 12-month expected credit losses (or till maturity date if such exposures will expire in less than 12 months).
- Stage 2 includes performing exposures that have had a significant increase in credit risk since initial recognition. Expected credit loss is calculated on the basis of anticipated losses throughout the lifetime, or from the reporting date until the remaining maturity.
- Stage 3 – impaired exposures, which means non-performing loans. Expected credit loss shall be measured based on lifetime expected credit losses and the probability of default (PD) = 100%.

The Group qualifies the financial exposures to Stage 1, 2 or 3 using a cascade approach in the following order:

1. Identification of impaired exposures and classification thereof to Stage 3,
2. Allocation to Stage 2 based on triggers for significant increase of credit risk.
3. Allocation of other exposures to Stage 1.

Significant increase in credit risk

The Group determines the significant increase in credit risk, which results in classification to Stage 2, based on one of the following triggers (where the first one is the leading one):

- significant increase in the lifetime PD at reporting date comparing to the lifetime PD at initial recognition occurring over the period from the reporting date till maturity date;
- watch list status,
- threefold increase in PD
- the asset has an internal rating of 18 or 19
- customer service by a corporate restructuring unit,
- forbearance status,
- collective assessment of significant increase in credit risk of an entire portfolio
- more than 30 days past due.

Thresholds of significant increase in PD parameters in the lifetime of exposure comparing to PD at initial recognition, indicating significant increase in credit risk, are established for models according to assumed methodology as:

- absolute threshold – indicates maximum difference between PD at the reporting date and PD at initial recognition which triggers classification to Stage 2,
- relative threshold – indicates the maximum measure of the relationship between the PD as at the reporting date and the PD from the initial recognition of the exposure, taking into account the scaling factor determined at the level of a particular exposure, based on the PD from the initial recognition, beyond which the asset is classified to Stage 2.

Exceeding at least one of the above thresholds results in classification of a financial asset to Stage 2.

The methodology of establishing PD thresholds to indicate significant increase in credit risk is based on performing an appropriate segmentation followed by statistical indication of the threshold to classify exposures to Stage 2 which maximizes discriminatory power of classification to stages, under certain assumptions, among others, minimization of classification errors.

Evidence and triggers for classification of assets at amortised costs to the Stage 3

At each balance sheet date, the Group assesses whether a financial assets item or a group of financial assets is impaired. A financial asset item or a group of financial assets is impaired if and only if, there is evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset item (a 'loss event') and that loss event (or events) has (have) an impact on the expected future cash flows of the financial asset item or a group of financial assets that can be reliably estimated. The Group recognizes the expected credit losses





based on reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Evidence of impairment

The evidence of impairment is:

- identification of objective evidence of impairment (in the case of corporate and retail credit exposures), or
- a delay in repayment of more than 90 days and, at the same time, the amount of the arrears exceeds the absolute and relative materiality threshold.

Objective evidence of impairment does not require expert judgment – identification of the occurrence of such evidence causes the credit exposure to be considered defaulted and, at the same time, impaired without further analysis. Objective impairment evidence of corporate or retail credit exposures cover the occurrence of minimum one of the following situations:

- restructuring of the credit exposure for non-commercial reasons related to significant financial difficulties of the client, resulting in a change to the existing terms of the contract, full or partial refinancing of the exposure at risk, which would not have taken place if the client had not experienced financial difficulties (including forbearance), resulting in a loss of more than 1% of the present value of discounted future cash flows; for retail credit exposures – non-performing restructuring,
- write-down or write-off by the Group in the process of restructuring of a significant amount of corporate client receivables resulting in a reduction in cash flows from a given financial asset,
- filing by the Group, the client's counterparty or another bank for the client's bankruptcy or the initiation of proceedings under the restructuring law,
- declaration of bankruptcy; in the case of corporate credit exposures, the client was put into liquidation, ceased operations,
- the credit exposure becomes due to the termination of the credit agreement by the Group,
- sale by the Group of a credit receivable (or its part) with a loss greater than 5% of the balance sheet exposure amount, if the sale was caused by the deteriorating credit quality of the exposure,
- the occurrence of an overdue exceeding 30 days or granting another forbearance on a credit exposure classified initially as forbearance non-performing, and then healed and in the forbearance performing status during the trial period,

- interest-free status (interest stoppage) for a credit exposure,
- for retail credit exposure, over 3-month arrears in repayment of due liabilities under the loan with a one-off repayment of the entire mobilised capital at the end of the loan period,
- for corporate credit exposures – making a decision to recover debts as part of the debt collection strategy,
- questioning the balance sheet credit exposure by the client in court proceedings.

Impairment triggers

Impairment triggers require an individual expert assessment of the debtor's situation and a decision as to whether the classification to default as an impaired exposure is justified.

The triggers for impairment for corporate credit exposures (excluding exposures to entrepreneurs) include:

- granting by a natural person in default of obligations, a surety at the Bank for significant obligations of a company belonging to it or when a natural person is a debtor of the Bank and the company belonging to it is in default,
- over 3-month arrears in repayment (including all interest, principal and commissions) under the loan with a one-off repayment of all disbursed capital at the end of the loan period (not applicable if the repayment frequency exceeds one month),
- the customer belongs to the same economic or legal group as the defaulting debtor,
- disappearance of the possibility of refinancing,
- for exposures resulting from transactions concluded on the financial market – disappearance of an active market (e.g. suspension of quotations on the WSE) for a given financial asset (shares, bonds, other securities) held by the Group due to financial difficulties of the issuer / client, which may have a negative effect on the future cash flows of a given financial asset,
- the customer ceases to repay principal, interest or commission and the delay in repayment or the oldest unauthorised overdraft continues for more than 45 calendar days,
- bankruptcy threat, submission of an application to initiate proceedings under restructuring law or other financial reorganization, which may result in non-repayment of a financial asset or its delay,
- no intention or possibility of repayment by the debtor due to the existing financial problems; in particular, the following events may indicate significant financial difficulties (the events described in points "1" to "5" are not triggers for impairment if they were assumed in the client's financial plans at the time of granting the involvement and the Group accepted such plans:
  - 1) negative equity at the end of the annual accounting period,





- 2) negative cash flows from operating activities in three consecutive annual accounting periods (from the cash flow statement, and if it is not prepared, then from the simplified cash flow statement),
- 3) revenues from core activities decrease significantly (over 50% year on year based on the results of annual accounting periods) or revenues from core activities decrease (over 30% year on year based on the results of annual accounting periods) and, at the same time, the ratio of debt to EBITDA (earnings before interest, taxes, depreciation and amortization, profit before deduction of interest on interest-bearing liabilities, taxes and depreciation) is greater than 4 or EBITDA is less than 0 (if the contract contains a different definition of the trigger, the event is a trigger for impairment, if it is exceeded level 4 as defined in the contract. If the contract indicates the level of the ratio > 4, then we identify the triggers for impairment when exceeding the level specified in the contract),
- 4) Negative EBITDA in two consecutive annual financial periods,
- 5) the implementation of financial projections by the client negatively differs from the range approved by the Group by at least 20%, which leads to a significant breakdown of financial ratios,
- 6) the events described in points "1" to "5" occurred during the accounting year, provided that they occurred in the amounts considered significant and the Group expects that the situation will not improve until the end of the annual accounting period and this situation may result in failure to repay the financial asset or its delay,
- 7) active enforcement to client accounts kept in the Group, if the oldest active enforcement order persists for more than 90 days and the total amount of active titles exceeds PLN 100 thousand; PLN for customers of the corporate sales network or PLN 500 thousand for strategic clients,
- 8) unsettled claims under guarantees granted by the Group (lack of customer funds), if the customer's overdue liability to the Group due to the payment of the guarantee by the Group persists for more than 45 days from the date of payment of the guarantee claim,
- 9) termination of a loan agreement with another bank of significant value,
- a material breach of contractual terms by the customer, which may have a negative impact on future cash flows from a given financial asset (if there has been a material breach of contractual terms, but the Group, after identifying and assessing the causes and effects of such breach, accepted them (temporarily or permanently) or changed, such an event is not treated as a trigger for impairment),
- unknown whereabouts of the client, resulting in a lack of representation in contacts with the Group and undisclosed assets of the client,
- crisis of the sector in which the client operates, combined with the borrower's weak position in a given sector,

- restructuring of the loan receivable for non-commercial reasons related to significant financial difficulties of the client, resulting in a change to the existing terms of the contract, full or partial refinancing of the exposure at risk, which would not have occurred if the client had not experienced these financial difficulties (including forbearance) and loss of the net present value of cash flows is equal to or less than 1%,
- credit fraud of the debtor towards the Bank or another ING Group entity,
- the exposure has received a forbearance 2 or more times in the last 5 years,
- a significant deterioration of the client's rating resulting in its reclassification to a risk class of at least 17 with a simultaneous drop by at least 4 classes.

The Group has also determined the following additional triggers for impairment for leveraged transactions (i.e. transactions with a high level of debt relative to operating profit):

- a significant breach of an important financial clause or failure to return to the state from before the breach, especially when the customer simultaneously requests a repayment facility,
- forbearance refinancing of the existing borrower with an increased level of financial leverage (IBD / EBITDA, i.e. interest bearing debt / earnings before interest, taxes, depreciation and amortization, total liabilities / profit before deduction of interest on interest-bearing liabilities, taxes and depreciation) compared to leverage levels at the time of funding or previous refinancing,
- refinancing of the exposure with the repayment of the entire mobilised capital at the end of the loan period in the event of financial difficulties of the client and with a low probability of refinancing by another bank under current market conditions,
- the base case and stress case scenarios indicate the lack of sufficient and stable cash flows to service the debt in accordance with the adopted schedule;

and the following additional triggers for the revenue-generating real estate financing transactions:

- LTV (Loan to Value) > 90% and this is not a temporary situation,
- historical DSCR (debt service cover ratio) ratio < 1.0 or ICR (interest coverage ratio) < 1.0 (depending on which indicator is used for transaction risk assessments) for two consecutive annual accounting periods and cash flows generated by the real estate are, in the opinion of experts, insufficient to repay and service the loan in accordance with the adopted schedule.

The triggers for impairment for retail credit exposures and credit exposures to entrepreneurs include:

- failure to meet a minimum of three debt repayment arrangements within the current period of arrears,



- a natural person who has issued a surety in the Group for significant obligations of their company is in default or a natural person is a debtor of the Group and their company is in a state of default,
- the business client is related to the same group of debtors (legally or economically) in which one of the debtors is defaulted,
- no intention or possibility of repayment – in the Group's opinion, the debtor does not want to pay off the obligation or is unable to pay; the inability to repay the liability occurs when the debtor's sources of income are insufficient to repay the instalments due, e.g.:
  - for an individual client: loss of job, termination of social benefits payments, divorce, serious illness, death of the debtor, obtaining information on untimely servicing of a debt of significant value in another bank (over 90 days overdue) or commencement of enforcement / debt collection activities by another bank,
  - for a business client: (anticipated) cash shortfall, (anticipated) high or sudden increase in leverage, (anticipated) breach of financial clauses, (anticipated) deterioration in a market where the debtor's position is weak,
- approving a forbearance to the customer that is not able to repay its financial obligations under a loan agreement with the Group due to existing or anticipated financial difficulties,
- credit fraud of the debtor towards the Group – reasonable suspicion of extortion of a loan, i.e. an obligation whose credit documentation or the established facts indicate that it was granted as a result of deliberate misrepresentation of the Group by presenting documents, certificates, and statements that are not factually correct,
- occurrence of minimum two forbearance instances within 5 years of granting the first forbearance.

In the process of identifying impairment, the Group first assesses whether there is any objective evidence or trigger for impairment for financial assets.

The entire loan portfolio of retail and corporate clients is subject to the control for impairment of exposure. Credit exposure is assessed for impairment in relation to the debtor automatically on a daily basis for customers from retail segments and on a current basis and on the applicable dates of regular and irregular portfolio monitoring in relation to corporate customers. Objective evidence of impairment requires the client to be reclassified to the portfolio of non-performing exposures.

Identification of the triggers for impairment of the credit exposure of corporate clients requires an individual expert assessment of the debtor's situation and a decision whether the classification to default is justified, i.e.:

- assessment of the customer's potential to repay all credit obligations to the Group in compliance with the agreement and a documented assessment,

- if no default or impairment is identified, a written justification for leaving the client in the performing portfolio should be prepared,
- if as a result of the assessment a situation of default or impairment was identified – reclassification of the client to the portfolio of non-performing exposures.

If, as a result of the assessment, it is concluded that there is no evidence of impairment for a given financial asset, the asset is included in groups of financial assets with similar credit risk characteristics that indicate the debtor's ability to repay the entire liability in accordance with the terms of the contract. In the groups designated in this way, the impairment loss is calculated using the collective method, based on the valuation of expected credit losses. If there is evidence that an impairment loss has been incurred on an asset measured at amortised cost, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the original effective interest rate of the financial instrument.

In practice, this means that for assets from the Stage 3 portfolio subject to individual assessment (individually significant financial assets, whose value exceeds the equivalent of EUR 1 million), the impairment is calculated directly using discounted future cash flows for a given asset, and for assets from the Stage 3 portfolio subject to collective assessment (financial assets insignificant) – is determined using the collective impairment method with the use of the expected credit loss over the life of the asset. When estimating future cash flows, the available information about the debtor is taken into account, in particular, the ability to repay the exposure is assessed, and in the event that the credit exposure has collateral, the estimation also takes into account the expected future cash flows from the realization of the collateral, taking into account inter alia time, costs and difficulties in recovering payments as a result of selling the collateral.

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

The Group applies a definition of default, in line with the guidelines of the European Banking Authority (EBA) No. EBA/GL/2016/07 of 18.01.2017 on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013.

Recognition of an allowance for expected credit losses for assets measured at amortised cost

Impairment is presented as reduction of the carrying amount of the component, while the amount of loss is charged to the profit and loss account of the period.



If in the next period the amount of impairment loss decreases due to an event that occurred after the impairment (e.g. improvement in the debtor’s creditworthiness assessment), then the previously made impairment loss is reversed through the profit and loss account. The Group has defined the events that may result in the reversal of impairment of the credit exposure.

The Group applies the same criteria for the purpose of recovering a client from default and reversing impairment losses. The process of starting the trial period and then healing, i.e. transition from the non-performing portfolio (NPE) to the performing portfolio is carried out:

- for customers from the mortgage and consumer loan segment - at the business segment level, unless it applies to a situation recognised at the debtor level (e.g. bankruptcy),
- for corporate clients - at the debtor level.

If the debtor is in the impaired portfolio and has no exposure as a forbearance (facility), it shall be considered to be healthy and qualified as a performing (performing) portfolio if all of the following conditions are met in the following order:

- no evidence of impairment or impairment triggers giving rise to a default or indicating a high probability of default - are active,
- at least 3 months (trial period) have passed since the date of completion of proof/ indication of impairment and during this period the customer’s behaviour (intention to repay) and situation (ability to pay) have been positively assessed, and in the case of a corporate customer, the assessment of financial standing has been documented,
- the customer made regular repayments, i.e. no arrears >30 days during the trial period,
- after the end of the trial period, the customer was considered able to repay the loan liabilities in full, without using the collateral,
- no arrears exceeding the absolute limit; if there are arrears in excess of the absolute limit, the trial period shall be extended until the arrears are reduced below that limit.

A client in an impaired portfolio with an exposure with the status of granted facility for repayment (forbearance) - shall be deemed to be cured and qualified to the working portfolio (performing) if all of the following conditions are met:

- no evidence of impairment or impairment triggers giving rise to a default or indicating a high probability of default - are active,

- at least 12 months have passed since the last of the following events (trial period):
  - granting the last restructuring measures, i.e. granting a facility for repayment (forbearance),
  - the exposure has been given default status,
  - end of the grace period specified in the restructuring agreement,
- during the trial period, the customer made significant/regular repayments:
  - he customer, as part of his regular payments in accordance with the established restructuring conditions, repaid the material amount in the amount constituting the earlier overdue (if there were overdue amounts) or redemption (if there were no overdue amounts),
  - the client made regular repayments in accordance with the new schedule taking into account the conditions of restructuring, i.e. no arrears > 30 days during the trial period,
- at the end of the probationary period, the customer has no past due amounts and has no concerns about the full repayment of the exposure under the terms of the restructuring agreement.

The Group has established the following additional terms of reversal of impairment / exit from default status (default) binding for all customers:

- If in the trial period a proof or an indication of impairment is identified as a source of default/ indicating a high probability of default, the date of the end of the trial period will be re-established and the trial period starts to count from the beginning from the moment of expiry of the proof/ indication.
- If a DPD event > 30 occurs during the trial period and after the grace period, the trial period end date will be reset and the trial period will begin to count from the beginning when the DPD has returned to less than 31 days.
- All conditions for reversal of impairment/exit from default should also be met for new exposures to the client, in particular if previous credit exposures of this client previously in restructuring were disposed of or permanently written off.

An exception to the principle of lack of active evidence / impairment triggers constituting the source of default is evidence "classification to Stage 3 / provision" - its persistence does not suspend the start of the trial period (because it is the effect and not the cause of the default) - classification to Stage 3 and the provision is also maintained during the trial period.





Indications of classification of a financial asset measured at fair value through other comprehensive income to Stage 3

At each balance sheet date, the Group assesses whether there is objective evidence of impairment of debt financial assets classified as at fair value through other comprehensive income. Confirmation of the existence of objective evidence of impairment is the premise for classification of the asset to stage 3.

Evidence that a financial asset or group of financial assets is impaired permanently may be based on one or more of the following:

- significant financial difficulties of the issuer (e.g.: significant negative equity, high losses incurred in the current year exceeding equity, termination of a credit agreement of significant value in another bank),
- failure to meet contractual conditions, including in particular failure to pay or default on maturing liabilities (e.g. interest or notional amount), interpreted as materialisation of the issuer’s credit risk,
- the granting by its creditors to the issuer of facilities for the repayment of liabilities which it would not otherwise have received,
- high probability of bankruptcy or other financial reorganisation of the issuer,
- identification of impairment of a financial asset in the previous period,
- disappearance of an active market for a financial asset, which may result from the issuer’s financial difficulties,
- published analyses and forecasts of credit rating agencies or other entities that confirm a specific (high) risk profile of a financial asset,
- other observable data indicating a determinable decrease in the estimated future cash flows resulting from the group of financial assets that appeared after the date of their initial recognition in the Group’s books. The data referred to above may relate to unfavourable changes in the payment situation of a group of issuers, a country or local economic conditions that are correlated with the lack of repayments from the group of financial assets.

Recognition of an allowance for expected credit losses on debt financial assets measured at fair value through other comprehensive income

Impairment losses on debt financial assets measured at fair value through other comprehensive income are recognised in the statement of profit or loss. These losses are excluded from other comprehensive income.

Measurement of expected credit losses

In order to measure the expected credit losses under collective approach, the Group uses the adjusted to IFRS 9 requirements the existing regulatory capital models (PD, LGD, EAD) developed for the Advanced Internal Ratings Based (AIRB) approach. The models of risk parameters for the purpose of IFRS 9 follow the same structure as the models for regulatory capital purposes, however the manner of estimating the specified value of PD, LGD and EAD is adjusted to IFRS 9 requirements, in particular it includes reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions. The model’s parameters were calibrated in accordance with the “point-in-time” approach. EAD parameter includes the repayment schedules in accordance with credit agreements.

The amount of the revaluation charge calculated collectively is based on the history of losses for asset portfolios with similar credit risk characteristics. For the purposes of determining risk parameters, the Group uses over thirty models for the needs of which exposures are classified into homogeneous groups with similar characteristics based on different criteria (mainly product characteristics, e.g. loan duration, form of collateral and purpose of the loan, and type of client and financing). Exposures from the retail banking segment are divided into mortgage and consumer. Corporate banking exposures are grouped mainly by customer size (e.g. small and medium-sized enterprises, corporations), customer type (e.g. financial institutions), loan application (e.g. real estate financing, project financing) and product.

The Group measures the lifetime expected credit losses LEL (Lifetime Expected Loss) on exposures without impairment recognised as the discounted sum of partial losses during the life of the exposure, relating to the events of default in each 12-month period remaining to the maturity date of the exposure, taking into account the weights of the scenarios

For credit exposures classified to Stage 1, a 12-month expected credit loss is applied.

For credit exposures in default at Stage 3 and for which the collective provision is computed, the Group measured the lifetime expected credit losses.

The time value of money was reflected in expected credit losses by two discount factors:

- The discount factor between the moment of default and the moment of debt recovery. It is used for the parameters of the regulatory LGD models.
- Discounting between the reporting date and the moment the exposure becomes in default which is partly taken into account in calculating the lifetime expected loss LEL. The Group assumes that for each time window of 12 months the event of default occurs on average in the middle of the period 0-12 months.





The Group measures the expected credit losses as the probability weighted average of the few macroeconomic scenarios (mostly three: a baseline, negative and positive scenario) with different probability to occur. The expected loss is determined separately for each scenario and the probability weighted average results from the weights (probabilities) assigned to each scenario (sum of weights = 100%). Such approach fulfils IFRS 9 requirements that the impairment for expected credit losses should reflect an unbiased and probability-weighted amount that is determined based on a number of possible outcomes.

Weightings of scenarios result directly from macroeconomic assumptions made. The Group has chosen for the 90th percentile of macroeconomic factors distribution as a downside scenario because it corresponds the assumptions of other calculations in the Group related to risk appetite, which use 90% confidence level (e.g. RWA at risk) and 10th percentile for positive scenario as a mirror approach. 90th and 10th percentile of the distribution imply directly the probabilities of realization of these scenarios – both have statistically a 20% probability of realization. Consequently, the baseline scenario is a supplement of these extreme scenarios and it has 60% probability weighting.

The forecast (measurement) of the expected loss is conducted at each point in time in the future depending on the expected future economic conditions at a given point. Based on the data about past events, the Group determined the relation between the observable parameters of expected loss (PD, LGD) and macroeconomic factors as functions, based on which – at predicted macroeconomic factors – Bank computes the predicted parameter values of expected loss in a given year in the future in accordance with forward looking “point in time” approach. The impact of macroeconomic factors on expected credit losses is ensured in the Group by including them in the modelling of particular risk parameters, which enables appropriate selection of factors specific for a given parameter and portfolio type. Selection of appropriate macroeconomic factors constitutes a part of model building process and includes several stages, both expert based that guarantee an economically interpretable relation as well as statistical approach which enables the assessment of their significance and power of relations. The assessment of the adequacy of the impact of macroeconomic factors is part of the overall assessment of the models for determining impairment for expected credit losses as part of the model monitoring performed by the Group.

For the purpose of measurement of the expected credit loss, the Group determines the level of EAD exposures only for irrevocable loan commitments through the use of CCF conversion factors (the range of utilization of the undrawn loan commitment during a period from the reporting date till the default event) from regulatory EAD models (estimated in accordance with “through the cycle” approach). EAD decreases during the time according to payment schedule of the particular credit exposure.

For exposures with a specified final repayment date, the time to maturity is equal to the final repayment date. If the final repayment date exceeds 30 years, the expected loss calculation period is limited to 30 years.

For the financial exposures without maturity payment date (e.g.: some revolving credit facilities and credit cards) the expected lifetime is determined by the statistical behavioural parameter.

The LGD parameter, which is a function of used techniques for mitigation of credit risk and it is expressed as percentage of EAD, it is estimated on a product and exposure level based on the parameters of the regulatory LGD models (estimated according to “through the cycle” approach) which were properly calibrated for the purpose of IFRS 9. Collateral recoveries are an integral part of the construction of LGD models and, as a rule, the criteria for recognizing collateral are consistent with the CRR requirements. The most important collaterals recognized by the Group include mortgage collaterals (residential and commercial) as well as guarantees and sureties.

The level of LGD which is used for the estimation of the amount of the impairment loss according to the collective method for defaulted exposures (PD = 100%), depends on the period during which the exposure was identified as defaulted. In addition, for corporate clients segment in the field of large and medium-sized companies, the value of the LGD parameter is 100% after at least 78 months of the exposure being in default. In a similar way, regarding the retail clients segment and entrepreneurs, the value of the LGD parameter is set to 100% if one of the following conditions is met:

- the impairment event took place and the objective evidences of the impairment occurs continuously for 47 months from the date of recognition of impairment in relation to entrepreneurs,
- defaulted exposures that belong to the impaired portfolio (POCI),
- the exposures were assessed as credit fraud, i.e. they were registered as a suspicion of credit fraud or reported as a notification of a suspected crime.

13.12. Purchased or created financial assets impaired due to credit risk

The Group recognises as the separate category, the purchased or originated credit-impaired financial assets at initial recognition (POCI).

Such assets may be recognised due to following reasons:

- purchase of credit impaired financial assets,
- significant modification (described in item 13.5.) due to derecognition of original loan or
- origination of new credit exposure for the client for which other exposures were classified to Stage 3.

Those assets are excluded from the three stage approach described in item 13.11.

The change in the cumulated lifetime expected credit losses, both positive and negative, is recognised as impairment gain or loss in profit or loss.



14. Property, plant and equipment and intangible assets

14.1. Property, plant and equipment

Own property, plant and equipment

Property, plant and equipment consist of controlled non-current assets and costs to construct such assets. Non-current assets include property, plant and equipment items with an expected period of use above one year, maintained to be used to serve the Bank’s needs or to be transferred to other entities, based on the lease contract or for administrative purposes.

Property, plant and equipment, with the exception of land and buildings, are recorded at purchase price or production cost i.e. after initial recognition they are recorded at historical cost less depreciation and impairment. The historical costs are made up of the purchase price/production cost and the costs directly related to the purchase of assets.

Each component part of property, plant and equipment items, whose purchase price or production cost is material in comparison with the purchase price or production cost of the entire item, is depreciated separately. The Group allocates the initial value of the property, plant and equipment into its significant parts.

Land and buildings are carried in accordance with the revaluation model, after initial recognition at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

The revaluation effect is reflected in other comprehensive income in case of the value increase, or carried through the income statement in case of the balance sheet asset’s value decrease. However, the increase of value is recognised as income statement insofar as it reverses the decrease of value due to revaluation of the same asset that was previously recognised as costs of a given period. Similarly, the decrease of the asset’s value resulting from revaluation shall be set off against the relevant surplus resulting from the previous revaluation of the same asset. The entire revaluation surplus is carried through retained earnings at the time of withdrawing from use or selling the asset item.

Fixed assets in leasing

The Group is a party to lease contracts, under which it receives the right to control the use of an identified asset for a given period in exchange for remuneration. The Group applies IFRS 16 to all lease agreements, except for all lease agreements for intangible assets and exemptions provided for in the standard and described below.

The Group identifies leasing and non-leasing components in concluded contracts. Non-lease payments under contracts are recognised as an expense in accordance with relevant IFRS. Lease payments are recorded in accordance with the rules described below.

At the date of commencement of the lease, the Group recognizes assets due to the right to use the assets. The initial valuation of the lease liability is determined by the Group at the present value of future lease payments. Identifying future lease payments requires a lease period to be determined. When determining the lease period, the Group takes into account the irrevocable lease period together with the periods for which the lease can be extended and the periods in which the lease can be terminated. In order to make an assessment, the Group takes into account all relevant facts and circumstances that create an economic incentive to use or not to use these options. At the start of the lease contract, the Group assesses whether it can be assumed with sufficient certainty that it will benefit the option to extend the lease, or that it will not use the option to terminate the lease. The Group reviews the lease period in order to reassess significant events or circumstances that may affect the estimated length of the lease period. Leasing ceases to be enforceable if both the lessee and the lessor have the right to terminate the lease without the other party's permission, which results in a slight penalty, at the most. For lease contracts concluded for an indefinite period, in which there is a two-sided notice and potentially high costs related to the termination of the contract, the Group estimates the lease period.

To determine the discounted value of lease payments, the Group uses the leasing interest rate, and if the rate is not easily available, the Group uses the marginal interest rate. The Group determines the leasing interest rate as the sum of swap interest rate and internal transfer price, taking into account currencies in which lease contracts and contract maturities are denominated. After the lease commencement date, the carrying amount of the liability:

- increased by accrued leasing interest, which is recognised in the income statement and losses as interest expenses,
- less lease payments paid,
- updated as a result of reassessment, changes in leasing or changes in essentially fixed leasing fees.

At the commencement date of the lease, the Group recognizes assets due to the right to use equal to the initial measurement of the lease liability. The cost of an asset due to the right of use also includes:



- fees paid on the date of commencement or before the date of commencement of the lease, less leasing incentives received,
- initial direct costs incurred by the lessee,
- costs to be borne by the lessee in connection with bringing the asset to its original condition.

The right to use is depreciated over the duration of the lease and is reduced for impairment losses. The value of the right to use is updated during the lease period as a result of modifications of the lease agreement.

The Group uses the exemption for:

- short-term leases – a contract may be classified as a short-term contract if the duration of the contract does not exceed 12 months and a purchase option is not provided for the subject of the contract,
- leases in which the subject of the contract has a low value – assets may be classified as low-value assets if the gross purchase price of the new component does not exceed EUR 5,000 and the subject of the contract is not and will not be sub-leased.

Lease payments under the above mentioned contracts are recognised by the Group as costs in the income statement in a systematic manner throughout the duration of the lease.

14.2. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Intangible assets are deemed to include assets which fulfil the following requirements:

- they can be separated from an economic entity and sold, transferred, licensed or granted for use for a fee to third parties, both separately, and together with their accompanying contracts, assets or liabilities,
- arise from contractual titles or other legal titles, irrespective of whether those are transferable or separable from the business entity or from other rights and obligations.

Goodwill

Goodwill arising on acquisition of an entity is recognised at the acquisition price being the surplus of the aggregate of:

- provided payment,
- sums of all non-controlling interest in the acquired entity, and
- in the case of combining entities executed measured at fair value as at the day of acquiring interest in the capital of the acquired entity, previously belonging to the acquiring entity,

over the net amount determined as at the day of acquiring values of the identifiable acquired assets and assumed liabilities.

After the initial recognition, the goodwill is recognised at acquisition price less any accumulated impairment losses.

Computer software

Purchased computer software licences are capitalised in the amount of costs incurred for the purchase and adaptation for use of specific computer software.

Expenditures attached to the development or maintenance of computer software are recognised as costs when incurred.

Other intangible assets

Other intangible assets purchased by the Group, are recognised at purchase price or production cost less amortization and total amount of impairment losses.

Subsequent costs

Subsequent costs incurred after initial recognition of acquired intangible asset are capitalised only if the following conditions are met:

- it is likely that the outlays (taking into account the new version of the software) will result in a significant increase in functionality in relation to the originally assessed performance standard, and
- these costs can be reliably measured and attributed to internally used existing software.

In other cases, costs are recognised in the income statement in the reporting period in which they were incurred.

14.3. Depreciation and amortization charges

The depreciation/amortization charge of property, plant and equipment and intangible assets is applied using the straight line method, using defined depreciation/amortization rates throughout the period of their useful lives. The depreciable/amortisable amount is the purchase price or production cost of an asset, less its residual value.

The useful life, depreciation/amortization rates and residual values of property, plant and equipment and intangible assets are reviewed annually. Conclusions of the review may lead to a change of depreciation/amortization periods recognised prospectively from the date of application (the effect of this change is in accordance with IAS 8 carried through income statement).

In case of buildings measured at fair value, the accumulated depreciation balance at the revaluation date is removed from the carrying amount gross, and the net carrying amount is adjusted to the revalued amount.





Depreciation and amortization charges are recognised in the income statement. At each balance sheet date goodwill and other intangible assets with indefinite useful life are regularly tested for impairment. The depreciation/amortization periods are as follows:

- lands and buildings 50 years
- investments in external fixed assets, period of rental, lease, leasing, no longer than 10 years
- devices 3 to 7 years
- equipment 5 years
- costs of development of software 3 years
- software licenses 3 years

14.4. Impairment of other non-financial assets

For each balance sheet date, the Group assesses the existence of objective triggers for impairment of an asset. If such a trigger exists, the Group performs an estimation of the recoverable value. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount.

As regards company goodwill, it is tested for impairment as at the balance sheet date regardless of whether or not there are triggers for impairment in place.

Recognition of impairment loss

If there are triggers for impairment of common property, i.e. the assets which do not generate cash independently from other assets or groups of assets, and the recoverable amount of the individual asset included among common property cannot be determined, the Group determines the recoverable amount at the level of the cash-generating unit, to which the given asset belongs. An impairment loss is recognised if the book value of the asset or cash-generating unit exceeds its recoverable amount. The goodwill impairment is determined by estimating the recoverable amount of the cash-generating unit the given goodwill applies to. Should the recoverable amount of the cash-generating unit be lower than the carrying amount, impairment loss is made.

The impairment loss is recognised in the income statement under *General and administrative expenses*. Impairment losses for cash-generating units reduce the goodwill of the cash-generating units (group of units) in the first place and then reduce proportionally the book value of other assets in the unit (group of units).

Reversing impairment loss

Goodwill impairment loss is not subject to reversal.

An impairment loss of an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset’s recoverable amount.

An impairment loss can be reversed only up to the amount, at which the book value of impaired asset does not exceed its book value, which decreased by depreciation/amortization charge, would be established, if any impairment loss had not been recognised.

15. Other financial assets

Other financial assets include trade receivables and other receivables.

The Group introduced the simplified approach regarding to measurement of the impairment for expected credit losses and recognise the impairment at an amount equal to lifetime expected credit losses.

In justified cases, and in particular when receivables due to shortages and damages, claims are contested by debtors and other receivables for which the Group assesses the risk of non-recovery as high, revaluation write-downs are made immediately after such assessment is confirmed. In other cases, trade receivables are subject to impairment write-downs after reaching a certain overdue threshold.

If the effect of the time value of money is material, the value of receivable is determined by discounting the expected future cash flows to the present value, applying the discount rate that reflects the current market assessments of time value of money.

Budgetary receivables are recognised as part of other financial assets, except for corporate income tax receivables, which are a separate item in the statement of financial position.

16. Provisions

Provisions, including provisions for off-balance sheet items, are recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation. If the effect is material, the amount of provision is measured by discounted, expected cash flows using pre-tax rate that reflects current market assessments of the time value of money and those risks specific to the liability. This is also applicable to the recognition of provisions for risk-bearing off-balance sheet items including non-financial guarantees, letters of credit and irrevocable unutilised credit lines.





Provisions for irrevocable unused credit lines for corporate exposures are recognized in the income statement under the item *Impairment for expected credit losses*.

The Group establishes provisions for restructuring costs only when the general criteria of recognising provisions under IAS 37 are met and in particular but not limited to the situation when the Group is in possession of a formal restructuring plan determining at least the operations or part thereof, basic locations, place of employment, the functions and estimated number of employees entitled to compensation, the expenditure to be undertaken and the term of execution. The commencement of restructuring procedure or the public announcement thereof is a condition indispensable for establishing the provision. The established provisions comprise only the direct and necessary expenditures to be undertaken due to the restructuring procedure, which are not related to the current business operations nor cover the future operating costs.

The Group creates provisions for legal risk on an individual or portfolio basis:

- in an individual approach, the Group creates provisions for liabilities resulting from court cases and other legal claims if the probability of an outflow of resources to settle the obligation is higher than 50%.
- in the case of a larger population of similar court cases or other legal claims, the probability of an outflow of resources to meet the Group's obligation is measured on a portfolio basis, taking into account the group of obligations as a whole, and the provision is estimated using the expected value method as a probability weighted average of a few scenarios (most often three: baseline, positive and negative) with different probabilities assigned to each scenario.

The Group applies the above principles to legal claims that do not affect cash flows from financial assets recognised in the statement of financial position – in this case the Group applies IFRS 9, as described in item 13.6.

If the legal claim relates to a financial asset that has been excluded from the statement of financial position (e.g. repaid), provision is created on the basis of IAS 37.

17. Employee benefits

17.1. Benefits under the Act on employee pension programmes

Expenses incurred due to a programme of certain contributions are recognised as costs in the income statement.

17.2. Short-term employee benefits

Short-term employee benefits of the Group (other than termination benefits) comprise of remuneration, bonus, paid annual leave and social security contributions.

The Group recognizes the anticipated, undiscounted value of short-term employee benefits as an expense of an accounting period when an employee rendered service (regardless of payment date) in correspondence with other on-balance liabilities.

The amount of short-term employee benefits on the unused holidays to which Group employees are entitled is calculated as the total of unused holidays to which particular Group employees are entitled.

17.3. Long-term employee benefits

17.3.1. Benefits under the Labour Code regulations

Provisions for retirement benefits granted under benefits due to regulations of the Labour Code are estimated on the basis of the actuarial valuation. The provision resulting from actuarial valuation is recognised in *Accumulated other comprehensive income* and revalued on an annual basis.

Provisions for long-term employee benefits are recognised in the item *Provisions* in the statement of financial position in correspondence with salary costs in the statement of profit or loss.

A description of the assumptions of the method of calculating the provision for retirement and disability severance pays is included in note 32. *Provisions*.

17.3.2. Variable remuneration programme benefits

Variable remuneration benefits to employees that are to be settled in cash are recognised as an expense during the performance period with a corresponding entry of a liability towards employees.

The share-based payment components that are to be settled in cash are recognised as an expense and liability during the performance period (the year for which the employee receives the benefits) based on the benefit's fair value. The fair value is remeasured every balance sheet date until the settlement with the employee, with changes in the fair value recognised as gains or losses in the statement of profit or loss.

The share-based payment components that are to be settled in shares are recognised as an expense during the performance period based on the fair value. The corresponding entry is in equity. The fair value is remeasured at grant date and any changes are recognised in equity.

The fair value of the share-based payment components is determined with reference to the share price and the present value of estimated dividend payments during the deferral period.



18. Equity

Equity includes: share capital, supplementary capital from the sale of shares above their nominal value, accumulated other comprehensive income, retained earnings and own shares for the purposes of the employee incentive scheme. All amounts of equity and funds are presented at nominal value.

Share capital

Share capital is presented at nominal value, in accordance with the Articles of Association (the company’s charter) and entry into the commercial register of the National Court Register.

Dividends

Dividends for the financial year which have been approved by the General Shareholders’ Meeting, but not paid at the balance sheet date are disclosed under Dividend liabilities in the item *Other liabilities*.

Share premium

Share premium is formed from agio obtained from the issue of shares reduced by the attributable direct costs incurred with that issue.

Accumulated other comprehensive income

Accumulated other comprehensive income is created as a result of:

- valuation of financial instruments classified for measurement measured at fair value through other comprehensive income,
- valuation of derivatives for the element being the effective cash flow hedge,
- valuation of non-current assets measured at fair value,
- actuarial gains and losses.

The deferred tax assets and liabilities resulting from above mentioned valuations are included in the accumulated other comprehensive income. The accumulated other comprehensive income is not subject to profit distribution.

Retained earnings

Retained earnings are created from profit write-offs and are allocated for purposes specified in the Articles of Association (the company’s Charter) or other legal regulations. Retained earnings comprise of:

- other supplementary capital,

- other reserve capital,
- general banking risk fund,
- valuation of share-based payments,
- undistributed result from previous years,
- net result attributable to Parent entity.

Other supplementary capital, other reserve capital and general banking risk fund are created from profit write-offs and are allocated for purposes specified in the Articles of Association (the company’s Charter) or other legal regulations.

General banking risk fund is created in accordance with the Banking Law Act of 29 August 1997 as amended, from profit after tax.

The net financial result attributable to the Parent entity represents the gross result under the statement of profit or loss for the current year, adjusted with the corporate income tax and the result attributable to the minority shares.

Own shares for the purposes of the incentive program

The Group purchases its own shares in order to fulfil the obligations arising from the incentive scheme, variable remuneration components on the principles described in point 17.3.2. *Variable remuneration programme benefits*.

19. Income tax

Income tax is recognised as current and deferred tax. Current income tax is recognised in the income statement. Deferred income tax is recognised in the income statement or equity depending on the type of temporary differences.

19.1. Income tax

Current tax is a liability calculated based on taxable income at the prevailing tax rate at the balance sheet date including adjustments of previous years’ tax liability.

19.2. Deferred income tax

The Group creates a provision for deferred tax in respect of a timing difference caused by different moment of recognising income as generated and costs as incurred in accordance with the accounting regulations corporate income tax provisions. A positive temporary net difference is recognised in liabilities as *Deferred tax provisions*. A negative temporary net difference is recognised under *Deferred tax assets*.



The deferred tax provision is created by using the balance sheet method for all positive timing differences as at the balance sheet date arising between tax value of assets and liabilities and their carrying amount disclosed in the financial statements, except for situations where deferred tax provision arises from:

- initial recognition of goodwill,
- goodwill the amortization of which is not a tax deductible expense,
- initial recognition of an asset or liability under a transaction which does not constitute a business combination and which on its origination has no impact on the gross financial result or taxable income or loss.

Deferred tax assets are recognised with respect to all negative timing differences as at the balance sheet date between the tax value of assets and liabilities and their carrying amount disclosed in the financial statements and unused tax losses. Deferred tax assets are recognised in such amount in which taxable income is likely to be earned allowing to set off negative timing differences, except for the situations when the component of deferred tax assets arises from the initial recognition of an asset or liability with a transaction which does not constitute a business combination and on its origination have no impact on the gross financial result or taxable income or loss.

The carrying amount of a deferred tax asset shall be verified for each balance sheet date and reduced if it is no longer likely to achieve taxable income sufficient for a partial or full realization of the deferred tax assets component.

Deferred tax assets and deferred tax provisions are estimated with the use of the tax rates which are expected to be in force when the asset is realised or provision released, assuming the tax rates (and tax provisions) legally or factually in force as at the balance sheet date.

Income tax pertaining to items directly recognised in equity is recognised in equity.

Deferred tax assets and provisions are recognised by the Group in the statement of financial position after offsetting at the level of each entity subject to consolidation. The Group offsets deferred tax assets and deferred tax provisions, where it has legal title to effect such offsetting, and the deferred assets and provisions pertain to the same taxpayer.

IV. Comparability of financial data

Changes in the consolidated statement of financial position

In these annual consolidated financial statements for the period from 1 January 2024 by 31 December 2024, compared to the annual consolidated financial statements for the period from 1 January 2023 to 31 December 2023, the Group has introduced changes in the presentation of cash and cash equivalents in the consolidated statement of financial position. *The Cash and balances at the Central Bank* item has been replaced by *Cash and cash equivalents*. The new item included financial assets previously presented in the item *Cash and balances with the Central Bank*, i.e. cash, other cash and balances with the Central Bank and selected financial assets previously presented in the item *Loans and other receivables granted to other banks*, i.e. balances on current accounts and overnight deposit accounts with other banks and balances of collateral margins placed with other banks. The amendment was aimed at harmonising data on cash and cash equivalents between the statement of financial position and the statement of cash flows and adapts the presentation to the position of the IFRS Interpretative Committee and the requirements of IAS 7 *Statement of cash flows*, as well as to the changing market practice in this respect.

The data as at 31 December 2023 have been restated in order to achieve comparability. The table contains individual items presented in assets of the consolidated statement of financial position, in the breakdown and at values presented in the annual consolidated financial statements for the period from 1 January 2023 to 31 December 2023 and in the breakdown and at values presented in these annual consolidated financial statements. Liabilities and equity did not change and did not require restatement.





as at 31 December 2023			
	in the annual consolidated financial statements for the period from 1 January 2023 to 31 December 2023 (published data)	change	in the annual consolidated financial statements for the period from 1 January 2024 to 31 December 2024 (comparable data)
<b>Assets</b>			
Cash in hand and balances with the Central Bank	6,752	-6,752	not applicable
Cash and cash equivalents	not applicable	7,041	7,041
Loans and other receivables to other banks	19,909	-289	19,620
Financial assets measured at fair value through profit or loss	2,274		2,274
Derivative hedge instruments	208		208
Investment securities	56,614		56,614
Transferred assets	165		165
Loans and other receivables to customers measured at amortised cost	156,521		156,521
Investments in associates accounted for using the equity method	181		181
Property, plant and equipment	1,002		1,002
Intangible assets	493		493
Current income tax assets	1		1
Deferred tax assets	1,097		1,097
Other assets	144		144
<b>Total assets</b>	<b>245,361</b>	<b>0</b>	<b>245,361</b>

Changes in the consolidated statement of cash flows

Compared to the annual consolidated financial statements for the period from 1 January 2023 to 31 December 2023, the Group changed the presentation of dividends received from associates. In previous periods, they were presented in *changes in other assets* in cash flows from operating activities, while starting from the annual consolidated financial statements for the period from 1 January 2024 to 31 December 2024, they are presented in the item *Dividends received* in cash flows from investing activities. Data for 2023 have been revised to ensure comparability.

The table presents items in the consolidated statement of cash flows, the value of which has changed compared to those presented in the annual consolidated financial statements for the period from 1 January 2023 to 31 December 2023.

for the year ended 31 December 2023			
	in the annual consolidated financial statements for the period from 1 January 2023 to 31 December 2023 (published data)	change	in the annual consolidated financial statements for the period from 1 January 2024 to 31 December 2024 (comparable data)
<b>Operating activities</b>			
<b>Adjustments, including:</b>	<b>-6,782</b>	<b>-28</b>	<b>-6,810</b>
Change in other assets	471	28	443
<b>Net cash flows from operating activities</b>	<b>-2,341</b>	<b>-28</b>	<b>-2,369</b>
<b>Investing activities</b>			
Dividends received	7	28	35
<b>Net cash flows from investing activities</b>	<b>-823</b>	<b>28</b>	<b>-795</b>

V. Notes to the consolidated financial statements

1. Segment reporting

Segments of operation

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

- retail banking segment,
- corporate banking segment.

The basis for distinguishing individual segments are entity criteria and - in the case of division into sub-segments - financial criteria (especially turnover, level of collected assets). The specific rules of assigning clients to respective segments are governed by the clients segmentation criteria specified in the Group's internal regulations.

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





Retail banking segment

Within the framework of retail banking, the Group provides services to private individuals - the mass client segment and wealthy clients segment.

This activity is analyzed in terms of the main products, including: loan products (overdraft facilities, card-related loans, installment loans, mortgage loans), deposit products (current accounts, term deposits, savings accounts), structured, fund participation units, brokerage services and bank cards.

Corporate banking segment

Corporate banking area encompasses as follows:

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

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

The service of individual entrepreneurs includes natural persons conducting business activity and partner companies that do not keep full accounting in accordance with the provisions of the Act on accounting, civil partnerships or general partnerships whose partners are only natural persons who do not keep full accounting in accordance with the provisions of the Accounting Act, and housing communities. The activity of entrepreneurs is reported in terms of the main products, including credit products (cash loan, credit line, credit card), deposit products (company account, foreign currency account, account for housing communities), leasing products offered by ING Lease (Polska) Sp. z o.o., accounting services, terminals and payment gateways.

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

Measurement

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

Geographic segments

The Group pursues business within the territory of the Republic of Poland.



