ING Bank Śląski S.A. Group

Quarterly consolidated report for the 1st quarter 2020

Contents

Interim condensed consolidated financial statements (PLN million)

SELECTED FINANCIAL DATA FROM FINANCIAL STATEMENTS

Selected financial data

	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020	**1 quarter 2019** the period from 01 Jan 2019 to 31 Mar 2019
Net interest income	1 152.1	1 020.2
Net commission income	359.1	317.8
Result on basic activities	1 558.3	1 386.4
Result before tax	377.0	438.0
Net profit attributable to shareholders of ING Bank Śląski S.A.	267.3	324.5
Earnings per ordinary share (PLN)	2.05	2.49

	as at **31 Mar 2020**	as at **31 Dec 2019**	as at **31 Mar 2019**
Loans and other receivables to customers (net)	123 608.4	118 288.1	107 387.4
Liabilities to customers	139 648.7	130 473.5	120 414.0
Total assets	171 241.6	158 610.7	145 717.4
Equity attributable to shareholders of ING Bank Śląski S.A.	17 341.0	15 223.3	13 413.3
Share capital	130.1	130.1	130.1

Key performance indicators

	as at **31 Mar 2020**	as at **31 Dec 2019**	as at **31 Mar 2019**
C/I - Cost/Income ratio (%)	49.7	43.1	52.0
ROA - Return on assets (%)	1.0	1.1	1.1
ROE - Return on equity (%)	10.6	11.6	12.1
NIM - net interest margin (%)	2.93	2.95	2.94
L/D - Loans-to-deposits ratio (%)	88.5	90.7	89.2
Total capital ratio (%)	15.76	16.87	15.82

Explanations:

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

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

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

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

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

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

Interim condensed consolidated financial statements (PLN million)

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

Interim condensed consolidated income statement

	note	**1 quarter 2020** the period from 01 Jan 2020 to 31 Mar 2020	**1 quarter 2019** the period from 01 Jan 2019 to 31 Mar 2019
Interest income, including:		1 386.6	1 263.1
Interest income calculated using effective interest rate method		1 385.8	1 262.0
Other interest income		0.8	1.1
Interest expenses		234.5	242.9
Net interest income	7.1	**1 152.1**	**1 020.2**
Commission income		460.6	399.6
Commission expenses		101.5	81.8
Net commission income	7.2	**359.1**	**317.8**
Net income on financial instruments at fair value through profit or loss and FX result	7.3	13.9	31.4
Net income on the sale of securities measured at amortised cost	7.4	7.3	0.0
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	7.4	1.8	15.8
Net income on hedge accounting	7.5	23.7	-1.2
Net income on other basic activities		0.4	2.4
Net income on basic activities		**1 558.3**	**1 386.4**
General and administrative expenses	7.6	775.0	721.1
Impairment for expected losses	7.7	294.7	125.0
including profit on sale of receivables		4.1	9.8
Tax on certain financial institutions		116.0	102.2
Share of profit/(loss) of associates accounted for using the equity method		4.4	-0.1
Gross profit		**377.0**	**438.0**
Income tax		109.7	113.5
Net profit attributable to shareholders of ING Bank Śląski S.A.		**267.3**	**324.5**

Net profit attributable to shareholders of ING Bank Śląski S.A.	267.3	324.5
Weighted average number of ordinary shares	130 100 000	130 100 000
Earnings per ordinary share (PLN)	2.05	2.49

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

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

Interim condensed consolidated financial statements (PLN million)

Interim condensed consolidated statement of comprehensive income

	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019
Net profit for the period	**267.3**	**324.5**
Total other comprehensive income, including:	**1 850.4**	**222.5**
Items which can be reclassified to income statement, including:	**1 850.3**	**198.6**
debt instruments measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-232.8	-96.1
debt instruments measured at fair value through other comprehensive income – reclassification to the financial result due to sale	-1.5	2.4
cash flow hedging – gains/losses on revaluation carried through equity	2 174.4	389.2
cash flow hedging – reclassification to profit or loss	-89.8	-96.9
Items which will not be reclassified to income statement, including:	**0.1**	**23.9**
equity instruments measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	0.0	23.9
fixed assets revaluation	0.1	0.0
Net comprehensive income for the reporting period, including:	**2 117.7**	**547.0**
attributable to owners of ING Bank Śląski S.A.	2 117.7	547.0

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

Interim condensed consolidated financial statements (PLN million)

Interim condensed consolidated statement of financial position

	note	as at 31 Mar 2020	as at 31 Dec 2019	as at 31 Mar 2019
Assets				
Cash in hand and balances with the Central Bank		1 740.5	1 402.9	1 760.3
Loans and other receivables to other banks	7.8	1 082.3	798.5	987.9
Financial assets held for trading	7.9	1 362.9	1 224.2	2 234.3
Derivative hedge instruments		1 075.8	851.6	929.3
Investment securities	7.10	40 196.2	33 824.5	29 977.3
Loans and other receivables to customers	7.11	123 608.4	118 288.1	107 387.4
Investments in associates		185.4	181.0	0.9
Property, plant and equipment		950.6	956.0	1 004.3
Intangible assets		424.3	429.9	433.5
Assets held for sale		2.2	3.6	12.1
Deferred tax assets		377.7	445.6	431.7
Other assets		235.3	204.8	558.4
Total assets		**171 241.6**	**158 610.7**	**145 717.4**
Liabilities				
Liabilities to other banks	7.13	6 624.3	6 256.1	5 004.3
Financial liabilities at fair value through profit or loss	7.14	1 027.6	915.1	1 329.9
Derivative hedge instruments		510.4	546.0	727.4
Liabilities to customers	7.15	139 648.7	130 473.5	120 414.0
Liabilities from debt securities issued		397.6	399.7	302.2
Subordinated liabilities		2 278.1	2 131.1	1 077.2
Provisions	7.16	186.3	205.7	152.2
Current income tax liabilities		700.3	381.3	345.4
Deferred tax liability		5.2	0.0	0.0
Other liabilities		2 522.1	2 078.9	2 951.5
Total liabilities		**153 900.6**	**143 387.4**	**132 304.1**
Equity				
Share capital		130.1	130.1	130.1
Share premium		956.3	956.3	956.3
Accumulated other comprehensive income		3 717.7	1 867.3	1 392.2
Retained earnings		12 536.9	12 269.6	10 934.7
Equity attributable to shareholders of ING Bank Śląski S.A.		**17 341.0**	**15 223.3**	**13 413.3**
Non-controlling interests		0.0	0.0	0.0
Total equity		**17 341.0**	**15 223.3**	**13 413.3**
Total equity and liabilities		**171 241.6**	**158 610.7**	**145 717.4**
Carrying amount		17 341.0	15 223.3	13 413.3
Number of shares		130 100 000	130 100 000	130 100 000
Carrying amount per share (PLN)		133.29	117.01	103.10

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

Interim condensed consolidated financial statements (PLN million)

Interim condensed consolidated statement of changes in equity

1 quarter 2020
the period from 01 Jan 2020 to 31 Mar 2020

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total equity
Opening balance of equity	**130.1**	**956.3**	**1 867.3**	**12 269.6**	**0.0**	**15 223.3**
Profit for the current period	-	-	-	267.3	-	**267.3**
Other net comprehensive income, including:	**0.0**	**0.0**	**1 850.4**	**0.0**	**0.0**	**1 850.4**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	-232.8	-	-	-232.8
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	-1.5	-	-	-1.5
cash flow hedging – gains/losses on revaluation carried through equity	-	-	2 174.4	-	-	2 174.4
cash flow hedging – reclassification to profit or loss	-	-	-89.8	-	-	-89.8
fixed assets revaluation	-	-	0.1	-	-	0.1
disposal of fixed assets	-	-	0.0	-	-	0.0
actuarial gains/losses	-	-	-	-	-	0.0
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
valuation of share-based payments	-	-	-	-	-	0.0
profit distribution for dividend payment	-	-	-	-	-	0.0
Closing balance of equity	**130.1**	**956.3**	**3 717.7**	**12 536.9**	**0.0**	**17 341.0**

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

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

Interim condensed consolidated financial statements (PLN million)

1 quarter 2019
the period from 01 Jan 2019 to 31 Mar 2019

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	**Total equity**
Opening balance of equity	**130.1**	**956.3**	**1 169.7**	**11 080.2**	**0.0**	**13 336.3**
adjustment in recognition the repo transactions	-	-	-	-14.7	-	**-14.7**
Opening balance of equity adjusted for changes to the accounting principles	**130.1**	**956.3**	**1 169.7**	**11 065.5**	**0.0**	**13 321.6**
Profit for the current period	-	-	-	324.5	**-**	**324.5**
Other net comprehensive income, including:	**0.0**	**0.0**	**222.5**	**0.0**	**0.0**	**222.5**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	-72.2	-	-	-72.2
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	2.4	-	-	2.4
cash flow hedging – gains/losses on revaluation carried through equity	-	-	389.2	-	-	389.2
cash flow hedging – reclassification to profit or loss	-	-	-96.9	-	-	-96.9
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**-455.3**	**0.0**	**-455.3**
valuation of share-based payments	-	-	-	0.1	-	0.1
profit distribution for dividend payment	-	-	-	-455.4	-	-455.4
Closing balance of equity	**130.1**	**956.3**	**1 392.2**	**10 934.7**	**0.0**	**13 413.3**