Income statement by segments

	2024			2023		
	Retail banking	Corporate banking	Total	Retail banking	Corporate banking	Total
Income total	4,901	6,345	11,246	4,438	6,210	10,648
net interest income	4,153	4,572	8,725	3,779	4,392	8,171
net commission income, including:	671	1,623	2,294	589	1,575	2,164
commission income, including:	1,026	1,861	2,887	912	1,810	2,722
transaction margin on currency exchange	83	634	717	79	629	708
account maintenance fees	113	371	484	115	361	476
lending commissions	23	479	502	25	466	491
payment and credit cards fees	460	187	647	393	174	567
participation units distribution fees	95	-	95	64	-	64
insurance product offering commissions	205	39	244	192	38	230
factoring and lease contracts commissions	-	61	61	-	57	57
other commissions	47	90	137	44	85	129
commission expenses	-355	-238	-593	-323	-235	-558
other income/expenses	77	150	227	70	243	313
General and administrative expenses	-1,978	-1,980	-3,958	-1,954	-1,746	-3,700
including depreciation and amortisation	-181	-159	-340	-184	-143	-327
Segment operating result	2,923	4,365	7,288	2,484	4,464	6,948
impairment for expected credit losses	-29	-915	-944	-5	-503	-508
cost of legal risk of FX mortgage loans	-92	-	-92	-106	-	-106
tax on certain financial institutions	-252	-488	-740	-231	-413	-644
share of profit/(loss) of associates accounted for using the equity method	33	-	33	30	-	30
Gross profit	2,583	2,962	5,545	2,172	3,548	5,720
Income tax	-	-	-1,176	-	-	-1,279
Net profit	-	-	4,369	-	-	4,441
attributable to shareholders of ING Bank Śląski S.A.	-	-	4,369	-	-	4,441

Assets, liabilities, and net cash flow by segments

	2024			2023		
	Retail banking	Corporate banking	Total	Retail banking	Corporate banking	Total
Assets of the segment	113,011	145,065	258,076	104,080	138,586	242,666
Segment investments in associates accounted for using the equity method	185	-	185	181	-	181
Other assets (not allocated to segments)	-	-	2,098	-	-	2,514
Total Assets	113,196	145,065	260,359	104,261	138,586	245,361
Segment liabilities	133,788	105,167	238,955	120,136	102,841	222,977
Other liabilities (not allocated to segments)	-	-	4,234	-	-	5,648
Equity	-	-	17,170	-	-	16,736
Total equity and liabilities	133,788	105,167	260,359	120,136	102,841	245,361
Capital expenditure	130	131	261	168	151	319
Net cash flow from operating activities	4,089	-2,659	1,430	1,932	-4,151	-2,219
Net cash flow from operating activities (not allocated to segments)	-	-	-1,721	-	-	-150
Net cash flow from operating activities total	4,089	-2,659	-291	1,932	-4,151	-2,369
Net cash flows from investing activities	2,467	2,881	5,348	-371	-424	-795
Net cash flows from financing activities	-6	-3,731	-3,737	-9	7,164	7,155



2. Net interest income

for the year ended 31 December		
	2024	2023
Interest income, including:	13,112	12,409
interest income calculated using effective interest rate method, including:	12,365	11,368
interest on financial instruments measured at amortised cost	10,611	9,867
interest on loans and other receivables to other banks	1,227	855
interest on loans and other receivables to customers	8,281	8,061
interest on investment securities	1,103	951
interest on investment securities measured at fair value through other comprehensive income	1,754	1,501
other interest income, including:	747	1,041
interest income related to the settlement of valuations of cash flow hedging derivatives	746	1,039
other interest on loans and other receivables to customers measured at fair value through profit or loss	1	2
Interest expenses, including:	-4,387	-4,238
interest on deposits from other banks	-789	-424
interest on deposits from customers	-3,050	-3,121
interest on issue of debt securities	-31	-31
interest on subordinated liabilities	-80	-76
interest on lease liabilities	-18	-17
other interest cost related to the settlement of valuations of cash flow hedging derivatives	-419	-569
Net interest income	8,725	8,171

The interest costs presented in the table relate to financial liabilities measured at amortised cost.

For assets in Stage 3, interest income is calculated based on net exposure amounts, i.e. amounts that include interest impairment for expected credit losses.

For 2024, interest income on financial assets in Stage 3 amounted to PLN 304 million compared to PLN 209 million in 2023.

Credit holidays

In May 2024, the Act of 12 April 2024 amending the Act on support for borrowers who have taken out a housing loan and are in a difficult financial situation and the Act on crowdfunding for business ventures and assistance to borrowers was published in the Journal of Laws. The Act introduced, among others, the possibility for some borrowers to suspend repayment of up to 4 monthly mortgage loan instalments in the period from June 1 to December 31, 2024 (credit holidays).

In 2024, borrowers representing approx. 9.5% of the PLN mortgage loan portfolio of the Bank’s Capital Group took advantage of the possibility to suspend instalment repayment. As a result, the Group’s interest income in 2024 decreased by a loss on modification in the amount of PLN 140 million. The impact of the adjustment is presented under *interest on loans and other receivables granted to customers*.



3. Net commission income

for the year ended 31 December	2024	2023
<b>Commission income</b>	<b>2,887</b>	<b>2,722</b>
transaction margin on currency exchange transactions	717	708
account maintenance fees	484	476
lending commissions	502	491
payment and credit cards fees	647	567
participation units distribution fees	95	64
insurance product offering commissions	244	230
factoring and lease contracts commissions	61	57
brokerage activity fees	52	51
fiduciary and custodian fees*	21	25
agency in financial instruments transactions	2	2
other commission	62	51
related to assets / liabilities not measured at fair value through profit or loss	7	3
other	55	48
<b>Commission expenses</b>	<b>-593</b>	<b>-558</b>
card fees paid	-336	-315
commission paid on agency in selling deposit products	-89	-78
brokerage activity fees	-19	-22
commission paid on disclosing credit information	-23	-22
commission paid on cash handling services	-26	-26
electronic banking services fees	-18	-18
commission paid on trading in securities	-12	-14
costs of the National Clearing House (KIR)	-20	-18
agency in financial instruments transactions	-7	-11
leasing services	-4	-4
other commission	-39	-30
related to assets / liabilities not measured at fair value through profit or loss	-8	-7
other	-31	-23
<b>Net commission income</b>	<b>2,294</b>	<b>2,164</b>

\*) Fiduciary and custodian fees show the commissions earned on custody services, where the Group keeps or invests assets for their clients.

The table includes the following items relating to financial instruments that are not measured at fair value through profit or loss and which have not been included in the calculation of the effective interest rate:

- revenues in the total amount of PLN 570 million from granting loans, factoring and leasing services (PLN 551 million in 2023),
- costs in the total amount of PLN 124 million for intermediation in the sale of deposit products, providing credit information and leasing services (PLN 111 million in 2023).

Revenues from contracts with customers within the meaning of IFRS 15 amounted to PLN 2,317 million in 2024 compared to PLN 2,171 million in 2023.





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

for the year ended 31 December		
	2024	2023
FX result and net income on interest rate derivatives, including	205	218
FX result	145	193
currency derivatives	60	25
Net income on interest rate derivatives	-41	54
Net income on debt instruments held for trading	20	46
Net income on repo transactions	14	14
<b>Total</b>	<b>198</b>	<b>332</b>

The result on derivatives includes the net result on trading and fair value measurement of interest rate instruments (FRA, IRS/CIRS, cap options) and currency instruments (swaps, options).

The result on debt instruments includes the net result on trading in government securities and the result on the fair value measurement of these instruments.

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

for the year ended 31 December		
	2024	2023
Net income on the sale of securities measured at amortised cost	-6	-
Net income on sale of securities measured at fair value through other comprehensive income and dividend income, including:	-3	1
sale of debt securities	-11	-6
dividend income	8	7
<b>Total</b>	<b>-9</b>	<b>1</b>

Dividend income received in 2024 and 2023 comes from companies whose shares the Group kept as at 31 December 2024 and 31 December 2023, respectively, in its portfolio.

6. Net (loss)/income on hedge accounting

for the year ended 31 December		
	2024	2023
<b>Fair value hedge accounting for securities</b>	<b>10</b>	<b>-9</b>
valuation of the hedged transaction	-163	401
valuation of the hedging transaction	173	-410
<b>Cash flow hedge accounting</b>	<b>-</b>	<b>4</b>
ineffectiveness under cash flow hedges	-	4
<b>Total</b>	<b>10</b>	<b>-5</b>

For details of the hedge accounting applied by the Group, refer to the subsequent part of the financial statements, *Risk and capital management* section, in chapter [II.3.8. Hedge accounting](#).

7. Net (loss)/income on other basic activities

for the year ended 31 December		
	2024	2023
Sale of other services	14	12
Net income on disposal of property, plant and equipment and intangible assets	-3	-2
Banking activity-related compensations and losses	-10	-28
Reversal of provisions for potential customer complaints	10	-
Other	17	3
<b>Total</b>	<b>28</b>	<b>-15</b>



8. General and administrative expenses

for the year ended 31 December		
	2024	2023
<b>Personnel expenses, including:</b>	<b>-2,031</b>	<b>-1,936</b>
wages and salaries, including:	-1,624	-1,584
variable remuneration programme	-45	-47
retirement benefits	-11	-9
employee benefits	-407	-352
<b>Cost of marketing and promotion</b>	<b>-189</b>	<b>-165</b>
<b>Depreciation and amortisation, including:</b>	<b>-340</b>	<b>-327</b>
on property, plant and equipment	-235	-239
including depreciation of the right to use	-119	-127
on intangible assets	-105	-88
<b>Other general and administrative expenses, including:</b>	<b>-1,398</b>	<b>-1,272</b>
IT costs	-493	-386
advisory and legal services, audit costs	-245	-178
mandatory payments to the Bank Guarantee Fund for the forced restructuring fund	-160	-171
communication costs	-151	-154
transport and representation costs	-52	-51
communication costs	-40	-55
fees to the Polish Financial Supervision Authority	-29	-24
disputed claims	-26	-24
costs from short-term leases and low-value leases	-14	-13
donation	-10	-8
other	-178	-208
<b>Total</b>	<b>-3,958</b>	<b>-3,700</b>

8.1. Employee benefits

Variable Remuneration Programme

Benefits are awarded to the employees covered with the Programme, based on their performance appraisal for a given year. Variable remuneration programme benefits to persons holding managerial positions having a material impact on the risk profile of the Group (in accordance with guidelines and Regulation on the risk management system and internal control system, remuneration policy and a detailed method of capital estimation in banks have been granted in one of two programmes:

- An equity-settled share-based payment and cash programme, which operates from mid-2022. In this programme the benefit is granted in two parts:
  - one paid in a fixed amount of cash (no more than 50%), and
  - one granted as rights to ING Bank Śląski shares (at least 50%); an equity-settled share-based payment.
- A cash-settled share-based payment and cash programme, which operated until mid-2022. In this programme the benefit is granted in two parts:
  - one paid in a fixed amount of cash (no more than 50%), and
  - one paid in cash with the amount of cash based on the price of ING Bank Śląski shares (at least 50%); a cash-settled share-based payment.

The variable remuneration programme for any given performance year is settled over a period of up to six years (the deferral period) in tranches. Furthermore, the components that are settled in shares and in cash are subject to a one-year retention period after settlement.

The significant accounting principles applied to variable remuneration programme benefits are included in chapter III. *Significant accounting principles*, in item 17.3.2. *Variable remuneration programme benefits*.

The tables on the following page show the instruments granted under share-based payment schemes.



2024

	Fair value of instruments at the measurement date* (in PLN million)	Number of instruments granted (pcs.)	Number of instruments outstanding at the beginning of the period (pcs.)	Number of instruments exercised during 2024 (pcs.)	Number of instruments granted but not yet exercised as at 31 December 2024 (pcs.)
Equity-settled					
Programme 2022	10	41,964	41,964	24,931	17,033
Programme 2023	16	64,428	64,428	-	64,428
Programme 2024	18	71,371	71,371	-	71,371
Total		177,763	177,763	24,931	152,832
Cash-settled					
Programme 2017	19	67,029	799	398	401
Programme 2018	20	72,137	9,874	9,446	428
Programme 2019	20	72,259	19,780	9,370	10,410
Programme 2020	18	63,806	25,779	8,249	17,530
Programme 2021	14	51,021	21,109	4,087	17,022
Programme 2022	11	37,577	37,577	22,312	15,265
Programme 2023	-	265	265	-	265
Programme 2024	-	338	338	-	338
Total		364,432	115,521	53,862	61,659

2023

	Fair value of instruments at the measurement date* (in PLN million)	Number of instruments granted (pcs.)	Number of instruments outstanding at the beginning of the period (pcs.)	Number of instruments exercised during 2023 (pcs.)	Number of instruments granted but not yet exercised as at 31 December 2023 (pcs.)
Equity-settled					
Programme 2022	11	41,964	41,964	-	41,964
Programme 2023	16	64,428	64,428	-	64,428
Total		106,392	106,392		106,392
Cash-settled					
Programme 2017	17	67,029	9,573	8,774	799
Programme 2018	19	72,137	19,332	9,400	9,932
Programme 2019	19	72,259	29,108	9,328	19,780
Programme 2020	17	63,806	25,779	-	25,779
Programme 2021	13	51,021	51,021	29,912	21,109
Programme 2022	10	37,577	37,577	-	37,577
Programme 2023	-	265	265	-	265
Total		364,094	172,655	57,414	115,241

\*) For equities settled in equity instruments: the product of the number of instruments granted and the fair value of shares calculated using the discounted dividend model. For cash-settled shares: the product of the number of granted instruments and the median price of ING Bank Śląski S.A. shares from 10 January to 20 February in the year following the assessment period.





9. Impairment for expected credit losses

Net impairment for expected credit losses

for the year ended 31 December		
	2024	2023
Loans and other receivables to other banks, including:	-	-1
measured at amortised cost	-	-1
Investment securities, including:	4	-16
measured at fair value through other comprehensive income	-	-9
measured at amortised cost	4	-7
Loans and other receivables to customers measured at amortised cost*, including:	-959	-481
corporate banking	-935	-476
corporate and municipal debt securities	-2	3
retail banking	-24	-5
Provisions for off-balance sheet liabilities	11	-10
Total	-944	-508

\*) The values presented in the item *Loans and other receivables to customers measured at amortised cost* include, among others, the amounts of repayments regarding receivables previously removed from the balance sheet, which in 2024 amounted to PLN 1 million, similar to 2022.

Allowances on expected credit losses in the balance sheet

as at 31 December		
	2024	2023
Investment securities, including:	22	26
measured at fair value through other comprehensive income	12	12
measured at amortised cost	10	14
Loans and other receivables to customers measured at amortised cost, including:	3,959	3,508
corporate banking	3,079	2,525
corporate and municipal debt securities	4	2
retail banking	880	983
Provisions for off-balance sheet liabilities	105	116
Total	4,086	3,650

10. Cost of legal risk of FX mortgage loans

for the year ended 31 December		
	2024	2023
Provisions for legal risk of FX indexed mortgage loans, including:		
relating to loans in the Bank's portfolio	-62	-94
relating to repaid loans	-30	-12
Total	-92	-106

Detailed information on the legal risk of CHF-indexed mortgage loans is presented later in the report in note [32. Provisions](#). Significant assumptions regarding the calculation of legal risk provisions for CHF-indexed mortgage loans are described in chapter III. *Significant accounting principles*, in point [3.3. Legal risk related to the portfolio of mortgage loans indexed to the Swiss franc exchange rate](#).

11. Tax on certain financial institutions

Under the Act on the Tax on Certain Financial Institutions (hereinafter referred to as the "Act"), banks are charged a so-called bank tax amounting to 0.0366% of the value of its assets on a monthly basis. The basis for taxation is the sum of assets after deductions provided for in the Act (i.a. by the value of PLN 4 billion, the value of own funds, the value of Treasury securities, the value of assets in the form of securities legally covered by the Treasury guarantee and the value of assets resulting from the repurchase transaction in which Treasury securities are subject). For 2024, the tax amounted to PLN 740 million (PLN 644 million for 2023).



12. Income tax

Income tax recognised in the income statement

for the year ended 31 December		
	2024	2023
Current tax, of which:	781	662
current tax for the financial year	779	661
tax on dividends	2	1
Deferred tax, including:	395	617
rise and reversal of temporary differences	-123	98
settlement of tax losses, including:	518	519
tax losses - Bank	516	518
tax loss - subsidiaries	2	1
Total	1,176	1,279

The amount presented in the item *settlement of tax losses* includes:

- Settlement of tax losses incurred by the Bank in previous years - respectively 50% of the tax loss incurred in 2021 was settled and 50% of the tax loss incurred in 2022 was settled - the losses were settled in the amount of PLN 2,717 million and at the same time deferred tax in the amount of PLN 516 million was settled.
- Settlement of the tax loss, incurred by the subsidiary ING Bank Hipoteczny S.A., incurred in 2023.

Current tax for the financial year

for the year ended 31 December		
	2024	2023
Current tax for the financial year included in the consolidated income statement	779	661
Current tax for the financial year included in consolidated equity	81	578
Total	860	1,239

The Group has two sources of current tax, a tax calculated on the profit and loss account and a tax calculated on the unrealised valuation of hedging instruments (IRS), recorded in other comprehensive income and pertaining to instruments settled in accordance with the STM (settled-to-market) approach.

Current income tax assets / liabilities

as at 31 December		
	2024	2023
Current income tax assets	14	1
Current income tax liabilities	16	115

Calculation of the effective tax rate

for the year ended 31 December		
	2024	2023
A. Profit before tax	5,545	5,720
B. 19% of profit before tax	1,054	1,087
C. Increases – non-deductible expenses, including:	245	199
tax on certain financial institutions	140	122
prudential fee in favour of BGF	29	29
provisions for legal risk of foreign currency mortgage loans and commission returns	17	20
costs of derecognition of credit and non-credit receivables from the balance sheet	7	3
impairment loss on receivables in a part not covered with the deferred tax	38	10
provisions for disputable debt claims and other assets	3	5
State Fund for Rehabilitation of Disabled Persons (PFRON) payments	2	3
representation expenses	1	1
other	8	6
D. Decreases – tax exempt income, including:	123	7
valuation using the equity method of subsidiaries	7	6
release of provisions for disputed claims	3	1
research and development allowance settled for 2017, 2022 and 2023	51	-
creation of deferred tax asset due to the forecasted research and development relief for 2024	40	-
creation of a deferred tax asset due to a tax adjustment of the CHF loan portfolio	22	-
E. Income tax from the income statement (B+C-D)	1,176	1,279
Effective tax rate (E : A)	21.21%	22.36%

The deviation in the effective tax rate above 19% in 2024 was mainly due to:

- increase, including:
  - tax on certain financial institutions in the amount of PLN 740 million (PLN 644 million in 2023),
  - a fee for the BFG (contribution to the resolution fund) in the amount of PLN 151 million (PLN 154 million in 2023),



- creation of provisions for legal risk of mortgage loans in foreign currencies in the amount of PLN 92 million (PLN 106 million in 2023).
- reductions, including:
  - research and development tax credit in the amount of PLN 479 million, which consists of a tax credit settled for 2017, 2022 and 2023 in the amount of PLN 270 million and creation of a deferred tax asset for the projected research and development relief for 2024, based on the amount of PLN 209 million,
  - creation of a deferred tax asset due to a tax adjustment of the CHF loan portfolio, based on the amount of - PLN 118 million.

13. Earnings and book value per ordinary share

Basic earnings per share

The calculation of basic earnings per share of the Parent Company is based on net profit attributable to the shareholders of ING Bank Śląski S.A. and the weighted average number of ordinary shares outstanding at the end of the year.

for the year ended 31 December		
	2024	2023
Net profit attributable to shareholders of ING Bank Śląski S.A.	4,369	4,441
Weighted average number of ordinary shares	130,143,180	130,117,872
Earnings per ordinary share (in PLN)	33.57	34.13

Diluted earnings per share

In 2024 as well as in 2023, there were no factors that would dilute the profit per one share. In the described periods, ING Bank Śląski S.A. issued neither bonds convertible to shares nor options for shares. The share capital comprises ordinary shares only (no preference shares). Therefore, the diluted earnings per share are the same as the underlying profit per share.

Book value per share

The calculation of the book value per one share of the Parent Company is based on the amount of equity attributable to the shareholders of ING Bank Śląski S.A. and the number of shares outstanding at the end of the year.

as at 31 December		
	2024	2023
Book value	17,170	16,736
Number of shares	130,100,000	130,100,000
Book value per share (PLN)	131.98	128.64

14. Cash and cash equivalents

as at			
	31 Dec 2024	31 Dec 2023	1 Jan 2023
		transformed data	transformed data
Cash in hand	774	783	933
Balances with the Central Bank	7,396	5,969	1,405
Balances on accounts with other banks, including:	191	289	712
current accounts	105	147	329
overnight deposits	51	73	22
call margins posted	35	69	361
Total	8,361	7,041	3,050

Starting from the consolidated financial statements for the period from 1 January 2024 to 31 December 2024, the Group changed the presentation of cash and cash equivalents in the statement of financial position. Some of the financial assets in the form of cash on accounts with other banks were transferred from the item Loans and other receivables granted to other banks to the new item Cash and cash equivalents. For more information, see chapter IV. *Comparability of financial data.* Data for earlier periods have been restated to ensure comparability.





Restricted cash and cash equivalents

The Group’s parent entity maintains on the current account with the National Bank of Poland the statutory reserve, which at the end of 2024 amounted to 3.5% of the value of deposits received (similar to the end of 2023 and 2022).

The arithmetic mean of the holdings of required reserves, which the Group’s parent entity is obliged to keep on a current account with the National Bank of Poland, during a given period, was:

- PLN 7,602 million for the period from 31 December 2024 to 9 February 2025,
- PLN 7,256 million for the period from 30 November 2023 to 1 January 2024,
- PLN 6,532 million for the period from 30 November 2022 to 1 January 2023.

Holdings of statutory reserve funds on an overdraft account with the National Bank of Poland are remunerated during the reserve period in the amount determined by the Monetary Policy Council. As at 31 December 2024, as at 31 December 2023, the interest rate was 5.75% (6.75% as at 31 December 2022).

15. Loans and other receivables to other banks

as at			
	31 Dec 2024	31 Dec 2023	1 Jan 2023
		transformed data	transformed data
Reverse repo transactions	20,779	19,000	3,760
Loans and advances	856	555	312
Interbank deposits (excluding overnight deposits)	-	65	377
Total (net)	21,635	19,620	4,449

Starting from the consolidated financial statements for the period from 1 January 2024 to 31 December 2024, the Group changed the presentation of cash and cash equivalents in the statement of financial position. Some of the financial assets in the form of cash on accounts with other banks were transferred from the item Loans and other receivables granted to other banks to the new item Cash and cash equivalents. For more information, see chapter IV. Comparability of financial data. Data for earlier periods have been restated to ensure comparability.

Due to the very good credit quality of loans and other receivables granted to other banks and the related insignificant level of the allowance for expected credit losses, the gross carrying amount of these assets is equal to their net carrying amount. Disclosures on the credit quality of loans and other receivables granted to other banks are presented later in the consolidated financial statements in Risk and capital management section, in chapter II.2.10.6. Credit quality of other financial assets.

16. Financial assets measured at fair value through profit or loss

as at 31 December	2024		2023		Total	Total
	transferred debt securities	other financial assets measured at fair value through profit or loss	transferred debt securities	other financial assets measured at fair value through profit or loss		
Financial assets held for trading, including:	179	1,926	2,105	165	2,235	2,400
valuation of derivatives	-	898	898	-	900	900
other financial assets held for trading, including:	179	1,028	1,207	165	1,335	1,500
debt securities:	179	521	700	165	719	884
Treasury bonds in PLN	179	499	678	133	600	733
Czech Treasury bonds in CZK	-	22	22	32	119	151
repo transactions	-	507	507	-	616	616
Financial assets other than those held for trading, measured at fair value through profit or loss, including:	-	22	22	-	39	39
loans obligatorily measured at fair value through profit or loss	-	21	21	-	39	39
equity instruments	-	1	1	-	-	-
Total	179	1,948	2,127	165	2,274	2,439

Detailed disclosures on the nominal values of derivative instruments and their valuation broken down into individual types of derivative instruments along with the remaining dates for their implementation are presented in note 17. Valuation of derivatives.

Securities that can be pledged or sold by the collateral recipient are presented as transferred debt securities. These assets, as required by IFRS 9, are presented separately by the Group in the consolidated statement of financial position under Transferred assets. For further information on assets pledged as security for liabilities, see note 20.



## 17. Valuation of derivatives

The tables below present the nominal values of derivatives whose valuation is presented in financial assets measured at fair value through profit or loss (positive valuation) and financial liabilities measured at fair value through profit or loss (negative valuation) of the Group's statement of financial position. Notional amounts of the same-currency transaction derivatives were presented in the amounts purchased, while two-currency transactions showed both purchased and sold amounts. The fair value valuation of derivatives includes a valuation adjustment for counterparty credit risk (CVA) and Group default (DVA).

**2024****as at 31 December**

	Fair value		Nominal value of instruments with remaining maturity			
	Assets	Liabilities	up to 3 months	from 3 months	over 1 year	Total
<b>Interest rate derivatives, including:</b>	<b>244</b>	<b>431</b>	<b>154,572</b>	<b>227,487</b>	<b>592,220</b>	<b>974,279</b>
settled via CCP	145	135	154,358	226,041	581,887	962,286
contracts for the future FRA interest rate – PLN	5	6	88,974	53,798	5,406	148,178
Interest rate swaps (IRS PLN) fixed – float	179	350	48,020	154,296	526,609	728,925
Interest rate swaps (IRS EUR) fixed – float	49	60	13,962	13,984	40,801	68,747
Interest rate swaps (IRS USD) fixed – float	1	1	2,338	1,981	3,203	7,522
Interest rate swaps (IRS CZK) fixed - float	1	2	609	1,033	13,938	15,580
Interest rate swaps (IRS GBP) fixed - float	-	3	669	1,941	257	2,867
Interest rate swaps (IRS HUF) fixed - float	1	1	-	-	52	52
Interest rate swaps (IRS CHF) fixed - float	-	-	-	454	-	454
CAP options – EUR	8	8	-	-	1,934	1,934
CAP options – PLN	-	-	-	-	20	20
<b>Currency derivatives, including:</b>	<b>652</b>	<b>301</b>	<b>40,700</b>	<b>26,192</b>	<b>7,784</b>	<b>74,676</b>
<b>currency contracts (swap, forward), including:</b>	<b>599</b>	<b>215</b>	<b>40,511</b>	<b>24,933</b>	<b>2,216</b>	<b>67,660</b>
currency contracts (swap, forward) EUR / PLN	314	81	18,904	16,127	1,338	36,369
currency contracts (swap, forward) USD / PLN	30	86	9,921	3,659	43	13,623
currency contracts (swap, forward) EUR / USD	192	5	7,729	1,508	398	9,635
currency contracts - other currency pairs	63	43	3,957	3,639	437	8,033
<b>CIRS, including:</b>	<b>53</b>	<b>86</b>	<b>189</b>	<b>1,259</b>	<b>5,568</b>	<b>7,016</b>
CIRS EUR/PLN (float-float)	52	10	90	1,259	3,139	4,488
CIRS EUR/PLN (float-fixed)	1	76	99	-	2,429	2,528
<b>Current off-balance sheet transactions, including:</b>	<b>2</b>	<b>1</b>	<b>24,439</b>	-	-	<b>24,439</b>
foreign exchange operations	2	1	1,687	-	-	1,687
operations in securities	-	-	22,752	-	-	22,752
<b>Total</b>	<b>898</b>	<b>733</b>	<b>219,711</b>	<b>253,679</b>	<b>600,004</b>	<b>1,073,394</b>

**2023****as at 31 December**

	Fair value		Nominal value of instruments with remaining maturity			
	Assets	Liabilities	up to 3 months	from 3 months	over 1 year	Total
<b>Interest rate derivatives, including:</b>	<b>347</b>	<b>625</b>	<b>125,668</b>	<b>242,590</b>	<b>550,143</b>	<b>918,401</b>
settled via CCP	223	255	124,912	240,262	541,167	906,341
contracts for the future FRA interest rate – PLN	8	13	59,408	73,894	38,225	171,527
Interest rate swaps (IRS PLN) fixed – float	257	444	43,087	160,428	461,737	665,252
Interest rate swaps (IRS EUR) fixed – float	51	136	17,377	7,006	35,554	59,937
Interest rate swaps (IRS USD) fixed – float	2	3	5,296	240	3,439	8,975
Interest rate swaps (IRS CZK) fixed - float	21	21	-	32	9,612	9,644
Interest rate swaps (IRS GBP) fixed - float	-	-	500	440	885	1,825
Interest rate swaps (IRS HUF) fixed - float	1	1	-	-	57	57
CAP options – EUR	7	7	-	550	612	1,162
CAP options – PLN	-	-	-	-	22	22
<b>Currency derivatives, including:</b>	<b>549</b>	<b>431</b>	<b>30,935</b>	<b>12,092</b>	<b>9,548</b>	<b>52,575</b>
<b>currency contracts (swap, forward), including:</b>	<b>471</b>	<b>352</b>	<b>30,576</b>	<b>11,718</b>	<b>2,894</b>	<b>45,188</b>
currency contracts (swap, forward) EUR / PLN	241	199	10,452	5,065	722	16,239
currency contracts (swap, forward) USD / PLN	125	46	4,644	2,938	714	8,296
currency contracts (swap, forward) EUR / USD	22	21	11,699	1,262	572	13,533
currency contracts - other currency pairs	83	86	3,781	2,453	886	7,120
<b>CIRS, including:</b>	<b>78</b>	<b>79</b>	<b>359</b>	<b>374</b>	<b>6,654</b>	<b>7,387</b>
CIRS EUR/PLN (float-float)	62	19	211	374	4,286	4,871
CIRS EUR/PLN (float-fixed)	16	60	148	-	2,368	2,516
<b>Current off-balance sheet transactions, including:</b>	<b>4</b>	<b>4</b>	<b>23,661</b>	-	-	<b>23,661</b>
foreign exchange operations	4	4	2,549	-	-	2,549
operations in securities	-	-	21,112	-	-	21,112
<b>Total</b>	<b>900</b>	<b>1,060</b>	<b>180,264</b>	<b>254,682</b>	<b>559,691</b>	<b>994,637</b>



Interest rate derivatives IRS/FRA settled-to-market

IRS/FRA interest rate derivatives submitted for clearing via central counterparties/CCP are settled in accordance with the "settlement-to-market/market settlement" approach. Under the terms of the said service, the balance sheet exposure resulting from the transaction is settled on a daily basis based on the change in the fair value of individual transactions. As a result, no Variation Margin is placed. The carrying amount of individual transactions includes cash flows realised as part of the daily settlement of exposures arising therefrom, including cash flows resulting from the settlement of the price alignment amout, which ensures the economic equivalence of the applied approach to the "collateralized-to-market/secured to the market" approach.

18. Derivative hedging instruments

In the consolidated financial statements prepared for 2024 (similarly to 2023), the Group applies fair value hedge accounting and cash flow hedge accounting. The table below presents the valuation of hedging instruments, broken down into instruments securing the fair value of securities and cash flow hedging instruments. The valuation of hedging instruments is presented in the item Derivative hedge instruments in assets (positive valuation) and liabilities (negative valuation) of the consolidated statement of financial position of the Group.

	2024		2023	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedging instruments	61	72	205	273
Instruments hedging the fair value of securities	-	11	3	7
Total hedging instruments	61	83	208	280

For details of the hedge accounting applied by the Group, refer to the subsequent part of the financial statements, *Risk and capital management* section, in chapter [II.3.8. Hedge accounting](#).

19. Investment securities

as at 31 December		
	2024	2023
Measured at fair value through other comprehensive income, including:	31,939	23,916
debt securities, including:	31,685	23,680
Treasury bonds in PLN	26,371	21,345
Treasury bonds in EUR	-	546
European Union bonds	2,064	-
European Investment Bank bonds	2,838	1,378
Austrian government bonds	412	411
equity instruments	254	236
Measured at amortised cost, including:	27,053	32,698
debt securities, including:	27,053	32,698
Treasury bonds in PLN	11,859	13,095
Treasury bonds in EUR	2,872	2,940
European Investment Bank bonds	6,654	6,701
Bonds of the Polish Development Fund (PFR)	3,860	3,860
Bank Gospodarstwa Krajowego bonds	1,808	1,805
NBP bills	-	4,297
Total	58,992	56,614

The value presented in the item equity instruments in the category of assets measured at fair value through other comprehensive income (FVOCI) includes investments in shares issued by entities that are considered to be material from the perspective of the Group's operations. The approach to the fair value measurement of these instruments is described in the further part of the report in note [37. Fair value](#). In 2024, the Group received income in the form of dividends in the amount of PLN 8 million (PLN 7 million in 2023), which was presented in the consolidated profit and loss account under *Net income on the sale of securities measured at fair value through other comprehensive income and dividend income*.

Disclosures on the credit quality of investment securities are presented later in the consolidated financial statements in the section *Risk and capital management*, in chapter [II.2.10.6. Credit quality of other financial assets](#).





20. Assets securing liabilities

Assets securing liabilities that meet the criteria for separate presentation in the statement of financial position (transferred assets)

The Group presents separately in the consolidated statement of financial position, assets securing liabilities that can be pledged or resold by the collateral recipient (transferred assets). IFRS 9.3.2.23(a) requires these assets to be segregated and presented separately from other assets in the statement of financial position.

As at 31 December 2024 (similar to 31 December 2023), the Group held assets securing liabilities in the portfolio of financial assets measured at fair value through profit or loss.

as at 31 December		
	2024	2023
Bods securing liabilities arising from securities sold with a repurchase agreement (sell-buy-back transactions), including:		
Treasury bonds in PLN	179	133
Czech Treasury bonds in CZK	-	32
Total	179	165

Other assets securing liabilities

The carrying amount of other assets securing liabilities that do not meet the criteria for separate presentation in the consolidated statement of financial position is presented next to the table.

as at 31 December						
	2024			2023		
	portfolio of financial assets measured at fair value through other comprehensive income	portfolio of financial assets measured at amortised cost	Total	portfolio of financial assets measured at fair value through other comprehensive income	portfolio of financial assets measured at amortised cost	Total
Treasury bonds in PLN, including:	316	822	1,138	275	831	1,106
providing security for the benefit of the Bank Guarantee Fund	-	449	449	-	529	529
constituting a block on the obligation to pay a contribution to the guarantee fund of banks	-	201	201	-	200	200
constituting a blocking of the obligation to pay a contribution to the banks' compulsory restructuring fund	286	-	286	245	-	245
constituting the lodging of securities collateral for initial margin	-	31	31	-	31	31
representing the payment of securities collateral for the initial margin for the ATS Market	-	61	61	-	61	61
providing security for the KDPW CCP settlement fund	-	10	10	-	10	10
relevant margin for the market of the ATS, the margin fund for the market of the ATS	-	70	70	-	-	-
pledged as collateral in the cover register of mortgage bonds	30	-	30	30	-	30
Treasury bonds in EUR, including:	-	66	66	-	68	68
constituting the margin for the settlement of EUREX transactions	-	66	66	-	68	68
European Investment Bank bonds, including:	200	390	590	202	397	599
providing security for settlements with LCH	-	252	252	-	257	257
constituting the margin for the settlement of EUREX transactions	200	113	313	202	115	317
in the Euroclear account, earmarked as collateral for transactions not submitted to clearing houses	-	25	25	-	25	25
Austrian Government bonds securing the settlements made with LCH	412	-	412	411	-	411
mortgage receivables securing the covered bonds	-	2,565	2,565	-	2,418	2,418
Total	928	3,843	4,771	888	3,714	4,602



The blocking of securities takes place taking into account the conditions resulting from:

- Act on the Bank Guarantee Fund, deposit guarantee system and forced restructuring
- Regulation of the European Parliament and of the Council (EU) No. 648/2012 of 4 July 2012
- from concluded contracts,
- liabilities under repo agreements.

The Group has liabilities due to the issue of mortgage bonds which are secured with the above-mentioned mortgage claims. At the end of 2024, the nominal value of the issued covered bonds was PLN 500 million (compared to PLN 400 million at the end of 2023). Detailed information on the issued mortgage bonds can be found in note 30. *Liabilities from debt securities issued.*

The Group has deposited call-type margins as security for derivative transactions. Receivables in this respect are presented in note 14. *Cash and cash equivalents* and in note 21. *Loans and other receivables to customers measured at amortised cost.*

Restricted assets, apart from the instruments presented in this note, also include the value of the obligatory reserve that the Parent company of the Group is required to maintain in its current account with the NBP. More information on the required reserve is provided in note 14. *Cash and cash equivalents.*

Securities not constituting the Group's assets accepted as collateral for liabilities under repo transactions

The market value of buy-sell-back / reverse repo securities was PLN 507 million as at 31 December 2024 compared to PLN 607 million as at 31 December 2023. As at 31 December 2024, securities worth PLN 487 million were further resold (compared to PLN 596 million as at 31 December 2023).

21. Loans and other receivables to customers measured at amortised cost

as at 31 December						
	2024			2023		
	gross	impairment for expected credit loss	net	gross	impairment for expected credit loss	net
Loan portfolio, of which:	167,394	-3,955	163,439	158,256	-3,508	154,748
Corporate banking	96,127	-3,075	93,052	93,364	-2,525	90,839
loans in the current account	14,934	-218	14,716	13,739	-140	13,599
term loans and advances	56,318	-2,462	53,856	55,373	-2,201	53,172
lease receivables	13,444	-102	13,342	13,209	-78	13,131
factoring receivables	6,860	-289	6,571	6,851	-104	6,747
debt securities (corporate and municipal)	4,571	-4	4,567	4,192	-2	4,190
Retail banking	71,267	-880	70,387	64,892	-983	63,909
mortgages	61,295	-181	61,114	55,719	-226	55,493
loans in the current account	688	-64	624	706	-63	643
other loans and advances	9,284	-635	8,649	8,467	-694	7,773
Other receivables, of which:	3,238	-	3,238	1,773	-	1,773
repurchase agreements	1,040	-	1,040	-	-	-
call margin posted	759	-	759	607	-	607
other	1,439	-	1,439	1,166	-	1,166
Total	170,632	-3,955	166,677	160,029	-3,508	156,521

Disclosures on the credit quality of the loan portfolio are presented later in the consolidated financial statements in the section *Risk and capital management*, in chapter II.2.10.2. *Quality of loan portfolio.*

Finance lease receivables

As at 31 December 2024, vehicles accounted for the largest share in the portfolio of leased items (51.0% of the portfolio value), while compared to the end of 2023, vehicle financing agreements increased by 0.3%.

Machines and equipment also account for a significant share in the portfolio (35.3% of the portfolio value) with a simultaneous increase by 4.4% compared to the value of the financed machinery and equipment at the end of 2023, other movables accounted for 9.5% of the portfolio value (an increase of 7.4% compared to the end of 2023).

At the same time, in 2024, the share in the real estate leasing portfolio decreased by 0.4 p.p. to 3.74% (portfolio value decreased by 6.8% compared to the end of 2023).



The future minimum lease payments that are to be received by the Group under lease contracts are as follows:

as at 31 December		
	2024	2023
up to 1 year	5,020	4,821
over 1 year and up to 2 years	3,654	3,345
over 2 years and up to 3 years	2,413	2,567
over 3 years and up to 4 years	1,360	1,391
over 4 years and up to 5 years	619	691
over 5 years	378	394
Total	13,444	13,209

Gross receivables under financial lease that will be received by Group are as follows:

as at 31 December		
	2024	2023
up to 1 year	5,734	5,543
over 1 year and up to 2 years	4,085	3,798
over 2 years and up to 3 years	2,643	2,817
over 3 years and up to 4 years	1,466	1,510
over 4 years and up to 5 years	662	738
over 5 years	415	429
Total	15,005	14,835

The present value of minimum lease instalments is as follows:

as at 31 December		
	2024	2023
(Gross) receivables under financial lease	15,005	14,835
Undue interest	1,561	1,626
Present value of minimum lease instalments	13,444	13,209

Revenues realised by the Group from financial lease contracts are as follows:

for the year ended 31 December		
	2024	2023
Profit from the sale of fixed assets (leasing items)	5	6
Net interest income from leasing investment	918	893
Variable leasing fees (commission fees)	22	22
Total	945	921

In 2024, as in 2023, no cases of significant modifications to finance lease agreements were identified.

*How the lessor manages risks related to all rights that it retains with respect to the underlying assets*

In finance lease contracts, the lessee retains substantially all the risks and rewards of ownership of the leased asset.

The main collateral for lease contracts are the objects of leasing, this applies to all contracts, due to the design of the standard lease contract and the fact that ownership of the subject of the leasing remains until the termination of the contract on the part of the lessor. Leasing items are fully insured by the Group or by the Customer at insurance companies approved by the Group. Before entering into a lease contract, the Group assesses the customer's creditworthiness and assesses the risk associated with the subject of the lease. In addition, with a view to limiting the potential loss in the absence of debt service, the Group aims to conclude additional security agreements. The type and value of collateral required depend on the amount and subject of financing, lease parameters (e.g. deductible, financing period, residual value). Pursuant to the terms of the lease contracts, if the lease contract is terminated, the resulting receivables become due. In addition, as part of securing the Group, the Group takes over the subject of the lease and immediately strives to develop it in the most advantageous manner (sale, re-leasing).



22. Investments in associates accounted for using the equity method

ING Bank Śląski S.A. holds an indirect share in the share capital of Goldman Sachs TFI S.A. through its subsidiary, ING Investment Holding (Poland) S.A. In 2024 ING Bank Śląski S.A. finalised the transaction of acquiring 40% of shares in Dom Data IDS Sp. z o.o. The Group recognises the above shares as investments in associates and measures using the equity method in accordance with IAS 28. The carrying amount of the shares was PLN 185 million at the end of 2024, compared to PLN 181 million at the end of 2023.

Selected data regarding the associate

	2024		2023
	Goldman Sachs TFI S.A.	Dom Data IDS Sp. z o.o.	Goldman Sachs TFI S.A.
Share in the capital of the entity	45%	40%	45%
Assets, including:	210	10	193
Fixed assets	14	-	21
Current assets	196	10	172
Liabilities and provisions for liabilities, including:	72	3	63
Long-term	7	-	11
Short-term	65	3	52
Net assets	138	7	130
Revenues	177	27	156
Net profit (loss) for the financial year	74	6	71

A reconciliation of the carrying amount of investments in associates for 2024 and 2023 is presented below.

for the year ended 31 December		
	2024	2023
Opening balance	181	179
Valuation using the equity method in the period	33	30
Devidends received	-29	-28
Closing balance	185	181

23. Property, plant and equipment

as at 31 December		
	2024	2023
Right of use assets, including:	491	462
real estate	465	442
means of transport	25	20
other assets	1	-
Own real estate	185	215
Investments in non-owned fixed assets	99	98
Computer hardware	101	101
Other property, plant and equipment	71	69
Fixed assets under construction	64	57
Total	1,011	1,002

There are no legal constraints on property, plant and equipment at the end of 2024 and 2023.

Contractual obligations to purchase property, plant and equipment

In 2024, the Group concluded agreements with business partners resulting in future increase in the value of property, plant and equipment in the total amount of PLN 58 million. Due to the framework nature of some of the contracts, this amount is not targeted - its amount will result from cost estimates calculated during the implementation. The agreements pertain to real estate (buildings and structures), investments in external fixed assets, fixed assets under construction and other fixed assets. At the end of 2023, the Group had agreements (partly framework agreements) on real estate (buildings and structures), investments in external fixed assets, fixed assets under construction and other fixed assets for the total amount of PLN 7 million.





The tables present changes in gross value and accumulated depreciation for individual groups of property, plant and equipment in 2024 and 2023.

**2024****for the year ended 31 December**

	right of use assets				own real estate	investments in non-owned fixed assets	computer hardware	other property, plant and equipment	fixed assets under construction	Total
	real estate	means of transport	other assets	Total						
Opening gross value	881	50	1	932	406	516	491	412	57	2,814
Additions, including:	171	17	1	189	9	39	54	21	102	414
new contracts for the right of use	48	16	-	64	-	-	-	-	-	64
adjustment of the asset in connection with the recalculation of the lease	123	1	1	125	-	-	-	-	-	125
purchases	-	-	-	-	-	23	1	1	102	127
investment takeovers	-	-	-	-	9	10	53	20	-	92
other	-	-	-	-	-	6	-	-	-	6
Reductions, including:	-65	-10	-	-75	-3	-7	-3	-1	-95	-184
reduction of the scope and early termination of the contract	-53	-10	-	-63	-	-	-	-	-	-63
adjustment of the asset in connection with the recalculation of the lease	-12	-	-	-12	-	-	-	-	-	-12
sale and liquidation	-	-	-	-	-	-1	-3	-	-	-4
investment takeovers	-	-	-	-	-	-	-	-	-92	-92
other	-	-	-	-	-3	-6	-	-1	-3	-13
Fair value change, including:	-	-	-	-	-22	-	-	-	-	-22
included in income statement*	-	-	-	-	-22	-	-	-	-	-22
Closing gross value	987	57	2	1,046	390	548	542	432	64	3,022
Opening accumulated depreciation	-439	-30	-1	-470	-191	-418	-390	-343	-	-1,812
Changes in the period, including:	-83	-2	-	-85	-14	-31	-51	-18	-	-199
depreciation charges	-108	-11	-	-119	-15	-31	-51	-19	-	-235
reduction in scope and early termination of the contract	25	9	-	34	-	-	-	-	-	34
other	-	-	-	-	1	-	-	1	-	2
Closing accumulated depreciation	-522	-32	-1	-555	-205	-449	-441	-361	-	-2,011
Closing net value	465	25	1	491	185	99	101	71	64	1,011

\*) in line *General and administrative expenses*, in detailed item *maintenance costs of buildings and real estate valuation to fair value*.



2023

for the year ended 31 December

	right of use assets				own real estate	investments in non-owned fixed assets	computer hardware	other property, plant and equipment	fixed assets under construction	Total
	real estate	means of transport	other assets	Total						
Opening gross value	732	44	1	777	420	476	460	385	26	2,544
Additions, including:	206	16	-	222	12	52	32	27	117	462
new contracts for the right of use	80	15	-	95	-	-	-	-	-	95
adjustment of the asset in connection with the recalculation of the lease	126	1	-	127	-	-	-	-	-	127
purchases	-	-	-	-	-	36	1	2	117	156
investment takeovers	-	-	-	-	9	16	31	24	-	80
reclassification to/from another category of property, plant and equipment	-	-	-	-	3	-	-	1	-	4
Reductions, including:	-57	-10	-	-67	-	-12	-1	-	-86	-166
reduction of the scope and early termination of the contract	-35	-10	-	-45	-	-	-	-	-	-45
adjustment of the asset in connection with the recalculation of the lease	-22	-	-	-22	-	-	-	-	-	-22
sale and liquidation	-	-	-	-	-	-1	-1	-	-	-2
investment takeovers	-	-	-	-	-	-	-	-	-80	-80
other	-	-	-	-	-	-11	-	-	-6	-17
Fair value change, including:	-	-	-	-	-26	-	-	-	-	-26
included in income statement*	-	-	-	-	-26	-	-	-	-	-26
Closing gross value	881	50	1	932	406	516	491	412	57	2,814
Opening accumulated depreciation	-338	-29	-1	-368	-175	-388	-337	-327	-	-1,595
Changes in the period, including:	-101	-1	-	-102	-16	-30	-53	-16	-	-217
depreciation charges	-116	-11	-	-127	-15	-30	-52	-15	-	-239
reduction in scope and early termination of the contract	15	10	-	25	-	-	-	-	-	25
reclassification to non-current assets held for sale	-	-	-	-	-1	-	-	-1	-	-2
other	-	-	-	-	-	-	-1	-	-	-1
Closing accumulated depreciation	-439	-30	-1	-470	-191	-418	-390	-343	-	-1,812
Closing net value	442	20	0	462	215	98	101	69	57	1,002

\*) in line *General and administrative expenses*, in detailed item *maintenance costs of buildings and real estate valuation to fair value*.



24. Intangible assets

as at 31 December		
	2024	2023
Goodwill obtained as a result of a branch of ING Bank NV contributed in kind	223	223
Software	166	232
Outlays for intangible assets	66	37
Other intangible assets	2	1
Total	457	493

Changes in 2024 and 2023 in particular groups of intangible assets are presented below.

2024 for the year ended 31 December					
	Goodwill	Software	Outlays for intangible assets	Other intangible assets	Total
Opening gross value	223	1,588	37	20	1,868
Additions, including:	-	88	130	2	220
purchases	-	4	130	-	134
investment takeovers	-	84	-	2	86
Reductions, including:	-	-24	-101	-	-125
investment takeovers	-	-	-86	-	-86
sale and liquidation	-	-23	-	-	-23
other	-	-1	-15	-	-16
Impairment	-	-26	-	-	-26
Closing gross value	223	1,626	66	22	1,937
Opening accumulated depreciation	-	-1,356	-	-19	-1,375
Changes in the period, including:	-	-104	-	-1	-105
depreciation charges	-	-104	-	-1	-105
Closing accumulated depreciation	-	-1,460	-	-20	-1,480
Closing net value	223	166	66	2	457

2023 for the year ended 31 December					
	Goodwill	Software	Outlays for intangible assets	Other intangible assets	Total
Opening gross value	223	1,413	23	19	1,678
Additions, including:	-	177	145	1	323
purchases	-	18	145	-	163
investment takeovers	-	129	-	1	130
acquisition of an organised part of an enterprise	-	30	-	-	30
Reductions, including:	-	-	-131	-	-131
investment takeovers	-	-	-130	-	-130
other	-	-	-1	-	-1
Impairment	-	-2	-	-	-2
Closing gross value	223	1,588	37	20	1,868
Opening accumulated depreciation	-	-1,244	-	-18	-1,262
Changes in the period, including:	-	-112	-	-1	-113
depreciation charges	-	-87	-	-1	-88
acquisition of an organised part of an enterprise	-	-27	-	-	-27
other	-	2	-	-	2
Closing accumulated depreciation	-	-1,356	-	-19	-1,375
Closing net value	223	232	37	1	493



Contractual obligations to purchase intangible assets

In 2024, the Group concluded agreements with contractors for the future purchase of intangible assets for a total amount of PLN 175 million, however, due to the framework nature of some of the agreements, this amount is not the target amount. These agreements, as in the previous year, concern the purchase of licenses and the implementation of computer software.

At the end of 2023, the Group had contracts (partly of a framework nature) for the purchase of licenses and software implementation for a total amount of PLN 39 million.

Impairment test of cash generating units with respective goodwill

The goodwill impairment test is carried out at least once every year, irrespective of identification of any triggers for impairment.

At the Bank, the impairment test covered the goodwill obtained as a result of a branch of ING Bank NV contributed in kind, which was assigned to the corporate activity of the Group. The smallest identifiable cash-generating units were determined and goodwill totalling PLN 223 million was assigned thereto. No other additional elements of intangible value and indefinite useful life were identified that could be assigned to the identified cash-generating units.

The test input data cover the economic capital, risk-weighted assets and profit before tax per segment and effective tax rate. The test is performed using the model that calculates and compares the current value of free cash flow of the unit to the estimated book value of the unit’s funds. The cash flows of the unit are defined as net profits less capital needed to maintain the solvency ratio at the required level.

At the end of 2024, a discount rate of 11.56% was used to discount the cash flows, representing the weighted average cost of capital, estimated on the basis of the risk-free rate (5.89%), the beta factor (1.03) and the equity risk premium (5.50%). As at 2023 yearend, the discount rate used to discount the flows was 11.42% and was estimated based on a risk-free rate of 5.20%, a beta factor of 1.13 and a share price risk premium of 5.50%. Other assumptions include the nominal growth rate after the forecast period (3.5% at the end of 2024 as well as at the end of 2023).

The recoverable value was determined based on the estimation of the useable value of the assets component taking into account the estimated forecast of expected future cash flows generated during the continued use. The cash flow forecasts are based on rational assumptions that reflect the most accurate appraisal of the management regarding all the conditions that will appear during the remaining lifetime of the assets. The cash flow forecasts are based on mid-term plan approved by the Group and the strategy covering the maximum period of the next three

years. The data regarding the subsequent years come from extrapolation. Extrapolation assumes that the cash flow generating centre will maintain the gross profit to risk weighted assets ratio at the level from the last year of the Group’s forecast and its profits will increase by previously determined growth rate. Legitimacy of the assumptions made is verified periodically, and any divergence between the cash flows estimated based on the future cash flows and the actual ones is analysed as appropriate.

The test showed the surplus of present value over the net book value of the cash-generating unit thus no impairment was determined.

N As at 31 December 2024, the sensitivity analysis of the goodwill impairment test shows that:

- increasing the discount rate by 1 p.p. would result in a decrease in the surplus of net cash flows over the net book value of the cash-generating unit by 20% (compared to 18% at the end of 2023),
- reduction of the discount rate by 1 p.p. would result in an increase in the surplus of net cash flows over the net book value of the cash-generating unit by 26% (compared to 24% at the end of 2023).





25. Deferred tax

Movements in temporary differences during the year

2024

for the year ended 31 December

	opening balance	changes carried through profit or loss	changes carried through other comprehensive income	closing balance
<b>Deferred tax assets</b>				
impairment for expected credit losses	429	48	-	477
valuation of operational leasing	223	2	-	225
revaluation of financial instruments	84	26	-34	76
employee benefits	88	5	-	93
provision for restructuring	22	-5	-	17
other provisions	142	-12	-	130
settlement of the difference between tax and balance sheet depreciation	26	16	-	42
finance lease	7	1	-	8
tax losses	519	-518	-	1
research and development relief for 2024	-	40	-	40
tax adjustment for the CHF loan portfolio	-	22	-	22
other	1	-1	-	-
<b>Total</b>	<b>1,541</b>	<b>-376</b>	<b>-34</b>	<b>1,131</b>
<b>Deferred tax losses</b>				
revaluation of financial instruments	148	-	-21	127
accrued interest	232	12	-	244
effective interest rate adjustment	63	7	-	70
settlement of prepayments/accruals due to depreciation/ amortisation resulting from the investment relief	1	-	-	1
<b>Total</b>	<b>444</b>	<b>19</b>	<b>-21</b>	<b>442</b>
<b>Deferred tax disclosed in the balance sheet, of which:</b>				
Deferred tax assets	1,097	-395	-13	689
Deferred tax losses				690
				1

2023

for the year ended 31 December

	opening balance	changes carried through profit or loss	changes carried through other comprehensive income	closing balance
<b>Deferred tax assets</b>				
impairment for expected credit losses	404	25	-	429
valuation of operational leasing	166	57	-	223
revaluation of financial instruments	142	10	-68	84
employee benefits	77	11	-	88
provision for restructuring	9	13	-	22
other provisions	134	8	-	142
settlement of the difference between tax and balance sheet depreciation	18	8	-	26
finance lease	-	7	-	7
tax losses	1,038	-519	-	519
effective interest rate adjustment	91	-91	-	-
other	13	-12	-	1
<b>Total</b>	<b>2,092</b>	<b>-483</b>	<b>-68</b>	<b>1,541</b>
<b>Deferred tax losses</b>				
revaluation of financial instruments	101	-	47	148
accrued interest	161	71	-	232
effective interest rate adjustment	-	63	-	63
settlement of prepayments/accruals due to depreciation/ amortisation resulting from the investment relief	1	-	-	1
<b>Total</b>	<b>263</b>	<b>134</b>	<b>47</b>	<b>444</b>
<b>Deferred tax disclosed in the balance sheet, of which:</b>				
Deferred tax assets	1,829	-617	-115	1,097
				1,097



Deferred tax recognised directly in equity

as at 31 December		
	2024	2023
Deferred tax in accumulated other comprehensive income, due to:	96	84
financial assets valued through other comprehensive income - debt instruments	50	67
financial assets valued through other comprehensive income - equity instruments	44	40
cash flow hedges	9	-16
actuarial gains/losses	-7	-7
Deferred tax in retained earnings due to:	5	4
incentive employee programs	5	4
Total	101	88

26. Other assets

as at 31 December		
	2024	2023
Prepayments, including:	109	106
accrued income	49	49
due to commissions	1	3
due to general and administrative expenses	59	54
Other assets, including:	40	38
settlements with recipients	17	24
public and legal settlements	14	12
other	9	2
Total	149	144
including financial assets	40	38
Expected settlement period of other assets		
up to 1 year	76	142
over 1 year	73	2

Disclosures on the credit quality of other financial assets are presented later in the consolidated financial statements in the section *Risk and capital management*, in chapter [II.2.10.6. Credit quality of other financial assets](#).

27. Liabilities to other banks

as at 31 December		
	2024	2023
Current accounts	826	633
Interbank deposits	330	168
Loans received*	13,735	12,535
Received call deposits	575	317
Other liabilities	2	2
Total	15,468	13,655

\*) The financing of the long-term lease contracts in EUR (“the matched funding”) received by the subsidiary ING Lease Polska Sp. z o.o. from ING Bank NV and other banks not related to the Group is presented in item *Loans received*. This item also includes liabilities due to non-preferred senior loans (NPS) received by ING Bank Śląski S.A. from ING Bank N.V. More information on NPS loans can be found in the *Risk and capital management* section, in chapter [I.4. MREL requirements](#).

28. Financial liabilities measured at fair value through profit or loss

as at 31 December		
	2024	2023
Financial liabilities held for trading, including:		
valuation of derivatives	733	1,060
other financial liabilities held for trading, including::	667	762
book short position in trading securities	487	596
repo transactions	180	166
Total	1,400	1,822

Detailed disclosures on the nominal values of derivative instruments and their valuation broken down into individual types of derivative instruments along with the remaining dates for their implementation are presented in note [17. Valuation of derivatives](#).



29. Liabilities to customers

as at 31 December		
	2024	2023
Deposits, including:	218,148	202,209
Corporate banking	92,474	90,123
current deposits	60,947	60,650
including O/N deposits	5,045	6,453
saving deposits	20,010	19,441
term deposits	11,517	10,032
Retail banking	125,674	112,086
current deposits	31,850	28,816
saving deposits	76,338	67,713
term deposits	17,486	15,557
Other liabilities, including:	1,848	3,081
liabilities under monetary hedges	751	823
call deposits	7	11
other liabilities	1,090	2,247
Total	219,996	205,290

30. Liabilities from debt securities issued

as at 31 December		
	2024	2023
Liabilities under issue of debt securities, including:		
Covered bonds issued by ING Bank Hipoteczny S.A.	509	404
Total	509	404

At the end of 2024 and 2023, the Group had liabilities arising from the issue of covered bonds issued as part of the ING Bank Hipoteczny S.A. covered bond issue programme established in 2019 (Programme). The purpose of establishing the Programme was to create a legal infrastructure under which the Group will be able to issue covered bonds both on the local and foreign market.

In September 2024, as part of the Programme, ING Bank Hipoteczny S.A. issued 2 series of covered bonds with a total nominal value of PLN 500 million (i.e. 1,000 with a nominal value of PLN 500 thousand per 1 piece) and variable interest coupon in the amount of WIBOR 6M + 0.55%, payable every six months. The maturity date of covered bonds

is 11 September 2028, however it may be extended in accordance with the provisions of the Act of 29 August 1997 on covered bonds and mortgage banks. On 11 September 2024, the covered bonds were admitted to trading on the regulated market in Luxembourg and in Warsaw.

In October 2024, 1 series of covered bonds with a nominal value of PLN 400 million was redeemed.

31. Subordinated liabilities

ING Bank Śląski has in its balance sheet two subordinated loans resulting from agreements with the parent entity, i.e. with ING Bank N.V. based in Amsterdam. These are:

- The agreement concluded 30 September 2019 in the amount of EUR 250 million.
- Agreement concluded on 30 October 2018 for the amount of EUR 100 million.

Both loans were granted for a period of 10 years. The Bank has the right to early repayment of each of them after 5 years, subject to obtaining the relevant consent of the Polish Financial Supervision Authority (KNF). Interest on both loans is payable quarterly at EURIBOR 3M plus a margin (1,66% for the 2019 loan and 1,22% for the 2018 loan). The financial conditions of the loans do not differ from market conditions. The Bank obtained KNF's consent for including both loans in the Tier 2 capital.

At the end of 2024, the total carrying amount of subordinated loans was PLN 1,499 million (PLN 1,526 million at the end of 2023).

32. Provisions

as at 31 December		
	2024	2023
Provision for off-balance sheet liabilities	105	116
Provision for legal risk of foreign currency mortgage loans*	253	128
Provision for retirement benefits	104	93
Provision for restructuring	91	116
Provision for litigation	46	39
Other provisions	37	50
Total	636	542

\*) In addition to the provision for legal risk of foreign currency mortgage loans, the Group estimates the adjustment to the gross carrying amount of CHF-indexed mortgage loans recognised in the statement of financial position and recognises it in the consolidated statement of financial position in the item *Loans and other receivables granted to*



customers measured at amortised cost. In chapter III. Significant accounting principles, in item 3.3 Legal risk related to the portfolio of mortgage loans indexed to the Swiss franc exchange are presented the change in 2024 and and 2023, as well as assumptions regarding of both provisions and adjustment to the gross carrying amount due to the legal risk of CHF-indexed mortgages.

The tables below present the movements in the individual provisions in 2024 and 2023.

2024  
for the year ended 31 December

	Provision for off-balance sheet liabilities				Provision for legal risk	Provision for retirement benefits	Provision for restructuring	Provision for litigation	Other provisions	Total
	Stage 1	Stage 2	Stage 3	Total						
Opening balance	33	24	59	116	128	93	116	39	50	542
provisions recognised/ reversed	-9	10	-12	-11	102	8	-	10	-8	101
ransfer within provisions	-	-	-	-	38	-	-	-	-4	34
utilisation	-	-	-	-	-15	-	-25	-3	-1	-44
actuarial gains/losses	-	-	-	-	-	3	-	-	-	3
Closing balance	24	34	47	105	253	104	91	46	37	636
Expected provision settlement period:										
up to 1 year				-	-	7	40	20	5	72
over 1 year				105	253	97	51	26	32	564

2023  
for the year ended 31 December

	Provision for off-balance sheet liabilities				Provision for legal risk	Provision for retirement benefits	Provision for restructuring	Provision for litigation	Other provisions	Total
	Stage 1	Stage 2	Stage 3	Total						
Opening balance	39	54	15	108	54	74	49	35	39	359
provisions recognised/ reversed	-5	-29	44	10	11	7	86	8	16	138
transfer within reserves	-	-	-	-	73	-	-	-	-	73
utilisation	-	-	-	-	-10	-	-19	-4	-5	-38
actuarial gains/losses	-	-	-	-	-	12	-	-	-	12
other	-1	-1	-	-2	-	-	-	-	-	-2
Closing balance	33	24	59	116	128	93	116	39	50	542
Expected provision settlement period:										
up to 1 year				-	-	6	39	17	6	68
over 1 year				116	128	87	77	22	44	474

Provision for retirement benefits

The Group creates provisions for retirement and disability severance pays in accordance with IAS 19. The provision for retirement and disability severance pays granted under benefits under the regulations resulting from the Labour Code is calculated using the actuarial method by an independent actuary as the present value of the Group's future, long-term liabilities to employees by headcount and pay as at the date of the update. Provisions resulting from actuarial valuation are recognised and revalued in annual periods.

The calculation of provisions is based on a number of assumptions, both with regard to discount rates, projected salary increases and employee turnover, death risk and others.

Assumptions adopted for the valuation:

- discount rate – 5.80% (5.40% at the end of 2023),
- long-term wage growth rate – 5.00%.

The table below includes revision of the balance-sheet liability.

	2024	2023
Opening balance	93	74
Costs included in the income statement, including:	11	10
regular employment costs	6	5
costs of interest	5	5
Actuarial gains / losses	3	12
Paid benefits	-3	-3
Closing balance	104	93





The sensitivity of the model to the assumed values of individual assumptions as at 31 December 2024 and 31 December 2023 is presented in the table below. The base variant is the value of pension and disability provisions recognised in the Group’s books as at 31 December 2024 and 31 December 2023, respectively.

	Provisions for retirement and pension benefit (in PLN million)					
	2024			2023		
	lower bracket	base variant	upper bracket	lower bracket	base variant	upper bracket
Discount rate (-1% / base variant / +1%)	95	104	115	85	93	104
Deviation from the assumed dynamics of changes in salaries (- 0.5% / base variant / +0.5%)	99	104	110	88	93	99

Provision for restructuring

In 2023, the Bank’s Management Board decided to continue in 2024-2026 the process initiated in 2016, which is related to the employment restructuring resulting from the continuation of a long-term project to evolve the Bank’s organisational structure, including, above all, further optimisation of the number of outlets and development of digital channels in the retail segment, reconstruction of the organisational structure and processes in the corporate segment, as well as optimisation and automation of processes in the Bank’s business support units.

In 2023, a restructuring provision was created in the amount of PLN 86 million, which is intended to cover personnel costs. It was recognised in the consolidated statement of profit or loss under *General and administrative expenses - personnel expenses*.

The value of the restructuring provision at the end of 2024 was PLN 91 million, compared to PLN 116 million at the end of 2023.

Legal risk of foreign currency mortgage loans

The significant assumptions concerning the calculation of the amount of the gross balance sheet value adjustment / provision for legal risk for the CHF-indexed mortgage loan portfolio presented in the statement of financial position and already removed from the statement of financial position as at 31 December 2024 are described in chapter III. *Significant accounting principles*, in point 3.3. *Legal risk related to the portfolio of mortgage loans indexed to the Swiss franc exchange rate*.

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

As at 31 December 2024, 1,673 court cases were pending against the Bank (1,389 cases at the end of 2023) in connection with concluded CHF-indexed loan agreements in PLN. The outstanding principal of the mortgage loans to which these proceedings related was PLN 284 million as at 31 December 2024 (PLN 291 million at the end of 2023). By 31 December 2024, 568 court cases had ended with a final court judgement.

As at 31 December 2024, the Bank was also subject to 22 court cases (11 cases at the end of 2023) in connection with concluded EUR mortgage loan agreements. The outstanding principal of the loans concerned by these proceedings was below PLN 1 million as at 31 December 2024 (similar to the end of 2023).

The most important findings of the Court of Justice of the European Union (CJEU) and the Supreme Court in recent years regarding loan agreements indexed or denominated in foreign currencies are presented below.

- On 3 October 2019, the CJEU issued a judgment concerning the possible consequences of recognizing by a national court that a given contractual provision is abusive. The Court confirmed that the evaluation of the contract should not be automatic. It is up to the national court to assess whether, after finding that a given provision is abusive, the contract - in accordance with national law - cannot continue to be in force without such a provision. It is also for the national court to assess the potential consequences for the consumer of the annulment of the credit agreement in question.
- On 7 May 2021, the Civil Chamber of the Supreme Court, composed of 7 judges, adopted a resolution, at the same time giving this resolution the force of a legal principle. The Supreme Court decided that the provision considered abusive (ineffective) from the beginning is not binding. In addition, according to this resolution, if the court finds the loan agreement invalid, each party will settle separately. Thus, the Supreme Court upholds the position that the bank's and the consumer's claims are independent and do not automatically offset each other. The Supreme Court did not decide that each indexed or denominated loan agreement should be annulled. A finding that a contractual provision is abusive should, as a rule, result in the application by national courts of such solutions that restore the balance. According to the Supreme Court, the contract should be considered definitively ineffective if the consumer - duly informed about the consequences - does not agree to be bound by a provision considered abusive.
- On 8 September 2022, the CJEU issued a judgment on mortgage loans denominated in a foreign currency. This judgment confirmed the position already presented by the Court in the past, i.e. in the judgment of 3 October 2019, according to which, if the consumer objects to it, the national court cannot replace the unfair contract term concerning the exchange rate with an optional provision of domestic law. Nor can the national court remove only



the element of a contractual term which renders it genuinely unfair, leaving the remainder of it effective, if such removal would amount to altering the content of the term which affects its substance. If the loan agreement cannot continue to apply without a clause containing an unfair term, it should be declared invalid in absolute terms. The Tribunal also stated that the limitation period for the customer's claims may begin only when the consumer becomes aware of the unfair terms of the contract. The date of signing the contract does not matter.

- On 5 April 2023, the Supreme Court issued a judgment in which it confirmed that the presence of abusive clauses in the contract does not automatically invalidate the entire contract. The purpose of Directive 93/13 is not to annul all contracts containing prohibited terms, but to restore the balance between the parties. It is therefore possible, on the basis of a specific court case, for the court to recognize that without the abusive indexation clause, the contract may continue to be in force. It seems, however, that the impact of this ruling on the jurisprudence of the courts is limited, because currently the courts conclude that the contract is invalid not from the mere fact of the presence of abusive clauses in them, but from the fact that without these clauses the contract cannot continue to function.
- On 15 June 2023, the European Court of Justice (CJEU) issued a judgment in a case regarding the answer to the question of the referring court regarding whether the parties, in addition to reimbursement of money paid in performance of the contract (bank - loan principal, consumer - installments, fees, commissions and insurance premiums) and statutory interest for delay from the time of request for payment, may also demand any other benefits, including receivables (in particular remuneration, compensation, reimbursement of costs or indexation of the benefit).

As regards consumer claims, the CJEU referred to national law and emphasized that it is for the referring court to assess, in the light of all the circumstances of the dispute, whether the inclusion of such consumer claims complies with the principle of proportionality.

As regards banks' claims, the Court pointed out that the Directive precludes banks from being entitled to demand compensation from the consumer beyond the repayment of the capital paid out and beyond the payment of statutory interest for late payment, if this would lead to "compensation for the loss of profit which it intended to make from that contract." Indicating the need to return the capital, the Court did not determine whether it is about its real or nominal value, which is a particularly important question in the light of high inflation.

- In its judgment of 21 September 2023 in Case C-139/22, the CJEU held that:
  - 1) In order for a contractual term to be regarded as unfair, it is sufficient to establish that its content corresponds to the terms of a standard contract entered in the register of prohibited clauses, which does not preclude, however, that in the particular proceedings the bank can prove that, in the light of all the relevant circum-

stances of the case, that term is not abusive (in particular, it does not produce effects identical to those entered in the register of prohibited clauses).

- 2) An unfair contract term shall not be made unfair by the fact that the consumer may choose to perform his contractual obligations under the contract on the basis of another contract term which is fair.
- 3) The trader shall be required to provide information on the essential characteristics of the contract and the risks inherent in the contract of each consumer, including where the relevant consumer has appropriate knowledge and experience in the specific field.
- 4) In view of the answer to Question No 3, the CJEU considered it pointless to answer Question No 4 (that question was asked only in the event that the third question was answered in the negative, which was not the case here).

However, in the opinion of the banks, this judgment does not close the way for Polish courts to assess consumer claims from the perspective known to Polish law and also the institution of abuse of rights present in other European legal orders.

- On 7 December 2023, the CJEU issued another adverse judgement for banks, which, however, does not bring anything groundbreaking. The CJEU stated that the consumer does not have to declare that he is aware of the consequences of the cancellation of the contract before the courts, and that the consumer has the right to reimbursement of the full value of the claims, without deducting capital interest.
- In its judgement of 14 December 2023, the CJEU stated that the limitation period must be symmetrical for both parties. Therefore, the limitation period for client claims cannot start earlier than the limitation period for bank claims. The CJEU confirmed the sanction of permanent ineffectiveness, which means that the limitation period for both parties should be counted from the customer's express statement that he knows the consequences of cancellation of the contract. This is in line with the current case law of Polish courts after the resolution of the 7 judges of the Supreme Court of 7 May 2021.
- By the resolution of the Supreme Court of 25 April 2024, the Supreme Court resolved legal issues regarding loans indexed to or denominated in foreign currency (the so-called Swiss franc loans), presented by the First President of the Supreme Court, stating that:
  - 1) If it is concluded that a provision of an indexed or denominated loan agreement relating to the method of determining the exchange rate of a foreign currency constitutes an unlawful contractual term and is not binding, in the current legal situation it cannot be assumed that this provision is replaced by another method of determining the exchange rate of a foreign currency resulting from legal or customary provisions.





- 2) If it is not possible to determine the foreign currency exchange rate binding on the parties in an indexed or denominated loan agreement, the agreement is also not binding to the remaining extent.
- 3) If, in performance of a loan agreement, which is not binding due to the unlawful nature of its provisions, the bank has disbursed to the borrower all or part of the loan amount, and the borrower has made repayments of the loan, independent claims for repayment of undue performance to each of the parties arise.
- 4) If the loan agreement is not binding because of the unlawful nature of its provisions, the limitation period for the bank's claim for repayment of the amounts paid under the loan shall, as a rule, start to run from the day following the day on which the borrower has challenged the bank's binding effect on the provisions of the agreement.
- 5) If the loan agreement does not bind due to the unlawful nature of its provisions, there is no legal basis for either party to claim interest or other remuneration for the use of its funds in the period from the fulfilment of undue performance until the moment of delay in the reimbursement of this benefit.

The above answers are in principle consistent with the approach to these issues in the existing case law, in particular in the CJEU judgments. Therefore, it seems that the resolution will not significantly change the situation of banks in these processes. However, it may cause courts to stop ruling on the 'de-franking' of loans in the event of clauses on exchange rate tables being found abusive, and in any event annul them.

- On 24 October 2024, the CJEU issued a judgement in case C 347/23 in response to a preliminary question from the Regional Court in Warsaw. The judgement means that borrowers who took out a mortgage loan for the purchase of real estate in order to lease it (under the conditions described in the CJEU judgement) are subject to protection provided for in consumer regulations.

Settlement programme

From 25 October 2021, the Bank offers the possibility for borrowers to conclude voluntary settlements in accordance with the proposal presented in December 2020 by the Chairman of the Polish Financial Supervision Authority. The Bank's customers may submit a request for mediation through the Mediation Center of the Court of Arbitration of the Polish Financial Supervision Authority. The mediation process can be used by customers who have a housing mortgage loan or a housing construction and mortgage loan indexed with the CHF exchange rate at the Bank for their own housing purposes, excluding mortgage loans and the above-mentioned loans, where one of the purposes of lending was to consolidate non-housing liabilities. A mediation agreement can only be signed for one of the active housing loans. The conversion takes place on the terms presented by the Chairman of the Polish Financial Supervision Authority. Detailed rules for the settlement of the loan and determination of the type of interest rate for

the future are the subject of arrangements in the mediation process before the Polish Financial Supervision Authority in accordance with the current offer of settlements offered by the Bank. The Bank also proposes settlements for loans subject to court proceedings.

By the end of 2024, the Bank had concluded 840 settlements (by the end of 2023, 743 settlements), including 777 settlements before the PFSA Court of Arbitration (by the end of 2023, respectively 698 settlements).

33. Information on initiated administrative proceedings and significant court proceedings

The value of proceedings concerning liabilities or receivables pending in 2024 did not exceed 10% of the Group's equity. In the Group's opinion, none of the individual proceedings pending in 2024 in front of a court, arbitration court or public administration authority, or all of them jointly pose a threat to the Group's financial liquidity.

Detailed information on the legal environment related to the legal risk of the CHF-indexed mortgage portfolio and information on court cases in connection with concluded CHF-indexed mortgage loan agreements are presented in note 32. Provisions.

PFSA proceedings

- On 12 October 2018, the Polish Financial Supervision Authority imposed a fine on the Bank in the amount of PLN 0.5 million, pursuant to Art. 232 sec. 1 of the Act on Investment Funds and Alternative Investment Funds Management, in the wording before the amendment made by the Act of 31 March 2016, in connection with the breach of depository's obligations set out in Art. 72 of the Act in connection with the Bank acting as the depository of the Inventum Premium SFIO and Inventum Parasol FIO funds with separate sub-funds. In the course of reconsidering the case, the PFSA confirmed the violations and did not identify any circumstances that would justify reducing the fine. In connection with the proceedings, a provision in the amount of PLN 0.5 million was created in December 2018. The Bank paid the imposed fine in the third quarter of 2020. On 1 October 2020, the Bank appealed against the said decision to the Provincial Administrative Court. In the judgment of 7 April 2021, the Provincial Administrative Court overruled the decision of 12 October 2018 and the decision of the Polish Financial Supervision Authority of 12 August 2020 upholding this decision. The PFSA filed a complaint with the Supreme Administrative Court on 27 July 2021. On 25 August 2021, the Bank responded to the complaint. The date of the hearing before the Supreme Administrative Court has not been set.
- On 17 June 2020, the Polish Financial Supervision Authority (PFSA, KNF) initiated administrative proceedings to impose a penalty on ING Bank Śląski S.A, in connection with suspicion of breach of depository duties defined in art. 72 of the Act on investment funds and management of alternative investment funds in connection with



the Bank’s function of depositary of specific funds and Article 9(2) of the above mentioned act. The proceedings ended on 17 December 2021 with the issuance of a Decision under which the PFSA imposed an administrative penalty of PLN 4.3 million on the Bank. The fine of PLN 4.3 million was paid. On 21 November 2022, the Bank filed a complaint with the Provincial Administrative Court. Pursuant to the content of the complaint, the Bank demands that the Decision imposing an administrative penalty be repealed in its entirety. In a judgment of 8 March 2023, the Provincial Administrative Court dismissed the Bank's complaint in its entirety. The justification for the judgment was received on 21 June 2023, after analyzing it, the Bank decided to file a cassation complaint with the Supreme Administrative Court. The complaint was prepared and submitted on time. The date of the hearing before the Supreme Administrative Court has not been set.

- On 22 November 2023, the Polish Financial Supervision Authority initiated an administrative proceeding regarding the imposition of a fine on ING Bank Śląski S.A. pursuant to Art. 176i sec. 1 point 4 of the Act on Trading in Financial Instruments. At this stage of the proceedings, it is not possible to reliably estimate the amount of the potential penalty.

**Proceedings initiated by the President of the Office of Competition and Consumer Protection (UOKiK)**

***Proceedings on the application of practices infringing collective consumer interests regarding unauthorized transactions***

On 22 June 2021, the UOKiK opened an investigation against ING concerning the Bank’s replies to customer reports of unauthorized transactions, including the reimbursement of transaction amounts at D+1. In the course of the proceedings, the Bank repeatedly provides the explanations and documents required by the Office.

On 22 November 2022, the Bank received a notice from the UOKiK to initiate proceedings for a practice damaging the collective interests of consumers, together with a request to respond to the following allegations:

- non-reimbursement to consumers within D+1 of the consumer requesting the return of the unauthorized transaction or restoring the account to the condition that would have existed if the unauthorized payment transaction had not taken place; the only exceptions, according to the UOKiK, are situations where the Bank informs the law enforcement authorities of the suspicion of a criminal offense by the consumer or 13 months have elapsed from the date on which the transaction was debited or the day on which the transaction was to be executed; UOKiK claims that this may infringe Article 46(1) of the Payment Services Act and compromise the collective interests of consumers and, and may therefore constitute a practice that would be affected;

- providing misleading information in response to a complaint by suggesting that the use of individual credentials means correct authentication, which in turn means demonstrating a correct authorization of transactions, which may mislead consumers regarding the obligations of the trader under Article 46 of the Act and the distribution of the burden of proof that the payment transaction has been authorized - which, according to the UOKiK, may constitute an unfair market practice and undermine the collective interests of consumers, and consequently constitute a practice that infringes the collective interests of consumers;
- providing consumers with misleading, incorrect information about the correct authorization of transactions in response to a complaint, while pointing out the lack of consent of consumers to carry out a transaction (i.e. a lack of authorization) by indicating that the customer has led to the transaction as a result of a breach of one of the obligations referred to in Article 42 of the Act and that the customer is therefore fully liable for the transaction being advertised, and the recovery is possible as a result of action by the law enforcement authorities at the request of the injured party, which may constitute an unfair market practice and, consequently, constitute a practice which infringes the collective interests of consumers.

On 16 January 2023, the Bank sent a letter in the proceedings containing a very comprehensive explanation of its position rejecting the above-mentioned allegations, indicating both the correct interpretation of the provisions of the Payment Services Act in the Bank's opinion and the analysis of certain cases described in the order by the Office of Competition and Consumer Protection. The case is pending. UOKiK has decided to extend the deadline for completing the proceedings until 30 March 2025.

In connection with the proceedings, as at 31 December 2023, the Group created a provision in the amount of PLN 20 million. As at 31 December 2024, the provision amounted to PLN 22 million.

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

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

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





- the possibility of unilaterally changing the general terms and conditions of the contract as to its essential provisions, in the scope of contracts enabling the generation of debt on the part of consumers, concluded for a specified period,
- general, imprecise nature of the premises for a unilateral amendment to the contract, which does not allow consumers to verify them correctly, and in some provisions there are no time limits as to the scope of changes,
- no provisions regarding the possibility of continuing a contract concluded for a specified period of time regarding crediting consumer needs under the existing rules in the event of failure to accept unilateral proposed changes from the bank.

In the letter of 13 May 2021, the Office for Competition and Consumer Protection notified the Bank that the collection of evidence had been completed. The Office for Competition and Consumer Protection decided to extend the deadline for the completion of the proceedings until 30 April 2025.

As at 31 December 2024 the Group has not identified any rationale for making provisions on this account, similarly as at 31 December 2023.

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

After conducting antitrust proceedings against ING Bank Śląski S.A. and other banks, at the request of the Polish Trade and Distribution Organization - the Employers' Association (POHiD), the President of the Office of Competition and Consumer Protection issued a decision on 29 December 2006 stating that the Bank had committed practices restricting competition. UOKiK found competition-restricting practice consisting in the participation by various Polish banks, including the Bank, in an agreement limiting competition on the market of acquiring services related to the settlement of consumer obligations to merchants, for payments for goods and services purchased by consumers, using payment cards in Poland by jointly determining the interchange fee charged on transactions made with Visa and MasterCard cards in Poland. In connection with the finding of practices restricting competition, UOKiK imposed fines, including on the Bank in the amount of PLN 14 million.

The Bank appealed against the Decision to the Court of Competition and Consumer Protection (SOKiK). By judgement of 12 November 2008, SOKiK amended the UOKiK's decision, in that it did not find any practice restricting competition. On 22 April 2010, this verdict was overturned by the Court of Appeal, which referred the case to SOKiK for reconsideration. Another judgement of the Court of Appeal was upheld, which resulted in the obligation to pay a fine. However, the amount of the fine was refunded to the Bank following the judgement of the Supreme Court,

which overturned the judgement of the Court of Appeal. Currently, as a result of the Appellate Court's decision of 23 November 2020, the case is being reconsidered by the SOKiK. Further hearings were held following an exchange of pleadings between the parties. The court admitted the evidence from the expert opinion. The opinion was served on the parties who replied to it.

Due to the lack of final decisions, the amount of the refunded penalty was not recognized in the profit and loss account. As at 31 December 2024, the value of the provision was PLN 14 million, similarly as at 31 December 2023.

**Litigation concerning loans based on variable interest rate and the rules for determining the WIBOR reference rate**

As at 31 December 2024, the Bank was subject to 196 court proceedings (92 proceedings as at 31 December 2023) in which clients question the basis of the mortgage loan agreement on the variable interest rate structure and the rules for determining the WIBOR reference rate. The Bank questions the validity of the claims raised in these cases, as the use of the WIBOR index is compliant with the law. The WIBOR benchmark is set by an administrator, independent of the bank, and supervised by the Polish Financial Supervision Authority. When granting such loans, the Bank provides clients with all the information required by law, i.e. the ratio and the risk of variable interest rate. This is confirmed by the case law to date, which is favourable for the Bank. As at 31 December 2024, 12 cases were already completed with a positive result.

The Częstochowa Regional Court in a case against one of the banks, in which the plaintiff raises objections regarding the WIBOR rate, decided to refer the following questions to the Court of Justice of the European Union by order of 31 May 2024:

- 1) Does Article 1(2) of Directive 93/13, which excludes from the directive the terms of a contract which reflect, inter alia, the applicable laws or regulations, permit the examination of variable-rate contractual terms on the basis of the WIBOR benchmark?
- 2) If the answer to the first question is in the affirmative, does Article 4(2) of Directive 93/13, which excludes the assessment of the unfairness of contractual terms relating to the determination of the main subject-matter of the contract or of the price/remuneration, permit the examination of variable-rate contractual terms on the basis of the WIBOR benchmark?
- 3) In the event of a positive answer to the first and second questions, can the provisions of the agreement on variable interest rates based on the WIBOR reference rate be regarded as contrary to the requirements of good faith and causing a significant imbalance in the parties' rights and obligations arising under the agreement to the



detriment of the consumer, due to the consumer’s inadequate information regarding the exposure to the risk of a variable interest rate, including, in particular, the failure to indicate how the benchmark on which the variable interest rate is set is determined and what doubts are related to its non-transparency and the uneven distribution of this risk among the parties to the agreement?

4) If the previous questions are answered positively, is it possible to continue the operation of a contract in which the interest rate on the amount of the loan principal will be based on the second component determining the interest rate contained in the contract, i.e. the bank’s fixed margin, which will change the interest rate on the loan from variable to fixed?

On 3 July 2024, the request for a preliminary ruling was formally submitted to the CJEU and the case was given the case number C-471/24. On 28 October 2024, the Polish Government submitted to the CJEU its position on the preliminary questions asked in this case, in which it recommends a negative answer to all the above questions. This position is in line with the banks' arguments.

Court proceedings concerning the sanction of free credit

As at 31 December 2024, there were 75 court proceedings against the Bank (45 proceedings as at 31 December 2023) regarding the free loan sanction. As at 31 December 2024, 23 cases were already completed, and none of them had any irregularities in contracts that would have been the basis for recognising the statement on the sanction of the free loan.

A lawsuit by borrower against one of the banks was brought to the court in Poland for the imposition of a free loan sanction, i.e. depriving the lender of the right to interest and other fees resulting from the agreement. In the course of the proceedings, the court raised certain doubts, with which it referred a preliminary ruling to the CJEU. On February 13, 2025, the CJEU issued a judgement in Case C-472/23, answering the following questions asked by the Polish court:

- 1) The fact that the credit agreement refers to an annual percentage rate of charge which is overstated because certain terms of the agreement were subsequently found to be unfair (i.e. abusive) and therefore not binding on the consumer does not in itself constitute a breach of the obligation to provide information.
- 2) The fact that the credit agreement mentions a number of circumstances justifying an increase in the charges relating to the performance of the contract, without the consumer, who is reasonably well informed and reasonably observant and circumspect, being able to ascertain whether those charges have occurred or whether

they have had an effect on them, constitutes an infringement of the obligation to provide information, in so far as that indication is liable to call into question the consumer’s ability to assess the extent of his obligation.

3) Article 23 of Directive 2008/48 does not preclude national legislation which provides, in the event of a breach of the obligation to provide information imposed on the creditor, for a uniform penalty consisting in depriving the creditor of his right to interest and charges, irrespective of the individual degree of seriousness of the breach, in so far as that breach is liable to undermine the consumer’s ability to assess the extent of his obligation.

Ad 1) In this judgement, the CJEU reminded that the law requires a number of detailed information to be provided in a consumer credit agreement, including the actual interest rate (calculated according to the given mathematical formula) and the total cost of the credit incurred by the consumer. The case-law assumes that the lack of faithful provision of the required information deprives the consumer of the possibility to determine the scope of his obligation, i.e. the amount of amounts to be repaid (judgement of the CJEU of 21 March 2024 in Profi Credit Bulgaria, C 714/22).

It must be assumed literally that providing incorrect information about the APR does not have to be an underestimation of it, the bank may just as well overstate the APR, and ‘allowing a credit agreement to contain an overstated APR could deprive the indication of practical usefulness to the consumer’ (for the sake of clarity: one of the elements of the dispute was that, after removing the provision of the prohibited APR, the APR is lower than that provided in the contract). However, in the CJEU’s opinion, the situation that the removal of the contested provision leads to an overstatement of the RSSO — calculated by the lender according to this mathematical formula — does not mean a breach of disclosure obligations.

(Ad 2) However, this does not imply that the creditor had the right freely and freely to modify the terms of the contract, including the amount of the fees, in the course of its performance. Information on loan repayment terms is a key element, including the prerequisites for changing these parameters; therefore, the agreement should indicate in a transparent manner the reasons for and manner of changes in the amount of fees related to the loan granted. According to the CJEU, the lender’s use of variable (and evolving) economic indicators that are difficult to verify, including parameters controlled by the bank itself (e.g. the level of bank costs), is not a condition of a clear definition of the terms of the agreement.

Ad 3) Regarding, on the other hand, whether a civil court verdict may result in a free credit sanction depriving the bank of all its receivables, or whether it should be proportional to the scale of the infringements, the CJEU pointed out that according to the directive these consequences should be effective, proportionate and dissuasive, and therefore their severity should be adequate to the gravity of the infringement. Therefore, since the lack of correct information restricts the consumer’s exercise of his rights and makes it difficult to understand his obligations, the



CJEU considers that the sanction of a free loan provided for by national law can be considered disproportionate only if the breach of those obligations could not affect the consumer’s ability to assess his obligations. That, in turn, means that national law may allow a penalty in the form of deprivation of interest and other entitlements to the creditor - but the assessment of the conditions and circumstances obviously depends on the facts and must therefore be carried out by the referring court.

Other proceedings

On 23 January 2020, the Bank received a notice from the President of the Office for Personal Data Protection (President of the DPA) regarding the audit of the compliance of the processing of personal data with personal data protection regulations, i.e. Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (General Data Protection Regulation) and the Act of 10 May 2018 on personal data protection. On 9 December 2021, the Bank received a notice from the President of UODO on the initiation of ex officio administrative proceedings in this area. The Bank shall take the action required by law during the proceedings.

As at 31 December 2024, the Group did not identify any indications to recognise provisions in this respect, similarly as at 31 December 2023.

34. Other liabilities

as at 31 December		
	2024	2023
Accruals, including:	1,053	1,163
due to employee benefits	406	375
of which variable remuneration programme	54	60
due to commissions	210	206
due to general and administrative expenses	437	582
Other liabilities, including:	2,528	3,828
lease liabilities	529	484
interbank settlements	1,023	2,462
settlements with suppliers	163	169
public and legal settlements	196	162
liability to pay to the BFG guarantee fund	172	172
liability to pay to the BFG resolution fund	244	199
other:	201	180
Total	3,581	4,991
Including financial liabilities	2,528	3,828
Expected settlement period of other liabilities		
up to 1 year	2,705	4,087
over 1 year	876	904





35. Equity

35.1. Share capital

The Parent entity's share capital is PLN 130,100,000 and is sub-divided into:

- 92,600,000 A-series ordinary bearer's shares with face value of PLN 1.00 each, and
- 37,500,000 B-series ordinary bearer's shares with face value of PLN 1.00 each.

Each ordinary share entitles its holder to dividend and one vote during the general meeting. All shares are fully paid.

35.2. Accumulated other comprehensive income

The following table presents the balances of accumulated other comprehensive income as at 31 December 2024 and 31 December 2022, respectively. The tables on next page show the reconciliation of changes in accumulated other comprehensive income during 2024 and 2023.

as at 31 December		
	2024	2023
Accumulated other comprehensive income, including:		
from financial assets measured through other comprehensive income – debt instruments, including:	-5	-69
deferred tax	-50	-67
current tax *	51	83
from financial assets measured through other comprehensive income – equity instruments, including:	186	171
deferred tax	-44	-40
from cash flow hedges, including:	-4,849	-5,169
deferred tax	-9	16
current tax **	1,147	1,196
from actuarial gains / losses, including:	-31	-28
deferred tax	7	7
Total	-4,699	-5,095

\*) current tax on the valuation of debt instruments - due to the fact that the debt securities included in all portfolios are jointly owned by one taxpayer of corporate income tax (hereinafter "CIT"), the Bank calculated for all portfolios jointly, separately for each security and using the FIFO method, tax results on purchase and sale of debt securities. The method of determining tax results on the purchase/sale of debt securities results in a different distribution of the results achieved in terms of valuation than for accounting purposes. Accounting unrealised valuation in accumulated other comprehensive income for CIT purposes becomes a real-ised valuation, on which the Bank pays

current tax. For this reason the current tax is recorded for the part of the unre-alised valuation in accumulated other comprehensive income that is realised in terms of CIT.

\*\*) current tax on the valuation of hedging derivatives - the Group uses the service “settlement-to-market”, or “STM”, provided for by the Regulation of the KDPW/LCH/EUREX (CCP) in respect of the approach to the settlement of IRS and FRA instruments. Even though the effective portion of the de-rivative hedge instruments resulting from the measurement of derivative hedging instruments is recognised in other comprehensive income, due to the STM mechanism it is settled in cash and the amount paid to/ received from CCP represents tax income/ expense for the purpose of the corporate income tax (CIT). That is why the current tax is rec-ognised in other comprehensive income. Details on the STM services are presented in note 17. *Valuation of derivatives*.

Accumulated other comprehensive income - change in balance  
2024

	changes in the fair value of financial assets measured through other comprehensive income		cash flow hedges	actuarial gains / losses	Total
	debt instruments	equity instruments			
Balance at the beginning of the period	-69	171	-5,169	-28	-5,095
gains/losses on revaluation carried through equity	55	15	-1,447	-	-1,377
transfer to financial result in connection with the sale	9	-	1,767	-	1,776
actuarial gains/losses	-	-	-	-3	-3
Balance at end of period	-5	186	-4,849	-31	-4,699

2023

	changes in the fair value of financial assets measured through other comprehensive income		cash flow hedges	actuarial gains / losses	Total
	debt instruments	equity instruments			
Balance at the beginning of the period	-347	78	-7,752	-19	-8,040
gains/losses on revaluation carried through equity	273	93	425	-	791
transfer to financial result in connection with the sale	5	-	2,158	-	2,163
actuarial gains/losses	-	-	-	-9	-9
Balance at end of period	-69	171	-5,169	-28	-5,095

In the item *financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity* in relation to debt securities, changes in the fair value of items classified in this category have





been presented, without taking into account the changes resulting from the valuation of the hedged risk , in terms of items covered by the fair value hedge accounting.

With respect to cash flow hedges:

- gains/losses on revaluation carried through equity - the amount of the effective part of the hedging relationship in the cash flow hedging strategy of the portfolio of financial assets/liabilities is presented.
- in the item *transfer to the financial result* - the amortization of the effective part of the hedging relationship of the cash flow hedging strategy was presented on the dates when the hedged item results in the profit or loss.

The rules relating to the above items are described in detail in chapter III. *Significant accounting principles*, in item 13.8.1. and in the section *Risk and capital management*, in chapter II.3.8. *Hedge accounting*.

35.3. Retained earnings

as at 31 December	2024	2023
Other supplementary capital	315	315
Reserve capital	14,803	14,699
General risk fund	1,215	1,215
Valuation of share-based payments, including:	24	72
deffered tax	-5	-4
Retained earnings from previous years	57	8
Result for the current year	4,369	4,441
Total	20,783	20,750

Supplementary capital

Supplementary capital is formed from appropriations from profit after tax, surpluses generated under issue of shares above their face value and extra contributions paid up by the shareholders to be used for covering balance-sheet losses. The decision on the use of the supplementary capital is taken at the General Meeting.

Reserve capital

The reserve capital is created irrespective of the supplementary capital from profit after tax write-offs, in the amount passed by the General Meeting. The reserve capital may be allocated to cover special costs and expenses, and also to increase the share capital from the Bank’s funds. The decision on activation of the reserve capital is taken by the General Meeting.

General Risk Fund

The General Risk Fund is established in accordance with the Banking Law Act from the post-tax profits and is used for unidentified risk of banking activity. The decision on the use of the Fund is taken by the Management Board.

Dividend payout

The dividend is paid based on the financial result determined in the separate annual financial statements of the Parent company and the Group companies. Details of the Group’s dividend policy and divided payout constraints are included in the section *Risk and capital management*, in item I.5. *Dividend Policy*.

Retained earnings - change in balance

2024

for the year ended 31 December	Other supplementary capital	Reserve capital	General risk fund	Valuation of share-based payments	Retained earnings from previous years	Result for the current year	Total
Balance at the beginning of the period	315	14,699	1,215	72	4,449	0	20,750
net result for the current period	-	-	-	-	-	4,369	4,369
dividend payment*	-	-	-	-	-4,339	-	-4,339
write-down of profit to reserve capital	-	110	-	-	-110	-	-
valuation of incentive employee programmes	-	-	-	-48	52	-	4
using the reserve capital created for the implementation of the employee incentive programme	-	-6	-	-	6	-	-
Settlement of the acquisition and transfer of own shares to employees	-	-	-	-	-1	-	-1
Balance at end of period	315	14,803	1,215	24	57	4,369	20,783

\*) In 2024, the Bank paid out a dividend from the 2023 profit and from the reserve capital allocated for the payment of dividend in the amount of PLN 4.339 million, i.e. PLN 33.35 per share.



2023  
for the year ended 31 December

	Other supplemen- tary capital	Reserve capital	General risk fund	Valuation of share-based payments	Retained earnings from previous years	Result for the current year	Total
Balance at the beginning of the period	315	12,994	1,215	59	1,714	0	16,297
net result for the current period	-	-	-	-	-	4,441	4,441
profit written off to reserve capital	-	1,714	-	-	-1,714	-	-
valuation of share-based payments	-	-	-	17	-	-	17
using the reserve capital created for the implementation of the employee incentive programme	-	-9	-	-	9	-	-
settlement of the acquisition and transfer of own shares to employees	-	-	-	-4	-	-	-4
accounting for the acquisition of an organised part of an enterprise	-	-	-	-	-1	-	-1
Balance at end of period	315	14,699	1,215	72	8	4,441	20,750

\*) In 2022, the Bank paid a dividend from the profit for 2021 in the amount of PLN 689.5 million, i.e. PLN 5.30 per share.

36. Contingent liabilities

36.1. Contingent liabilities granted

as at 31 December		
	2024	2023
Undrawn credit facilities	42,512	41,697
Guarantees	8,014	8,113
Undrawn overdrafts in current account	1,409	1,418
Credit card limits	1,896	1,693
Letters of credit	393	277
Reverse transactions	281	-
Total	54,505	53,198

The Group discloses obligations to grant loans. These obligations include approved loans, credit card limits and overdrafts in current accounts.

The Group issues guarantees and letters of credits to secure fulfilment of obligations of the Group’s customers to third parties. The value of guarantees and letters of credit disclosed above reflects the maximum loss that can be incurred and that would be disclosed as at the balance sheet date should the customers fail to fulfil their obligations in full.

The Group charges commissions for contingent liabilities granted, which are settled in line with the specific nature of the particular instrument.

As at 31 December 2024, the Group also had granted off-balance sheet commitments (so-called commitments under binding offers) in the amount of PLN 904 million resulting from the transfer of a credit decision to the customer (in the case of mortgage loans) and additionally a draft agreement for a specific credit product (in the case of other loans and advances to natural persons).

Financial guarantee contracts by maturity

as at 31 December		
	2024	2023
up to 1 month	167	458
over 1 month and up to 3 months	865	1,073
over 3 months and up to 1 year	3,557	2,791
over 1 year and up to 5 years	2,749	2,989
over 5 years	676	802
Total	8,014	8,113

36.2. Contingent liabilities received

as at 31 December		
	2024	2023
Guarantees received	24,276	19,225
Financing	1,948	1,092
Total	26,224	20,317

Guarantee commitments received consist of collateral values for loans granted by the Bank. Funding commitments received include the value of deposits and loans that do not meet the criteria for recognition in the statement of financial position at the time of the financial statements.



37. Fair value

37.1. Financial assets and liabilities measured at fair value in statement of financial position

Based on the methods used to determine fair value, the Group classifies individual financial assets/liabilities into one of three categories, the so-called level in the fair value measurement hierarchy. The description of particular levels of the valuation hierarchy is contained in chapter III. *Significant accounting principles*, in item 13.7.

In 2024, as in 2023, there were no transfers between levels of the valuation hierarchy.

The carrying amounts of financial assets and liabilities measured at fair value are presented below, broken down by measurement hierarchy levels.



2024

as at 31 December				
	Level 1	Level 2	Level 3	Total
Financial assets, including:	32,385	1,466	276	34,127
Financial assets held for trading, including:	521	1,405	-	1,926
valuation of derivatives	-	898	-	898
other financial assets held for trading, including:	521	507	-	1,028
debt securities, including:	521	-	-	521
treasury bonds in PLN	499	-	-	499
Czech Treasury bonds	22	-	-	22
repo transactions	-	507	-	507
Financial assets other than those held for trading, measured at fair value through profit or loss, including:	-	-	22	22
loans are obligatorily measured at fair value through profit or loss	-	-	21	21
equity instruments	-	-	1	1
Derivative hedge instruments	-	61	-	61
Financial assets measured at fair value through other comprehensive income, including:	31,685	-	254	31,939
debt securities, including:	31,685	-	-	31,685
treasury bonds in PLN	26,371	-	-	26,371
treasury bonds in EUR	2,064	-	-	2,064
European Union bonds	2,838	-	-	2,838
Austrian government bonds	412	-	-	412
equity instruments	-	-	254	254
Transferred assets, including:	179	-	-	179
Treasury bonds in PLN from the portfolio of financial assets measured at fair value through profit or loss	179	-	-	179
Financial liabilities, including:	487	996	-	1,483
Financial liabilities held for trading, including:	487	913	-	1,400
valuation of derivatives	-	733	-	733
book short position in trading securities	487	-	-	487
repo transactions	-	180	-	180
Derivative hedge instruments	-	83	-	83

2023

as at 31 December				
	Level 1	Level 2	Level 3	Total
Financial assets, including:	24,564	1,724	275	26,563
Financial assets held for trading, including:	719	1,516	-	2,235
valuation of derivatives	-	900	-	900
other financial assets held for trading, including:	719	616	-	1,335
debt securities, including:	719	-	-	719
treasury bonds in PLN	600	-	-	600
Czech Treasury bonds	119	-	-	119
repo transactions	-	616	-	616
Financial assets other than those held for trading, measured at fair value through profit or loss, including:	-	-	39	39
loans are obligatorily measured at fair value through profit or loss	-	-	39	39
Derivative hedge instruments	-	208	-	208
Financial assets measured at fair value through other comprehensive income, including:	23,680	-	236	23,916
debt securities, including:	23,680	-	-	23,680
treasury bonds in PLN	21,345	-	-	21,345
treasury bonds in EUR	546	-	-	546
European Investment Bank bonds	1,378	-	-	1,378
Austrian government bonds	411	-	-	411
equity instruments	-	-	236	236
Transferred assets, including:	165	-	-	165
Treasury bonds in PLN from the portfolio of financial assets measured at fair value through profit or loss	133	-	-	133
bonds of the Czech State Treasury in CZK from the portfolio of financial assets measured at fair value through profit or loss	32	-	-	32
Financial liabilities, including:	596	1,506	-	2,102
Financial liabilities held for trading, including:	596	1,226	-	1,822
valuation of derivatives	-	1,060	-	1,060
book short position in trading securities	596	-	-	596
repo transactions	-	166	-	166
Derivative hedge instruments	-	280	-	280





Valuation of financial instruments classified to level 2 of the valuation hierarchy

The Group classifies derivatives and repo transactions to level 2 of valuation hierarchy.

Derivatives

The following models are applied for non-linear transactions (FX options), depending on the product type:

- the European vanilla option and a European digital option – the Garman-Kohlhagen model,
- Cap/Floor (back-to-back transactions) – the Bachelier model.

The following are the input data for the models:

- the FX rate – obtained by the parties from the National Bank of Poland’s website,
- implied volatilities – obtained from Bloomberg,
- profitability curves similar to those for linear derivatives.

Fair value for linear instruments (other derivatives) is determined based on discounted future cash flows at the transaction level. The fair value determined in that manner is the PV of those cash flows.

All input data used for the creation of the revaluation curves are observed on the market, and include: deposit market rates, forward points, FRA rates, IRS rates, OIS rates, FX basis points, basis points among the indexes for variable rates, and FX rates. The data come from the Reuters system and come mainly from brokers. Market data quality is controlled during the daily contribution process for revaluation rates.

Derivatives are generally valued according to the concept of OIS curves with the assumption of the existence of transaction valuation collateral in the form of a deposit bearing interest at the ESTR rate. The exceptions are transactions in PLN and CZK subject to settlement within central clearing houses (LCH, KDPW, EUREX) and bilateral transactions concluded on the basis of an ISDA agreement with a CSA annex in the collateral currency of PLN or without the annex. For these transactions, the NPV is settled in the original currency, which is reflected in the valuation curves used (discount curve based on IBOR, FRA and IRS quotes).

Repo transactions

Fair value for repo transactions is determined based on future payment flows discounted according to the profitability curve for the so-called cash instruments.

Valuation of financial instruments classified to level 3 of the valuation hierarchy

The financial assets classified to level 3 of the valuation as at 31 December 2024 and as at 31 December 2023 include unlisted equity instruments and loans that did not meet the SPPI criterion according to IFRS 9.

Equity instruments

Fair value measurement of unquoted equity interests in other companies is based on the discounted cash flow, dividend or economic value added model. Estimates of future cash flows were prepared based on medium-term profitability forecasts prepared by the Management Boards of these companies. The discount rate is based on the cost of equity estimated using the CAPM (Capital Asset Pricing Model). At the end of 2024, it was in the range of 11.7%-13.7%, depending on the company, compared to 11.4%-13.4% at the end of 2023. Fair value measurement of unquoted equity interests in other companies as at 31 December 2024 and 31 December 2023 covered the following entities: Biuro Informacji Kredytowej S.A., Krajowa Izba Rozliczeniowa S.A. and Polski Standard Płatności sp. z o.o.

As at 31 December 2024, the sensitivity analysis of the valuation of equity instruments shows that:

- adoption of the target dividend payment rate by +10p.p. / -10p.p. compared to the base scenario, would result in a valuation increase/decrease of 10% (by 10% as at 31 December 2023);
- adopting the cost of equity by -0.5p.p. / +0.5p.p. compared to the base scenario, would result in a valuation increase by 6%/ decrease by 5% (increase/decrease by 7% as at 31 December 2023);
- a combination of effects from points 1) and 2), would result in respectively an increase of valuation by 11% / decrease of valuation by 9% (18%/15% as at 31 December 2023).

In 2024, the change in the valuation of equity instruments classified to level 3 included in other comprehensive income amounted to PLN 15 million (in 2023: PLN 93 million).



Loans

The fair value methodology of the loan portfolio is based on the discounted cash flow method. Under this method, for each contract being valued, expected cash flows are estimated, discount factors for particular payment dates and the value of discounted cash flows is determined as at the valuation date. Valuation models are powered by business parameters for individual contracts and parameters observable by the market, such as interest rate curves, liquidity cost and cost of capital. The change in the parameters adopted for the valuation did not have a significant impact on the valuation value as at 31 December 2024.

The impact of the valuation of loans classified to level 3 of the valuation hierarchy is presented in the statement of profit or loss in the item *Net income on financial instruments measured at fair value through profit or loss and FX result*. It was negligible both in 2024 and in 2023.

Change in financial assets classified to level 3 of measurement

2024

for the year ended 31 December

	loans obligatorily measured at fair value through profit or loss	equity instruments measured at fair value through profit or loss	equity instruments measured at fair value through other comprehensive income
Opening balance	39	-	236
Additions, including:	-	1	18
acquisition of equity instruments	-	1	-
valuation referred to accumulated other comprehensive income	-	-	18
Reductions, including:	-18	-	-
loan repayments	-18	-	-
Closing balance	21	1	254

2023

for the year ended 31 December

	loans obligatorily measured at fair value through profit or loss	equity instruments measured at fair value through other comprehensive income
Opening balance	55	121
Increases, including:	-	115
valuation referred to accumulated other comprehensive income	-	115
Reductions, including:	-16	-
loan repayments	-16	-
Closing balance	39	236

37.2. Non-financial assets measured at fair value in the statement of financial position

Own real property

The Group measures properties held at fair value and classifies them to level 3 of the measurement hierarchy. At the end of 2024, their balance sheet value was PLN 185 million, compared to PLN215mn at the end of 2023. The change in the balance of own property is presented in this report in note 23. *Propertyty, plant and equipment*.

The valuation of the own property is carried out by an independent valuer using the income method in accordance with the applicable rules for the valuation of the property. The results of real properties appraisals were presented in the income statement in the item General and administrative expenses (in note 8., in detailed item *maintenance costs of buildings and real estate valuation to fair value*).

As at 31 December 2024, the sensitivity analysis of the valuation of own property indicates that, assuming a capitalisation rate of -0.5p.p. / +0.5p.p. compared to the base scenario, it would result in a valuation increase of 6.1% (PLN 16 million) / a valuation decrease of 5.4% (PLN 14 million), respectively.

As at 31 December 2023, the sensitivity analysis of the valuation of own property indicates that, assuming a capitalisation rate of -0.5p.p. / +0.5p.p. compared to the base scenario, it would result in a valuation increase of 6.4% (PLN 17 million) / a valuation decrease of 5.6% (PLN 15 million), respectively.



37.3. Financial assets and liabilities not measured at fair value in consolidated statement of financial position

The tables present a comparison of the carrying amount with the fair value for investment securities measured at amortized cost, the loan portfolio and amounts due to customers, liabilities arising from the issue of securities and subordinated liabilities. For other financial assets and liabilities as well as guarantees and off-balance sheet liabilities not measured at fair value in the consolidated statement of financial position, the fair value is close to the carrying amount.

In 2024, the same as in 2023, there were no transfers between levels of the valuation hierarchy.

2024

as at 31 December

	Carrying amount	Level 1	Fair value		Total
			Level 2	Level 3	
Investment securities at amortised cost	27,053	20,459	5,384	-	25,843
treasury bonds in PLN	11,859	11,317	-	-	11,317
treasury bonds in EUR	2,872	2,750	-	-	2,750
European Investment Bank bonds	6,654	6,392	-	-	6,392
bonds of the Polish Development Fund (PFR)	3,860	-	3,618	-	3,618
Bank Gospodarstwa Krajowego bonds	1,808	-	1,766	-	1,766
Loans and receivables to customers at amortised cost, including:	166,677	-	1,040	165,836	166,876
Corporate banking segment, including:	93,052	-	-	93,329	93,329
loans and advances (in the current account and term ones)	68,572	-	-	69,213	69,213
lease receivables	13,342	-	-	13,134	13,134
factoring receivables	6,571	-	-	6,571	6,571
corporate and municipal debt securities	4,567	-	-	4,411	4,411
Retail banking segment, including:	70,387	-	-	70,309	70,309
mortgages	61,114	-	-	60,783	60,783
other loans and advances	9,273	-	-	9,526	9,526
Other receivables	3,238	-	1,040	2,198	3,238
Liabilities to customers	219,996	-	-	219,925	219,925
Liabilities from debt securities issued	509	-	-	509	509
Subordinated liabilities	1,499	-	-	1,610	1,610

2023

as at 31 December

	Carrying amount	Level 1	Fair value		Total
			Level 2	Level 3	
Investment securities at amortised cost	32,698	21,571	9,505	-	31,076
treasury bonds in PLN	13,095	12,409	-	-	12,409
treasury bonds in EUR	2,940	2,744	-	-	2,744
European Investment Bank bonds	6,701	6,418	-	-	6,418
bonds of the Polish Development Fund (PFR)	3,860	-	3,507	-	3,507
Bank Gospodarstwa Krajowego bonds	1,805	-	1,703	-	1,703
NBP bills	4,297	-	4,295	-	4,295
Loans and receivables to customers at amortised cost, including:	156,521	-	-	156,756	156,756
Corporate banking segment, including:	90,839	-	-	91,155	91,155
loans and advances (in the current account and term ones)	66,771	-	-	67,452	67,452
lease receivables	13,131	-	-	12,941	12,941
factoring receivables	6,747	-	-	6,747	6,747
corporate and municipal debt securities	4,190	-	-	4,015	4,015
Retail banking segment, including:	63,909	-	-	63,828	63,828
mortgages	55,493	-	-	55,116	55,116
other loans and advances	8,416	-	-	8,712	8,712
Other receivables	1,773	-	-	1,773	1,773
Liabilities to customers	205,290	-	-	205,253	205,253
Liabilities from debt securities issued	404	-	-	405	405
Subordinated liabilities	1,526	-	-	1,261	1,261



The Group discloses the data on the fair value of loans and deposits recognised respectively in the groups of financial assets and financial liabilities carried at amortised cost considering the effective interest rate.

For the purpose of fair value calculation of the PLN mortgage loan portfolio, a yield curve containing transfer prices is used, which are calculated on the basis of WIBOR 1M, WIBOR 6M and WIRON 1M rates, respectively.

To compute fair value of other assets and deposits measured at amortised cost and financial liabilities measured at amortised cost considering the effective interest rate the transfer price is applied. The transfer price is calculated as:

- PLN: BID rates being WIBID overnight, OFFER rates being WIBOR overnight.
- EUR: BID rates being EURIBOR overnight, OFFER rates being EURIBOR overnight.
- USD and CHF: BID rates being LIBOR overnight, OFFER rates being LIBOR overnight.

BID rates are used to compute fair value of financial liabilities measured at amortised cost; in the case of financial assets measured at amortised cost OFFER rates are applied. All intermediate points on the curves are interpolated linearly.

Credit loss estimations reflect the credit loss provisioning model in place at the Group in the model of impairment for expected credit losses.

In certain aspects, the model adopted by the Group is based on the assumptions that do not confirm the prices of verifiable current market transactions referring to the same instrument – the model does not take into account restructuring-based changes either.

**Loans and other receivables**

The credit portfolio including securities classified to financial assets measured at amortised cost is divided into sub-portfolios according to the product type, client segment and the currency.

In the case of those sub-portfolios, the discounting factor is used for each cash flow.

For loans/securities, the discounting factor is assumed as the total of:

- the market rate based on the yield curve as at the balance sheet date, and
- the average margin based on the portfolio of loans granted in the first and second month of the current quarter.

For that purpose, the following assumptions are adopted:

- use to calculate loans granted in the first and second month of the current quarter,

- division into the abovementioned product groups, and
- the spot at the yield curve on the basis of which the relevant market rate is set is reflected by the revaluation date for each loan.

As a result for loans and other receivables, the fair value, that arises during calculation, is the total of the net present value of cash flows of a single loan/ security (in the case of the mortgage portfolio, the fair value is the total of the net present value of cash flows of the aggregated mortgage portfolio).

In the case of the portfolio of mortgage loans in PLN, the income method is used to measure them at fair value.

Key assumptions:

- for the needs of the valuation, the original schedule of principal and interest repayments is adjusted by taking into account prepayments, credit risk and adopting a timely structure of interest rates,
- credit risk parameters, i.e. PD lifetime and LGD, discounted for the purposes of the valuation, are included in the expected cash flows,
- for the purposes of estimating cash flows, prepayments are taken into account, estimated based on the analysis of historical data on the basis of the prepayment model used,
- the calculation of the discount rate adopted to estimate the value of cash flows takes into account all risks and costs, excluding the prepayment risk and credit risk costs reflected in the flows,
- prepayment risk is reflected in cash flows,
- application of the calibration margin determined on the basis of the portfolio of mortgage loans granted in the first and second month of the current quarter, analogous to the measured portfolio.

As at 31 December 2023, in connection with the ongoing legislative process regarding the amendment of the Act on crowdfunding for business ventures and assistance to borrowers, the Group took into account in the valuation of PLN mortgages, the potential impact of extending loan moratoria for 2024. As at 31 December 2023, taking into account the status of the legislative process, the Group’s calculation was based on the expert assumption that market participants assumed a 75% probability of the Act coming into force in the version published in the draft.

The fair value of the loan is calculated as the sum of discounted cash flows from principal repayments and interest payments, taking into account the prepaid capital and the cost of credit risk.

In the case of loans without any repayment schedules and loans from the impaired group, it is assumed that the fair value for those loans equals their book value.





Investment securities measured at amortised cost

In the case of investment securities measured at amortized cost, the fair value of disclosure securities that are quoted on an active market is determined based on the price in this market, for other securities in this portfolio the model described above in *Loans and other receivables* is used.

38. Offsetting of financial instruments

The following disclosure relates to offsetting financial assets and financial liabilities that are subject to an enforceable contingent master agreement. ISDA agreements (for derivative transactions) and GMRA (for securities repo and reverse repo transactions) are the main framework agreements concluded by the Group. Additional collateral for derivative exposures are security deposits, which the Group makes and receives as part of the so-called Credit Support Annex (CSA), i.e. attachments to ISDA agreements.

2024

Financial assets

as at 31 December					
	Gross amounts of recognised financial assets	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
			Financial instruments	Cash collateral received	
Derivatives, including:	1,139	959	-287	-580	92
valuation of derivatives	963	898	-226	-	672
derivative hedge instruments	176	61	-61	-	-
derivatives collateral	-	-	-	-580	-580
Securities loans with repurchase agreements received, including:	22,326	22,326	-	-22,177	149
transactions classified as loans and other receivables to other banks	20,779	20,779	-	-20,661	118
transactions classified as loans and other receivables granted to customers	1,040	1,040	-	-494	546
transactions classified as held for trading financial assets	507	507	-	-1,022	-515
Total					241

Financial Liabilities

as at 31 December					
	Gross amounts of recognised financial liabilities	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
			Financial instruments	Cash collateral pledged	
Derivatives, including	996	816	-287	-53	476
valuation of derivatives	842	733	-226	-	507
derivative hedge instruments	154	83	-61	-	22
derivatives collateral	-	-	-	-53	-53
Securities loans with repurchase agreements received, including:	180	180	-	-179	1
transactions classified as held for trading financial liabilities	180	180	-	-179	1
Total					477



2023

Financial assets

as at 31 December					
	Gross amounts of recognised financial assets	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
			Financial instruments	Cash collateral received	
Derivatives, including:	1 188	1 108	-589	-326	193
valuation of derivatives	944	900	-405	-	495
derivative hedge instruments	244	208	-184	-	24
derivatives collateral	-	-	-	-326	-326
Securities loans with repurchase agreements received, including:	19 616	19 616	-	-19 689	-73
transactions classified as loans and other receivables to other banks	19 000	19 000	-	-19 081	-81
transactions classified as held for trading financial assets	616	616	-	-608	8
Total					120

Financial Liabilities

as at 31 December					
	Gross amounts of recognised financial liabilities	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
			Financial instruments	Cash collateral pledged	
Derivatives, including	1,421	1,340	-589	-93	658
valuation of derivatives	1,097	1,060	-405	-	655
derivative hedge instruments	324	280	-184	-	96
derivatives collateral	-	-	-	-93	-93
Securities loans with repurchase agreements received, including:	166	166	-	-165	1
transactions classified as held for trading financial liabilities	166	166	-	-165	1
Total					659

39. Custody activities

In 2023, a decision was made to withdraw from offering the services of a custodial bank, a depositary bank and the service of maintaining a shareholder register. This entailed the need to terminate all contracts with customers in relation to these products. The year 2024 saw the gradual closure of new relationships and the transfer of assets belonging to clients outside the Group. The Group does not resign from its custody licence. Custody operations related to maintaining securities accounts and their operational servicing will continue, but ultimately only for the Group’s own needs. In addition, the Group will continue to offer the issue agent service and will be a liquidator of investment funds, aiming to gradually reduce their number as the work progresses.

As at 31 December 2024, the Group maintained 41 securities accounts with securities held for the Group’s clients (301 as at 31 December 2023). These accounts do not meet the definition of assets and are not presented in the Group’s consolidated financial statements.

At the end of 2024, the Group’s parent company acted as a depositary bank for 2 investment funds and 2 pension funds. For comparison at year end of 2023, the Group’s parent company acted as a custodian bank for 80 investment funds and sub-funds, 2 pension funds and measured the net asset value and net asset value per participation unit of 8 insurance capital funds (90 funds in total).

40. Supplementary information to the consolidated statement of cash flows

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, the Group accepts as cash and cash equivalents assets in the form of cash and other cash, cash on accounts with the Central Bank and cash on accounts with other banks (including balances on current accounts and overnight deposit accounts and balances of call margins posted). These financial assets are presented in the consolidated statement of financial position in *Cash and cash equivalents* and in the note 14.



Explanation of the classification of the Group’s activities into operating, investment and financial activities in the consolidated cash flow statement

Operating activity includes the core activities of the Group, not cassified as investment or financial activities.

Investing activities include the acquisition and sale of property, plant and equipment, intangible assets and debt securities measured at amortised cost (excluding short-term treasury bills and NBP bills). Inflows from investment activities also include dividends received on account of the holding of shares in other entities.

Financial activities concern long-term (over 1 year) financial operations carried out with financial entities. Inflows from financial activities indicate the sources of financing of the Group, obtained e.g. by taking long-term loans and borrowings from other banks and from financial entities other than banks or by issuing debt securities. Outflows from financing activities mainly concern repayments of long-term liabilities by the Group (i.a. repayments of loans and interest received, redemption of issued debt securities and interest payments on them, repayments of lease liabilities), and also include dividend payments to owners and acquisition of own shares for the purposes of the employee incentive programme.

Reasons for differences between changes in certain items recognised in consolidated statement of financial position and in consolidated cash flow statement

Below are presented the differences between the changes in the balance resulting from the consolidated statement of financial position and the changes reported in the consolidated cash flow statement.

The explanations for the reasons for the differences are as follows:

Difference no	Explanation of the reasons for the difference
Difference 1	Changes in the balance of individual assets and liabilities have been adjusted for interest, which is presented in the item <i>Interest received</i> (from assets) or <i>Interest paid</i> (from liabilities).
Difference 2	Changes in the valuation of fair value recognized in other comprehensive income are excluded from the changes in the balances of individual assets and liabilities.
Difference 3	Changes in the balances of <i>Investment Securities</i> exclude changes related to the purchase and sale or redemption of debt securities valued at amortized cost (excluding short-term Treasury bills and NBP money bills). These changes were presented as <i>cash flows from investing activities</i> .
Difference 4	The <i>change in other assets</i> includes non-monetary - except depreciation - changes in the carrying amount of property, plant and equipment and intangible assets (cash changes related to these items are presented in <i>cash flows from investing activities</i> ).
Difference 5	The amount of <i>lease liabilities</i> repaid was excluded from the <i>change in other liabilities</i> , which was presented in <i>cash flows on financing activities</i> .
Difference 6	The amounts contracted were excluded from the change in <i>liabilities to other banks</i> and the amounts of repayments of loans for long-term financing, which together with the amount of interest payments on these loans, were presented in cash flows on financing activities, were excluded from the <i>change in liabilities to other banks</i> .
Difference 7	The amount of the settlement of the acquisition of own shares for the purposes of the incentive scheme, which was recognised in retained earnings, was excluded from the <i>change in other liabilities</i> .
Difference 8	Changes in liabilities from debt securities issued related to redemption of issued securities have been excluded from the <i>Change in liabilities from debt securities issued</i> . These changes, together with the amount of interest payments on these instruments, are presented in <i>cash flows on financing activities</i> .
Difference 9	The change in other assets includes the change in current income tax receivables resulting from the deduction from overpayment for 2021 of tax liabilities due to other taxes (tax on certain financial institutions and tax on goods and services).
Difference 10	The changes in the stocks of individual assets and liabilities were excluded from the changes resulting from the acquisition of an organised part of the enterprise in 2023.

In the tables on subsequent pages, individual differences have been numbered according to the list presented in the table above.



2024  
for the year ended 31 December

	change of balance		difference, including:	Difference 1	Difference 2	Difference 3	Difference 4	Difference 5	Difference 6	Difference 7	Difference 8
	in consolidated statement of financial position	in consolidated cash flow statement									
change in provisions	94	91	-3	-	-3	-	-	-	-	-	-
change in loans and other receivables to other banks	-2,015	-1,999	16	16	-	-	-	-	-	-	-
change in financial assets measured at fair value through profit or loss	326	336	10	10	-	-	-	-	-	-	-
change in hedge derivatives	-50	345	395	-	395	-	-	-	-	-	-
change in investment securities	-2,378	-7,762	-5,384	90	98	-5,572		-	-	-	-
change in transferred assets	-14	-12	2	2	-	-	-	-	-	-	-
change in loans and other receivables to customers measured at amortised cost	-10,156	-10,229	-73	-73	-	-	-	-	-	-	-
change in other assets, including:		-26									
change in 'other assets' in the consolidated statement of financial position	-5	-5	-	-	-	-	-	-	-	-	-
other changes	-	-21	-21	-	-	-	-21	-	-	-	-
change in liabilities to other banks	1,813	642	-1,171	-8	-	-	-	-	-1,163	-	-
change in financial liabilities measured at fair value through profit or loss	-422	-448	-26	-26	-	-	-	-	-	-	-
change in liabilities to customers	14,706	14,727	21	21	-	-	-	-	-	-	-
change in liabilities from securities issues	105	5	-100		-	-	-	-	-	-	-100
change in other liabilities, including:		-1,297									
change in 'other liabilities' in the consolidated statement of financial position	-1,410	-1,312	98	-	-	-	-	98	-	-	-
other changes	-	15	15	-	5	-	-	-	-	10	-





2023  
for the year ended 31 December

	change of balance		difference, including:	Difference 1	Difference 2	Difference 3	Difference 4	Difference 5	Difference 6	Difference 9	Difference 10
	in consolidated statement of financial position	in consolidated cash flow statement									
change in provisions	183	172	-11	-	-11	-	-	-	-	-	-
change in loans and other receivables to other banks	-15,171	-15,146	25	25	-	-	-	-	-	-	-
change in financial assets measured at fair value through profit or loss	-321	-315	6	6	-	-	-	-	-	-	-
change in hedge derivatives	-159	3,030	3,189	-	3,189	-	-	-	-	-	-
change in investment securities	-8,181	-7,127	1,054	83	458	513		-	-	-	-
change in transferred assets	-1	-2	-1	-1	-	-	-	-	-	-	-
change in loans and other receivables to customers measured at amortised cost	-1,546	-1,268	278	278	-	-	-	-	-	-	-
change in other assets, including:		443									
change in 'other assets' in the consolidated statement of financial position	14	14	-	-	-	-	-	-	-	-	-
other changes	-	429	429	-	-	-	-138	-	-	566	1
change in liabilities to other banks	8,015	564	-7,451	-32	-	-	-	-	-7,419	-	-
change in liabilities to customers	12,559	12,529	-30	-30	-	-	-	-	-	-	-
change in other liabilities, including:		558									
change in 'other liabilities' in the consolidated statement of financial position	441	543	102	-	-	-	-	102	-	-	-
other changes	-	15	15	-	20	-	-	-	-	-	-5



Change in the balance of liabilities presented in financial activities of the consolidated statement of cash flows

2024  
for the year ended 31 December

	loans received	liabilities fram debt securities issued	subordinated liabilities	lease liabilities
Opening balance	12,535	404	1,526	484
changes from cash flows recognised in financing activities of the consolidated statement of cash flows, of which:	713	75	-82	-98
incurring liabilities / issue of debt securities	3,063	500	-	-
repayment of liabilities / redemption of debt securities	-1,731	-400	-	-98
interest payments on liabilities	-619	-25	-82	-
non-cash changes included in operating activities of the consolidated statement of cash flows	487	30	55	143
including changes due to exchange rate differences	-224	-	-26	-4
Closing balance	13,735	509	1,499	529

2023  
for the year ended 31 December

	loans received	liabilities fram debt securities issued	subordinated liabilities	lease liabilities
Opening balance	4,994	405	1,644	423
changes from cash flows recognised in financing activities of the consolidated statement of cash flows, of which:	7,371	-31	-74	-102
incurring liabilities	9,680	-	-	-
repayment of liabilities	-2,113	-	-	-102
interest payments on liabilities	-196	-31	-74	-
non-cash changes included in operating activities of the consolidated statement of cash flows	170	30	-44	163
including changes due to exchange rate differences	-419	-	-120	-15
Closing balance	12,535	404	1,526	484

41. Related entities

ING Bank Śląski S.A. is a subsidiary of ING Bank N.V., which as at 31 December 2024 held 75% of the share capital of ING Bank Śląski and 75% of the total number of votes at the General Meeting of ING Bank Śląski S.A. The ultimate parent company is ING Groep N.V. with its registered office in the Netherlands.

ING Bank Śląski S.A. conducts transactions with ING Bank N.V. and its subsidiaries on the interbank market. These are both short-term deposits and loans as well as derivatives operations. The Bank also maintains bank accounts of ING Group entities and receives and grants guarantees to entities from the ING Group.

ING Lease Sp. z o.o., a subsidiary, received from ING Bank N.V. long-term financing of leasing contracts in EUR (so-called "matched funding"). In addition, the Bank has two subordinated loans and three non-preferred senior loans (NPS) in its balance sheet, which result from agreements concluded with ING Bank N.V.

The operating costs incurred by the Bank on behalf of the Parent Entity result primarily from contracts for the provision of consulting and advisory services, data processing and analysis, providing software licences and IT support. As regards costs incurred by the Bank on behalf of other related parties, outsourcing agreements concerning the provision of system resource hosting services for various applications, lease of IT equipment, monitoring of availability and performance of IT applications and infrastructure, as well as penetration tests and IT security monitoring play a dominant role.

All the above-mentioned transactions are carried out on market terms.

Costs are presented at net value (excluding VAT).

The tables on the next page present figures relating to receivables and liabilities, revenues and costs as well as outlays on fixed assets, which result from transactions concluded between the Group and its related entities.



as at 31 December

	2024			2023		
	ING Bank N.V.	Other ING Group entities	Associates	ING Bank N.V.	Other ING Group entities	Associates
<b>Assets</b>						
Nostro accounts	5	1	-	18	1	-
Deposits placed	-	-	-	73	-	-
Loans	-	-	-	-	1	-
Positive valuation of derivatives	181	-	-	138	-	-
Reverse repo	20,351	-	-	19,000	-	-
Other receivables	3	-	-	4	8	-
<b>Liabilities</b>						
Deposits received	475	239	55	131	129	40
Loans received, including:	13,735	-	-	12,535	-	-
non-preferred senior loans (NPS)	9,055	-	-	7,681	-	-
Subordinated loan	1,499	-	-	1,526	-	-
Loro accounts	247	72	-	61	156	-
Negative valuation of derivatives	34	-	-	70	-	-
Other liabilities	231	17	-	252	16	-
<b>Off-balance-sheet operations</b>						
Off-balance sheet liabilities granted	667	183	-	599	384	-
Off-balance sheet liabilities received*	973	9	-	922	-	-
FX transactions	14,427	-	-	16,988	-	-
IRS	188	-	-	191	-	-
Options	591	-	-	592	-	-

for the year ended 31 December

	2024			2023		
<b>Income and expenses</b>						
Income, including:	284	6	56	68	7	42
net interest and commission income	-42	5	56	-1	8	42
net income on financial instruments	322	-	-	62	-1	-
net (loss)/income on other basic activities	4	1	-	7	-	-
General and administrative expenses	-350	-68	-	-265	-62	-

42. Transactions with the management staff and employees

Loans to Bank employees and senior management

Employees of the ING Bank Śląski S.A. Group use loans on the same terms as the Bank’s other clients (there are no preferential loans for employees). Loans to employees are included in the amount of loans to customers and as at 31 December 2024 amounted to PLN 248 million (excluding loans from the Company Social Benefit Fund). As at 31 December 2023, their value amounted to PLN 270 million.

Granting a loan, cash loan, bank guarantee and surety for persons in the Bank's management is defined by a separate procedure and monitoring in accordance with the Regulation of the President of ING Bank Śląski S.A.

The consolidated financial statements for 2024 include bank loans, cash loans, guarantees and sureties granted to the Bank’s management (within the meaning of Article 79 of the Banking Law) in the amount of PLN 32 million. As at 31 December 2023, their value amounted to PLN 29 million.

In-House Social Benefits Fund

Employees may take advantage of various forms of social assistance within the framework of Social Benefits Funds established in entities of the Group. The balance of loans granted from the Company Social Benefit Fund as at 31 December 2024, it amounted to approximately PLN1 million, similar as at 31 December 2023. The balance of the Company Social Benefit Fund as at 31 December 2024 was PLN 27 million, compared to PLN 17 million as at 31 December 2023.



Remuneration of ING Bank Śląski S.A. Management Board Members

The composition of ING Bank Śląski S.A. Management Board as at the end of 2024 was presented in the chapter I. Bank and the Group details in point 7. ING Bank Śląski S.A. Management Board and Supervisory Board composition.

Emoluments of ING Bank Śląski S.A. Management Board Members

	2024	2023
Short-term employee benefits, including:		
remuneration	14	13
benefits	2	2
Total	16	15

Short-term employee benefits comprise: base remuneration, insurance, mutual fund contributions, medical care and other benefits awarded by the Supervisory Board.

Emoluments of ING Bank Śląski S.A. Management Board Members under the Variable Remuneration Programme

	2024		2023	
	Short-term benefits	Long-term benefits	Short-term benefits	Long-term benefits
Cash payments	4	3	4	3
Own stock	4	3	4	3
Total	8	6	8	6

Short-term benefits comprise the benefits under the Variable Remuneration Programme – the non-deferred part. Long-term benefits comprise the benefits under the Variable Remuneration Programme – the deferred part. Emoluments of Members of the ING Bank Śląski S.A. Management Board for 2024 under the Variable Remuneration Programme have not yet been awarded.

In accordance with the Bank’s remuneration system, Members of the Bank’s Management Board may be entitled to a bonus for 2024, part of which will be paid in 2025, and part of which will be deferred for subsequent years (2026-2032). The maximum possible amount of the bonus for 2024, for which the provision was created, is PLN 14 million, including PLN 4 million for cash withdrawals in 2025, and PLN 10 million for the deferred part of the bonus. The final decision regarding the amount of bonus will be made by the Supervisory Board of the Bank.

As at 31 December 2023, the provision for cash payment of the bonus for Members of the Bank’s Management Board was PLN 14 million. The bonus for 2023 approved by the Supervisory Board in 2024 amounted to PLN 11 million.

In the years ended 31 December 2024 and 31 December 2023, no post-employment benefits were paid to Management Board Members.

Members of the Management Board have entered into non-competition agreements after they cease to perform functions in the Bank’s Management Board. In the event of failure to appoint for a new term of office or dismissal, Management Board Members are entitled to a severance pay. Information on severance pay for Management Board Members is included in their employment contracts and is due only in the case of termination of the employment contract by the Bank for reasons other than those entitling it to terminate the employment contract without notice.

Remuneration of ING Bank Śląski S.A. Supervisory Board Members

The composition of ING Bank Śląski S.A. Supervisory Board as at the end of 2024 was presented in the chapter I. Bank and the Group details in point 7. ING Bank Śląski S.A. Management Board and Supervisory Board composition.

Emoluments of ING Bank Śląski S.A. Supervisory Board Members

	2024	2023
Short-term employee benefits, including:		
remuneration	1	1
Total	1	1

The Management Board Members and other persons employed by ING Bank Śląski S.A. do not receive any remuneration or awards for performing functions in the governing bodies of subsidiaries and affiliated entities of the ING Bank Śląski S.A. Group.

Volume of ING Bank Śląski shares held by Bank Management Board and Supervisory Board Members

As part of the Incentive Programme addressed to persons having a significant impact on the Bank’s risk profile, the Bank grants free-of-charge own shares as a component of variable remuneration.

As at 31 December 2024, Members of the Bank’s Management Board held a total of 17,498 shares, which consisted of non-deferred own shares for the period from 1 July to 31 December 2022 (6,835 shares after taking into account





the sale of 937 shares), the first part of deferred shares for the period from 1 July to 31 December 2022 (1,079 shares) and non-deferred shares for the period from 1 January to 31 December 2023 (9,584 shares).

As at 31 December 2023, Members of the Bank’s Management Board held non-deferred own shares for the period from 1 July to 31 December 2022 in the total number of 7,772 shares.

Members of the Bank’s Supervisory Board did not hold any shares in ING Bank Śląski S.A. either as at 31 December 2024 or as at 31 December 2023.

43. Headcount

The headcount in the Group at the end of 2024 and 2023 was, respectively:

as at 31 December		
	2024	2023
Individuals	8,001	8,379
FTEs	7,946.7	8,332.9

44. Significant events after the balance sheet date

None.



Risk and capital

management

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# Risk and capital management

## I. Capital management

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- 2. Minimum capital requirements
- 3. Capital adequacy
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  - 3.2. Own funds
  - 3.3. Capital requirement
  - 3.4. Capital ratios
  - 3.5. Impact of CRR 3 on capital adequacy of the Group
- 4. MREL requirements
- 5. Dividend policy

### 1. Introduction

Capital management at ING Bank Śląski S.A. is aimed at enabling and facilitating the Bank’s development in accordance with the adopted strategy and business model. In addition, it allows you to actively manage capital, taking into account the size and dynamics of changes, both now and in the future (including in a stressful situation). Capital management takes place in three perspectives: normative/regulatory perspective, economic capital perspective and stress perspective.

The overriding goal of capital management in the Bank is to have a sufficient and effective capitalisation of the Bank to meet the business strategy and development plans, while meeting all internal and external prudential requirements. This means financial flexibility in the current and future environment to adapt to changing market and regulatory conditions.

As part of capital management, the Bank:

- identifies and assesses the materiality of the risks occurring in its operations,
- conducts activities aimed at estimating and monitoring economic capital, capital requirement and own funds,
- monitors potential risks to capital adequacy,

- allocates economic capital to business lines,
- sets internal limits in order to limit the generated capital requirements and economic capital,
- pursues an appropriate investment policy,
- establish an adequate pricing policy,
- pursues a dividend policy resulting from the long-term capital objective and preferred capital structure,
- plans economic capital and capital requirement and own funds,
- prepares contingency capital plans defining the steps to be taken in the event of a risk to capital adequacy,
- analyses the impact of macroeconomic factors on capital adequacy in accordance with the "Stress Test Policy".

The superior document regulating capital management in the Bank is the *Capital Management Policy at ING Bank Śląski S.A.*

### 2. Minimum capital requirements

In accordance with the letter of the Polish Financial Supervision Authority received on 11 December 2024, the Bank maintains the buffer of another systemically important institution buffer equivalent to 1% of the total risk exposure amount.

On 19 December 2024, the Bank received a letter from the Polish Financial Supervision Authority on the non-determination of an additional capital charge recommended under Pillar II ("P2G") in order to absorb potential losses resulting from the occurrence of stress conditions.

The minimum level of capital adequacy results from the obligation 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 macroprudential supervision of the financial system and crisis management in the financial system sanctioning additional capital buffers, including:
  - capital conservation buffer, which in 2023 was 2.5%,
  - other systemically important institution buffer of 1% imposed by PFSA decision, received on 11 December 2024 (change from 0.5% in force in 2023),



- countercyclical capital buffer applicable to exposures to which such buffer has been imposed by the competent authorities. The countercyclical buffer is variable over time depending on the structure of the exposures concerned and the levels of countercyclical buffer rates imposed on the exposures concerned (as at the end of December 2024, the countercyclical buffer was effectively 0.009%, compared to 0.012% as at the end of December 2023),
- Regulation of the Minister of Development and Finance of 18 March 2020 repealing the Regulation on the systemic risk buffer; however, following a cautious approach, the Bank monitors capital ratios taking into account the size of the systemic risk buffer.

Consequently, as at 31 December 2024, the minimum capital requirements for the Group are:

- CET1  $\geq$  8.01%,
- T1  $\geq$  9.51%,
- TCR  $\geq$  11.51%.

3. Capital adequacy

3.1. Capital adequacy objectives

The risk appetite determines the maximum amount of risk that the Group is prepared to accept, thus supporting stability and further development. As part of risk and capital management, the Group defines risk appetite parameters (RAS - Risk Appetite Statement) and capital targets of the Group, which enable the Group to implement its Strategy, including dividend targets.

The Capital Adequacy RAS also defines capital limits for specific risks.

For capital purposes, the Bank maintains a management buffer that enables the implementation of the strategy in the conditions of unexpected regulatory and business changes.

3.2. Own funds

The Group's own funds consist of:

- Common Equity Tier 1 capital, which at the end of 2024 amounted to PLN 16,857 million (PLN 17,507 million at the end of 2023),
- Tier 2 capital, which at the end of 2024 amounted to PLN 1,340 million (PLN 1,523 million at the end of 2023).

As at 31 December 2024, as at 31 December 2023, no Tier 1 additional capital (AT1) is identified in the Group.

Own funds accepted for calculation of the total capital ratio

as at 31 December		
	2024	2023*
Tier 1	16,857	17,507
Tier 1 core capital	16,857	17,507
equity instruments qualifying as Tier 1 core capital	1,086	1,081
retained earnings, including:	81	1,190
retained earnings in previous years	81	80
recognized profit	-	1,110
accumulated other comprehensive income	150	74
reserve capital	15,118	15,014
general bank risk funds	1,215	1,215
value adjustments due to prudent valuation requirements	-35	-28
goodwill and other intangible assets	-495	-436
deferred tax assets based on future profitability and not arising from temporary differences after deducting related income tax liabilities	-1	-519
shortfall in credit risk adjustments against expected losses under the IRB approach	-491	-141
shortfall in coverage for non-performing exposures	-38	-14
transitional adjustments to common equity Tier 1 capital	267	71
Tier 2	1,340	1,523
equity instruments qualifying as Tier 2 capital	1,340	1,507
excess of provisions over expected eligible losses under the IRB approach	-	16
Own funds taken into account in total capital ratio calculation	18,197	19,030

\*) On 11 April 2023, the Bank's Ordinary General Meeting approved the distribution of profit for 2023. The inclusion of the net profit generated in 2023 in own funds as at 31 December 2023 resulted in an increase in own funds to the level of PLN 19,030 million, which is presented in the table above. According to the value presented in the annual consolidated financial statements for 2023, the level of own funds was PLN 17,829 million.

3.3. Capital requirement

For reporting purposes, in 2024 and 2023, the Group used the Advanced Internal Ratings-Based Approach and the Standardised Approach to calculate the capital requirement for credit risk. The Group has obtained the approval of the Polish Financial Supervision Authority and the National Bank of the Netherlands for the use of the Advanced Internal Ratings Based (AIRB) method for exposure classes: companies and credit institutions for the Bank and ING Lease Sp. z o.o.





In the area of operational risk, since June 2020, the Group has been using the STA (the standardised approach) method.

In the area of market risk, the Group uses the base method and the method of updated average return period (depending on the type of risk).

The Group also sets capital requirements for concentration risk, settlement risk and credit valuation adjustment (CVA) risk. In all cases, requirements are set in accordance with the CRR Regulation.

The total capital requirement is dominated by the credit risk requirement. At the end of 2024 it accounted for 86% of the total requirement compared to 85% at the end of 2023.

3.4. Capital ratios

As at 31 December 2024, the total capital ratio (TCR) for the ING Bank Śląski Capital Group was 14.85% and the Tier 1 ratio was 13.76% compared to 17.41% and 16.02% at the end of 2023.

The main drivers of the change in the total capital ratio are:

- as part of Common Equity Tier 1:
  - dividend payout from prior years’ profit - decrease of the total capital ratio by 0,92 p.p.,
  - decrease in the value of deferred tax assets based on future profitability and not resulting from temporary differences - increase in the total capital ratio by 0,47 p.p.,
  - temporary increase of the shortage of credit risk adjustments in view of expected losses according to the IRB method - decrease of the total capital ratio by 0,32 p.p.,
  - application of the transitional period for unrealised gains and losses on the portfolio measured at fair value through other comprehensive income - increase in the total capital ratio by 0,21 p.p.,
- under Tier 2 capital:
  - increase in the amount of subordinated loans not included in own funds due to the fact that they entered the period of the last 5 years to the maturity date - decrease in the total capital ratio by 0,13 p.p.,
- under the capital requirement:
  - increase in risk-weighted assets due to model changes - decrease in the total capital ratio by 1,00 p.p.,
  - increase in risk-weighted assets due to changes in credit volumes - decrease in the total capital ratio by 0,85 p.p.

The surplus of the total capital ratio over the regulatory requirement (together with P2G) decreased from 6.09 p.p. to 3.34 p.p. and the surplus of Tier 1 ratio decreased from 6.70 p.p. to 4.25 p.p.

Total capital ratio and Tier 1 capital ratio

as at 31 December		
	2024	2023*
Own funds taken into account in total capital ratio calculation	18,197	19,030
Capital requirements		
wymóg kapitałowy z tytułu ryzyka kredytowego i ryzyka kredytowego kontrahenta	8,454	7,388
wymogi kapitałowe z tytułu ryzyka pozycji, ryzyka walutowego i ryzyka cen towarów	98	108
wymóg kapitałowy z tytułu ryzyka operacyjnego	1,238	1,238
wymóg kapitałowy z tytułu ryzyka korekty wyceny kredytowej (CVA)	11	9
Total capital requirement	9,801	8,743
Total capital ratio	14.85%	17.41%
Minimum required level	11.51%	11.32%
Surplus TCR ratio	3.34 p.p.	6.09 p.p.
Tier 1 capital ratio	13.76%	16.02%
Minimum required level	9.51%	9.32%
Surplus T1 ratio	4.25 p.p.	6.70 p.p.

\*) On 11 April 2024, the Bank’s Ordinary General Meeting approved the distribution of profit for 2023. The inclusion of net profit generated in 2023 in own funds as at 31 December 2023 resulted in an increase in TCR and Tier 1 of the Group to 17.41% and 16.02% respectively, which is presented in the table. According to the values presented in the Group’s annual consolidated financial statements for the period from 1 January 2023 to 31 December 2023, the Group’s TCR and Tier 1 ratios as at 31 December 2023 were 16.73% and 15.32%, respectively.



Transitional provisions

In the calculation of capital ratios, the Group used transitional provisions to mitigate the impact of the implementation of IFRS 9 on the level of own funds. Additionally, as at 31 December 2022, the Group applied the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in accordance with Article 468 of the CRR. If the Group did not apply the transitional provisions, the Group’s capital ratios would be as follows.

	2024	2023
	the level of capital ratios without transitional provisions	
Total capital ratio (TCR)	14.65%	17.35%
Tier 1 capital ratio	13.56%	15.96%

3.5. Impact of CRR 3 on capital adequacy of the Group

On 1 January 2025, amended capital adequacy regulations - CRR3<sup>1</sup> - began to apply, significantly modifying the existing approach to capital requirements calculation. The changes materially affected the capital requirements for credit and operational risk. The amended provisions have had little effect on the decrease of certain own funds items.

The effect of the introduced changes is an increase in the Group’s total capital ratio (TCR) by less than 1 p.p.

The main reason for the increase in capital ratios is the reduction in the total risk exposure amount (TREA). The largest decreases concern credit risk exposures (RWA) and operational risk, for which a new capital requirement calculation method has been introduced.

For credit risk, changes in the RWA level are differentiated. The largest declines were recorded for the portfolio of mortgage loans of natural persons and the portfolio of enterprises from the strategic customers segment. In turn, the largest increase in RWA concerned the portfolio of non-bank financial sector entities (NBFI).

Despite the reduction of TREA, it is not necessary for the Group to maintain additional capital requirements resulting from the newly introduced reduction of profits from the use of advanced methods (IRB), the so-called *Output floor*<sup>2</sup>.

The entry into force of the amended regulations is accompanied by significant regulatory uncertainty resulting from the uncompleted work on the clarification documents. The estimated level of capital requirements is based on current supervisory interpretations and the final impact may change.

Additionally, RWA levels calculated using the internal ratings-based method (IRB) may be subject to increased volatility in subsequent periods resulting from the expected supervisory decisions related to the functioning of these methods. The estimated level of capital requirements is based on current supervisory interpretations and the final impact may be even higher.

4. MREL requirements

	2024	2023
<b>MREL – TREA</b> (including combined buffer requirement)	<b>23.49%</b>	<b>26.31%</b>
minimum required level (including combined buffer requirement)	19.95%	19.30%
surplus (+) / deficiency (-) of the MREL – TREA ratio	3.54 p.p.	7.01 p.p.
minimum required level (not including combined buffer requirement)	16.44%	16.29%
surplus (+) / deficiency (-) of the MREL – TREA ratio	7.05 p.p.	10.02 p.p.
<b>MREL - TEM</b>	<b>10.57%</b>	<b>11.02%</b>
minimum required level	5.91%	5.91%
surplus (+) / deficiency (-) of the MREL – TEM ratio	4.66 p.p.	5.11 p.p.

On 7 June 2024, the Bank received a letter from the Bank Guarantee Fund (BFG) regarding a joint decision of the resolution authorities, i.e. Single Resolution Board (SRB) and the BFG, on the minimum level of own funds and write-down/conversion liabilities (MREL). This decision is based on the ING Group’s ‘Single Point of Entry’ (SPE) forced restructuring strategy.

The BFG, in consultation with the SRB, set the MREL requirement for the Bank at 19.95% of the total risk exposure amount (TREA) - taking into account the combined buffer requirement of 3.51% as at the end of 2024 and 5.91% of the total exposure measure (TEM) at the individual level. The Bank is obliged to meet the MREL requirement for both, TREA and TEM, at the same time. The entire MREL requirement should be met in the form of own funds and

<sup>1</sup> Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards credit risk requirements, credit valuation adjustment risks, operational risk, market risk and minimum capital threshold.  
<sup>2</sup> New obligation for banks using advanced methodologies (such as the IRB approach) to maintain capital requirements at the level not lower than the reference one - determined using standardised methodologies.



liabilities meeting the criteria set out in Article 98 of the Act on the BGF, which transposes Article 45f(2) of the BRRD2.

In addition, the BFG indicated that the part of the MREL corresponding to the recapitalisation amount should be satisfied in the form of the following instruments: additional Tier 1 (AT1), Tier 2 capital instruments (T2) and other subordinated eligible liabilities acquired directly or indirectly by the parent entity. The Bank estimates that the MREL part of the recapitalisation amount requirement is 8.44% TREA and 2.91% TEM.

At the same time, the BFG indicated that the Common Equity Tier 1 (CET1) instruments held by the Bank for the purpose of the combined buffer requirement cannot be included in the MREL requirement expressed as a percentage of the total risk exposure amount (TREA).

At the end of 2024, the Bank had three non-preferred senior loans (NPS) from ING Bank N.V., with a nominal value of EUR 2.110 million. This value includes:

- a loan of EUR 350 million, taken out on 10 October 2024 for a period of 4 years (with the right to early repayment after 3 years),
- a loan of EUR 1,500 million, taken out on 22 December 2023 for a period of 4 years (with the right to early repayment after 3 years) and
- a loan of EUR 260 million, taken out on 5 January 2023 for a period of 6 years (with the right to early repayment after 5 years).

All loans are an element of the single point of entry (SPE) strategy for ING Group. The Bank includes NPS funds in eligible liabilities for the purposes of the minimum requirement of own funds and eligible liabilities (MREL). Interest on the loans is payable quarterly at EURIBOR 3M plus a margin (1.50% for the October 2024 loan, 2.01% for the December 2023 loan and 2.35% for the January 2023 loan). As at 31 December 2024, the carrying amount of liabilities due to NPS loans amounted to PLN 9,055 million (compared to PLN 7,681 million as at 31 December 2023) and was recognised in the statement of financial position in the item *Liabilities to other banks*.

5. Dividend policy

The most important assumptions of the Bank's dividend policy are as follows:

- stable realisation of dividend payments in a foreseeable perspective 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 the

Bank is obliged to comply with, and taking into account the adopted Best Practice for WSE Listed Companies 2021,

- 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 or reserve capital) and provided that all other requirements of the law and the dividend policy are met.
- possibility of dividend payouts from capital surplus over the minimum capital adequacy ratios and above the minimum levels of capital ratios determined by the Polish Financial Supervision Authority for dividend payouts.

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 PFSA 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 2024

On 10 December 2024, the Polish Financial Supervision Authority published its position on the dividend policy in 2025. Up to 50% of the 2024 profit can be paid out only by banks that simultaneously meet the following criteria:

- do not implement a recovery programme,
- are positively assessed as part of the Supervisory Review and Evaluation process (final BION rating not worse than 2.5),
- have a leverage level (LR) of more than 5%,





- have a Common Equity Tier 1 (CET1) ratio not lower than the required minimum:  $4.5\% + 56.25\% \cdot P2R$  requirement + combined buffer requirement<sup>3</sup> + P2G<sup>4</sup>,
- have a Tier 1 capital ratio (T1) not lower than the required minimum:  $6\% + 75\% \cdot P2R$  requirement + combined buffer requirement + P2G,
- have a total capital ratio (TCR) not lower than the minimum required:  $8\% + P2R + \text{combined buffer} + P2G$ .

The amount of up to 75% of the 2024 profit can be paid out only by banks that meet the criteria for a 50% payout, and at the same time whose portfolio of receivables from the non-financial sector is characterised by good credit quality (the share of NPL, including debt instruments, at a level not exceeding 5%).

The Bank should meet the criteria set out above both on an individual and consolidated level, as at the end of 2024 and on the date of the decision on the payment of dividend by the General Meeting.

The maximum dividend level possible to pay is limited to 75%, due to the expectation of ensuring the stability of the Polish financial sector by adjusting the capital base of supervised entities to the level of risk incurred by them and protecting recipients of financial services of these entities.

Declared and paid dividends

The Management Board of ING Bank Śląski S.A. intends to recommend to the General Meeting of the Bank the adoption of a resolution on allocation of approx. 75% of the Bank’s 2024 separate profit, i.e. the amount of PLN 3,276 million, for dividend payment. The proposed dividend per share is PLN 25.18 gross. The proposed dividend date is 6 May 2025 and the proposed dividend payment date is 12 May 2025. As at the date of preparation of these consolidated financial statements, the Bank meets the criteria and requirements of the PFSA allowing for the payment of a dividend from the profit for 2024 to the amount of 75%. The amount of the proposed dividend takes into account both the current financial and capital situation of the Bank and its development plans.

On 11 April 2024, the Ordinary General Meeting of the Bank adopted a resolution on the payment of dividends from the profit for 2023 and from the reserve capital intended for the payment of dividends. On the basis of this resolution, on 6 May 2024, the Bank paid a dividend in the total amount of PLN 4,339 million, i.e. PLN 33.35 gross per share.

<sup>3</sup> taking into account the target announced level of the countercyclical capital buffer, i.e. 2%.  
<sup>4</sup> Pillar II Guidance or additional capital recommendation - measures the Bank's sensitivity to an unfavourable macroeconomic scenario using the results of stress supervisory tests. Sensitivity defined as: relative change in CET1 calculated between the lowest level of CET1 in the scenario horizon and CET1 at the start of the test, taking into account supervisory adjustments.





II. Risk management

1. Introduction

- 1.1. Risk categories
- 1.2. Risk management organisation
- 1.3. Risk management system
- 1.4. Risk management rules
- 1.5. Risk appetite

- 2. Credit risk
- 3. Market risk
- 4. Liquidity and funding risk
- 5. Operational risk
- 6. ESG risk
- 7. Other risks

1. Introduction

1.1. Risk categories

The most important risks in the Group’s operations include:

- credit risk,
- market risk,
- liquidity and funding risk,
- operational risk.

In addition, as material risks in its operations, the Group identifies:

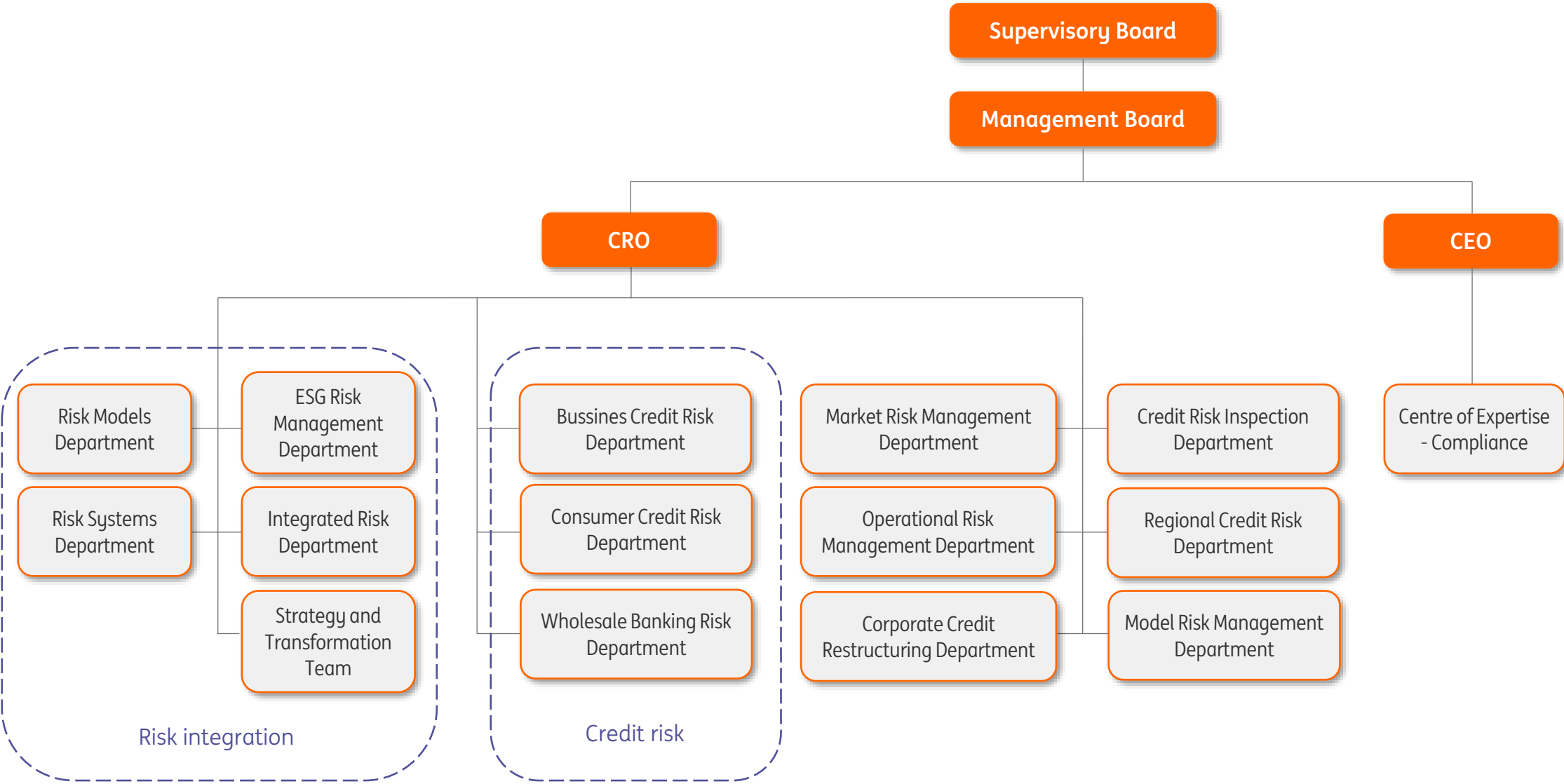
- compliance risk (compliance),
- model risk,
- business risk,
- risks related to transaction security and stability of IT systems,
- risks related to the security of personal data.

ESG risks deserve special attention, which are not treated by the Group as a separate risk category, but rather as a factor strengthening the Group’s basic risk categories (i.e. financial risks - credit, market, liquidity and funding risks, and non-financial risks).

A detailed description of each of the above risks is presented below.

1.2. Risk management organisation

The Bank’s Management Board and Supervisory Board play a special role in the risk management process. The Bank also has a number of committees that play an active role in managing individual risk types. The following diagrams present the organisational structure of risk management.





1.3. Risk management system

The risk management system is an integrated set of rules, mechanisms and tools (including, among others, policies and procedures) relating to risk processes. The role of the risk management system is risk management, adequate to the size and profile of the risk incurred by the Group, through constant identification, measurement or evaluation, monitoring, risk control, including risk mitigation, and risk reporting along with assessment of the effectiveness of risk mitigation actions taken. As part of risk control, the Group hedges against risk or mitigates it by introducing appropriate control mechanisms, a system of limits and an adequate level of provisions (provisions), as well as capital and liquidity buffers.

As part of the risk management system, the Group:

- has a specified frequency of risk measurement or assessment that is adequate to the scale and complexity of the business,
- apply formalised rules for determining the amount of risk taken and rules for risk management,
- apply formalised procedures to identify, measure or estimate and monitor risk, which also take into account the expected level of risk in the future,
- apply formalised risk limits and rules of conduct in the event of exceeding limits, including introducing methods and measures to eliminate exceeding limits in the future,
- applies the adopted management reporting system that enables monitoring of the level of risk,
- has an organisational structure adapted to the size and profile of the risk incurred,

- has qualified staff of risk management units and provides training for employees of the first and second lines of defence.

The risk management system is defined in the *General Policy of Risk Management at ING Bank Śląski S.A.*

Three Lines of Defence Model

The risk and control structure in the Group is based on the three lines of defence model. This model aims to provide a stable and effective framework for risk management by defining and implementing three 'levels' of risk management, with different roles, responsibilities and responsibilities for supervision.

First line of defence	Second line of defence	Third line of defence
<ul style="list-style-type: none"><li>• all teams and business units</li><li>• all support function teams and units, including: IT, Operations, HR, Legal Department, Finance</li></ul>	<ul style="list-style-type: none"><li>• all teams and units in the Risk Division (CRO)</li><li>• entities in the area of compliance risk (Compliance)</li></ul>	<ul style="list-style-type: none"><li>• Internal Audit Department</li></ul>
<p>Among other things, it is responsible for:</p> <ul style="list-style-type: none"><li>– assessment, control and mitigation of all risks affecting their business, and the completeness and accuracy of financial statements and risk reports with respect to their areas of responsibility</li><li>– conducting risk assessments and taking mitigating actions to maintain the level of risk consistent with the designated risk appetite,</li><li>– implementation, application and testing of control mechanisms resulting from policies and other regulations, also for outsourced activities (outsourcing).</li></ul>	<p>Among other things, he is responsible for formulating and translating risk appetite into methodologies and policies in order to support and monitor risk control by the Bank's management.</p> <ul style="list-style-type: none"><li>– issuing regulations and providing risk management methods and tools, including supporting the first line of defence during this process,</li><li>– verifying the application of risk regulations by the first line of defence</li><li>– as part of its control activities, it performs its own independent assessment of the effectiveness of the first line of defence through inspections, tests, reviews and other forms of control.</li></ul>	<p>It provides an independent assessment of the adequacy and effectiveness of the risk management system, the internal control system, corporate governance and the implemented systems and processes in the first and second line of defence.</p>



The internal control system is described in the Policy Internal control system at *ING Bank Śląski S.A.* It is one of the elements of bank management and its foundations, principles and objectives result from the Banking Law Act, the Regulation of the Minister of Finance, Funds and Regional Policy on the risk management system and internal control system and remuneration policy in banks and Recommendation H on the internal control system in banks issued by the Polish Financial Supervision Authority.

The purpose of the internal control system is to ensure:

- 1. Effectiveness and efficiency of the Bank’s operations.
- 2. Reliability of financial reporting.
- 3. Compliance with the Bank’s risk management principles.
- 4. Compliance of the Bank’s operations with legal regulations, internal regulations and market standards.

The internal control system consists of:

- a) Control function - an element of the internal control system, which consists of all control mechanisms in the processes operating in the Bank, independent monitoring of their compliance and reporting as part of the control function. Includes positions, groups of people or organisational units responsible for the implementation of tasks assigned to this function.
- b) The Centre of Expertise - Compliance - acting as the compliance unit, with the task of identifying, assessing, controlling and monitoring the risk of non-compliance of the Bank’s operations with laws, internal regulations and market standards, and presents reports in this respect.
- c) The Internal Audit Department - an independent unit tasked with examining and assessing, in an independent and objective manner, the adequacy and effectiveness of the risk management system and internal control system as part of the first and second line of defence.

1.4. Risk management rules

ING Bank Śląski S.A. manages credit, market, liquidity and funding and non-financial (operational and compliance) risks in accordance with the principles set out by the standards of Polish law, the regulations of the Polish Financial Supervision Authority (KNF) and other authorised bodies, as well as in accordance with the standards set by the ING

Group to the extent that it does not lead to a breach of the aforementioned regulations and best practice documents.

Irrespective of the need to ensure regulatory and legal compliance (compliance), the Group considers the management of credit, market, liquidity and operational and financial risks as a fundamental and integral part of the overall Group management.

Risk management is carried out on the basis of appropriate analyses independent of the risk management system, on the basis of strategies, policies, instructions, procedures and plans.

1.5. Risk appetite

The risk appetite determines the maximum level of risk that the Group is prepared to accept, thus supporting stability and further development. As part of risk and capital management, the Group determines risk appetite parameters (RAS - Risk Appetite Statement) in the following key areas:

- RAS on capital adequacy,
- RAS on liquidity and funding and market risk,
- RAS for credit risk
- RAS for non-financial risks (operational, compliance and models).



2. Credit risk

- 2.1. Introduction
- 2.2. Credit risk management objectives
- 2.3. Credit risk management strategy
- 2.4. Credit risk management system
- 2.5. Organisational structure of credit risk management
- 2.6. Risk appetite RAS
- 2.7. Principles of credit activity
- 2.8. Credit risk management rules
- 2.9. Risk management rules in subsidiaries
- 2.10. Quantitative disclosure on credit risk

2.1. Introduction

The Group treats credit risk management as a fundamental and integral part of the overall management of the Group.

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.

2.2. Credit risk management objectives

The Group’s primary objective in the credit risk management process is to support the effective achievement of business objectives through proactive risk management and organic growth activities, while:

- maintaining a safe level of capital and liquidity ratios standards and an appropriate level of provisions,
- ensuring compliance with legal regulations and requirements of supervisory authorities.

The specific objectives of credit risk management are:

- supporting business initiatives,

- maintaining credit losses at the assumed level,
- continuous verification, assessment of the adequacy and development of applied procedures, models and other elements of the risk management system,
- adapting operations to changing external conditions,
- maintaining an appropriate level of capital requirements for credit risk and provisions,
- ensuring compliance with the requirements of the regulator.

2.3. Credit risk management strategy

The credit risk management strategy supports business objectives while maintaining a safe level of solvency and liquidity of the Bank and an adequate level of provisions. It is designated in order to ensure the optimal development of the loan portfolio, while maintaining the appropriate quality and profitability of credit operations and capital allocation. The primary objective of defining the credit risk management strategy is to optimise the relationship between risk and return on capital, taking into account information about the current and prospective macroeconomic environment, the Bank’s portfolio and the level of implementation of RAS limits.

The credit risk management strategy takes into account the "look to the future", including the need to maintain competitiveness, attractiveness and development of the Bank’s offer.

2.4. Credit risk management system

The overriding documents governing credit risk management are: *General Risk Management Principles at ING Bank Śląski* and *Credit Risk Management Policy at ING Bank Śląski*.

The Bank’s credit risk management system consists of:

- general principles of credit risk management and mitigation,
- RAS strategies and limits,
- general principles of concentration risk management,
- credit risk management policies, instructions and procedures,
- credit risk systems, tools and models,
- management reporting system enabling monitoring of the level of credit risk,
- organisational structure adjusted to the size and profile of the credit risk incurred by the Bank.





The activities that the Bank undertakes as part of the risk management system may include:

- risk avoidance - liquidation or limitation of activities that generate an excessively high level of risk or a type of risk that cannot be effectively controlled,
- risk mitigation - taking actions aimed at reducing the probability of adverse events or limiting the effects of such events,
- risk transfer - transferring all or part of the risk to another entity, e.g. through insurance or securitisation of a loan portfolio,
- accepting risk - refraining from undertaking the above activities for economic or practical reasons, as part of the Bank's risk appetite.

In addition, the Bank has a properly defined credit risk assessment and measurement process, independent of the lending function, including:

- an effective rating system,
- effective process of obtaining relevant information, including forecasts, used to measure expected credit losses,
- an assessment policy that ensures that the measurement of expected credit losses is carried out on an individual or collective basis,
- an effective model validation process that ensures that models generate accurate, consistent and objective forecasts and estimates on an ongoing basis,
- clear, formal communication and coordination of all employees involved in the process of risk assessment and valuation of expected credit losses.

The Bank's credit risk management system, including the organisational structure, organisation of the credit process, internal regulation system, tools and models used, is subject to ongoing verification and adaptation to ensure the implementation of the Bank's strategy, including the risk appetite. In this way, the Bank achieves the goal of maintaining the adequacy of its activities in the area of identification, assessment, measurement, monitoring and management of activities subject to credit risk, as well as maintaining consistency and compliance with regulatory requirements.

The Group's risk policy for the credit exposure portfolio takes into account the fact that the activity generating credit risk may also be related to other types of risks, i.e., among others: liquidity, market, operational, legal and reputation risk, which may mutually reinforce each other and takes into account ESG risk.

The Group optimises and limits losses due to incurred credit risk by:

- setting internal limits,
- appropriate design of credit products,
- application of security measures,
- use of functional control,
- efficient monitoring, restructuring and recovery,
- monitoring changes in clients' creditworthiness and creditworthiness,
- regular monitoring and validation of models used to identify and measure credit risk
- conducting analyses of trends and values of key risk indicators.

Credit risk is managed by the Group in an integrated manner based on:

- strategic planning,
- a coherent system of limits, policies and procedures, and
- risk management tools, including risk identification, measurement and control.

This integrated system consists of all processes in the Group carried out in connection with lending activities.

The systems and models supporting the assessment of the clients' creditworthiness and credit reliability:

- from Business Clients and Wholesale Banking – are built and monitored in accordance with the requirements of the Advanced Capital Requirements Approach for credit risk and ING Group standards (excluding SE&Micro and Easy Lending clients),
- from the Business Clients Division (SE&Micro and Easy Lending clients) – are application and behavioural scoring models reflecting the statistical level of client risk, built in accordance with the requirements contained in supervisory regulations,
- from the Retail Division – are scoring models (application models, behavioural models and BIK scoring) reflecting the statistical level of client risk, built in accordance with the requirements contained in supervisory regulations.

In its assessment of credit risk, the Bank uses the following models:

- PD (Probability of Default),



- LGD (Loss given Default),
- EAD (Exposure at Default).

The models are designed in compliance with the requirements set forth in supervisory regulations and are applied inter alia to determine the volume of provisions, economic capital for credit risk for internal and external reporting requirements, reporting to the supervisory authority, to determine loan pricing and client profitability. The effectiveness of the models is reviewed on the basis of monitoring and validation processes.

Credit risk management in the Bank is carried out on the basis of advanced credit risk assessment models. In the credit risk reporting process, information relating to IRB models is included with a frequency adjusted to the materiality and type of information presented and the position of the recipient. As a rule, detailed information relating to IRB models is presented to senior management, in particular to:

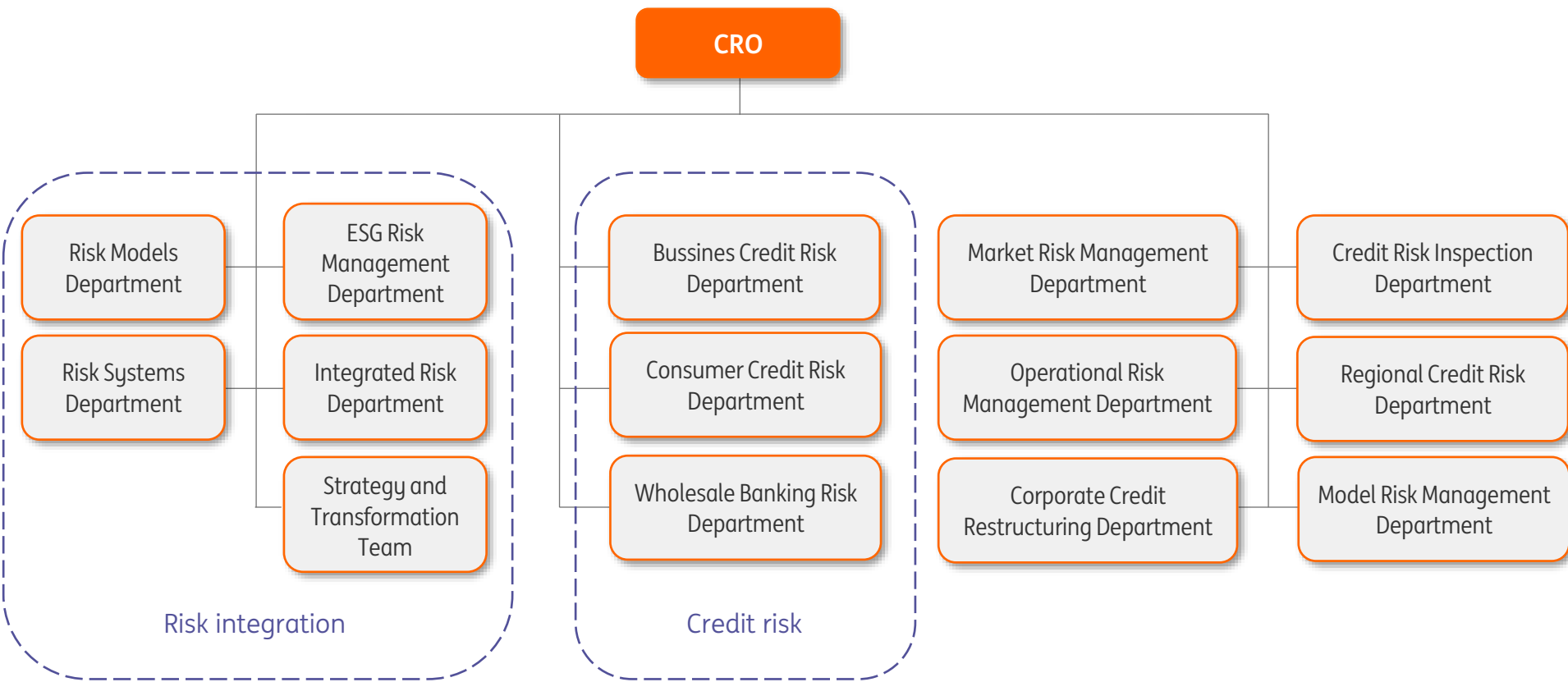
- The Bank’s Management Board – results of monitoring of the correctness of functioning of the AIRB approach in compliance with the *Policy of Changes and Monitoring of the Internal Rating Method at ING Bank Śląski S.A.*,
- the Credit Policy Committee – results of monitoring of credit risk models, in compliance with the *Credit risk model management instruction at ING Bank Śląski S.A.* and the results of model validation in compliance with the *Risk model validation policy*.
- the Assets and Liabilities Committee (ALCO) – stress tests in accordance with the *Stress Testing Policy*.

As part of the Risk Division’s quarterly report, the results of the analysis of the credit risk profile of the corporate and retail mortgage-backed exposure portfolios are presented to the Bank’s Management Board and the Risk Committee of the Supervisory Board in accordance with the model monitoring process, in particular:

- risk profiles by categories,
- migration among the categories,
- estimation of relevant parameters in individual categories,
- comparison of realised factors of default, realised LGD values, and realised credit conversion factors (CCF) with expected values.

The Bank also takes into account in the credit risk management process data on impairment losses (credit provisions), which are presented in a dedicated report. The monthly report in a shortened version is presented to the Bank’s Management Board and the quarterly report in a full and shortened version is presented to the Bank’s Supervisory Board.

2.5. Organisational structure of credit risk management



Each of these areas controls and supervises the scope of the Bank’s activity entrusted to it and the risk management process.

2.6. Risk appetite RAS

RAS is a bank-wide risk appetite, defined by setting limit values for the most important measures. The Bank-wide risk appetite is supported and hedged by setting more detailed strategic and internal limits and other risk measures.

Types of RAS for credit risk:

- sales limits and portfolio size,
- portfolio quality limits/ for risk parameter values,
- monitoring and recovery efficiency limits,
- sectoral limits,
- concentration limits, including limits for the portfolio of mortgage-backed credit exposures resulting from the requirements of Recommendation S,



- quantitative and quality parameters of RAS for ESG risk.

In addition to RAS limits, the Bank sets limits for credit risk for individual areas, business lines, products and transaction limits, which are accepted by the relevant credit decision maker. In addition, internal concentration limits are set for industries of the economy, accepted forms of collateral, regions and mortgage-backed credit exposures. The ongoing performance of RAS limits is monitored and reported during the year, on a monthly basis.

In the further part of the chapter, in the section containing quantitative disclosures, a breakdown of the Group's largest exposures to entities / groups of related entities and concentration of exposures to corporate clients in the national economy industries is presented. The Group does not identify any other significant risk concentrations than those mentioned above and those presented in this chapter and in the notes to the consolidated financial statements.

2.7. Principles of credit activity

The basic principle that the Bank follows in its lending activities is compliance with the law and external regulations related to lending activities, i.e.:

- The Banking Law Act,
- Macroprudential Supervision Act,
- Foreign exchange law,
- Recommendations issued by KNF,
- EBA LOM (Loan Origination and Monitoring) guidelines,
- The CRR Regulation,
- anti-money laundering regulations, etc.

The Bank does not engage in credit transactions and does not engage in activities whose ethical aspect raises doubts and which could harm the good name of the Bank.

The following principles shall apply in the course of carrying out credit activities:

- the Bank acquires and maintains in the loan portfolio credit exposures, which ensure security of the Bank's deposits and capital,
- the Bank acts in the interest of the client, taking into account both his needs and capabilities; it avoids a situation in which the granted financing would contribute to the client entering a debt spiral,

- the Bank attracts clients in accordance with the applicable regulations and requirements regarding the provision of necessary information, documentation and compliance with procedures,
- the Bank provides credit services effectively and professionally, respecting the interest of customers and the expectations of the Bank's shareholders as regards the increase in the value of ING Bank Śląski S.A. and taking into account the requirements resulting from the competitive environment,
- the Bank does not conclude transactions or credit exposures without learning and understanding the economic basis of the transaction,
- the Bank accepts credit risk if it is able to effectively control it and - in the event of default - performs debt recovery procedures,
- the Bank does not provide exposures in cases where it exposes itself to reputation risk,
- the Bank makes decisions regarding new types or directions of credit exposures (e.g. new markets, market segments, customer groups, products) after prior analysis and assessment of new opportunities and related risks,
- in business relations, the Bank applies the principle of "equal rights", i.e. it requires the same documents and information from the same clients - from a credit risk perspective - and pays particular attention to their equal treatment,
- the Bank maintains open communication with clients regarding information requirements in the credit process.
- as part of cooperation with business partners, the Bank observes the following principles::
  - conducts verification of business partners with whom it cooperates in the process of granting loans,
  - has procedures for the circulation of documentation between the client, business partner and the Bank,
  - has procedures for quality control of business partners,
  - does not grant a power of attorney or the right to make credit decisions in the name and on behalf of the Bank when granting (distributing) loans,
  - determines the acceptable level of risk for individual sales channels,
  - monitors the quality of the loan portfolio granted through individual business partners.





2.8. Credit risk management rules

Credit risk management is a continuous process consisting of all the Bank’s activities related to the performance of credit activities. All units and persons who perform tasks within the credit process work closely together to:

- improving the efficiency of risk management, and
- maintaining risk at a level consistent with the strategy, approved risk appetite (RAS) and the Bank’s financial plans.

The credit risk management process is carried out in the Bank through three functionally and organisationally independent lines of defence.

The Bank applies organisational solutions taking into account the separation of the function of selling banking products from the function of risk acceptance at all levels of the organisational structure, including the Bank’s Management Board. The separation of the function of monitoring and controlling the risk of credit exposures (including concentration risk) from the function of selling banking products and the risk acceptance function is maintained at all levels of the Bank’s organisational structure below the level of the Bank’s Management Board, and for retail credit exposures also at the level of the Management Board.

In the case of simplified, automated credit process paths, the separation of the sales function of banking products from the risk acceptance function of credit exposures is based on the independence of the process of building and validating tools supporting the risk acceptance process from the sales and operational functions. Competence in credit decisions relating to individual credit transactions is separate from decision-making competences in the sphere of shaping credit policy and credit risk management rules.

Credit risk is managed by the Bank both at the level of the loan exposure portfolio and at the level of individual transactions.

Risk management of the credit exposure portfolio

Credit risk management of the credit exposure portfolio is carried out by:

- refining the credit risk management strategy,
- reconciliation of quality parameters and quantitative parameters of RAS/their level with the business side,
- development, implementation and monitoring of the credit policy,
- analysing the macroeconomic situation and individual industries and formulating guidelines for lending directions,

- development and implementation of credit products,
- determination of competence levels for acceptance of credit policy and product deviations,
- development and implementation of tools supporting risk measurement and assessment,
- analysis and assessment of the method of credit process implementation and the scope of functional control,
- portfolio management of credit exposures,
- training of employees participating in the credit process,
- development and maintenance of an employee incentive system aimed at compliance with internal credit standards.

Bank managing the credit risk profile:

- sets, monitors and reports internal concentration limits for industries, types of collateral, regions and mortgage-backed credit exposures,
- monitors and analyses the quality of adopted collateral,
- monitor and report compliance with prudential standards resulting from Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions as amended and amending Regulation (EU) No. 648/2012 and the Banking Law Act,
- sets, monitors and reports internal concentration limits, taking into account individual sub-portfolios,
- defines changes in credit policy and product offer, taking into account the cyclical nature of the economy and changes taking place on the real estate market,
- obtains market data about the quality of loan portfolios and compares them with own loan portfolios.

Capital adequacy and creation of provisions for credit risk

The Group secures impairment of credit exposures by recognising impairment for expected credit losses. The Group further secures fluctuating losses versus the average levels of expected losses (that is unexpected losses) by ensuring an adequate level of regulatory capital and economic capital.

Risk-weighted assets and capital requirements are calculated by the Bank as follows:

- for exposures from the retail segment and SE/Micro and Easy Lending customers - in accordance with the standard method,





- for corporate credit exposures - in accordance with the advanced internal ratings based method, excluding exposures to governments, central banks, local government units, public sector entities and all exposures of ING Commercial Finance S.A., for which the Group applies the standardised method.

Calculation of impairment for expected credit losses in the Bank for all credit exposures is performed in accordance with International Financial Reporting Standards.

Credit risk management of individually significant credit exposures

Credit risk management of individually significant credit exposures includes:

- determination of the credit risk management process for credit risk-bearing transactions,
- managing documentation requirements for the Bank’s credit client,
- definition of a credit analysis standard,
- setting a maximum level of DSTI/DSI, LTV, and a minimum level of own contribution for specific products, types of transactions,
- development of rules for making credit decisions and management of credit competencies,
- managing the following rules:
  - determining risk measures using risk models used by the Bank,
  - verify the timeliness of repayments,
  - monitoring the economic and financial situation of the client,
  - monitoring the customer’s compliance with contractual conditions,
  - monitoring of other defined warning signals,
  - accepting and monitoring collateral accepted by the Bank,
  - use and monitoring of limits available at the Bank.
- rules for creating allowances for expected credit losses for credit exposures and provisions for off-balance sheet liabilities,
- credit risk management for clients from the portfolio in Stage 3.

The following activities are carried out as part of the process of granting and managing individually significant credit exposures:

- client and transaction risk assessment,
- taking credit decision,
- monitoring,
- restructuring and recovery.

Client and transaction risk assessment

The most important elements in the assessment of customer credit risk and transactions include:

- assessment of clients’ creditworthiness,
- assessment of creditworthiness (quantitative assessment),
- collateral assessment,
- transaction risk assessment.

Assessment of clients’ creditworthiness

The Bank reviews clients’ creditworthiness by:

- verifying compliance with minimum criteria,
- determining clients’ rating or score in the rating or scoring process respectively.

Measurement of the client’s risk in the rating or scoring process is based on the estimated PD (default probability). The condition for providing financing to the client is to establish a rating or scoring assessment for the client at a specific minimum level for a given type of client, credit process or product.

The assessment of the creditworthiness of MidCorp and SME business clients and Wholesale Banking (WB) clients in the rating process is based on::

- rating awarded to entities applying for credit exposure, providing collateral (e.g. sureties, guarantors) and other entities, if required by the specificity of the collateral or transaction (e.g. debtors of receivables assigned to the Bank),
- the principle of two pairs of eyes, i.e. inter alia:
  - commercial functions are separated from the rating approval function that is performed by the CRO Division units, or
  - the rules of operation of automatic rating models, which are approved by the Credit Policy Committee.



The assessment of the creditworthiness of the retail client and the business client from MidCorp/SME segment (Easy Lending) and the SE/Micro segment is based on:

- scoring for retail and SE/Micro customers,
- analysis of history of repayment of obligations to the Bank and other financial institutions,
- features of the borrowers that have material impact on compliance with the existing credit obligations (quality analysis), e.g.:
  - personal characteristics of the retail client and SE/Micro: age, marital status, number of persons maintained, housing and financial status, education, employment history, form of employment, profession pursued, etc.,
  - features of the Easy Lending customer, i.e.: legal form, customer type, industry and period of business activity, customer rating, enforcement titles, punctuality of repayment of liabilities, inflows to the account at the Bank, regular transfers to ZUS/Tax Office, customer occurrence in the Bank Register of Unreliable Customers, etc.,
  - history of the client’s cooperation with the Bank: period of cooperation and history of account maintenance.

The Bank applies scoring models (application, behavioural models and BIK scoring) reflecting the client’s statistical risk level. The applied clients’ creditworthiness review models are subject to regular monitoring and validation to ensure good quality of the tools.

**Assessment of creditworthiness (quantitative assessment)**

Creditworthiness is reviewed by identifying the source of repayment and the amount and stability thereof throughout the lending process. This is an assessment of repayment potential by the clients of their credit exposures in the specified amounts, times and subject to terms and conditions determined by the Bank. The clients’ potential is subject to a review of clients’ creditworthiness in the rating and scoring process. The review of creditworthiness also provides for the FX risk and interest rate risk to which the debtors are exposed.

The analysis of the creditworthiness of a business client and WB may cover the following areas:

- ownership structure of the client,
- the type of activity pursued,
- business and investment strategy,

- market position,
- outlets and suppliers,
- financial analysis, including financial forecast,
- identification and assessment of sources of repayment,
- financial position compared to comparable entities in the industry,
- factors from the global, macroeconomic, regional and industry environment that currently affect and may have a significant impact on the financial condition of the enterprise in the future.

The analysis of individual clients’ creditworthiness covers:

- determination of the amount and stability of income obtained (quantitative analysis),
- determination of the amount of the client’s financial liabilities (both credit and non-credit),
- determination of household expenditure.

In assessing creditworthiness, financial measures based on mathematical formulas are used.

**Collateral assessment**

The Bank applies collateral to mitigate credit risk and the amount of losses that may be suffered when clients’ default on loan repayment. Before collateral is accepted, the Bank assesses the collateral and its value and effectiveness.

Apart from classic forms of collateral (material and personal), the Bank applies additional instruments to mitigate the risk of loss in the form of contractual conditions and clauses.

In order to calculate the capital requirement, the Bank applies the approved LGD models in which each collateral is assigned with an adequate recovery rate. Is the Group’s policy to grant loans in amounts and subject to terms and conditions that ensure regular repayments without the need to resort to collateral.

**Transaction risk assessment**

Assessing transactions, the Bank takes the following into account:

- results of the clients’ creditworthiness and credit reliability,
- compliance with credit policy,
- purpose of lending,



- adequacy of the requested product,
- other risks such as:
  - business risks – macroeconomic, market, sectoral, seasonal risks,
  - structural risks – transaction structure, values of LTV and LGD, client's own contribution (if required), effectiveness of clauses, Bank's position versus other lenders,
  - management staff – employment history, experience, substitution risk of decision makers and succession risk,
  - financial risks – including FX and interest rate risks,
  - concentration risk:
    - whether the requested increase in exposure is associated with the use of the limit internally set by the Bank,
    - whether the requested increase in exposure affects the utilisation of the large exposure limit,
  - reputational risk – can cooperation with the client adversely affect the Bank's reputation.
- relation of risk level to pricing conditions, etc.

Taking credit decision

The decision-making procedure does not relieve any of the participants in the decision-making process of personal responsibility for the decisions taken.

Credit decision-makers are granted individually personal credit competences within a two-person decision-making procedure, the amount of which depends on their knowledge and experience. The competence level correlates with the level of credit risk. If the credit risk is higher, decisions are made by people with more experience. The rules for granting and revoking credit competences are separate within individual customer segments. In determining the appropriate level of credit competence for business customers (excluding SE/Micro customers) and WB, the Group's total exposure to the group of related entities to which the customer belongs, and in the case of natural persons and natural persons conducting business activity, the level of competence results from the Bank's total exposure to this customer, is taken into account. Acceptance of all transactions is made in accordance with clearly defined rules of decision making and credit competence.

The scope of competence to make credit decisions in the scope of risk acceptance of individual credit exposures is determined by the Credit Policy Committee. The lack of data necessary for risk assessment precludes its acceptance and decision making.

Commitments to lower amounts, shorter deadlines, with lower risk, are undertaken at lower competence levels. As credit risk increases - i.e. single or aggregate credit exposure increases, lending extensions, non-standard elements in the proposal or deviations from existing internal regulations - decisions are taken at higher levels of credit competence.

Risk assessment and acceptance is based on expert assessment based on the results of risk measurement using supporting tools defined by credit policy and procedures. The exception are the so-called automatic decisions, taken by an IT system or semi-automatic decisions made as part of simplified credit process paths.

Credit decisions are made in the right path, based on a comprehensive analysis of transaction risk depending on the complexity and amount of the transaction. For paths with a higher level of automation, transaction risk analysis is based on clearly defined criteria, including behavioural and automatic calculation of a credit limit based on an algorithm approved by the Credit Policy Committee.

**Retail segment (mortgage and retail segment) and business clients from SE/Micro segment**

Credit decisions for the regular portfolio are made:

- in automatic mode - in accordance with specified criteria,
- in single or double mode - by units from the Operations Division,
- in two-person mode - in the higher risk analysis unit, at the level of directors or members of the management board - this applies to cases characterised by higher credit risk and non-standard cases.

Irregular portfolio decisions are made in a dedicated recovery and restructuring unit.

**Business customer segment excluding SE/Micro customers**

Loan decisions for the portfolio in Stages 1 and 2 (excluding automatic paths) are made:

- collectively, through the Bank's Credit Committee or the Restructuring Committee - this applies to the largest credit exposures,
- in two-person mode - by business units and transactional credit risk units or dedicated restructuring units,
- in a single-member mode - by the Risk Manager in case of approval of non-significant modifications.

**Business Customer Segment and Wholesale Banking**

Loan decisions for the portfolio in Stages 1 and 2 are made:

- in two-person mode - by business units and transactional credit risk units or dedicated restructuring units.





Credit decisions for the portfolio of business clients from MidCorp/SME (Easy Lending) are made depending on the process path:

- automatically based on:
  - verification of the defined qualification criteria,
  - customer verification in BRNK, BIK and BIG databases,
  - calculation of the EL transaction limit calculated in accordance with the algorithm approved by the NCP,or
- expertly by the decision-maker of the crediting unit (Front Office) with appropriate credit competencies.

Loan decisions concerning the portfolio in Stage 3 are taken in a single person mode, in a double person mode or by the Restructuring Committee.

The decision-making procedure does not relieve any of the participants in the decision-making process of personal responsibility for the decisions taken.

Monitoring

All credit exposures generating credit risk, including concentration risk and financial market transactions, are monitored. The purpose of monitoring is early identification of warning signals and taking actions to prevent the occurrence of difficult credit and early identification of indications or objective evidence of impairment of the credit exposure and taking actions to reduce the Bank’s losses. Monitoring of the granted credit exposure includes:

- the course of repayment of the Bank’s receivables (punctuality),
- the Client’s performance of other contractual terms and conditions,
- the financial standing and/or assets of the client,
- the course of cash use in accordance with the purpose of financing (if specified),
- the degree of investment realisation (in case of investment loans),
- verification of client or transaction warning signals,
- objective evidence or indications of impairment,
- periodic assessment of the quality and value of collateral.

Restructuring and collection

The Bank supports its clients at every stage of financing. The Bank offers products tailored to their needs and offers flexible repayment schedules in the event of minor delays in repayment of liabilities. In the event of greater difficulties in repayment, the Bank may propose debt restructuring. Then, together with the client, the Bank determines the best form of support or conclusion of a settlement.

The main objective of restructuring activities is to minimise the risk of the Bank’s losses or to minimise the size of the loss.

The Bank adopts the following behavioural strategies:

- Debt restructuring - based on cooperation with the client, which may in particular consist in changing the contractual terms to adjust the terms of debt repayment to the client’s financial capabilities, e.g.:
  - extending the repayment period,
  - temporary suspension of instalments in the principal part / entire instalment,
  - conversion of a renewable product into an instalment product,
  - sale of assets (not applicable to the retail segment),
  - sale of a part of the borrower’s business activity (not applicable to the retail segment),
  - partial write-off of financial liabilities (not applicable to the retail segment),
  - the Bank’s participation in restructuring based on the provisions of the *Restructuring Law*.

The decision to start restructuring is made after a detailed assessment and approval by the relevant decision-making body in the Bank. After a successfully completed restructuring process, the borrower is again subject to standard credit risk monitoring procedures.

- Debt collection - i.e. recovery by the Bank of receivables from established legal securities or from other assets of the client or from assets of obligated third parties. The Bank may pursue its receivables by initiating enforcement proceedings or participating in bankruptcy proceedings or, in relation to retail clients, by way of amicable recovery, i.e. enabling the client to make voluntary repayments under the debt collection strategy.





Forbearance

Forbearance occurs if the Bank considers that the client will not be able to meet his financial obligations due to financial difficulties (established or expected) and decides to grant him amenities.

Forbearance shall be identified if the following cumulative conditions are met:

- the customer is unable to meet its financial obligations under the loan agreement at the Bank due to existing or expected financial difficulties,
- the Bank shall grant a relaxation facility that would not have been granted if the customer had not experienced financial difficulties.

Financial difficulties are understood as the situation of a client who is experiencing or will soon begin to experience difficulties in fulfilling his financial obligations.

Detailed quantitative disclosures regarding the distribution of the loan portfolio between the performing and non-performing, detailing exposures with forbearance facilities granted, are presented later in the chapter in section 2.10.5.

2.9. Risk management rules in subsidiaries

Credit risk management in subsidiaries ING Lease (Polska) Sp. z o.o., ING Commercial Finance S.A. and ING Bank Hipoteczny S.A. is subject to the same main rules as in ING Bank Śląski S.A., taking into account the specificity of the activities of these entities.

As part of the risk management process, the Bank supervises:

- the credit portfolio of subsidiaries by assessing the size and risk profile of the credit portfolio related to their activities,
- the principles of identifying, measuring and mitigating risk and credit risk management of individual credit transactions of subsidiaries,
- the level of market risk (including liquidity risk) in subsidiaries through setting limits and monitoring positions.

Supervision of related entities is exercised by the Bank through:

- application of uniform credit risk models in the rating process,
- application of uniform principles for analysing and assessing transactions at credit risk, taking into account the specificity of the related party,

- application of harmonised rules and levels of credit competence,
- granting authorisations to make credit decisions,
- establishing contractual terms and conditions of mutual cooperation in the field of granting financing in the case of selected types of transactions with credit risk,
- exchange of information on the Bank’s preferred solutions and tools supporting credit risk management,
- providing information on the Bank’s sectoral policy, directions of lending and other industry documents,
- cooperation in the preparation of credit risk reports,
- monitoring and assessing the level of risk, including the quality of the companies’ portfolio by the NCPs,
- advising on significant initiatives in the area of credit risk management by the NCP.

In the area of determining and reporting impairment losses on credit exposures and provisions for off-balance sheet credit exposures, related entities are obliged to apply the principles binding at the Bank. The levels of impairment allowances and provisions set by related entities are presented at quarterly meetings of the LLP Committee. In addition, the Bank’s representatives are members of the Supervisory Boards of subsidiaries, because the companies’ activities, similarly to the Bank’s activities, are related to generating credit risk.

Additional aspects of risk management in subsidiaries

- ING Lease Polska Sp. z o.o.:
  - is the owner of the items financed under the leasing agreement, which are the basic collateral for the transaction,
  - after terminating the lease agreement, may take physical control over the collateral and sell it, which reduces or completely eliminates the loss on the credit exposure,
  - has an extensive procedure for verifying the supplier and the leased item in order to reduce the risk of fraud and the risk associated with financing the item with a physical or legal defect,
  - within the scope of internal procedures, it verifies both the supplier (if necessary also entities related to the supplier) / the intermediary trading in the financed asset, which minimises the risk of delivery of the financed asset.
- ING Commercial Finance Polska S.A.:



- the main source of repayment of the exposure are receivables covered by the factoring agreement, both in the case of factoring with and without recourse,
- as a rule, acquires receivables with the assumption of the solvency risk of recipients after prior insurance of these receivables,
- offers factoring to clients with the assumption of the solvency risk of recipients on the terms of insurance contracts concluded by clients with insurers, so-called ‘Entering into the rights and obligations of the customer’s insurance contract’.
- ING Bank Hipoteczny S.A.:
  - ING Bank Hipoteczny S.A. acquires from ING Bank Śląski S.A. receivables which, after assessing their suitability as collateral for loans granted and determining the mortgage lending value of the real estate, secure the issue of covered bonds,
  - ING Bank Hipoteczny S.A. bases its operations on ongoing and close cooperation with the CRO Division and the COO Division of Bank Śląski S.A.

2.10. Quantitative disclosure on credit risk

2.10.1. Maximum exposure to credit risk

2.10.2. Quality of the loan portfolio

2.10.3. Concentration of exposures

2.10.4. Collaterals

2.10.5. Loan portfolio performing and non-performing and exposures with forbearance granted

2.10.6. Credit quality of other financial assets

2.10.7. Modification of contractual cash flows



2.10.1. Maximum exposure to credit risk

	2024	2023
Loans and other receivables to other banks	21,635	19,620
Financial assets measured at fair value through profit or loss (excluding derivatives and equity instruments), including:	2,126	2,439
Financial assets held for trading	2,105	2,400
valuation of derivatives	898	900
other financial assets held for trading, including:	1,207	1,500
debt securities, including:	700	884
Treasury bonds in PLN	678	733
Czech Treasury bonds	22	151
repurchase agreements	507	616
Non-trading financial assets measured at fair value through profit or loss, including:	21	39
loans mandatorily at fair value through profit or loss	21	39
Derivative hedging instruments	61	208
Investment securities (excluding equity instruments), of which:	58,738	56,378
Measured at fair value through other comprehensive income, including:	31,685	23,680
Treasury bonds in PLN	26,371	21,345
Treasury bonds in EUR	-	546
European Union bonds	2,064	-
European Investment Bank bonds	2,838	1,378
Austrian government bonds	412	411
Measured at amortised cost, including:	27,053	32,698
Treasury bonds in PLN	11,859	13,095
Treasury bonds in EUR	2,872	2,940
European Investment Bank bonds	6,654	6,701
Bonds of the Polish Development Fund (PFR)	3,860	3,860
Bank Gospodarstwa Krajowego bonds	1,808	1,805
NBP bills	-	4,297

Loans and other receivables to customers measured at amortised cost, including:	166,677	156,521
Corporate banking	93,052	90,839
loans in the current account	14,716	13,599
term loans and advances	53,856	53,172
lease receivables	13,342	13,131
factoring receivables	6,571	6,747
corporate and municipal debt securities	4,567	4,190
Retail banking	70,387	63,909
mortgages	61,114	55,493
loans in the current account	624	643
other loans and advances	8,649	7,773
Other receivables	3,238	1,773
Financial receivables in other assets	40	38
Granted off-balance sheet liabilities, of which:	54,505	53,198
Undrawn credit lines	42,512	41,697
guarantees	8,014	8,113
undrawn overdrafts in current account	1,409	1,418
credit card limits	1,896	1,693
letters of credit	393	277
repurchase agreements	281	-
Total	303,782	288,402



## 2.10.2. Quality of the loan portfolio

The loan portfolio includes receivables from customers, which consist of loans (both term and overdrafts or card accounts) and other credit claims, such as leasing receivables, factoring receivables and corporate and municipal bonds.

### Loan portfolio - balance sheet value and impairment for expected credit losses by Stages

as at 31 December

	2024			2023		
	gross	impairment for expected credit loss	net	gross	impairment for expected credit loss	net
<b>Corporate banking</b>	<b>96,127</b>	<b>-3,075</b>	<b>93,052</b>	<b>93,364</b>	<b>-2,525</b>	<b>90,839</b>
assets in Stage 1	77,535	-136	77,399	77,536	-188	77,348
assets in Stage 2	13,088	-394	12,694	12,626	-413	12,213
assets in Stage 3	5,457	-2,545	2,912	3,151	-1,924	1,227
including individually significant assets	3,452	-1,325	2,127	1,743	-1,069	674
POCI assets	47	-	47	51	-	51
<b>Retail banking, including:</b>	<b>71,267</b>	<b>-880</b>	<b>70,387</b>	<b>64,892</b>	<b>-983</b>	<b>63,909</b>
<b>mortgages</b>	<b>61,295</b>	<b>-181</b>	<b>61,114</b>	<b>55,719</b>	<b>-226</b>	<b>55,493</b>
assets in Stage 1	53,694	-11	53,683	50,414	-25	50,389
assets in Stage 2	7,308	-57	7,251	4,981	-76	4,905
assets in Stage 3	292	-113	179	323	-125	198
POCI assets	1	-	1	1	-	1
<b>other loans</b>	<b>9,972</b>	<b>-699</b>	<b>9,273</b>	<b>9,173</b>	<b>-757</b>	<b>8,416</b>
assets in Stage 1	8,430	-94	8,336	7,843	-103	7,740
assets in Stage 2	877	-115	762	625	-124	501
assets in Stage 3	663	-490	173	703	-530	173
POCI assets	2	-	2	2	-	2
<b>Total, including:</b>	<b>167,394</b>	<b>-3,955</b>	<b>163,439</b>	<b>158,256</b>	<b>-3,508</b>	<b>154,748</b>
assets in Stage 1	139,659	-241	139,418	135,793	-316	135,477
assets in Stage 2	21,273	-566	20,707	18,232	-613	17,619
assets in Stage 3	6,412	-3,148	3,264	4,177	-2,579	1,598
POCI assets	50	-	50	54	-	54

The Group identifies POCI financial assets whose balance-sheet value as at 31 December 2024 was PLN 50 million (PLN 54 million as at 31 December 2023). These are exposures to impaired receivables purchased in connection with the acquisition of Bieszczadzka SKOK in 2017 and exposures which were significantly modified as a result of restructuring, which required the removal of the original credit or leasing exposure and re-recognition of the asset in the statement of financial position.

### Sale of non-performing receivables

In 2024, the Group carried out five transactions of sale of non-performing receivables. The Group concluded the following agreements regarding the sale of receivables from the impaired portfolio:

- Three agreement on the sale of corporate receivables, as a result of which the portfolio of impaired receivables decreased by PLN 396 million. The positive impact of the transaction on the Group's gross result amounted to PLN 22 million.
- Two agreement on the sale of retail receivables, as a result of which the portfolio of impaired receivables decreased by PLN 192 million. The positive impact of the transaction on the Group's gross result amounted to PLN 58 million.

In 2023, the Group concluded an agreement for the sale of receivables from the non-performing portfolio, which included receivables of retail and corporate customers from the entrepreneurs subsegment. As a result of the transaction non-performing receivables portfolio decreased by PLN 234 million and positive impact of the transaction on the Group's gross result amounted to PLN 25 million.

The result on the sale of receivables is presented in the line *Profit on the sale of receivables* under *Impairment for expected credit losses* in the income statement.





Reconciliation of the gross carrying amount (GCA) and changes in impairment for expected credit losses (ECL)

2024

for the year ended 31 December

	Corporate banking										Retail banking										Total	
	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL
	Stage 1		Stage 2		Stage 3		POCI		Total		Stage 1		Stage 2		Stage 3		POCI		Total			
Opening balance	77,536	-188	12,626	-413	3,151	-1,924	51	-	93,364	-2,525	58,257	-128	5,606	-200	1,026	-655	3	-	64,892	-983	158,256	-3,508
Changes in the period, including:	-1	52	462	19	2,306	-621	-4	-	2,763	-550	3,867	23	2,579	28	-71	52	-	-	6,375	103	9,138	-447
loans granted in the period	30,601	-93	-	-	-	-	-	-	30,601	-93	16,151	-52	-	-	-	-	-	-	16,151	-52	46,752	-145
transfer to and from Stage 1	3,231	-10	-3,216	68	-15	6	-	-	-	64	2,749	-4	-2,728	57	-21	13	-	-	-	66	-	130
transfer to and from Stage 2	-9,068	45	9,097	-241	-29	13	-	-	-	-183	-6,064	17	6,156	-106	-92	45	-	-	-	-44	-	-227
transfer to and from Stage 3	-2,013	41	-1,467	148	3,480	-1,077	-	-	-	-888	-227	6	-160	35	387	-193	-	-	-	-152	-	-1,040
repayment (total and partial) and the release of new tranches	-22,752	40	-3,952	77	-739	244	-	-	-27,443	361	-8,848	31	-704	25	-200	88	-	-	-9,752	144	-37,195	505
changed provisioning under impairment for expected credit losses	-	14	-	-43	-	-286	-	-	-	-315	-	-8	-	-21	-	-28	-	-	-	-57	-	-372
management adjustments	-	16	-	8	-	95	-	-	-	119	-	33	-	38	-	-	-	-	-	71	-	190
Total impairment for expected credit losses in the profit and loss account		53		17		-1,005		-		-935		23		28		-75		-		-24		-959
derecognition from the balance sheet (write-downs, sale)	-	-	-	-	-391	384	-	-	-391	384	-	-	-	-	-147	146	-	-	-147	146	-538	530
calculation of penalty interest (for late payment)	-	-	-	-	301	-	-	-	301	-	-	-	-	-	50	-	-	-	50	-	351	-
writing down penalty interest (for late payment)	-	-	-	-	-301	-	-	-	-301	-	-	-	-	-	-50	-	-	-	-50	-	-351	-
value adjustment for legal risk of CHF mortgage loans	-	-	-	-	-	-	-	-	-	-	106	-	15	-	2	-	-	-	123	-	123	-
calculation and write-off of effective interest	-	-	-	-	-	10	-	-	-	10	-	-	-	-	-	3	-	-	-	3	-	13
other	-	-1	-	2	-	-10	-4	-	-4	-9	-	-	-	-	-	-22	-	-	-	-22	-4	-31
Closing balance	77,535	-136	13,088	-394	5,457	-2,545	47	0	96,127	-3,075	62,124	-105	8,185	-172	955	-603	3	0	71,267	-880	167,394	-3,955



2023  
for the year ended 31 December

	Corporate banking										Retail banking										Total	
	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL
	Stage 1		Stage 2		Stage 3		POCI		Total		Stage 1		Stage 2		Stage 3		POCI		Total			
Opening balance	75,522	-196	14,302	-491	2,601	-1,505	53	-	92,478	-2,192	56,942	-191	6,014	-292	924	-594	2	-	63,882	-1,077	156,360	-3,269
Changes in the period, including:	2,014	8	-1,676	78	550	-419	-2	-	886	-333	1,315	63	-408	92	102	-61	1	-	1,010	94	1,896	-239
loans granted in the period	28,589	-129	-	-	-	-	-	-	28,589	-129	9,263	-55	-	-	-	-	1	-	9,264	-55	37,853	-184
transfer to and from Stage 1	4,384	-15	-4,376	108	-8	3	-	-	-	96	916	-7	-902	68	-14	12	-	-	-	73	-	169
transfer to and from Stage 2	-7,916	56	7,962	-230	-46	11	-	-	-	-163	-1,312	15	1,387	-100	-75	47	-	-	-	-38	-	-201
transfer to and from Stage 3	-721	8	-519	62	1,240	-462	-	-	-	-392	-252	10	-204	59	456	-233	-	-	-	-164	-	-556
repayment (total and partial) and the release of new tranches	-22,322	37	-4,743	117	-484	144	-2	-	-27,551	298	-7,360	40	-705	33	-146	64	-	-	-8,211	137	-35,762	435
changed provisioning under impairment for expected credit losses	-	35	-	-136	-	-145	-	-	-	-246	-	36	-	-7	-	63	-	-	-	92	-	-154
management adjustments	-	14	-	152	-	-106	-	-	-	60	-	24	-	39	-	-113	-	-	-	-50	-	10
Total impairment for expected credit losses in the profit and loss account		6		73		-555		-		-476		63		92		-160		-		-5		-481
derecognition from the balance sheet (write-downs, sale)	-	-	-	-	-152	152	-	-	-152	152	-	-	-	-	-114	114	-	-	-114	114	-266	266
calculation of penalty interest (for late payment)	-	-	-	-	231	-	-	-	231	-	-	-	-	-	58	-	-	-	58	-	289	-
writing down penalty interest (for late payment)	-	-	-	-	-231	-	-	-	-231	-	-	-	-	-	-58	-	-	-	-58	-	-289	-
value adjustment for legal risk of CHF mortgage loans	-	-	-	-	-	-	-	-	-	-	60	-	16	-	-5	-	-	-	71	-	71	-
calculation and write-off of effective interest	-	-	-	-	-	-47	-	-	-	-47	-	-	-	-	-	-11	-	-	-	-11	-	-58
other	-	2	-	5	-	31	-	-	-	38	-	-	-	-	-	-4	-	-	-	-4	-	34
Closing balance	77,536	-188	12,626	-413	3,151	-1,924	51	0	93,364	-2,525	58,257	-128	5,606	-200	1,026	-655	3	0	64,892	-983	158,256	-3,508



Changes in the gross carrying amount of the loan portfolio affect the level of impairment for expected credit losses primarily through the disbursement of loans in the period, transfers between Stages and repayments made by borrowers.

In 2024, among loans granted during the year, the most important item are mortgage loans for natural persons (PLN 11,918 million), investment (PLN 7,267 million) and working capital (PLN 7,272 million), in addition, cash loans for natural persons (PLN 4,073 million). A significant part of them are also short-term loans: revolving (PLN 1,897 million) and overdrafts (PLN 2,291 million) and loans for entrepreneurs (PLN 1,602 million). In the portfolio of loans granted during 2024, there are also leasing receivables (PLN 5,201 million) and factoring receivables (PLN 4,236 million). Additionally, during 2024, penalty interest of PLN 351 million was accrued to the gross carrying amount of loans and other receivables granted to customers, which were written off in full. At the end of 2024, the amount of written-off penalty interest that is subject to debt collection activities was PLN 744 million.

In 2023, among loans granted during the year, the most important item was mortgage loans for individuals (PLN 5,733 million), in addition, cash loans for individuals (PLN 3,349 million). A significant part of them are also short-term loans: revolving (PLN 2,547 million), working capital loans (PLN 4,813 million) and overdrafts (PLN 841 million). In the portfolio of loans granted during 2023, there were also leasing receivables (PLN 5,631 million) and factoring receivables (PLN 4,097 million). Additionally, during 2023, penalty interest of PLN 289 million was accrued to the gross carrying amount of loans and other receivables granted to customers, which were written off in full. At the end of 2023, the amount of written-off penalty interest that was subject to debt collection activities was PLN 709 million.

Loan portfolio - on- and off-balance sheet exposures by risk classes

The Group divides risk classes into four basic groups. The risk classes are divided into short-term Moody's ratings, as shown in the table below.

No	risk class group	risk class range	short-term rating of Moody's
1.	a group of classes corresponding to investment grade	1-10	od Aaa do Baa3
2.	a group of classes corresponding to speculative ratings	11-17	od Ba1 do Caa3
3.	a group of classes of potentially non-performing exposures	18-19	od Ca do C
4.	a group of classes of non-regular exposures	20-22	-

For ratings 20-22, the probability of default is 100%.



2024

Exposures to corporate clients

as at 31 December											
risk class range	Stage 1		Stage 2		Stage 3		POCI		Total		
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	
1-10	41,017	23,240	2,057	1,469	-	-	-	-	43,074	24,709	
11-17	36,489	19,471	8,558	3,729	21	3	-	-	45,068	23,203	
18-19	29	72	2,473	257	28	-	-	-	2,530	329	
20-22	-	-	-	-	5,408	195	47	-	5,455	195	
Total Gross	77,535	42,783	13,088	5,455	5,457	198	47	0	96,127	48,436	
ECL	-136	-18	-394	-30	-2,545	-48	-	-	-3,075	-96	
Net total	77,399	42,765	12,694	5,425	2,912	150	47	0	93,052	48,340	

Exposure to retail clients – total

as at 31 December											
risk class range	Stage 1		Stage 2		Stage 3		POCI		Total		
	on-balance	off-balance	on-balance	off-balance	on-balance	off-balance	on-balance	off-balance	on-balance	off-balance	
	sheet	sheet	sheet	sheet	sheet	sheet	sheet	sheet	sheet	sheet	
1-10	49,490	4,802	5,776	143	-	-	1	-	55,267	4,945	
11-17	12,634	505	2,098	41	4	-	2	-	14,738	546	
18-19	3	-	311	2	-	-	-	-	314	2	
20-22	-3	-	-	-	951	4	-	-	948	4	
Total Gross	62,124	5,307	8,185	186	955	4	3	0	71,267	5,497	
ECL	-105	-5	-172	-4	-603	-3	-	-	-880	-12	
Net total	62,019	5,302	8,013	182	352	1	3	0	70,387	5,485	

Exposure to retail clients - mortgage loans and advances

as at 31 December

risk class range	Stage 1		Stage 2		Stage 3		POCI		Total	
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet
1-10	48,503	3,069	5,736	16	-	-	1	-	54,240	3,085
11-17	5,194	124	1,448	-	3	-	-	-	6,645	124
18-19	-	-	124	1	-	-	-	-	124	1
20-22	-3	-	-	-	289	-	-	-	286	-
Total Gross	53,694	3,193	7,308	17	292	0	1	0	61,295	3,210
ECL	-11	-	-57	-	-113	-	-	-	-181	-
Net total	53,683	3,193	7,251	17	179	0	1	0	61,114	3,210

Exposure to retail clients - other loans and advances

as at 31 December										
risk class range	Stage 1		Stage 2		Stage 3		POCI		Total	
	on-balance	off-balance	on-balance	off-balance	on-balance	off-balance	on-balance	off-balance	on-balance	off-balance
	sheet	sheet	sheet	sheet	sheet	sheet	sheet	sheet	sheet	sheet
1-10	987	1,733	40	127	-	-	-	-	1,027	1,860
11-17	7,440	381	650	41	1	-	2	-	8,093	422
18-19	3	-	187	1	-	-	-	-	190	1
20-22	-	-	-	-	662	4	-	-	662	4
Total Gross	8,430	2,114	877	169	663	4	2	0	9,972	2,287
ECL	-94	-5	-115	-4	-490	-3	-	-	-699	-12
Net total	8,336	2,109	762	165	173	1	2	0	9,273	2,275





2023

Exposures to corporate clients

as at 31 December											
risk class range	Stage 1		Stage 2		Stage 3		POCI		Total		
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	
1-10	32,109	20,071	350	276	-	-	-	-	32,459	20,347	
11-17	45,049	24,964	9,513	2,267	26	2	-	-	54,588	27,233	
18-19	378	269	2,762	261	12	3	-	-	3,152	533	
20-22	-	-	1	-	3,113	89	51	-	3,165	89	
Total Gross	77,536	45,304	12,626	2,804	3,151	94	51	0	93,364	48,202	
ECL	-188	-28	-413	-22	-1,924	-55	-	-	-2,525	-105	
Net total	77,348	45,276	12,213	2,782	1,227	39	51	0	90,839	48,097	

Exposure to retail clients – total

as at 31 December											
risk class range	Stage 1		Stage 2		Stage 3		POCI		Total		
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	
1-10	50,101	2,806	4,000	96	-	-	-	-	54,101	2,902	
11-17	8,151	395	1,245	24	-	-	2	-	9,398	419	
18-19	5	-	361	2	-	-	-	-	366	2	
20-22	-	-	-	-	1,026	3	1	-	1,027	3	
Total Gross	58,257	3,201	5,606	122	1,026	3	3	0	64,892	3,326	
ECL	-128	-5	-200	-3	-655	-3	-	-	-983	-11	
Net total	58,129	3,196	5,406	119	371	0	3	0	63,909	3,315	

Exposure to retail clients - mortgage loans and advances

as at 31 December											
risk class range	Stage 1		Stage 2		Stage 3		POCI		Total		
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	
1-10	49,211	1,248	3,983	3	-	-	-	-	53,194	1,251	
11-17	1,203	46	865	-	-	-	-	-	2,068	46	
18-19	-	-	133	1	-	-	-	-	133	1	
20-22	-	-	-	-	323	-	1	-	324	-	
Total Gross	50,414	1,294	4,981	4	323	0	1	0	55,719	1,298	
ECL	-25	-	-76	-	-125	-	-	-	-226	-	
Net total	50,389	1,294	4,905	4	198	0	1	0	55,493	1,298	

Exposure to retail clients - other loans and advances

as at 31 December											
risk class range	Stage 1		Stage 2		Stage 3		POCI		Total		
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	
1-10	890	1,558	17	93	-	-	-	-	907	1,651	
11-17	6,948	349	380	24	-	-	2	-	7,330	373	
18-19	5	-	228	1	-	-	-	-	233	1	
20-22	-	-	-	-	703	3	-	-	703	3	
Total Gross	7,843	1,907	625	118	703	3	2	0	9,173	2,028	
ECL	-103	-5	-124	-3	-530	-3	-	-	-757	-11	
Net total	7,740	1,902	501	115	173	0	2	0	8,416	2,017	



Exposures to clients by DPD

2024

Exposures to corporate clients

as at 31 December											
number of days past due	Stage 1		Stage 2		Stage 3		POCI		Total		
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	
0	76,410	42,693	12,223	5,412	2,182	173	47	-	90,862	48,278	
1-30	1,121	90	625	39	195	2	-	-	1,941	131	
31-60	2	-	193	4	105	3	-	-	300	7	
61-90	1	-	39	-	77	-	-	-	117	-	
91-180	-	-	8	-	441	-	-	-	449	-	
181-365	-	-	-	-	791	20	-	-	791	20	
>365	1	-	-	-	1,666	-	-	-	1,667	-	
Total Gross	77,535	42,783	13,088	5,455	5,457	198	47	0	96,127	48,436	

Exposure to retail clients – total

as at 31 December											
number of days past due	Stage 1		Stage 2		Stage 3		POCI		Total		
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	
0	61,814	5,307	7,502	186	340	4	3	-	69,659	5,497	
1-30	310	-	552	-	62	-	-	-	924	-	
31-60	-	-	101	-	18	-	-	-	119	-	
61-90	-	-	30	-	16	-	-	-	46	-	
91-180	-	-	-	-	67	-	-	-	67	-	
181-365	-	-	-	-	113	-	-	-	113	-	
>365	-	-	-	-	339	-	-	-	339	-	
Total Gross	62,124	5,307	8,185	186	955	4	3	0	71,267	5,497	

Exposure to retail clients - mortgage loans and advances

as at 31 December											
number of days past due	Stage 1		Stage 2		Stage 3		POCI		Total		
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	
0	53,446	3,193	6,877	17	112	-	1	-	60,436	3,210	
1-30	248	-	333	-	22	-	-	-	603	-	
31-60	-	-	79	-	5	-	-	-	84	-	
61-90	-	-	19	-	5	-	-	-	24	-	
91-180	-	-	-	-	18	-	-	-	18	-	
181-365	-	-	-	-	26	-	-	-	26	-	
>365	-	-	-	-	104	-	-	-	104	-	
Total Gross	53,694	3,193	7,308	17	292	0	1	0	61,295	3,210	

Exposure to retail clients - other loans and advances

as at 31 December											
number of days past due	Stage 1		Stage 2		Stage 3		POCI		Total		
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	
0	8,368	2,114	625	169	228	4	2	-	9,223	2,287	
1-30	62	-	219	-	40	-	-	-	321	-	
31-60	-	-	22	-	13	-	-	-	35	-	
61-90	-	-	11	-	11	-	-	-	22	-	
91-180	-	-	-	-	49	-	-	-	49	-	
181-365	-	-	-	-	87	-	-	-	87	-	
>365	-	-	-	-	235	-	-	-	235	-	
Total Gross	8,430	2,114	877	169	663	4	2	0	9,972	2,287	



2023

Exposures to corporate clients

as at 31 December											
number of days past due	Stage 1		Stage 2		Stage 3		POCI		Total		
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	
0	76,059	45,304	11,534	2,750	645	87	51	-	88,289	48,141	
1-30	1,475	-	862	54	142	7	-	-	2,479	61	
31-60	2	-	172	-	77	-	-	-	251	-	
61-90	-	-	56	-	64	-	-	-	120	-	
91-180	-	-	1	-	211	-	-	-	212	-	
181-365	-	-	-	-	451	-	-	-	451	-	
>365	-	-	1	-	1,561	-	-	-	1,562	-	
Total Gross	77,536	45,304	12,626	2,804	3,151	94	51	0	93,364	48,202	

Exposure to retail clients – total

as at 31 December											
number of days past due	Stage 1		Stage 2		Stage 3		POCI		Total		
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	
0	57,953	3,201	4,892	122	324	3	3	-	63,172	3,326	
1-30	304	-	563	-	55	-	-	-	922	-	
31-60	-	-	121	-	23	-	-	-	144	-	
61-90	-	-	30	-	19	-	-	-	49	-	
91-180	-	-	-	-	88	-	-	-	88	-	
181-365	-	-	-	-	140	-	-	-	140	-	
>365	-	-	-	-	377	-	-	-	377	-	
Total Gross	58,257	3,201	5,606	122	1,026	3	3	0	64,892	3,326	

Exposure to retail clients - mortgage loans and advances

as at 31 December											
number of days past due	Stage 1		Stage 2		Stage 3		POCI		Total		
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	
0	50,203	1,294	4,548	4	134	-	1	-	54,886	1,298	
1-30	211	-	325	-	16	-	-	-	552	-	
31-60	-	-	93	-	9	-	-	-	102	-	
61-90	-	-	15	-	7	-	-	-	22	-	
91-180	-	-	-	-	31	-	-	-	31	-	
181-365	-	-	-	-	32	-	-	-	32	-	
>365	-	-	-	-	94	-	-	-	94	-	
Total Gross	50,414	1,294	4,981	4	323	0	1	0	55,719	1,298	

Exposure to retail clients - other loans and advances

as at 31 December											
number of days past due	Stage 1		Stage 2		Stage 3		POCI		Total		
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	
0	7,750	1,907	344	118	190	3	2	-	8,286	2,028	
1-30	93	-	238	-	39	-	-	-	370	-	
31-60	-	-	28	-	14	-	-	-	42	-	
61-90	-	-	15	-	12	-	-	-	27	-	
91-180	-	-	-	-	57	-	-	-	57	-	
181-365	-	-	-	-	108	-	-	-	108	-	
>365	-	-	-	-	283	-	-	-	283	-	
Total Gross	7,843	1,907	625	118	703	3	2	0	9,173	2,028	



2.10.3. Concentration of exposures

Concentration of exposures to corporate clients in national economy sectors

2024

as at 31 December					
National economy sector	balance sheet and off-balance sheet exposure in PLN million (gross carrying amount)				share in the total exposure
	Stage 1	Stage 2	Stage 3	Total	(in %)
wholesale trade	14,265	2,432	478	17,175	11.9%
construction	8,474	1,323	437	10,234	7.1%
financial intermediation	9,610	36	15	9,661	6.7%
property services	7,843	1,085	497	9,425	6.5%
other business operations	7,275	1,632	271	9,178	6.3%
retail trade	6,708	548	301	7,557	5.2%
land and pipeline transport	4,595	1,013	472	6,080	4.2%
production of foodstuffs and beverages	4,918	725	185	5,828	4.0%
manufacturing of metal final products	4,765	783	257	5,805	4.0%
rubber industry	3,635	1,079	123	4,837	3.3%
production of chemicals, chemical products	3,004	289	1,359	4,652	3.2%
rental of equipment	3,284	821	48	4,153	2.9%
sales, repair and maintenance of motor vehicles	3,246	293	101	3,640	2.5%
post and telecommunications	3,272	214	24	3,510	2.4%
wood and paper industry	2,479	876	116	3,471	2.4%
power generation	2,822	283	103	3,208	2.2%
public administration and national defence	1,756	878	-	2,634	1.8%
machine industry	1,784	512	95	2,391	1.7%
agriculture, forestry, fishery	1,870	396	71	2,337	1.6%
others	24,729	3,308	750	28,787	19.9%
Total	120,334	18,526	5,703	144,563	100%

2023

as at 31 December					
National economy sector	balance sheet and off-balance sheet exposure in PLN million (gross carrying amount)				share in the total exposure
	Stage 1	Stage 2	Stage 3	Total	(in %)
wholesale trade	14,817	1,985	474	17,276	12.2%
construction	8,308	1,019	360	9,687	6.8%
property services	7,239	1,369	250	8,858	6.3%
other business operations	7,166	1,139	157	8,462	6.0%
financial intermediation	8,132	7	16	8,155	5.8%
retail trade	6,065	547	243	6,855	4.8%
land and pipeline transport	5,036	922	189	6,147	4.3%
production of foodstuffs and beverages	4,907	979	243	6,129	4.3%
manufacturing of metal final products	4,938	928	169	6,035	4.3%
rubber industry	4,295	561	94	4,950	3.5%
production of chemicals, chemical products	3,323	1,132	22	4,477	3.2%
rental of equipment	3,505	291	37	3,833	2.7%
power generation	3,168	318	100	3,586	2.5%
wood and paper industry	3,189	252	119	3,560	2.5%
post and telecommunications	3,438	33	18	3,489	2.5%
sales, repair and maintenance of motor vehicles	3,094	238	75	3,407	2.4%
public administration and national defence	2,677	284	-	2,961	2.1%
machine industry	2,494	302	72	2,868	2.0%
agriculture, forestry, fishery	1,943	453	148	2,544	1.8%
others	25,105	2,672	510	28,287	20.0%
Total	122,839	15,431	3,296	141,566	100%





Group's largest exposures

The table below presents the 20 largest exposures of the Group to individual entities or groups of related debtors. The presented groups of entities include groups in which the parent entity is an institution within the meaning of CRR regulations (including the parent entity towards the Group) and groups of entities owned by the State Treasury or in which the State Treasury exercises control on another basis.

The amount of exposures includes the value of on-balance sheet assets (loans granted, deposits submitted, debt securities), off-balance sheet liabilities granted and the value of balance sheet equivalent of derivatives. Exposures were reduced by the amounts of exclusions allowed under Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) and the Regulation of the Minister of Finance of 1 July 2016 on the types of exposures of banks excluded from large exposure limits. The effects of applying risk reduction techniques in accordance with CRR were also taken into account.

The amount of the exposure of the groups of debtors related to the State Treasury includes not only exposures to companies of the State Treasury or controlled by it on another basis, but also the non-exclusive value of State Treasury bonds<sup>5</sup> and guarantees and sureties of Korporacja Ubezpieczeń Kredytów Eksportowych (KUKE) S.A. For the above exposures, the Bank has the consent of the PFSA pursuant to Article 500a paragraph 2 of CRR to temporarily apply increased limits of large exposures (up to 42% of Tier 1 capital).

Entity/group of related entities	as at 31 December	
	Group's exposures	
	2024	2023
Group 1 (banking)	3,025	2,101
Group 2	2,328	2,118
Group 3 */**	2,145	6,717
Group 4	1,829	1,542
Group 5 ***	1,632	751
Group 6 (banking) *	1,553	1,752
Group 7 */**	1,366	5,477
Group 8	1,350	1,352
Group 9 */**	1,321	5,146
Group 10 (banking)	1,288	669
Group 11	1,254	1,249
Group 12 */**	1,128	4,406
Group 13	1,062	740
Group 14	1,049	1,017
Group 15	1,026	1,026
Group 16	1,023	1,057
Group 17 (banking)	1,010	1,216
Group 18	1,005	1,015
Group 19	877	923
Group 20	797	39

\*) exclusions of exposures from concentration limits were applied on the basis of the provisions of Article 400 CRR

\*\*) group with the participation of entities related to the State Treasury

\*\*\*) exposure shall also include securitisation

<sup>5</sup> In the July-December 2024 period, the Bank used the temporary possibility to exclude in limits of large exposures positions resulting from public debt denominated in the currency of another EU Member State on the basis of the CRR provisions amended by Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards credit risk requirements, credit valuation adjustment risk, operational risk, market risk and minimum capital threshold.



2.10.4. Collaterals

Maximum recognisable amount of collateral or guarantee

The Group applies collateral on the following assets: cash (deposit in the Bank or another bank), liquid securities, real estate, means of transport, receivables, machinery and equipment, inventories, intangible assets and other collateral.

As at 31 December 2024, the value of collateral for Stage 3 credit exposures was PLN 2,206 million, compared to PLN 1,374 million at the end of 2023. If the value of collateral exceeds the credit exposure balance, it was assumed that the value of collateral is equal to the exposure balance..

The tables on the next page show the value of collateral not exceeding the carrying amount of the related credit exposures. The presented values of collateral result from the assumptions adopted by the Group for determining the nominal value of collateral, the general principles of which for the main types of collateral are as follows:

- The value of real estate collateral is the lower of the two values, i.e. the value determined as a result of the Group’s verification of the value of the real estate (not higher than the market value specified in the valuation report or internal valuation report) determined in the cyclical monitoring / update process, after deducting the previously incurred mortgage charges or the value of the mortgage register entry.
- The value of collateral for machinery and equipment is the lower of the sum insured for this item, the net present book value or the highest amount of collateral in the case of a registered pledge agreement.
- The value of the collateral in the case of guarantees other than those of the parent or other related company is the lower of the two values, i.e. the amount to which the guarantee is issued or the amount of the credit exposure to which the collateral relates.

2024

as at 31 December

	Maximum recognisable amount of collateral or guarantee				financial guarantees received
	mortgage-backed loans		other secured loans		
	housing loans	commercial loans	cash funds (issued debt instruments)	others	
<b>Loans and advances, of which:</b>	<b>57,333</b>	<b>21,315</b>	<b>47</b>	<b>19,863</b>	<b>11,804</b>
other financial institutions	8	19	-	76	3,533
non-financial entities	1,349	20,308	47	17,879	6,948
households	55,976	984	-	1,785	1,320
including: loans to purchase residential properties	54,733	643	-	-	-
other entities (banks, budgetary sector)	-	4	-	123	3

2023

as at 31 December

	Maximum recognisable amount of collateral or guarantee				financial guarantees received
	mortgage-backed loans		other secured loans		
	housing loans	commercial loans	cash funds (issued debt instruments)	others	
Loans and advances, of which:	52,566	18,545	110	21,613	9,716
other financial institutions	586	21	-	81	337
non-financial entities	493	16,666	108	18,861	7,822
households	51,487	1,851	2	2,541	1,557
including: loans to purchase residential properties	46,412	600	-	-	2
other entities (banks, budgetary sector)	-	7	-	130	-



## 2.10.5. Loan portfolio performing and non-performing and exposures with forbearance granted

The tables below present the breakdown of the loan portfolio into the performing and non- performing portfolio with the breakdown of exposures with forbearance granted. The Group classifies exposures to the quarantine class for which facilities have been applied in the past, and which are currently in the observation period before full healing.

In the income statement for 2024, in *Interest income - interest on loans and other receivables to customers*, interest income on exposures with forbearance facilities was recognised in the amount of PLN 368 million (PLN 329 million for 2023), of which PLN 241 million relates to exposures in the performing portfolio and PLN 126 million to exposures in the non- performing portfolio (PLN 270 million and PLN 59 million, respectively, for 2023).

### Loan portfolio - split into the performing and non-performing portfolio, detailing exposures with forbearance granted

2024

as at 31 December

	Performing exposures	including forbearance	modification of terms and conditions	refinancing	quarantine	Non-performing exposures	including forbearance	modification of terms and conditions	refinancing	overdue portfolio	impaired portfolio
<b>Gross loan portfolio, of which:</b>	<b>160,933</b>	<b>3,515</b>	<b>3,134</b>	<b>381</b>	<b>3,326</b>	<b>6,461</b>	<b>3,164</b>	<b>3,163</b>	<b>1</b>	<b>1,317</b>	<b>2,372</b>
<b>Corporate banking, of which:</b>	<b>90,623</b>	<b>2,894</b>	<b>2,513</b>	<b>381</b>	<b>2,720</b>	<b>5,504</b>	<b>2,773</b>	<b>2,772</b>	<b>1</b>	<b>1,175</b>	<b>1,982</b>
loans in the current account	14,645	448	448	-	448	289	109	109	-	66	109
term loans and advances	52,612	2,258	1,877	381	2,258	3,706	1,826	1,825	1	1,045	1,035
lease receivables	12,825	165	165	-	-	619	44	44	-	44	44
factoring receivables	5,970	23	23	-	14	890	794	794	-	20	794
corporate and municipal debt securities	4,571	-	-	-	-	-	-	-	-	-	-
<b>Retail banking segment, including:</b>	<b>70,310</b>	<b>621</b>	<b>621</b>	<b>-</b>	<b>606</b>	<b>957</b>	<b>391</b>	<b>391</b>	<b>-</b>	<b>142</b>	<b>390</b>
mortgages	61,003	508	508	-	493	292	116	116	-	34	115
loans in the current account	630	2	2	-	2	58	4	4	-	2	4
other loans and advances	8,677	111	111	-	111	607	271	271	-	106	271
<b>Impairment for expected credit losses, including:</b>	<b>-811</b>	<b>-116</b>	<b>-116</b>	<b>0</b>	<b>-113</b>	<b>-3,144</b>	<b>-1,228</b>	<b>-1,228</b>	<b>0</b>	<b>-681</b>	<b>-1,227</b>
<b>Corporate banking, of which:</b>	<b>-534</b>	<b>-105</b>	<b>-105</b>	<b>-</b>	<b>-102</b>	<b>-2,541</b>	<b>-998</b>	<b>-998</b>	<b>-</b>	<b>-582</b>	<b>-998</b>
loans in the current account	-90	-14	-14	-	-14	-128	-28	-28	-	-21	-28
term loans and advances	-389	-88	-88	-	-88	-2,073	-756	-756	-	-548	-756
lease receivables	-38	-3	-3	-	-	-64	-3	-3	-	-3	-3
factoring receivables	-13	-	-	-	-	-276	-211	-211	-	-10	-211
corporate and municipal debt securities	-4	-	-	-	-	-	-	-	-	-	-
<b>Retail banking segment, including:</b>	<b>-277</b>	<b>-11</b>	<b>-11</b>	<b>-</b>	<b>-11</b>	<b>-603</b>	<b>-230</b>	<b>-230</b>	<b>-</b>	<b>-99</b>	<b>-229</b>
mortgages	-68	-4	-4	-	-4	-113	-44	-44	-	-18	-43
loans in the current account	-24	-	-	-	-	-40	-3	-3	-	-1	-3
other loans and advances	-185	-7	-7	-	-7	-450	-183	-183	-	-80	-183



2023

as at 31 December

	Performing exposures	including forbearance	modification of terms and conditions	refinancing	quarantine	Non-performing exposures	including forbearance	modification of terms and conditions	refinancing	overdue portfolio	impaired portfolio
<b>Gross loan portfolio, of which:</b>	<b>154,024</b>	<b>4,532</b>	<b>4,108</b>	<b>423</b>	<b>4,288</b>	<b>4,232</b>	<b>1,522</b>	<b>1,520</b>	<b>2</b>	<b>1,047</b>	<b>1,528</b>
<b>Corporate banking, of which:</b>	<b>90,161</b>	<b>3,590</b>	<b>3,166</b>	<b>423</b>	<b>3,376</b>	<b>3,203</b>	<b>1,140</b>	<b>1,138</b>	<b>2</b>	<b>898</b>	<b>1,150</b>
loans in the current account	13,569	470	470	-	470	170	94	94	-	29	94
term loans and advances	52,806	2,234	1,810	423	2,231	2,567	1,005	1,003	2	830	1,000
lease receivables	12,853	181	181	-	-	356	22	22	-	22	37
factoring receivables	6,741	705	705	-	675	110	19	19	-	17	19
corporate and municipal debt securities	4,192	-	-	-	-	-	-	-	-	-	-
<b>Retail banking segment, including:</b>	<b>63,863</b>	<b>942</b>	<b>942</b>	<b>-</b>	<b>912</b>	<b>1,029</b>	<b>382</b>	<b>382</b>	<b>-</b>	<b>149</b>	<b>378</b>
mortgages	55,395	791	791	-	761	324	138	138	-	37	134
loans in the current account	649	2	2	-	2	57	4	4	-	2	4
other loans and advances	7,819	149	149	-	149	648	240	240	-	110	240
<b>Impairment for expected credit losses, including:</b>	<b>-929</b>	<b>-167</b>	<b>-167</b>	<b>0</b>	<b>-165</b>	<b>-2,579</b>	<b>-904</b>	<b>-904</b>	<b>0</b>	<b>-739</b>	<b>-885</b>
<b>Corporate banking, of which:</b>	<b>-601</b>	<b>-145</b>	<b>-145</b>	<b>-</b>	<b>-143</b>	<b>-1,924</b>	<b>-688</b>	<b>-688</b>	<b>-</b>	<b>-633</b>	<b>-670</b>
loans in the current account	-81	-8	-8	-	-8	-59	-18	-18	-	-12	-18
term loans and advances	-466	-114	-114	-	-114	-1,735	-654	-654	-	-605	-630
lease receivables	-22	-2	-2	-	-	-56	-7	-7	-	-7	-13
factoring receivables	-30	-21	-21	-	-21	-74	-9	-9	-	-9	-9
corporate and municipal debt securities	-2	-	-	-	-	-	-	-	-	-	-
<b>Retail banking segment, including:</b>	<b>-328</b>	<b>-22</b>	<b>-22</b>	<b>-</b>	<b>-22</b>	<b>-655</b>	<b>-216</b>	<b>-216</b>	<b>-</b>	<b>-106</b>	<b>-215</b>
mortgages	-101	-10	-10	-	-10	-125	-49	-49	-	-18	-48
loans in the current account	-25	-	-	-	-	-38	-2	-2	-	-1	-2
other loans and advances	-202	-12	-12	-	-12	-492	-165	-165	-	-87	-165





Exposures with forbearance granted by risk classes

2024

as at 31 December

risk class range	Corporate banking				Retail banking				Total			
	performing portfolio		non-performing portfolio		performing portfolio		non-performing portfolio		performing portfolio		non-performing portfolio	
	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure
1-10	50	-	-	-	415	-	-	-	465	-	-	-
11-17	1,616	2	-	-	192	-	2	-	1,808	2	2	-
18-19	1,228	5	1	-	14	-	-	-	1,242	5	1	-
20-22	-	-	2,772	9	-	-	389	-	-	-	3,161	9
Total (gross)	2,894	7	2,773	9	621	0	391	0	3,515	7	3,164	9

2023

as at 31 December

risk class range	Corporate banking				Retail banking				Total			
	performing portfolio		non-performing portfolio		performing portfolio		non-performing portfolio		performing portfolio		non-performing portfolio	
	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure
1-10	1	-	-	-	698	-	-	-	699	-	-	-
11-17	1,299	89	-	-	218	-	-	-	1,517	89	-	-
18-19	2,289	314	2	-	26	-	-	-	2,315	314	2	-
20-22	1	-	1,138	11	-	-	382	-	1	-	1,520	11
Total (gross)	3,590	403	1,140	11	942	0	382	0	4,532	403	1,522	11



Exposures with forbearance granted by DPD

2024

as at 31 December

number of days past due	Corporate banking				Retail banking				Total			
	performing portfolio		non-performing portfolio		performing portfolio		non-performing portfolio		performing portfolio		non-performing portfolio	
	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure
0	2,856	7	1,779	7	576	-	249	-	3,432	7	2,028	7
1-30	29	-	59	2	41	-	31	-	70	-	90	2
31-60	6	-	17	-	4	-	6	-	10	-	23	-
61-90	3	-	20	-	-	-	5	-	3	-	25	-
91-180	-	-	48	-	-	-	15	-	-	-	63	-
181-365	-	-	384	-	-	-	23	-	-	-	407	-
>365	-	-	466	-	-	-	62	-	-	-	528	-
Total (gross)	2,894	7	2,773	9	621	0	391	0	3,515	7	3,164	9

2023

as at 31 December

number of days past due	Corporate banking				Retail banking				Total			
	performing portfolio		non-performing portfolio		performing portfolio		non-performing portfolio		performing portfolio		non-performing portfolio	
	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure
0	3,414	403	409	11	884	-	233	-	4,298	403	642	11
1-30	152	-	21	-	48	-	29	-	200	-	50	-
31-60	20	-	17	-	8	-	6	-	28	-	23	-
61-90	4	-	15	-	2	-	4	-	6	-	19	-
91-180	-	-	48	-	-	-	18	-	-	-	66	-
181-365	-	-	117	-	-	-	28	-	-	-	145	-
>365	-	-	513	-	-	-	64	-	-	-	577	-
Total (gross)	3,590	403	1,140	11	942	0	382	0	4,532	403	1,522	11



2.10.6. Credit quality of other financial assets

Credit quality of loans and other receivables granted to other banks

Loans and other receivables granted to other banks are presented in the consolidated statement of financial position in *Loans and other receivables to other banks* (note 15) and in *Cash and cash equivalents* (note 14).

As at 31 December 2024 and as at 31 December 2023, loans and other receivables granted to other banks were in approx. 99% in low risk classes (rating 1-10), others in medium and higher risk classes with ratings from 11 to 19 (as at the end of 2023). Exposures of PLN 21,826 million were entirely in Stage 1. As at 31 December 2023, in the amount of PLN19,906 million were in Stage 1 and PLN 3 million in Stage 2.

The change in the level of the allowance for expected credit losses in 2024 and 2023 resulted from changes in the credit parameters of the portfolio described above.

Credit quality of debt securities

As at 31 December 2024, all debt securities in the portfolio of financial assets held for trading and the portfolio of investment securities were in low risk classes with ratings from 1 to 10 (as at the end of 2023). Both at the end of 2024 and at the end of 2023, all debt securities in the investment securities portfolio were in Stage 1.

The change in the level of the allowance for expected credit losses in 2024 and 2023 resulted from changes in the credit parameters of the portfolios described above. Additionally, at the end of 2023, due to the reconstruction of the IFRS model for low default portfolios, additional write-downs for expected credit losses in the amount of PLN 17 million were recognised.

In 2024, similarly to 2023, changes in the gross value of investment securities measured at fair value through other comprehensive income and measured at amortised cost did not have a significant impact on the level of allowances for expected credit losses.

In 2024 and 2023, there were no transfers of investment securities between stages with different ways of measuring expected credit losses.

Investment securities - carrying amount and the level of impairment for expected credit losses by Stages

as at 31 December	2024			2023		
	Stage 1			Stage 1		
	carrying amount (gross)	impairment for expected credit losses	carrying amount (net)	carrying amount (gross)	impairment for expected credit losses	carrying amount (net)
Debt securities at fair value through other comprehensive income*, including:	31,685	-12	-	23,680	-12	-
Treasury bonds in PLN	26,371	-12	-	21,345	-11	-
Treasury bonds in EUR	-	-	-	546	-	-
European Union bonds	2,064	-	-	-	-	-
European Investment Bank bonds	2,838	-	-	1,378	-1	-
Austrian government bonds	412	-	-	411	-	-
Debt securities measured at amortised cost, including:	27,063	-10	27,053	32,712	-14	32,698
Treasury bonds in PLN	11,864	-5	11,859	13,102	-7	13,095
Treasury bonds in EUR	2,873	-1	2,872	2,942	-2	2,940
European Investment Bank bonds	6,654	-	6,654	6,703	-2	6,701
Bonds of the Polish Development Fund (PFR)	3,864	-4	3,860	3,862	-2	3,860
Bank Gospodarstwa Krajowego bonds	1,808	-	1,808	1,806	-1	1,805
NBP bills	-	-	-	4,297	-	4,297

\*) In the case of financial assets measured at fair value through other comprehensive income, the carrying amount is not reduced by the allowance for expected credit losses.



Investment securities – changes in impairment for expected credit losses

for the year ended 31 December						
	2024			2023		
	Stage 1		Total	Stage 1		Total
	measured at fair value through other comprehensive income	measured at amortised cost		measured at fair value through other comprehensive income	measured at amortised cost	
Opening balance impairment	12	14	26	3	7	10
Changes during the period, including:	-	-4	-4	9	7	16
provisions recognised/ reversed	-	-4	-4	9	7	16
Closing balance impairment	12	10	22	12	14	26

Quality of other financial assets

The tables below present the credit quality of other financial assets, which are presented in item *Other assets* of the consolidated statement of financial position and in note 26.

Other financial assets - gross carrying amount and the level of impairment for expected credit losses by Stages

as at 31 December						
	2024			2023		
	gross	impairment for expected credit loss	net	gross	impairment for expected credit loss	net
assets in Stage 1	40	-	40	38	-	38
assets in Stage 3	33	-33	-	43	-43	-
Total	73	-33	40	81	-43	38

Other financial assets - changes in impairment for expected credit losses

for the year ended 31 December				
	2024		2023	
		Stage 3		Stage 3
Opening balance impairment		43		42
Changes in the period, including:		-10		1
additional provision for expected credit losses		7		5
exclusion from the statement of financial position as a result of write-down		-3		-1
exclusion from the statement of financial position due to repayment		-14		-3
Odpis na koniec okresu		33		43

Other financial assets - reconciliation of the gross carrying amount

for the year ended 31 December						
	2024			2023		
	Stage 1	Stage 3	Total	Stage 1	Stage 3	Total
Opening balance of gross carrying amount	38	43	81	51	42	93
Changes in the period, including:	2	-10	-8	-13	1	-12
transfer to and from Stage 3	-7	7	-	-5	5	-
exclusion from the statement of financial position due to write-down	-	-3	-3	-	-1	-1
recognition of new financial instruments, repayments and other changes	9	-14	-5	-8	-3	-11
Closing gross value	40	33	73	38	43	81





2.10.7. Modification of contractual cash flows

In 2024, credit exposures in the amount of PLN 1,474 million (PLN 1,264 million in 2023) were subject to modification of contractual cash flows, which did not result in their deletion and re-recognition of a financial asset. In addition, exposures in the amount of PLN 5,849 million due to credit holidays were not excluded and rerecognised as a financial asset (PLN 53,379 million in 2023).

Modifications in contractual cash flows, which do not result in their deletion and re-recognition of a financial asset, i.e. lead to the recognition of gains or losses from the modification, result from business premises or credit risk events in the form of facilities (forbearance) granted to customers. If business indications occur, the method of determining the allowance for expected credit losses does not change. The granting of facilities to customers (forbearance) proves a significant increase in credit risk, resulting in classification to Stage 2, in the event of granting another facility, there is classification to Stage 3 in accordance with the principles for estimating impairment losses described in chapter III. *Significant accounting principles*, in point 13.11. *Expected credit losses*.

The table presents information on financial assets for which the contractual cash flows have been modified, while the corresponding allowance for expected credit losses was measured at an amount equal to lifetime expected credit losses (i.e. financial assets in Stages 2 and 3).

as at 31 December		
	2024	2023
Financial assets modified in the period		
amortised cost before modification	343	287
net loss due to modification	-1	-
Financial assets that have been modified since their initial recognition		
the gross carrying amount of previously modified financial assets for which the allowance for expected credit losses has changed during the period to an amount equal to 12-month expected credit losses (i.e. these financial assets have been transferred to Stage 1)	30	99

3. Market risk

- 3.1. Introduction
- 3.2. Market risk management objectives
- 3.3. Market risk management policies
- 3.4. Market risk management process
- 3.5. Structure of books and methods of risk measurement
- 3.6. FX structure of assets and liabilities
- 3.7. Impact of the benchmark reform
- 3.8. Hedge accounting
- 3.9. The approach to risk management in subsidiaries

3.1. Introduction

Market risk is defined as a potential loss that may be incurred by the Bank due to unfavourable changes in market prices (such as yield curves, exchange rates, prices on the capital market), market parameters (market price volatility, correlation between movements of individual prices) and customer behaviour (e.g. early repayment of loans).

3.2. Market risk management objectives

The main objectives of market risk management at ING Bank Śląski S.A. are: to ensure that there is awareness and understanding of the Bank’s exposure to market risk and that this exposure is appropriately managed and, where applicable, within the limits set.

3.3. Market risk management policies

The Market Risk Management Department has normative documents that describe the scope, principles and responsibilities of the department. In order to optimise the market risk management process, the *Market Risk Management Policy* has been developed at ING Bank Śląski S.A. It describes the bank’s approach to market risk management. It defines the principles, methodology of management and measurement of market risk in the Bank, as well as the general principles of process management.



The document is a detailed document entitled *General principles of risk management at ING Bank Śląski S.A.*, which is approved by the Bank’s Supervisory Board, on the basis of a recommendation from the Risk Committee. The Policy is subject to approval by the Bank’s Management Board.

Another document is the policy describing the Bank’s approach to the process of defining the risk appetite in the area of market and liquidity risk (*Policy for determining and monitoring the risk appetite in the area of market and liquidity risk*). This policy is also approved by the Bank’s Management Board.

3.4. Market risk management process

The Bank’s market risk management process includes:

- identification,
- measurement,
- monitoring and
- risk reporting.

The Market Risk Management Department (MRM) provides managers of the Financial Markets Area of Wholesale Banking and the Centre of Expertise Treasury, selected members of the Management Board and the ALCO Committee with regular risk reports. Moreover, ALCO, the Bank’s Management Board and the Supervisory Board receive periodic reports containing the most important market risk measures. The approval of individual market risk limits is carried out at the level of ALCO Committee, the Bank’s Management Board or the Supervisory Board, in accordance with the division of responsibility in determining the levels of limits defined in the Policy for determining and monitoring risk appetite in the area of market and liquidity risk. The employees of the Market Risk Management Department are qualified specialists and the independence of the department is ensured by its separation from risk generating units.

The Bank’s market risk management also includes a Product Control function, which ensures the correct valuation of Financial Market products in the Wholesale Banking Division and the Centre of Expertise Treasury by monitoring the correctness of valuation models and controlling the quality of market data used for the valuation and calculation of financial result. Decisions related to issues related to the valuation process, such as: sources of market data used for valuation, calculation of adjustments to market valuation models (bid-offer spread and BVA), are taken by the Market Data and Valuation Models Committee and the Committee for parameterisation of financial instruments measured at fair value.

In the reporting period, the market risk profile and the manner of managing this risk did not change significantly.

3.5. Structure of books and methods of risk measurement

3.5.1. Structure of books

The Bank maintains a structure of books based on intent, which translates into many processes, including market risk management. The structure of the books reflects the types of market risk that are expected and accepted in individual areas of the Bank and where market risk should be internally transferred/hedged. The Bank’s transactions are allocated to individual portfolios belonging to the banking or trading book on the basis of the purpose of concluding the transaction and the product mandate. The books are grouped 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 trading and banking portfolio includes internal and external transactions.

Banking Books

The Banking Books are split into Banking Commercial Books and Banking Books of the Centre of Expertise Treasury (CoE Treasury). 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:

- banking books of the Centre of Expertise Treasury (used to manage the interest rate risk of the banking book, the underlying risk and the liquidity risk as a whole), and
- commercial books of the Financial Markets Area in Wholesale Banking Division (for FX risk) via 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.

Maintenance of open positions is permissible within the adopted product mandate and risk limits:

- for the banking book - BPV (Basis Point Value), slope risk (adverse impact on the result caused by an uneven shift in the yield curve), CS01 (change in the market value of a security due to an increase in the credit spread), SOT NII (Standard Outlier Test Net Interest Income at Risk), NIIaR (Net Interest Income at Risk), SOT EVE (Standard Outlier Test on Economic Value of Equity), NPVaR (Net Present Value at Risk), Par-tial PV01 (a



measure shows a change in the value of an instrument due to a change in the curve in a given tenor Risk), Tenor Basis (underlying risk affecting interest income), IR Gap (interest rate gap),

- for the trading book – VaR (Value at Risk), Slope risk (negative impact on the result caused by an uneven shift of the yield curve), CS01 (change in the market value of a security due to an increase in the credit spread), BPV (Basis Point Value),
- CS RRaR (Credit Spread Revaluation Reserve at Risk) – the measure shows the potential impact of changing credit spreads on the level of revaluation reserve of HTC&S securities portfolio,
- IR RRaR (Interest Rate Revaluation Reserve at Risk) – the measure shows the potential impact of changing interest rates on the level of revaluation reserve of HTC&S securities portfolio.

Hedge accounting is a tool supporting the management of interest rate risk in the banking book. The developed assumptions to the hedging strategy are applied consistently with the approach to market risk management within the approved market risk limits as described above. Detailed information on the assumptions underlying each strategy in hedge accounting are described in this chapter, in item [3.8. Hedge Accounting](#).

Trading books

Trading Books are the books of the Financial Markets Area in Wholesale Banking Division: FX and interest rate books. The books embrace positions maintained for a short time in order:

- to be resold, or
- to obtain financial benefits on the current price fluctuations or expected within a short time,
- or positions opened for arbitration purposes.

3.5.2. Measurement of interest rate risk in banking book

In measuring interest rate risk in the banking book, the Bank uses the measures required by the European Banking Supervision (EBA/GL/2022/14). The core measures are as follows:

- income exposed to risk in regulatory scenarios (SOT NII) - measurement of the sensitivity of interest results to sudden changes in interest rates over a 1-year time horizon; the assumptions regarding the recognition of individual items, the size and shape of shock scenarios and the method of aggregation of results are specified in Regulation (EU) 2024/856 of the European Commission,

- Net Interest Income at Risk – a measure of sensitivity of the reported results of positions recognised on an accrual basis on the basis of a set of interest rate scenarios which provide for various potential shifts of the profitability curve.
- Net Interest Income at Risk plus market value changes - measurement of the sensitivity of the reported results of the position recorded on an accrual basis taking into account changes in the market value of instruments measured at fair value over a given time period, based on a set of interest rate scenarios, which assume various possibilities of shifting the yield curve,
- Economic Value of Equity (EVE)- measurement of the sensitivity of the economic value of capital to sudden changes in interest rates; assumptions regarding the recognition of individual items, the size and shape of shock scenarios and the method of aggregation of results are specified in Regulation (EU) 2024/856 of the European Commission,
- Net Present Value at Risk – a measure of sensitivity of the economic value of interest rate positions to sudden interest rate changes on the basis of a set of interest rate scenarios which provide for various potential shifts of the profitability curve.

The Bank also pays special attention to measuring the credit spread risk from the banking book business (CSRBB) using the following measures:

- change in interest income due to changes in credit spread (CSRBB NII) - measurement of the sensitivity of reported interest results of positions sensitive to changes in credit spread (CSRBB) based on a set of credit spread scenarios,
- change in interest income taking into account changes in market value due to changes in credit spread (CSRBB NII + market value changes) - measurement of the sensitivity of reported interest results taking into account changes in the market value of instruments measured at fair value over a given time horizon sensitive to changes in credit spread (CSRBB) based on a set of credit spread scenarios,
- change in market value due to changes in credit spread (CSRBB NPV) - measurement of the sensitivity of positions sensitive to changes in credit spread (CSRBB) based on a set of credit spread scenarios.

Additionally, the Bank measures in its banking books:

- option risk – potential losses on the positions resulting from premature deposit withdrawal and/or loan prepayment,





- underlying risk - potential loss on positions resulting from mismatches in the repricing periods of assets and liabilities
- residual risk – a potential loss on those positions resulting from the application of non-standard pricing mechanisms that are transferred to the Centre of Expertise Treasury managing interest rate risk.

Due to the fact that the positions of the Centre of Expertise Treasury are usually subject to valuation at amortised cost, the Bank monitors BPV which limits economic risk of interest rate positions. Additionally, fluctuations of the revaluation reserve are restricted with CS01, IR RRaR (for HTC&S portfolio) and CS RRa limits (for HTC&S portfolio).

3.5.3. Market risk measurement in the trading book

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

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

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

The Bank calculates also Stressed VaR. Stressed VaR is a measure replicating the calculation of historic simulations with an assumption that the current portfolio is used for the measurement and historic market data from a continuous 12-month period characterised with major fluctuations of market parameters that are material for the portfolio.

Every year a general stress test is carried out covering, among others, market risk, liquidity risk and credit risk on the basis of the regulatory scenario and scenarios developed by the Bank’s economists and approved by ALCO. Additionally, a stress test of derivatives is carried out on a quarterly basis, which shows the impact of shock changes on the valuation of these instruments.

3.5.4. Sensitivity to currency risk in the trading book

The tables below present VaR\* (PLN thousand) for 2024 and 2023:

FX area	Limit	at the end of year	Average	Min	Max
2024	1,709	249	273	4	1,313
2023	1,739	76	258	8	992

\*) All VaR limits and their utilisation in ING Bank Śląski S.A. are expressed in EUR. The limits levels and their utilisation have been converted into PLN using the daily NBP fixing rates especially for the purposes of presentation in the consolidated financial statements; in the column "Limit" the amounts determined using the fixing rate from the last day of the year.

3.5.5. Sensitivity of economic result and interest income to interest rate risk in regulatory measures

Sensitivity to interest rate risk is presented below for the following measures:

- The change in the present value of capital (Standard Outlier Test for Economic Value of Equity) is a measure of the sensitivity of the economic value of interest rate positions to sudden changes in interest rates.
- The change in Net Interest Income (Standard Outlier Test for Net Interest Income) is a measure of the sensitivity of interest results to sudden changes in interest rates over a 1-year horizon.

The following measures apply to significant currencies, i.e. PLN and EUR. The parameters for parallel scenarios are 250 bps (PLN) and 200 bps (EUR). In the case of non-parallel scenarios, changes are assumed (for PLN and EUR respectively):

- for short-term rates - by 350 bps and 250 bps,
- for long-term rates - by 150 bps and 100 bps.

The assumptions for the recognition of individual items, the size and shape of shock scenarios and the method of aggregating results are set out in Regulation (EU) 2024/856 of the European Commission.

- resulting from the banking book - the observed changes in EVE measurements are mainly due to two factors:
  - changes (growth) in product volumes and
  - changes in model parameters used for non-maturity product portfolios.





Changes in PLN million

as at 31 December				
Shock scenarios used for supervisory purposes *	2024	2023	2024	2023
	changes in the carrying amount of the revalued capital		changes in net interest income	
Parallel increase in shock	48	-983	379	353
Parallel decrease in shock	59	243	-557	-716
Fall in short-term rates and increase in long-term rates (steepener)	347	303	-	-
Increase in short-term rates and decrease in long-term rates (flattener)	-515	-828	-	-
Increases in short-term rates	-453	-1,103	-	-
Fall in short-term rates	374	422	-	-

Changes in relation to Tier 1 capital

as at 31 December				
Shock scenarios used for supervisory purposes *	2024	2023	2024	2023
	changes in the carrying amount of the revalued capital in relation to Tier 1 capital		changes in net interest income in relation to Tier 1 capital	
Parallel increase in shock	0.28%	-5.61%	2.25%	2.02%
Parallel decrease in shock	0.35%	1.39%	-3.31%	-4.09%
Fall in short-term rates and increase in long-term rates (steepener)	2.06%	1.73%	-	-
Increase in short-term rates and decrease in long-term rates (flattener)	-3.06%	-4.73%	-	-
Increases in short-term rates	-2.69%	-6.30%	-	-
Fall in short-term rates	2.22%	2.41%	-	-

\*) Positive results in a given scenario are scaled with factor 0.5 in accordance with EBA guidelines in the IRRBB area

- sensitivity of equity to changes in interest rates resulting from debt instruments measured at fair value through other comprehensive income in the Center of Expertise Treasury portfolio:

approximate change in the regulatory capital base for curve movement				
	-2%	-1%	+1%	+2%
2024	67	34	-34	-67
2023	221	111	-111	-221

3.6. FX structure of assets and liabilities

The consolidated statement of financial position and off-balance sheet liabilities of the Group are presented below, with a breakdown by major currencies. The following exchange rates were used to calculate the value in the original currency:

exchange rate as at 31 December		
	2024	2023
EUR	4.2730	4.3480
USD	4.1012	3.9350
CHF	4.5371	4.6828



2024

as at 31 December

	PLN	EUR		USD		CHF		other currencies	Total
		converted to PLN	in currency	converted to PLN	in currency	converted to PLN	in currency	converted to PLN	
Assets									
Cash and cash equivalents	7,876	265	62	139	34	10	2	71	8,361
Loans and other receivables to other banks	856	20,779	4,863	-	-	-	-	-	21,635
Financial assets measured at fair value through profit or loss	1,612	58	14	193	47	-	-	85	1,948
Derivative hedge instruments	51	10	2	-	-	-	-	-	61
Investment securities	50,934	8,058	1,886	-	-	-	-	-	58,992
Transferred assets	179	-	-	-	-	-	-	-	179
Loans and other receivables to customers measured at amortised cost	139,851	25,004	5,852	1,103	269	100	22	619	166,677
Investments in associates accounted for using the equity method	185	-	-	-	-	-	-	-	185
Property, plant and equipment	1,011	-	-	-	-	-	-	-	1,011
Intangible assets	457	-	-	-	-	-	-	-	457
Current income tax assets	14	-	-	-	-	-	-	-	14
Deferred tax assets	690	-	-	-	-	-	-	-	690
Other assets	142	5	1	2	-	-	-	-	149
Total assets	203,858	54,179	12,680	1,437	350	110	24	775	260,359



2024

as at 31 December

	PLN	EUR		USD		CHF		other currencies	Total
		converted to PLN	in currency	converted to PLN	in currency	converted to PLN	in currency	converted to PLN	
Liabilities									
Liabilities to other banks	1,173	14,292	3,345	2	-	-	-	1	15,468
Financial liabilities measured at fair value through profit or loss	1,209	154	36	7	2	-	-	30	1,400
Derivative hedge instruments	68	15	4	-	-	-	-	-	83
Liabilities to customers	188,598	25,319	5,925	4,959	1,209	69	15	1,051	219,996
Liabilities from debt securities issued	509	-	-	-	-	-	-	-	509
Subordinated liabilities	-	1,499	351	-	-	-	-	-	1,499
Provisions	615	20	5	1	-	-	-	-	636
Current income tax liabilities	16	-	-	-	-	-	-	-	16
Deferred tax liability	1	-	-	-	-	-	-	-	1
Other liabilities	3,224	340	80	4	1	13	3	-	3,581
Total liabilities	195,413	41,639	9,746	4,973	1,212	82	18	1,082	243,189
Equity									
Share capital	130	-	-	-	-	-	-	-	130
Reserve capital - surplus from sale of shares above their nominal value	956	-	-	-	-	-	-	-	956
Accumulated other comprehensive income	-4,640	-59	-14	-	-	-	-	-	-4,699
Retained earnings	20,783	-	-	-	-	-	-	-	20,783
Total equity	17,229	-59	-14	0	0	0	0	0	17,170
Total equity and liabilities	212,642	41,580	9,732	4,973	1,212	82	18	1,082	260,359
Contingent liabilities granted	45,770	8,589	2,010	999	244	1	-	50	55,409
Contingent liabilities received	25,329	814	190	-	-	-	-	81	26,224



2023

as at 31 December

	PLN	EUR		USD		CHF		other currencies	Total
		converted to PLN	in currency	converted to PLN	in currency	converted to PLN	in currency	converted to PLN	
Assets									
Cash and cash equivalents	6,418	329	76	151	38	14	3	129	7,041
Loans and other receivables to other banks	620	19,000	4,370	-	-	-	-	-	19,620
Financial assets measured at fair value through profit or loss	1,955	83	19	25	6	-	-	211	2,274
Derivative hedge instruments	135	73	17	-	-	-	-	-	208
Investment securities	51,435	5,179	1,191	-	-	-	-	-	56,614
Transferred assets	133	-	-	-	-	-	-	32	165
Loans and other receivables to customers measured at amortised cost	131,757	23,697	5,450	498	127	81	17	488	156,521
Investments in associates accounted for using the equity method	181	-	-	-	-	-	-	-	181
Property, plant and equipment	1,002	-	-	-	-	-	-	-	1,002
Intangible assets	493	-	-	-	-	-	-	-	493
Current income tax assets	1	-	-	-	-	-	-	-	1
Deferred tax assets	1,097	-	-	-	-	-	-	-	1,097
Other assets	139	5	1	-	-	-	-	-	144
Total assets	195,366	48,366	11,124	674	171	95	20	860	245,361





2023

as at 31 December

	PLN	EUR		USD		CHF		other currencies	Total
		converted to PLN	in currency	converted to PLN	in currency	converted to PLN	in currency	converted to PLN	
Liabilities									
Liabilities to other banks	725	12,849	2,955	2	1	-	-	79	13,655
Financial liabilities measured at fair value through profit or loss	1,445	214	49	24	6	-	-	139	1,822
Derivative hedge instruments	194	86	20	-	-	-	-	-	280
Liabilities to customers	172,767	26,277	6,043	5,088	1,293	64	14	1,094	205,290
Liabilities from debt securities issued	404	-	-	-	-	-	-	-	404
Subordinated liabilities	-	1,526	351	-	-	-	-	-	1,526
Provisions	527	14	3	1	-	-	-	-	542
Current income tax liabilities	115	-	-	-	-	-	-	-	115
Other liabilities	4,665	324	75	1	-	1	-	-	4,991
Total liabilities	180,842	41,290	9,496	5,116	1,300	65	14	1,312	228,625
Equity									
Share capital	130	-	-	-	-	-	-	-	130
Reserve capital - surplus from sale of shares above their nominal value	956	-	-	-	-	-	-	-	956
Accumulated other comprehensive income	-5,060	-35	-8	-	-	-	-	-	-5,095
Retained earnings	20,750	-	-	-	-	-	-	-	20,750
Own shares for the purposes of the employee incentive scheme	-5	-	-	-	-	-	-	-	-5
Total equity	16,771	-35	-8	0	0	0	0	0	16,736
Total equity and liabilities	197,613	41,255	9,488	5,116	1,300	65	14	1,312	245,361
Contingent liabilities granted	43,557	8,503	1,956	956	243	-	-	182	53,198
Contingent liabilities received	19,550	437	101	246	63	-	-	84	20,317



3.7. Impact of the benchmark reform

At present, the reform of only one reference rate is continuing (i.e. WIBOR), to which the Group has significant exposures as at 31 December 2024. The WIBOR rate is expected to be finalised and replaced by RFR (Risk-Free-Rate) after 31 December 2027.

These changes have an impact on the Group, its customers and the financial sector as a whole, and expose the Group to risks. These risks include legal, operational and financial risks. Legal risk is associated with all required changes in documentation for new and existing transactions. Operational risk is related to required changes in IT systems, reporting infrastructure and operational processes for new reference rates. Financial risk (largely limited to interest rate risk), as a consequence of changes in the valuation of financial instruments referring to these reference rates and decreasing market liquidity may have an impact on transactions directly or the ability to hedge the risk resulting from these transactions. Changes in valuation, interest calculation methodology or documentation may also result in customer complaints and litigation.

In order to mitigate these risks, the Group has established an implementation project, which has an extensive structure and the progress of work is monitored on an ongoing basis by the steering committee, operating in the Group's parent entity. The project analyses and coordinates the necessary actions to introduce the required changes to internal processes and systems, taking into account valuation, risk management, legal documentation and impact on customers. The Group continues to monitor market developments and the results of the analysis in terms of uncertainty resulting from the reform and regulatory standards related to the transformation, in order to assess the impact on the project, customers and related risks.

WIBOR

The Steering Committee of the National Working Group (KS NGR) to reform the WIBOR rate published on 10 December 2024 decisions on the selection of an index proposal with the technical name WIRF- as a target benchmark to replace the WIBOR benchmark. Thus, KS NGR revised and amended its earlier decision to select WIRON as an alternative risk-free rate (Risk-Free-Rate). On 30 January 2025, KS NGR chose the name POLSTR for the new indicator with the technical name WIRF-.

The selection of the proposed POLSTR rate was made on the basis of the conclusions of the public consultation with all stakeholders and market participants, which began in May 2024 and ended on 31 October 2024 after two rounds of consultations. They focused on assessing the quality of the indices concerned, their characteristics and other factors, including the development of the money market, in order to identify an alternative index that would best

meet the definition of a risk-free or a close risk-free rate and would correspond to the characteristics of the national financial market.

According to the published summary of public consultations, selected POLSTR index is characterised by homogeneity of the transaction resource (the lowest, but nevertheless sufficient resource), relatively low volatility and the highest probability of creating a derivatives market and thus creating an interest rate in the forward structure.

The next steps of KS NGR will be to update the Conversion Roadmap to ensure the safe implementation of the benchmark reform in Poland.

The planned replacement of the WIBOR rate causes uncertainty as to the occurrence of cash flows resulting from the WIBOR rate, which were designated to hedge as part of the hedging relationship of cash flows on the portfolio basis (Macro Cash Flow Hedge). As a result, the Group applied the amendment to IAS 39 Phase 1 and thus adopted the assumption that the reference rate on the basis of which the cash flows resulting from WIBOR are calculated in terms of the hedging instrument and the hedged item remain unchanged as a result of the reform. The same assumption is used to assess the probabilities of future transactions that are hedged against cash flows. As a result, the Group continues its hedging relationships. Amendments to IAS 39 Stage 1 will cease to apply when the uncertainty resulting from the change in the WIBOR rate ceases to exist in terms of the time and amounts resulting from the reference rate of a given instrument. The following table presents the nominal values of hedging instruments referencing WIBOR.

	as at 31 December			
	net nominal value of the position on the hedging instrument			
	2024		2023	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedging instruments	100,348	1,377	88,496	13,345
Instruments hedging the fair value of securities	15,012	-	11,862	-

Structure of financial assets and liabilities referring to WIBOR rate

As at 31 December 2024, the following financial instruments refer to the WIBOR reference rate, which is expected to be discontinued after 31 December 2027 and is material for the Group. Non-derivative financial assets and liabilities are presented at gross carrying amount, off-balance sheet items are presented at liability amount and derivatives are presented at nominal value.



Financial instruments referencing WIBOR

as at 31 December				
	2024		2023	
	with maturity date after 31 Dec 2024	with maturity date after 31 Dec 2027	with maturity date after 31 Dec 2023	with maturity date after 31 Dec 2027
Non-derivative financial assets	129,336	82,980	131,115	79,440
Non-derivative financial liabilities	604	509	584	-
Derivatives	1,307,090	362,190	1,228,232	260,349
Off-balance sheet items	15,865	2,824	13,720	1,596

3.8. Hedge accounting

3.8.1. Fair Value Hedge accounting

In fair value hedge accounting, the risk is equivalent to change in the fair value of a financial asset as a result of changes to interest rates. The hedge covers the fair value of debt instruments with a fixed interest rate that is a position (a part of position) in a security that is classified to a portfolio of assets kept to collect contractual cash flows or for sale (hereinafter: HTC&S) which at the time a hedge relationship is established holds a specific fair value recognised in other comprehensive income.

For the needs of the strategy, the recognition of a part change to the fair value due to the hedged risk is made on the basis of valuation models relying on assumptions that are similar to those applicable to valuation models of interest rate derivative instruments. The valuation curves applied in the model are designed on the basis of market rates corresponding to repricing tenors of variable interest rates of hedging instruments.

Interest Rate Swap, swapping fixed interest rate into variable interest rate is the hedging instrument. The above shows that changes to the fair value of the hedging instrument manifest a trend that is opposite to changes of the fair value of the hedged position. In this connection, as a result of the established hedge relationship, the profit and loss account contains a compensating effect of changes to the fair value of the hedging instrument and the hedged position due to the hedged risk. In order to confirm the effectiveness of the strategy, the Group carries out:

- prospective effectiveness test:
  - qualitative based on the maturity of the hedged item and the hedging instrument, and
  - quantitative based on the BPV (basis point value) ratio of the hedged item and a hedging instrument,

- retrospective effectiveness test as the quotient of changes in the hedging instrument measurement and changes in the measurement of the hedged item due to the risk being hedged.

The sources of ineffectiveness of strategies that is manifested in the profit and loss account, may result from:

- differences in the timing of cash flows of the hedged positions versus the timing of cash flows under derivative hedging instruments,
- mismatch resulting from the use of various valuation curves (that is: interest rate derivative instruments are valued on the basis of valuation curves developed on the basis of daily hedges of valuation exposures – OIS discounting),
- changes to credit risk constituting a valuation component to fair value of the hedged position from the HTC&S portfolio,
- adjustments to valuation of hedging instruments due to pre-settlement credit risk (bilateral value adjustment); however, those do not have material impact on the presented values due to the fact that only interbank market transactions were designated as hedging instruments and that are additionally hedged with a deposit margin placed or received respectively, depending on the exposure type, as well as transactions forwarded for settlement on a daily basis via the Central Counterparty,
- component of the valuation of hedging instruments due to settlement of the price alignment amount resulting from “settled to marked” approach to settlement via the Central Counterparty.

Since hedging covers only one type of risk (interest rate risk), changes to the fair value of the hedged position classified as HTC&S resulting from other unhedged risks are recognised as other comprehensive income.

From the viewpoint of economic relationships, the Group’s existing hedging strategies contain two types of hedge relationships:

- hedge of the fair value of securities in PLN with a fixed interest coupon classified as HTC&S with IRS transactions “pay fixed, collect variable”, denominated in PLN,
- hedge of the fair value of securities in EUR with a fixed interest coupon classified as HTC&S with IRS transactions “pay fixed, collect variable”, denominated in EUR.



The table below presents the fair values and nominal values of hedging and hedged instruments in fair value hedge accounting.

2024

	item in the statement of of financial position – number of note	fair value		unrealised valuation result	cumulative valuation adjustment due to the hedged risk ka	cumulative part of valuation of unsecured risks recognised in other comprehensive income*	nominal value of instruments with remaining maturity			Total
		Assets	Liabilities				up to 1 year	over 1 to 5 years	over 5 years	
Instruments hedging fair value of securities, of which:	Derivative hedge instruments	-	11	-56	-	-	1,300	17,216	470	18,986
settled via CCP		-	11	-56	-	-	1,300	17,216	470	18,986
Interest rate swaps (IRS PLN) fixed – float		-	9	9	-	-	1,300	13,712	-	15,012
Interest rate swaps (IRS EUR) fixed – float		-	2	-65	-	-	-	3,504	470	3,974
Hedged instruments, of which:		19,006	-	-85	42	-127	1,300	17,216	470	18,986
Investment securities measured at fair value through other comprehensive income, including:	Investment securities	19,006	-	-85	42	-127	1,300	17,216	470	18,986
State Treasury bonds in PLN	Note 19	14,273	-	-77	12	-89	1,300	12,900	-	14,200
European Investment Bank bonds in PLN	Note 19	782	-	-38	-34	-4	-	812	-	812
European Investment Bank bonds in EUR	Note 19	1,887	-	-12	6	-18	-	1,496	470	1,966
European Union bonds in EUR	Note 19	2,064	-	42	58	-16	-	2,008	-	2,008

\*) presented in the comprehensive income statement in the position: debt securities measured at fair value via other comprehensive income – gains/losses on revaluation carried through equity

With respect to the IRS/FRA interest rate derivatives clearing approach, the Group applies the settled to market service, as specified in the regulations of Central Counterparties/CCP with which the Group cooperates. Detailed information is provided in note 17. Valuation of derivatives.





2023

	item in the statement of of financial position – number of note	fair value		unrealised valuation result	cumulative valuation adjustment due to the hedged risk ka	cumulative part of valuation of unsecured risks recognised in other comprehensive income	nominal value of instruments with remaining maturity		
		Assets	Liabilities				over 1 to 5 years	over 5 years	Total
Instruments hedging fair value of securities, of which:	Derivative hedge instruments	3	7	-190	-	-	11,862	909	12,771
settled via CCP		3	7	-190	-	-	11,862	909	12,771
Interest rate swaps (IRS PLN) fixed – float		1	7	-238	-	-	11,862	-	11,862
Interest rate swaps (IRS EUR) fixed – float		2	-	48	-	-	-	909	909
Hedged instruments, of which:		12,661	-	-10	175	-185	11,862	909	12,771
Investment securities measured at fair value through other comprehensive income, including:	Investment securities	12,661	-	-10	175	-185	11,862	909	12,771
State Treasury bonds in PLN	Note 19	11,031	-	126	265	-139	11,050	-	11,050
State Treasury bonds in EUR	Note 19	422	-	-51	-25	-26	-	431	431
European Investment Bank bonds in PLN	Note 19	764	-	-57	-41	-16	812	-	812
European Union bonds in EUR	Note 19	444	-	-28	-24	-4	-	478	478

Time distribution profile of nominal amounts and the corresponding average interest rates of hedging instruments

2024

	nominal value of instruments with remaining maturity			weighted average fixed rate %
	up to 1 year	over 1 to 5 years	over 5 years	
Interest rate swaps (IRS PLN) fixed – float	1,300	13,712	-	5.14%
Interest rate swaps (IRS EUR) fixed – float	-	3,504	470	2.73%

2023

	nominal value of instruments with remaining maturity		weighted average fixed rate %
	over 1 to 5 years	over 5 years	
Interest rate swaps (IRS PLN) fixed – float	11,862	-	5.25%
Interest rate swaps (IRS EUR) fixed – float	-	909	1.76%



Net interest on derivative hedging instruments is disclosed as interest on securities measured through other comprehensive income which presents net interest of positions hedged within the described strategy.

Measurements of hedging instruments including component due to the settlement of the price alignment amount and hedged transactions are presented in the Group’s consolidated income statement as *Net (loss)/income on hedge accounting* and in note 6.

The split of the result of measurements of hedging and hedged transaction into individual hedging strategies is presented in the table below.

Type of economic relation	2024			2023		
	change in fair value used to test strategy effectiveness		ineffective part of the hedging relationship recognised in P&L	change in fair value used to test strategy effectiveness		ineffective part of the hedging relationship recognised in P&L
	hedged position	hedging instrument		hedged position	hedging instrument	
Hedging of debt securities in PLN	-245	256	11	318	-327	-9
Hedging of debt securities in EUR	82	-83	-1	83	-83	-
Total	-163	173	10	401	-410	-9

3.8.2. Cash flow hedge accounting

The Group applies hedge accounting principles for cash flows to a specified portfolio of assets / liabilities / highly probable planned financial transactions of the Group (e.g. extrapolations of financial flows resulting from renewable deposits / overdraft facilities). The applied hedging strategies are aimed at hedging the Group’s exposures against the risk of changes to future cash flows resulting from interest rate risk.

The hedge applies to a specified portfolio of financial assets and/or liabilities or a portfolio of planned transactions that cover variable interest rate financial instruments (financial products based on WIBOR/ EURIBOR) and thus that are exposed to the risk of changes to future cash flows due to changes to market rates – WIBOR/EURIBOR.

For its strategy relating to calculations of changes to the fair value of future cash flows in the hedged portfolio, the Group applies the method of a “hypothetical derivative” (being a method which provides for a possibility to reflect the hedged position and nature of the hedged risk in the form of a derivative instrument). The valuation principles are similar to the valuation principles of interest rate derivative instruments. Strategy effectiveness research also includes:

- prospective high-probability test of future cash flows,

- retrospective high-probability test of future cash flows confirming, on the basis of actual values, that the adopted model works correctly,
- retrospective test of homogeneity of the portfolio of the hedged item based on statistical analysis (regression method).

The sources of ineffectiveness of strategies that is manifested in the profit and loss account, may result from:

- differences in the timing of cash flows of the hedged positions versus the timing of cash flows under derivative hedging instruments,
- mismatch resulting from the use of various valuation curves of the hedging instrument and the hypothetical derivative into PLN denominated positions (that is: interest rate derivative hedging instruments are valued on the basis of valuation curves developed on the basis of daily hedges of valuation exposures – OIS discounting),
- adjustments to valuation of hedging instruments due to pre-settlement credit risk (bilateral value adjustment); however, those do not have material impact on the presented values due to the fact that only interbank market transactions were designated as hedging instruments and that are additionally hedged with a deposit margin placed or received respectively, depending on the exposure type.

From the viewpoint of economic relationships, the Group’s existing hedging strategies contain the following types of hedge relationships:

- the hedging instrument for active positions in the interest rate risk hedging strategy is the position on the Interest Rate Swap of the "pay floating, receive the fixed" type, while the
- hedging instrument hedging the liability is the position on the Interest Rate Swap of the "pay fixed, receive variable".

Due to the fact that the hedged position covered with specific strategies keeps affecting the profit and loss account) (by measurement at amortised cost), net interest of the derivative instruments hedging the portfolio:

- of financial assets is presented as interest on loans and other receivables granted to customers, measured at amortised cost,
- of financial liabilities is presented as interest on liabilities to customers.



The tables below present the fair values and nominal values of hedged instruments in cash flow hedge accounting. Notional amounts of the derivatives were presented in the amounts purchased.

2024

	fair value		nominal value of instruments with remaining maturity			
	Assets	Liabilities	up to 1 year	over 1 to 5 years	over 5 years	Total
Cash flow hedges, of which:	61	72	137,551	265,266	64,391	467,208
settled via CCP	61	62	136,772	265,266	64,392	466,430
Interest rate swaps (IRS PLN) fixed – float	51	59	131,003	227,125	53,260	411,388
Interest rate swaps (IRS EUR) fixed – float	10	13	6,548	38,141	11,131	55,820

2023

	fair value		nominal value of instruments with remaining maturity			
	Assets	Liabilities	up to 1 year	over 1 to 5 years	over 5 years	Total
Cash flow hedges, of which:	205	273	88,252	251,904	91,752	431,909
settled via CCP	145	160	80,932	251,124	91,753	423,810
Interest rate swaps (IRS PLN) fixed – float	134	187	73,717	225,001	77,104	375,822
Interest rate swaps (IRS EUR) fixed – float	71	86	14,535	26,903	14,648	56,087

As at 31 December 2024, PLN -4,849 million (including tax) was recorded in other comprehensive income regarding the effective part of the hedging relationship in cash flow hedge accounting (PLN -5,169 million as at 31 December 2023). The ineffective part of the hedging relationship resulting from the mismatch in offsetting changes in the fair value of the hedging instrument and the hedged item recognised in profit or loss in 2024 amounted to PLN 0 million compared to PLN 4 million in 2023.



Impact of the application of cash flow hedge accounting on profit and loss account and other comprehensive income

2024

	fair value		changes to fair value of hedging instruments used to review the effectiveness of the strategy		amount reclassified from other comprehensive income		
	Assets	Liabilities	unrealised result on revaluation recognised in the period*	the effective part of the hedge recognised in other comprehensive income in the period**	resulting interest income from existing hedging relationships	amortization of the result of the completed strategy security	
Cash flow hedges, of which:	61	72	395	-395	-2,182		1
Interest rate swaps (IRS) hedging the portfolio of financial assets in PLN	43	34	252	-252	-3,022		-
Interest rate swaps (IRS) hedging the portfolio of financial assets in EUR	8	11	154	-154	-210		-
Interest rate swaps (IRS) hedging the portfolio of financial liabilities in PLN	7	25	-2	2	1,041		-
Interest rate swaps (IRS) hedging the portfolio of financial liabilities in EUR	3	2	-9	9	9		-
CIRS EUR/PLN resulting from decomposition of an actual transaction, hedging the portfolio of financial assets in EUR	-	-	-	-	-		1

2023

	fair value		changes to fair value of hedging instruments used to review the effectiveness of the strategy			amount reclassified from other comprehensive income	
	Assets	Liabilities	unrealised result on revaluation recognised in the period*	the effective part of the hedge recognised in other comprehensive income in the period**	the ineffective part of the hedging relationship recognised in the profit and loss account***	resulting interest income from existing hedging relationships	amortization of the result of the completed strategy security
Cash flow hedges, of which:	205	273	3,195	-3,191	4	-2,666	2
Interest rate swaps (IRS) hedging the portfolio of financial assets in PLN	67	166	6,126	-6,088	38	-3,951	-
Interest rate swaps (IRS) hedging the portfolio of financial assets in EUR	26	51	321	-321	-	-160	1
Interest rate swaps (IRS) hedging the portfolio of financial liabilities in PLN	67	21	-3,220	3,186	-34	1,437	-
Interest rate swaps (IRS) hedging the portfolio of financial liabilities in EUR	45	35	-32	32	-	8	-
CIRS EUR/PLN resulting from decomposition of an actual transaction, hedging the portfolio of financial assets in EUR	-	-	-	-	-	-	1

\*) disclosed in the statement of financial position as *Derivative hedge instruments*

\*\*) disclosed in the statement of financial position as *Accumulated other comprehensive income* and in note 35.2. (the amount in the table does not include tax)

\*\*\*) disclosed in the profit and loss account in the dedicated line item *Net (loss)/income on hedge accounting* and in note 6.





Time distribution profile of nominal amounts and the corresponding average interest rates of hedging instruments

2024

	notional value of the position on the hedging instrument with a remaining maturity			weighted average fixed rate%
	up to 1 year	over 1 to 5 years	over 5 years	
Interest rate swaps (IRS) hedging the portfolio of financial assets in PLN	4,273	87,363	8,712	4.11%
Interest rate swaps (IRS) hedging the portfolio of financial liabilities in PLN	-19,530	9,054	11,852	4.91%
Interest rate swaps (IRS) hedging the portfolio of financial assets in EUR	-66	8,610	2,085	1.53%
Interest rate swaps (IRS) hedging the portfolio of financial liabilities in EUR	64	-56	508	0.98%

2023

	notional value of the position on the hedging instrument with a remaining maturity			weighted average fixed rate%
	up to 1 year	over 1 to 5 years	over 5 years	
Interest rate swaps (IRS) hedging the portfolio of financial assets in PLN	11,591	59,591	17,315	3.77%
Interest rate swaps (IRS) hedging the portfolio of financial liabilities in PLN	-2,299	-4,927	20,570	4.71%
Interest rate swaps (IRS) hedging the portfolio of financial assets in EUR	1,078	7,903	1,431	1.12%
Interest rate swaps (IRS) hedging the portfolio of financial liabilities in EUR	-126	-317	617	1.23%

The periods in which the Group expects the hedged cash flows in cash flow hedge accounting and thus which will affect the financial profit are presented below.

2024

	cash flows in PLN (PLN million)			cash flows in EUR (EUR million)		
	inflows (assets)	outflows (liabilities)	net cash flows	inflows (assets)	outflows (liabilities)	net cash flows
up to 1 year	5,279	-931	4,348	59	-3	56
over 1 to 5 years	8,654	-3,724	4,930	127	-11	116
over 5 years	607	-552	55	14	-9	5

2023

	cash flows in PLN (PLN million)			cash flows in EUR (EUR million)		
	inflows (assets)	outflows (liabilities)	net cash flows	inflows (assets)	outflows (liabilities)	net cash flows
up to 1 year	4,356	-813	3,543	77	-1	76
over 1 to 5 years	8,474	-4,565	3,909	104	-6	98
over 5 years	1,107	-1,120	-13	21	-9	12

3.8.3. Impact of the reform of key interest rate benchmarks on the Group's hedging strategies

Group applies fair value and cash flow hedge accounting in accordance with IAS 39, and interest rate and foreign currency risks are designated as hedged risks in various micro and macro models. The hedged exposures are mainly loan portfolios, purchased debt securities and savings/deposits.

Group applied the amendments to IAS 39 issued in September 2019 to hedging relationships that are based on WIBOR due to the work already undertaken on the reform of this benchmark, inaccordance with the disclosures in the chapter [II.3.7. Impact of the benchmark rate reform](#).



3.9. The approach to risk management in subsidiaries

The policies of ING Bank Śląski S.A. with respect to market risk management in its subsidiary companies provides for maintaining market risk at a low level. The core market risk categories that may occur in connection with the business of the subsidiary companies include FX risk and interest rate risk. Ongoing control and monitoring of market risk level is performed with periodic measurements of market risk categories related to the business of the subsidiary companies.

The company operating on an autonomous basis is ING Bank Hipoteczny S.A. This unit operates within the risk appetite accepted by ING Bank Śląski S.A. and managed at the level of ING Bank Hipoteczny S.A. The market risk management process at ING Bank Hipoteczny S.A. was built based on the best practices of ING Bank Śląski SA. Some technical activities are outsourced to ING Bank Śląski SA, in accordance with the signed SLA agreement between both banks. The ALCO Committee of ING Bank Śląski S.A. plays a supervisory role in relation to the ALCO Committee of ING Bank Hipoteczny S.A.

The Bank’s Management Board, ALCO, the Market Risk Management Department, the Centre of Expertise Finance Support and Innovations and other competent units of the Bank are involved in market risk management. Determination of limits mitigating market risk for each subsidiary company at a consolidated level is a major elements of the market risk management process in the Group of ING Bank Śląski S.A. The measurement techniques of market risk in the Group are the same as for the Bank. In accordance with the Bank’s policies, risk volumes and compliance with the approved risk limits are monitored on a monthly basis.

4. Liquidity and funding risk

- 4.1. Introduction
- 4.2. Liquidity and funding risk management objectives
- 4.3. Liquidity and funding risk management policies
- 4.4. Liquidity and funding risk management process
- 4.5. Types of liquidity and funding risk
- 4.6. Structure and organisation of the risk management process
- 4.7. Risk management framework
- 4.8. Centralisation of the risk management process
- 4.9. Liquidity risk reporting and measurement systems
- 4.10. Approach to risk management in subsidiaries
- 4.11. Analysis of the maturity of financial assets and liabilities

4.1. 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.

4.2. Liquidity and funding risk management objectives

The main objective of the liquidity and funding risk management process is to maintain an appropriate level of liquidity in order to ensure safe and stable operation of the Bank under normal market conditions and during the crisis.

4.3. Liquidity and funding risk management policies

In order to optimise the process of liquidity and financing risk management, the Bank has created the *Liquidity and Funding Risk Management Policy at ING Bank Śląski S.A.*, which aims to describe the rules ensuring appropriate sources of financing and minimising the risk and costs associated with funding. The Policy describes the general



approach to the process of liquidity risk management and funding in the Bank. The *Liquidity and Funding Risk Management Policy at ING Bank Śląski S.A.* is complemented by the *Instruction Contingency Financing Plan at ING Bank Śląski S.A.*, which defines the organisation and activities aimed at eliminating liquidity shortages in stressed conditions.

The Policy results from the business risk management strategy approved by the Supervisory Board (including the liquidity and funding risk management strategy). In particular, it reflects the risk appetite defined in the strategy and approved by the Supervisory Board.

The permissible level of liquidity and funding risk is defined through a multi-element system. This approach is consistent with the approach described in the *Policy for determining and monitoring risk appetite in the area of market risk and liquidity*.

4.4. Liquidity and funding risk management process

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 shall be carried out annually or ad-hoc through the organisation of risk identification workshops. Each identified risk is assessed in order to determine the significance of such risk for the Bank. Risk identification is also carried out in the process of implementing new products. The valuation of risk and its materiality is assessed on the basis of the probability with which this risk occurs and the magnitude of the financial impact if this risk materialises.

Control

Risks are controlled through actions that reduce the probability of a risk materialising or actions that reduce the impact if a risk materialises. One of the elements of risk control is the definition of an acceptable level of risk.

Monitoring and reporting

An important element of risk management is continuous checking whether the implemented risk control is performed. Regular checks show that risk control measures are effective. An important element of the liquidity and financing risk management process is appropriate reporting, which provides managers with information necessary for risk management. The ability to show shareholders and partners that the Bank controls risk allows them to gain their trust, one of the most important elements in banking. Well-organised and designed regular inspections and monitoring are essential for good risk management.

In addition, the Bank prepares an ILAAP process report. It presents, in a comprehensive and consistent manner, key indicators and figures on the Bank’s liquidity risk profile. It takes into account the Bank’s strategy, financing plan and risk tolerance. The report results are approved by the Management Board, which informs the Supervisory Board of the assessment results.

In accordance with Recommendation S, the Bank makes a detailed analysis of long-term liquidity with focus on mortgage loans. The above liquidity analysis shows risk levels related to long-term funding of mortgage loans. On the basis of the analysis, it was concluded that the currently implemented processes within the framework of long-term liquidity supervision are correct. Therefore, it was recommended to maintain the current activities.

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 within 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.

The liquidity risk management procedures adopted at the Bank are presented annually to the relevant bank employees involved in the bank's liquidity management process. Persons involved in the bank's liquidity management process confirm that they have familiarized themselves with and understand the procedures used and control the correctness of their implementation.





4.5. Types of liquidity and funding risk

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 goal is a conservative approach to liquidity risk management that will allow safely survive events specific for ING Bank Śląski S.A. and for 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 – understood as a potentially adverse impact on the Bank's revenues due to a mismatch between the anticipated maturities of the Bank's assets and liabilities as well as the risk of no re-financing possibilities in the future,
- related to clients’ behaviour – understood as a potentially adverse impact on the Bank's revenues due to the embedded liquidity options in the products offered by the Bank,
- related to stress conditions – understood as a risk of lack of possibility by the Bank to comply with its financial obligations when due to insufficient available funds or when the generation of such funds is impossible at any price which results in immediate insolvency of the Bank.

4.6. Structure and organisation of the risk management process

The Bank's Management Board and the Asset and Liability Committee (ALCO) play a specific role in liquidity and funding risk management.

The Supervisory Board is responsible for:

- approving the liquidity risk tolerance, the overall accepted level of liquidity and funding risk (in HL RAS) presented to the Supervisory Board by the Management Board.

The Bank's Management Board is responsible for:

- designing a strategy related to liquidity and funding risk, the target liquidity position, the relevant funding methods and liquidity risk profile,
- determination of an acceptable risk level (risk appetite), tolerance of liquidity risk and submitting it for approval by the Supervisory Board,
- acceptance of changes to the limits of liquidity and funding risk (in MB RAS),
- acceptance of a liquidity and funding risk management policy and major modifications thereto, in particular limits adequate to the general level of acceptable risk approved by the Supervisory Board,
- ensuring the allocation of adequate human resources and ITC resources in the Bank to implement the policy.
- approving the levels of liquidity bonuses based on the level advised by the Centre of Expertise Treasury resulting from the liquidity premium review and / or adjusts it when deemed necessary due to strategic changes in the balance sheet or other factors.

The Asset and Liability Committee (ALCO) is responsible for:

- implementation of the Bank's strategy with respect to liquidity and funding risk,
- management of a liquidity buffer within the relevant policies and limits approved by the Bank's Management Board, the related operational actions are delegated to the Centre of Expertise Treasury,
- supervision and monitoring of liquidity risk levels as well as the funding structure in the Bank's balance sheet,
- monthly analysis of the short-, medium- and long-term liquidity profile (strategic liquidity positions) presented in reports defined by the regulator and internal reports, in the event of identified structural problems (e.g. the need for very high refinancing in the future) ALCO is responsible for issuing instructions to the appropriate business units in order to obtain an appropriate liquidity profile,
- approval of proposals to change liquidity risk limits in the scope of MB RAS and HL RAS in order to present these limits for approval by the Bank’s Management Board and Supervisory Board, respectively,
- acceptance of changes in liquidity and funding risk limits (in LCS and ALCO RAS),
- approval of proposals to change liquidity risk limits in the scope of MB RAS and HL RAS in order to present these limits for approval by the Bank’s Management Board and Supervisory Board, respectively,
- implementation of limits within the adopted risk appetite (approved 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 and liquidity risk*), approving assumptions for reports and models,





- analysis of all proposed modifications to the liquidity and funding policies and submission of positively reviewed modifications to the Bank's Management Board,
- approving assumptions for reports and models used to measure, monitor and control liquidity and funding risk.

4.7. Risk management framework

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.

Limits system and liquidity risk measurement

Formal limits are set by the regulator of the banking sector and/or the Bank for various liquidity risk measures. The acceptable level of funding and liquidity risk is defined by a several-element system: the general level of the Bank's acceptable risk, which is approved by the Bank's Supervisory Board, and the system of limits, which is approved 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 and liquidity risk*. The Supervisory Board is provided with information on compliance with the measures, minimum on a quarterly basis.

The limit level is based on the Bank's strategic objectives, identified liquidity risks, results of stress tests and the principles set forth by regulatory authorities. The limits are taken into account in the planning processes (i.e. the implementation of the adopted plans must not lead to exceeding the limits). The respective levels of the monitoring limits of the Contingency Financing Plan are related (correlated) to the ranges defined for initiating the respective phases of the Contingency Financing Plan. The admissible liquidity risk level is determined and updated minimum once a year.

The limit system is more detailed than the risk level approved by the Supervisory Board. The admissible risk level is guaranteed by risk monitoring in various reports concerning liquidity and funding risk in the course of the Bank's normal/regular activity and in extraordinary/extreme situations. Inter alia, the Bank monitors funding concentration risk, the internal liquidity safety buffer and verifies the stability of external funding.

On a weekly basis, the Bank's Management Board receives a liquidity risk report with information on key liquidity measures, On a monthly basis, the Bank's Management Board and the ALCO Committee receive comprehensive information on liquidity risk.

Liquidity coverage ratio (LCR) and net stable funding ratio (NSFR)

In accordance with the obligations and principles set out in Regulation (EU) No 575/2013 of the European Parliament and of the Council, as amended by Regulation (EU) No 2019/876 of the European Parliament and of the Council and Commission Delegated Regulations (EU) 2015/61, 2018/1620 and 2022/1994, the Bank calculates supervisory liquidity measures:

- short-term liquidity measures (LCR - Liquidity Covered Ratio) - it is to ensure that the Bank has an appropriate level of high-quality liquid assets that will cover liquidity needs over a period of 30 calendar days in stressed conditions. In 2024, a regulatory limit of 100% was in force,
- long-term liquidity measures (NSFR - Net Stable Funding Ratio) - it aims to ensure a minimum level of available funding in the medium and long term. In 2024, a regulatory limit of 100% was in force.

The Bank is obligated to report the liquidity measures to the regulator monthly and quarterly.

At the end of 2024 and 2023 the consolidated supervisory liquidity measures were:

Liquidity measures		Minimum value	2024	2023* transformed data
LCR	Liquidity coverage ratio	100%	279%	216%
NSFR	Net stable funding ratio	100%	177%	171%

\*) In 2024, the Bank improved the quality of the source data used for the calculation of liquidity measures (including in the scope of determining the retail parameter). Liquidity measures as at 31 December 2023, presented in the table above, were recalculated on the basis of improved source data and their level has changed compared to the measures presented in the annual consolidated financial statements for the previous year.



Below is a breakdown of Level 1 liquid assets used by the Group in the calculation of the LCR liquidity ratio (as defined in Commission Delegated Regulation (EU) 2015/61) as at the end of 2024 and 2023, respectively. Level 1 liquid assets include assets with exceptionally high liquidity and credit quality.

Level 1 liquid assets	2024	2023
Cash	774	782
Cash in nostro accounts with the Central Bank net of the required reserve	4	4
Other exposures to the Central Bank (O/N deposit, cash bills)	-	6,760
Unencumbered Treasury bonds	43,163	39,958
Assets constituting exposures to public sector entities	2,059	-
Unencumbered European Investment Bank bonds	8,542	7,117
Unencumbered BGK bonds	1,756	1,692
Total	56,298	56,313

In Level 1 liquid assets, securities are presented at their market value. The liquidity position of the Group is reduced by securities encumbered (underlying, locked) and increased by securities received as collateral in reverse-repo or buy-sell-back transactions.

Long-Term Funding Ratio (WFD)

In accordance with the obligations and principles set out in the WFD Recommendation on the Long-Term Financing Ratio - issued by Resolution No. 243/2024 of the Financial Supervision Authority on July 15, 2024, starting from July 31, 2024, the Bank calculates the supervisory liquidity measure WFD (Long-Term Financing Ratio) at the consolidated level and reports to the PFSA monthly as of the last day of the month. The expected level of 40% is to apply from 31 December 2026 in accordance with section 3.1. WFD Recommendations. At the end of 2024, the WFD ratio was 26.9%.

Additional liquidity monitoring measures (ALMM)

In compliance with the Commission Implementing Regulations (EU) 2022/1994, the Bank reports a set of additional monitoring rations for liquidity reporting. The reports include:

- mismatch by maturity,
- financial concentration by counterparty,
- financial concentration by product type,

- prices for various financing periods,
- prolonged financing,
- concentration of ability to balance liquidity by issuer.

Internal liquidity reports

Another major element in the Bank's liquidity management risk process covers internally defined reports presenting detailed and varied approach by the Bank to measurement and management of the risk. The Bank models liquidity characteristics, both of its assets and liabilities in order to provide for clients' anticipated/actual behaviour. Modelling is mixed. This means than an analysis of clients' behaviour relies on historic data and expert judgment.

A structural liquidity report is one of such internal liquidity reports. The report presents the gap between the Bank's assets and liabilities in time buckets on correctly functioning markets. The report is used to monitor and manage medium- and long-term liquidity positions. It serves as a support in the planning process of the balance sheet and funding. It also indicates all major funding needs in the future.

The report is a scenario for the current balance sheet in normal market conditions. It does not cover any additional projections of balance sheet development. However, it provides for clients' typical behaviour observed in previous periods. For instance: cash flows under mortgage loans, cash loans, loans in the current account provide for prepayments and cash flows for savings accounts and current accounts are allocated subject to characteristics of liquidity.

Report of structural liquidity

	1-6 months	7-12 months	1-5 years	6-10 years	11-15 years	over 15 years
2024						
Liquidity gap	48,796	11,404	11,644	-18,202	-46,164	-7,478
Cumulative liquidity gap	48,796	60,200	71,844	53,642	7,478	-
2023						
Liquidity gap	43,337	12,379	17,747	-12,827	-45,553	-15,083
Cumulative liquidity gap	43,337	55,715	73,462	60,636	15,083	-

In ING Bank Śląski S.A. Group, the Bank follows liquidity risk monitoring and limiting based on measurements of the cumulative gap. In order to properly exercise supervision over liquidity risk in the Group entities, limits are set separately for each company.



Monitoring of funding sources and concentration risk

Minimum once a year, the Bank determines the Bank's overall business strategy and the resultant medium-term (3 years) financial plan with a general risk strategy. Financial plan is an indispensable element of the strategy which provides for an effective diversification of funding sources and tenors.

ALCO actively manages the funding base. Additionally, it monitors funding sources in order to:

- verify compliance with the strategy and financial plan,
- identify potential risks related to funding.

Customers' deposits (retail and corporate) are the core funding source for ING Bank Śląski S.A. The Bank monitors the funding structure and thus verifies concentration risk by analysing its deposit base split into:

- type of financing,
- client segment,
- product type,
- currencies,
- geographical region, and
- concentration of large deposits.

Periodical analyses also monitor the risk generated by related clients (within capital groups).

The existing funding structure is well diversified. Below is the funding structure as at 2024 and 2023 yearend, split into direct and mutual funding. Direct funding covers products where transaction is "one-sided": funds are taken and then repaid. Mutual funding covers products where funding is simultaneously given and taken (in separate currencies or in separate products). Direct funding is provided mainly by retail and corporate clients while mutual funding comprised primarily funds acquired from other banks.

Direct funding:

Core client segments	2024		2023	
	direct funding	share	direct funding	share
Banks	437	0.2%	157	0.1%
Corporate clients	77,445	30.7%	76,951	32.8%
Retail clients	141,045	55.9%	125,539	53.6%
Own issue / subordinated loan	11,012	4.4%	9,574	4.1%
Equity	22,184	8.8%	22,089	9.4%

Mutual funding:

Core client segments	2024		2023	
	mutual funding	share	mutual funding	share
Banks	27,641	92.6%	16,061	94.9%
Corporate clients	2,223	7.4%	855	5.1%

Liquidity reserve management

Maintenance of an adequate liquidity buffer is a major element in managing the Bank's liquidity. The liquidity buffer presents the available liquidity, required to cover the gap between cumulative outflows and inflows within a relatively short time. It covers assets that are “unencumbered” and easily available to acquire liquidity. Unencumbered assets are understood as assets that are free of any legal, regulatory, contractual restrictions to have them disposed of by the Bank. The liquidity buffer is crucial in the times of a crisis when the Bank has to obtain liquidity in a short time when the standard funding sources are unavailable or insufficient.

The liquidity buffer is maintained as a safeguard against materialisation of various extraordinary scenarios, providing for needs of additional liquidity which may arise at any time in extraordinary circumstances and in normal conditions.





The table below presents the structure of the liquid asset buffer as at 31 December 2024 and 31 December 2023:

	2024	2023
	share	share
Structure of the liquidity buffer		
Treasury bonds or bonds issued by the central bank (PLN)	65.0%	68.8%
Treasury bonds or bonds issued by the central bank (EUR)	13.7%	9.2%
bonds of BGK and EIB	21.3%	22.0%

The Bank provides for realistic reductions due to impairment of securities with the level thereof being regularly reviewed and approved by ALCO. The reductions are assessed inter alia on the basis of market liquidity and depth, volatility of market prices, requirements of the central bank.

The Bank also observes asset concentrations ensuring their safe diversification in terms of issuer, maturity and currency.

Management of intraday liquidity

The Bank actively manages positions and risks of short-term (one-day and intraday) liquidity in order to comply with its payment and settlement obligations when due in normal market conditions and in extraordinary/stress situations.

The intraday liquidity management process is critical for correct functioning of the Bank as a whole and applies to normal market conditions and extraordinary (crisis) situations. It is a component of current operational liquidity management. Managing its intraday liquidity, the Bank applies intraday ratios. Intraday liquidity ratios are monitored on an ongoing basis and presented to the competent liquidity risk management units and to ALCO.

Intraday liquidity management includes the maintenance of readiness to comply with the Bank’s obligations also in crisis circumstances. In this connection, it is necessary to maintain an adequate liquidity buffer on the basis of information on the potential worsening of the Bank's access to intraday liquidity as a result of a market stress. In order to maintain an adequate liquidity buffer, the Bank applies intraday stress tests in its stress test program.

Management of hedging items

The management of hedging items covers both positions under CSA and GIMRA contracts as well as positions of liquid assets related to operations with the central bank. This is performed on the level corresponding to the provided services, the Bank's portfolio, funding profile and liquidity requirements.

Most of the Bank's counterparties in derivative transactions have signed Credit Support Annexes (CSA) to ISDA agreements. They regulate the issue of support to portfolios of derivative transactions. They provide for the right to demand margin deposits by parties whose valuation of the portfolio is positive on a specific day (the party's portfolio is in-the-money) and the right to demand release of the margin when the valuation changes.

Within the strategy of setting margins for each counterparty to CSA, the transaction portfolio is measured daily for margin requirements.

Derivative instruments such as FRA and IRS are settled via CCP (Central Clearing Party) clearing houses. This provides for effective management of margin deposits and mitigates the counterparty settlement risk. ING Bank Śląski S.A. has signed agreements with KDPW CCP and London Clearing House (LCH) and EUREX.

4.8. Centralisation of the risk management process

The liquidity risk management process is fully centralised in treasury and risk management functions. Liquidity risk (along with the generated liquidity position) of each business line is transferred to the Centre of Expertise Treasury for central management.

The Bank provides for costs and benefits of various types of liquidity risks in the system of internal transfer pricing, in its measurement of profitability and the approval process of new products in all major business areas (both on- and off-balance sheet). The Centre of Expertise Treasury manages the positions transferred to its books over the risk transfer system, including the management of liquidity risk related to resetting the premium for liquidity.

In order to ensure correct, independent and centralised performance of the tasks in the liquidity risk management process (including risk management and reporting as well as preparation, review and updates of documentation), the Bank operates the Market Risk Management Department which reports to a Deputy President of the Management Board.

4.9. Liquidity risk reporting and measurement systems

Liquidity risk reporting and measurement processes are automated. The Bank holds tools automatically generating a set of liquidity reports on a daily or monthly basis. Information of risk measures supports ongoing monitoring of liquidity profiles and control of basic measures. The reports on liquidity risk are submitted to units involved in the risk management process.





#### 4.10. Approach to risk management in subsidiaries

ING Bank Hipoteczny S.A. performs an important role in managing the Group's long-term liquidity. Its role is to raise long-term liquidity so that the Group:

- improves funding stability,
- ensures diversified funding for the mortgage loan portfolio,
- is able to better manage any mismatch of its assets and liabilities.

ING Bank Hipoteczny S.A. is a company operating on an autonomous basis. This unit operates within the risk appetite accepted by ING Bank Śląski S.A. and managed at the level of ING Bank Hipoteczny S.A.

Liquidity risk of the Bank's other subsidiary companies is maintained at a minimum level with funding being provided within the ING Group.

#### 4.11. Analysis of the maturity of financial assets and liabilities

##### 4.11.1. Breakdown of financial assets and liabilities by maturity

The tables below present the breakdown of financial assets and liabilities by maturity. Data are presented at carrying amount. Financial assets payable on demand and for which the maturity date has expired are presented in the range "up to 1 month". The column 'unspecified' includes the value of equity instruments. The column "Reconciliation to the net balance sheet value" presents the value of the allowance for expected credit losses for loans and other receivables measured at amortised cost.

#### 2024

##### Financial assets by maturity

	up to 1 month	over 1 to 3 months	over 3 to 12 months	over 1 to 5 years	over 5 years	no deadline specified	reconciliation to the net carrying amount	Total
Cash and cash equivalents	8,361	-	-	-	-	-	-	8,361
Loans and other receivables to other banks	14,353	6,432	350	500	-	-	-	21,635
Financial assets measured at fair value through profit or loss	781	126	298	459	283	1	-	1,948
Derivative hedge instruments	1	-	2	40	18	-	-	61
Investment securities	197	2,432	9,299	42,893	3,917	254	-	58,992
Aktywa stanowiące zabezpieczenie zobowiązań	-	-	44	-	135	-	-	179
Loans and other receivables to customers measured at amortised cost	13,321	11,086	28,240	55,434	62,551	-	-3,955	166,677
Investments in associates accounted for using the equity method	-	-	-	-	-	185	-	185
Other assets	6	7	26	1	-	-	-	40
<b>Total assets</b>	<b>37,020</b>	<b>20,083</b>	<b>38,259</b>	<b>99,327</b>	<b>66,904</b>	<b>440</b>	<b>-3,955</b>	<b>258,078</b>

##### Financial liabilities by maturity

	current and saving deposits	up to 1 month	over 1 to 3 months	over 3 to 12 months	over 1 to 5 years	over 5 years	Total
Liabilities to other banks	826	1,320	257	1,041	11,834	190	15,468
Financial liabilities measured at fair value through profit or loss (excluding the valuation of derivatives)	-	249	52	136	522	441	1,400
Derivative hedge instruments	-	13	-	7	37	26	83
Liabilities to customers	184,717	18,059	6,617	9,529	46	1,028	219,996
Liabilities from debt securities issued	-	-	9	-	500	-	509
Subordinated liabilities	-	3	-	-	1,496	-	1,499
Other financial liabilities	-	1,684	171	33	116	524	2,528
<b>Total financial liabilities</b>	<b>185,543</b>	<b>21,328</b>	<b>7,106</b>	<b>10,746</b>	<b>14,551</b>	<b>2,209</b>	<b>241,483</b>



2023

Financial assets by maturity

	up to 1 month	over 1 to 3 months	over 3 to 12 months	over 1 to 5 years	over 5 years	no deadline specified	reconciliation to the net carrying amount	Total
Cash and cash equivalents	7,041	-	-	-	-	-	-	7,041
Loans and other receivables to other banks	13,310	6,026	284	-	-	-	-	19,620
Financial assets measured at fair value through profit or loss	810	125	209	671	459	-	-	2,274
Derivative hedge instruments	4	6	49	66	83	-	-	208
Investment securities	4,445	46	6,068	39,973	5,846	236	-	56,614
Aktywa stanowiące zabezpieczenie zobowiązań	-	-	-	133	32	-	-	165
Loans and other receivables to customers measured at amortised cost	11,851	10,559	25,452	53,196	58,971	-	-3,508	156,521
Investments in associates accounted for using the equity method	-	-	-	-	-	181	-	181
Other assets	2	9	27	-	-	-	-	38
Total assets	37,463	16,771	32,089	94,039	65,391	417	-3,508	242,662

Financial liabilities by maturity

	current and saving deposits	up to 1 month	over 1 to 3 months	over 3 to 12 months	over 1 to 5 years	over 5 years	Total
Liabilities to other banks	634	751	407	1,093	9,441	1,329	13,655
Financial liabilities measured at fair value through profit or loss (excluding the valuation of derivatives)	-	266	80	202	730	544	1,822
Derivative hedge instruments	-	7	6	75	136	56	280
Liabilities to customers	170,635	19,365	5,591	8,429	37	1,233	205,290
Liabilities from debt securities issued	-	-	-	404	-	-	404
Subordinated liabilities	-	4	-	-	435	1,087	1,526
Other financial liabilities	-	3,014	159	30	116	509	3,828
Total financial liabilities	171,269	23,407	6,243	10,233	10,895	4,758	226,805

4.11.2. Analysis of the maturity of financial assets and liabilities according to contractual payment terms

The tables below present financial assets and liabilities (excluding valuation of derivatives) split by remaining (from the reporting date) contractual maturities. The presented values provide for future interest payments. With respect to contingent liabilities granted, the maturity analysis covers the closest possible performance of the liabilities by the Group.

Financial assets payable on demand, financial assets for which the maturity date has expired and liabilities on account of current and saving deposits are recognised within 1 month.

2024

	without a specific date	up to 1 month	1- 12 months	1-5 years	over 5 years
Financial assets, including:	255	49,848	55,381	126,290	105,518
Cash and cash equivalents	-	8,361	-	-	-
Loans and other receivables to other banks	-	14,551	6,481	667	-
Financial assets measured at fair value through profit or loss (excluding the valuation of derivatives)	1	518	174	466	281
Investment securities	254	225	13,140	49,650	2,607
Loans and other receivables to customers measured at amortised cost	-	26,187	35,553	75,506	102,630
Other financial assets	-	6	33	1	-
Financial Liabilities, including:	-	203,012	22,507	15,814	1,667
Liabilities to other banks	-	2,149	1,706	12,886	190
Financial liabilities measured at fair value through profit or loss (excluding the valuation of derivatives)	-	184	20	427	217
Liabilities to customers	-	198,974	20,500	60	736
Liabilities from debt securities issued	-	16	16	596	-
Subordinated liabilities	-	5	61	1,729	-
Other financial liabilities	-	1,684	204	116	524
Contingent liabilities granted	-	5,575	21,990	15,638	12,207



2023

	without a specific date	up to 1 month	1- 12 months	1-5 years	over 5 years
<b>Financial assets, including:</b>	<b>236</b>	<b>48,988</b>	<b>49,282</b>	<b>119,209</b>	<b>101,666</b>
Cash and cash equivalents	-	7,041	-	-	-
Loans and other receivables to other banks	-	13,310	6,511	81	-
Financial assets measured at fair value through profit or loss (excluding the valuation of derivatives)	-	629	81	812	233
Investment securities	236	4,478	7,324	46,831	4,009
Loans and other receivables to customers measured at amortised cost	-	23,528	35,330	71,485	97,424
Other financial assets	-	2	36	-	-
<b>Financial Liabilities, including:</b>	<b>-</b>	<b>191,018</b>	<b>23,853</b>	<b>8,792</b>	<b>4,671</b>
Liabilities to other banks	-	1,778	4,258	7,334	2,206
Financial liabilities measured at fair value through profit or loss (excluding the valuation of derivatives)	-	166	28	489	258
Liabilities to customers	-	186,055	18,874	81	565
Liabilities from debt securities issued	-	-	424	-	-
Subordinated liabilities	-	6	79	772	1,133
Other financial liabilities	-	3,013	190	116	509
<b>Contingent liabilities granted</b>	<b>-</b>	<b>4,989</b>	<b>21,835</b>	<b>15,956</b>	<b>10,418</b>

The tables below present a maturity analysis of derivative financial instruments with a negative valuation as at the reporting date. The analysis is based on remaining contractual maturities.

Derivative financial instruments settled in net amounts

Derivative financial instruments settled by the Group on a net basis cover IRS, FRA, options and FX Forward NDF transactions. The data in tables reflect – in case of IRS transactions – non-discounted future interest cash flows; in case of other transactions, the cash flows equivalent to the valuation as at 31 December 2024 and 31 December 2023 respectively.

2024

	up to 1 month	1- 12 months	1-5 years	over 5 years
IRS transactions, of which:	698	-572	-5,703	-783
hedging transactions in hedge accounting	381	-485	-2,106	-562
other derivatives	-10	-43	-10	-

2023

	up to 1 month	1- 12 months	1-5 years	over 5 years
IRS transactions, of which:	-1,932	-1,142	4,845	457
hedging transactions in hedge accounting	-727	-467	1,834	119
other derivatives	-21	-127	-13	-

Derivative financial instruments settled in gross amounts

Derivative financial instruments settled by the Group on a gross basis cover FX Swap, FX Forward and CIRS transactions. The data in tables reflect non-discounted contractual cash outflows and inflows of nominals and – in case of CIRS transactions – as interest, as at 31 December 2024 and 31 December 2023 respectively.

2024

	up to 1 month	1- 12 months	1-5 years
outflows	-4,847	-5,846	-2,180
inflows	4,781	5,700	2,000

2023

	up to 1 month	1- 12 months	1-5 years
outflows	-4,643	-3,109	-2,118
inflows	4,570	2,969	1,999



5. Operational risk

5.1. Introduction

Operational risk is defined in the Bank as the possibility of direct or indirect loss resulting from maladjustment or failure of internal processes, people and systems or from external events. Operational risk also includes legal risk (described in point 7.7.)and model risk (described in point 7.6.).

Operational risk management is an integral part of the Bank’s management process. The operational risk management process and business processes show mutual dependence, which means that information obtained in the operational risk management process is taken into account when making decisions concerning business activities, and the operational risk management process takes into account business decisions.

5.2. Operational risk management objectives

The operational risk management objectives, which are part of the Bank’s overall risk management strategy, are defined on the basis of:

- regulatory requirements,
- recommendations of the Bank’s Management Board and Supervisory Board,
- plans and good practices of the ING Group,
- the need to implement the risk mitigation measures identified in the course of external and internal evaluations and audits,
- improvement plans in the area of risk management.

The Bank’s Management Board - after obtaining the approval of the Supervisory Board - defined the operational risk management strategy. The strategy takes into account legal and regulatory requirements and builds on ING Group best practices.

In addition, in consultation with the Supervisory Board, in the risk appetite declaration the Management Board has specified the maximum permissible loss limits, capital limits and the scope of risk that it is willing to take in order to achieve the planned business objectives - in full compliance with the law and regulations. The level of utilisation of limits is monitored and periodically presented to the Non-Financial Risk Committee, the Risk Committee and and Supervisory Board.

The main objective in operational risk management is to continuously improve the safety of the Bank and its customers, reduce operating costs and improve operational efficiency.

In addition to the implementation of basic processes in the area of operational risk, in 2024 the Bank focused its activities on:

- migration to a new integrated non-financial risk management tool - the Bank launched a new application in June 2024,
- developing a single control framework for subsidiaries,
- transfer of insurance activities to the first line of defence,
- monitoring the control environment in the area of identity management,
- clarification of the definition of operational risk events on the border of operational and credit risk,
- updating the procedures in the field of non-financial risk management aimed at meeting the requirements resulting from the Regulation on Digital Operational Resilience (DORA) and CRR 3,
- development of ESG risk assessment methodology in the field related to climate and the environment,
- updating the rules for risk management of third parties and intra-group entities in the field of outsourcing (including ICT services) and procurement contracts,
- updating the business continuity risk management rules,
- proactive identification of high-risk areas,
- implementation of a new approach to reporting non-financial risks, based on data metrics.

5.3. Operational risk management policies

With regard to operational risk management, the Bank has a consistent and continuously updated package of internal normative documents.

The principles and guidelines contained in the regulations are aimed at limiting the effects and probability of financial losses and reputational damage.

The Bank’s operational risk management system is based on:

- legal norms,
- requirements resulting from internal regulations being an element of the Bank’s strategy - *Non-financial Risk Appetite Declaration* and *Operational Risk Management Policy*, which defines the main operational risk management processes





- other regulations at the level of Policies concerning the internal control system, non-financial risk control standards, counteracting fraud, IT risks as well as business continuity management, implementation, modification, review and liquidation of products intended for the bank's clients (PARP), outsourcing, security of people and resources,
- more detailed regulations, instructions and procedures of the Bank relating to individual sub-processes related to risk management.

5.4. Organisational structure of operational risk management

The Bank has a management structure with clearly defined, transparent and consistent areas of responsibility based on the Three Lines of Defence model, it also defined the principles of cooperation with the parent entity. The scope of responsibility is defined starting from the Supervisory Board and the Risk Committee supporting it, and the Bank's Management Board, through all the Bank's organisational units. In the scope of operational risk, there is also supervision of significant subsidiaries of the Bank.

For years, the Bank has had a permanent Non-Financial Risk Committee, whose main task is to provide ongoing support to the Management Board in managing non-financial risk.

5.5. Operational risk management process

The Bank has effective and consistent processes for identifying, monitoring and controlling non-financial risk in all of the Bank's products, activities, processes and systems.

The operational risk management system applies to all areas of the Bank's operations and the Group's operations, as well as cooperation with clients, suppliers and partners, that has been developed in accordance with the principle of proportionality, i.e. taking into account the nature, scale and complexity of the business, as well as the materiality of the processes and the operational risk profile of the Bank. It constitutes a coherent, continuing practice that includes the following elements:

- risk identification and assessment, including, among others, risk assessments, analysis of internal and external events or scenario analyses and stress tests,
- risk mitigation and monitoring of mitigation actions,
- carrying out inspections,
- monitoring and quality assurance.

6. ESG risk

6.1. Introduction

In accordance with the approach presented in the *ECB Guide on climate-related and environmental risks 2020* and the *EBA Report on management and supervision of ESG risks for credit institutions and investment firms 2021*, the Bank does not treat ESG risk as a separate risk category, but as a booster of the basic risk categories present in the Bank (credit, market, liquidity and financing risk and non-financial risk). The Bank defines ESG risk as the risk of the negative financial impact of ESG factors on the Bank - the risk of their direct or indirect impact (indirect - through the impact of these factors on the Bank's customers/counterparties).

The Bank manages ESG risk by incorporating mechanisms for its identification, measurement, assessment, mitigation, monitoring, reporting into standard processes as part of credit, market, operational, liquidity and financing risk and non-financial risk management. The organisational structure addresses concerns related to the expected intensification of ESG risk. It ensures effective supervision of ESG risk and the correct and timely conduct of work related to the implementation of ESG risk management mechanisms.

6.2. ESG risk management objectives

At the beginning of 2024, the Supervisory Board approved the Risk Management Strategy, in which the key objectives for 2024-2026 include the continuation of activities to better identify, measure and assess ESG risk, as well as activities to ensure that the bank's policies, procedures and processes comply with the requirements resulting from external regulations.

6.3. ESG risk management policies

The Bank has in place the *ESG Risk Management Policy* - a document defining the manner of ESG risk management, including the manner of integrating ESG risk management into the existing framework for managing credit, market, liquidity and financing risk and non-financial risk.

6.4. Organisational structure of ESG risk management

The Bank's Management Board, Supervisory Board and management staff attach particular importance to the issue of identifying risks and opportunities as well as managing ESG risk in the Bank. Among other things, the Management Board has initiated the creation of appropriate organisational structures that ensure a comprehensive approach to ESG from the point of view of risk management, business issues and reporting/disclosures, as well as an



appropriate flow of information and sharing of knowledge between units responsible for individual ESG aspects, the Management Board and other employees.

The Management Board has established a comprehensive ESG Programme to coordinate ESG issues within separate working teams focussing on risk, business and reporting / disclosures. An ESG Data Model Project has also been established, and work is underway to ensure data availability and high-quality reporting.

Supervision of ESG risk management has been entrusted to the Member of the Bank’s Management Board supervising the CRO Division.

Since 2022, there has been an ESG Risk Committee in the form of a standing committee. The main tasks of the ESG Risk Committee are:

- creating an ESG risk management policy,
- approving the ESG risk management methodology,
- approval of tools used for ESG risk assessment,
- defining the standards of ESG credit risk analysis and the course of the ESG risk assessment and monitoring process, as well as the principles of including ESG risk in the valuation of collateral.

An ESG Risk Management Department was established within the CRO Division, an ESG Risk Team has been established in the Risk Regulation Department, responsible for managing ESG risk and initiating and coordinating further actions aimed at the comprehensive implementation of this risk management into the existing credit, market, liquidity and operational risk management system and the fulfilment of expectations indicated in supervisory documents.

In the second half of 2024, the Sustainability Panel of the Supervisory Board was established. The Panel was established as a consultative and advisory function for the Board with regard to the Board’s activity in the ESG and Sustainability area. Regular informing, inspiring and initiating discussions at the Supervisory Board level, which concern different ESG aspects is its objective.

6.5. Key ESG risks

The risks in the ESG area, which according to the Bank will have the greatest impact on its operations, are indicated below. They were presented in order of the most significant expected impact and grouped according to traditional risk categories.

ESG risk in credit risk

- transformation risk:
  - risk of deterioration in the quality of receivables from companies from high-emission industries due to a decrease in their revenues / an increase in costs / an increase in debt,
  - risk of a decrease in the value of properties with low energy efficiency accepted to secure them,
  - risk of deterioration of the quality of mortgage loans granted to individual customers using real estate with low energy efficiency,
  - risk of deterioration in the quality of receivables from loans financing commercial properties with low energy efficiency,
- physical climate risk:
  - risk of a decrease in the value of property accepted as collateral, exposed to sudden or long-term physical threats,
  - the risk of deterioration in the quality of corporate receivables due to a decrease in their income / increase in costs / increase in debt due to their operations in a place exposed to sudden or long-term physical threats,
- physical, environmental and social risk - risk of deterioration of the quality of corporate receivables due to a decrease in their income / increase in costs / increase in debt due to their activities having a negative impact on the environment or a negative impact on employees / communities.

ESG risk in compliance risk

- compliance risk - risk of the Bank’s financial loss as a result of regulatory sanctions for non-compliance of internal policies and instructions with external regulations in the area of ESG, as well as for inadequacy of processes aimed at ensuring this compliance,
- the risk of unfair customer treatment - the risk of financial loss, regulatory penalties, litigation, business disruption and/or reputational damage due to ING’s (intentional) misrepresentation of the financial product/service or the unclear or unfair presentation of the financial product/service; and/or ING’s failure to take all required steps to act in the best interests of (potential) customers.



ESG risk in liquidity risk

- transformation risk and physical climate risk - risk of the Bank’s liquidity disturbance as a result of increased outflow of deposits from the Bank or increased credit needs of customers in connection with the need to cover additional expenses resulting from the materialisation of transformation risk or physical risk.

The Bank also manages the remaining ESG risks, although not all of them have been described due to, among others:

- the estimated low impact of these risks (e.g. ESG risk within market risk, operational risk of disrupting the continuity of operations and the security of people and resources due to physical climate risk,
- historically well-established and effective system of managing these risks in the Bank (e.g. social risk resulting from improper HR practices, social and environmental risk related to cooperation with suppliers).

7. Other risks

7.1. Compliance risk

The Bank’s mission in terms of compliance is to build an organisational culture based on knowledge of and compliance with legal regulations, internal regulations, market standards as well as ING’s Values and Behaviours, specified in the so-called Orange Code.

Compliance risk is understood as the risk of the consequences of non-compliance with the Bank’s processes with the laws, internal regulations and market standards.

The Bank’s Supervisory Board supervises the compliance risk management, and the Bank’s Management Board is responsible for the effective compliance risk management, including:

- mplementation of organisational solutions, regulations and procedures enabling effective compliance risk management, and
- ensuring adequate resources and resources required for the performance of tasks.

Centre of Expertise - Compliance is an organisationally separate, independent unit responsible for the organisation and functioning 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 operations with laws, internal regulations and market standards, and to present reports in this respect. Compliance activities are aimed at the active participation of the Bank’s employees in compliance risk management by shaping a risk culture based on knowledge of and compliance with laws, internal regulations and market standards.

7.2. Security of transactions and stability of IT systems

The security of clients’ and partners’ funds and data is a key issue that the Bank pays particular attention to in its daily operations. Monitors threats on an ongoing basis and analyses their impact on ICT infrastructure (applications, systems, networks), as well as business processes, processes of its partners and service providers and their potential impact on customers. On this basis, the Bank designs and implements appropriate organisational and technical solutions in the areas of prevention, detection and response. The Bank’s ICT systems protect multi-layered cybersecurity mechanisms and systems.

7.3. Security of personal data

The stability of IT systems also means the protection of personal data of customers, business partners and employees. However, in addition to IT security, the Bank also takes care of 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 admissibility and rules for the presence of third parties in offices and exclude the connection of unverified devices to the banking ICT network. Physical safeguards are regularly tested and the audit findings inspire change. Testing physical security and all methods of remote access to systems has become an integral part of APT tests at the Bank examining the resilience of the Bank’s cybersecurity.

In 2024, the Bank did not identify any substantiated complaints from customers regarding breaches of privacy. With regard to the decisions taken by the Personal Data Protection Office in 2024, the Bank did not agree with two decisions and appealed against them to the Voivodship Administrative Court. Currently, 3 cases are pending before the Voivodship Administrative Court, and 4 cases are pending before the Supreme Administrative Court (two cases at the request of the Bank, and two at the request of the Personal Data Protection Office). In order to improve the compliance risk management system, the Bank introduced the Banking Secrecy Policy as a general regulation describing the Bank’s conduct with respect to the provisions of banking law.

As part of the Polish Bank Association, the Bank cooperates with other banks to develop consistent solutions related to personal data protection.





7.4. Cybersecurity

Cybersecurity is a set of processes, best practices and technological solutions used to protect IT networks, devices, programmes and data against attacks, damage or unauthorised access. Cybersecurity is the resilience of IT systems to activities that violate the confidentiality, integrity, availability and authenticity of the data being processed or the services associated with it.

Cybersecurity Action Strategy

Cybercrime resilience is one of the basic principles for the Bank to build IT solutions and channels of interaction with clients. The Bank observes the following rules:

- Security at the centre of everything the Bank does in the area of ICT infrastructure.
- Security as an integral part of business awareness.
- Security as a competitive advantage.

The Bank places particular emphasis on:

- Building secure and fault-tolerant IT solutions, compliant with the security architecture and operational model.
- A multi-layered model of ICT environment protection.
- Safeguard all resources, whether they are vulnerable to internal or external threats.
- Enhance the contribution of hazard modelling and the use of expertise to technological risk assessment, at all stages of ICT implementation and operation.
- The use of automated control mechanisms.
- Building awareness of IT security threats and competencies.
- Secure provision of services by external providers.
- Compliance with internal and external regulations.

The Bank ensures compliance for the cybersecurity area with the requirements of:

- The Act on the National Cybersecurity System (UKSC), the subject of which is the organisation of the national cybersecurity system and the definition of tasks and responsibilities of entities included in the national cybersecurity system.

- The Digital Operational Resilience Regulation (DORA), which sets out a new European framework for the efficient and comprehensive management of digital risks in financial markets.

The Bank cares about the awareness of its employees. Many educational activities are carried out to ensure an appropriate level of knowledge about the risks associated with fraud and the Bank’s cybersecurity. The Bank conducts a number of training courses in the field of IT risk control system and technical training addressed to specialists in the field of cybersecurity.

The Bank’s activities are not limited only to resources and data managed directly by the Bank, but are also performed in relation to third parties that are suppliers of key services. For this purpose, the agreements concluded by the Bank are constantly verified in terms of compliance with applicable regulations, such as: KNF's cloud announcement, EBA guidelines and ING N.V. Group standards regarding security requirements for IT and cloud service providers. The Bank obliges companies with which it cooperates to apply the best standards and guidelines in the field of protection of entrusted data and services. These requirements are verified by the Bank during safety audits at suppliers’ premises, with particular attention to the entire business processes, taking into account the activities also performed by subcontractors.

Cybersecurity activities

All employees are responsible for ensuring the security of data and IT systems, within their areas and tasks. The Bank has also established units that perform this task in a special way. The Cybersecurity and IT Risk Expert Centre is the unit responsible for ensuring the protection of the bank’s ICT infrastructure, services and employees against cyber threats. The unit includes a data leakage prevention team (DLP) and a team supporting IT risk management.

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.

All actions are aimed at protecting the Bank’s resources against threats from inside and outside, and thus protecting clients and the funds entrusted to the Bank. Many of these activities are carried out jointly by the Bank with other ING Group units, as well as in cooperation with financial institutions and state authorities.





Fraud prevention

Counteracting fraud is also an important element in the field of cybersecurity. The unit responsible for taking actions in the field of external and internal fraud is the Expert Centre - Fraud Prevention, which aims to reduce losses of customers and the Bank. The unit is also responsible for prompt response in the event of suspicion of a crime and adapting preventive actions to the fraudsters’ activities.

The Centre performs, among others, monitoring of incoming and outgoing transactions, analysis of customer reports on unauthorised transactions, as well as preventive activities aimed at adequate protection of banking processes and products against fraud attempts.

Thanks to close cooperation between business units, the Bank is constantly improving its internet banking systems, introducing new mechanisms to secure and reduce the risk of fraud, while ensuring clear and understandable communication with the client. The Bank also improves mechanisms for detecting anomalies, both in the Bank’s transaction system and in transactions ordered by clients, thus detecting suspicious transactions ordered by unauthorised persons. The Bank also takes care of the integrity of transactions ordered by the client, reducing the risk of internal fraud.

In Internet banking and mobile banking applications, the Bank uses various solutions to increase client security.

7.5. Business risk

The Group identifies one significant risk as the macroeconomic risk. Macroeconomic risk is the risk arising from changes in macroeconomic factors and their impact on the level of minimum capital requirements. The Group manages this risk by regularly conducting internal and stress tests in accordance with the *Stress Testing Policy*, which allows for ongoing monitoring of the sensitivity of the minimum capital requirements to macroeconomic factors.

Based on the results of internal stress tests, in accordance with the *Methodology for calculating economic capital for macroeconomic risk*, the Group estimates additional economic capital to hedge against the effects of materialisation of the tested scenario. Due to the events of recent years, including the war in Ukraine, dynamic changes in the macroeconomic and political environment and the results of stress tests, the Group continues to maintain additional economic capital for macroeconomic risk.

7.6. Model risk

Model risk management is carried out in accordance with *the Model Risk Management Policy at ING Bank Śląski*. The Policy defines the key obligations with respect to risk management of models that must be observed for each type

of model. These responsibilities are defined in relation to the general principles of model risk management as well as in relation to the various stages of the model life cycle.

The Model Risk Management Department provides a register of models, which is a repository of information on models operating in the Group, and which is updated by participants in the model risk management process, including model owners, validators and modellers. The register and model logs shall contain, inter alia, information on the relevance of the models, their risk levels and the results of monitoring their performance and the results of model validation.

The Group regularly assesses the risks of individual models and, if required, allocates capital charges for models in accordance with the principles adopted in internal regulations.

The performance of models is verified as part of the monitoring of model performance and model validation. Model validation is performed in accordance with the *Model Validation Policy at ING Bank Śląski* and validation instructions.

Management reporting to the Model Risk Committee, the Management Board and the Supervisory Board on the status of model management and validation activities includes, among others, assessment of the aggregated level of model risk in the context of the adopted level of model risk tolerance, results of model risk assessment and the status of the validation plan.

7.7. Legal risk

Legal risk is the risk related to:

- inability (or alleged inability) to comply with relevant laws, regulations and standards,
- contractual obligations which have been breached or which cannot be enforced intentionally or have been unexpectedly or undesirably enforced, and
- liability (tort liability) towards third parties in connection with an act or omission for which the Bank is responsible,

(potentially) resulting in a breach of the Bank’s integrity, leading to a breach of its reputation, the imposition of legal or supervisory sanctions and financial losses.

The places of legal risk are:

- changes in the legal environment affecting the Bank’s operations and the conduct of business,
- differences in interpretation of the law and uneven jurisprudence,



- shaping and enforcing contractual relations with the Bank’s clients and business partners and the Bank’s impact on third parties.

Mitigation measures include, but are not limited to:

- active monitoring of changes in the legal and supervisory environment and preparation of Legal Information to ensure compliance of internal regulations with common law,
- agreeing positions (interpretation of legal regulations) with market regulators and state authorities on legal issues relevant to the Bank,
- issuing opinions on the Bank’s internal legal documentation and agreements concluded by the Bank with clients/counterparties,
- ongoing legal advice for the Bank’s units,
- managing legal claims and lawsuits, including initiating/coordinating appropriate legal actions,
- module legal claims in the Risk Navigator application,
- training for management and employees on legal and supervisory issues.



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

2025-03-05	Brunon Bartkiewicz President	The original Polish document is signed with a qualified electronic signature
2025-03-05	Joanna Erdman Vice-President	The original Polish document is signed with a qualified electronic signature
2025-03-05	Marcin Giżycki Vice-President	The original Polish document is signed with a qualified electronic signature
2025-03-05	Bożena Graczyk Vice-President	The original Polish document is signed with a qualified electronic signature
2025-03-05	Ewa Łuniewska Vice-President	The original Polish document is signed with a qualified electronic signature
2025-03-05	Michał H. Mrożek Vice-President	The original Polish document is signed with a qualified electronic signature
2025-03-05	Sławomir Soszyński Vice-President	The original Polish document is signed with a qualified electronic signature
2025-03-05	Alicja Żyła Vice-President	The original Polish document is signed with a qualified electronic signature

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2025-03-05	Jolanta Alvarado Rodriguez Lead of Centre of Expertise Accounting Policy and Financial Reporting	The original Polish document is signed with a qualified electronic signature
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