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

Interim condensed consolidated financial statements (PLN million)

Interim condensed consolidated cash flow statement

	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019
Net profit	**267.3**	**324.5**
Adjustments	**4 855.8**	**1 905.6**
Share of (loss)/profit of associates accounted for using the equity method	-4.4	0.1
Depreciation and amortisation	71.5	71.3
Net interest income (from the profit and loss account)	-1 152.1	-1 020.2
Interest paid	-228.9	-235.2
Interest received	1 080.4	1 517.4
Gains (losses) on investing activities	18.7	-0.1
Income tax (from the income statement)	109.7	113.5
Income tax paid from the income statement	282.4	-81.9
Change in provisions	-19.4	-0.2
Change in loans and other receivables to other banks	-55.0	-194.9
Change in financial assets held for trading	-136.7	-299.9
Change in debt securities measured at fair value through other comprehensive income	-1 490.6	2 166.7
Change in hedge derivatives	1 824.9	388.2
Change in loans and other receivables to customers	-5 176.3	-4 567.9
Change in other assets	314.8	-96.9
Change in liabilities to other banks	211.5	774.3
Change in liabilities at fair value through profit or loss	112.5	-357.3
Change in liabilities to customers	9 177.6	2 727.6
Change in other liabilities	-84.8	1 001.0
Net cash flow from operating activities	**5 123.1**	**2 230.1**
Purchase of property plant and equipment	-10.3	-476.3
Disposal of property plant and equipment	0.3	0.2
Purchase of intangible assets	-14.8	-14.1
Disposal of assets held for sale	0.1	0.0
Purchase of equity instruments measured at fair value through other comprehensive income	-15.3	0.0
Purchase of debt securities measured at amortized cost	-7 985.8	-224.9
Disposal of debt securities measured at amortized cost	3 044.3	0.0
Net cash flow from investing activities	**-4 981.5**	**-715.1**
Long-term loans received	497.6	502.6
Long-term loans repaid	-54.5	-1 464.6
Interest on long-term loans repaid	6.2	-14.5
Repayment of leasing liabilities	-26.1	0.0
Net cash flow from financing activities	**423.2**	**-976.5**
Effect of exchange rate changes on cash and cash equivalents	161.1	136.7
Net increase in cash and cash equivalents	**564.8**	**538.5**
Opening balance of cash and cash equivalents	**1 997.4**	**1 956.4**
Closing balance of cash and cash equivalents	**2 562.2**	**2 494.9**

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

Additional information

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

1.1. Key Bank data

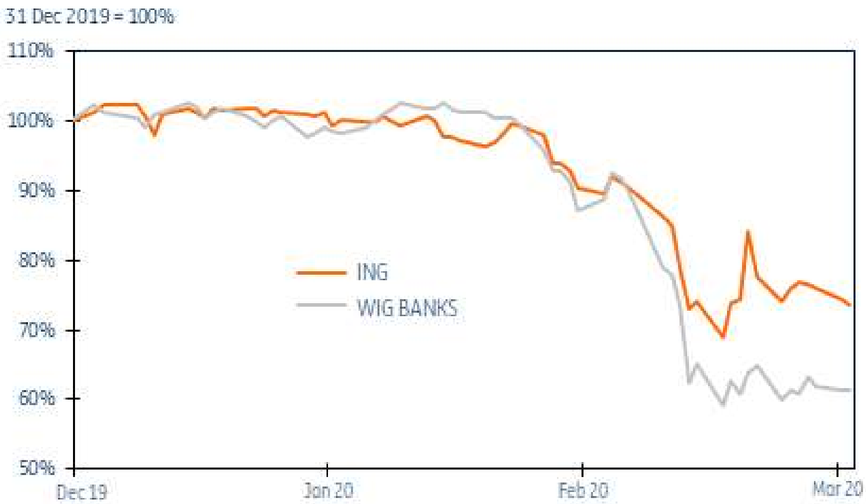
ING Bank Śląski S.A. ("Parent company", "parent entity", "Bank") with the registered office in Katowice, Sokolska Str. 34, was entered into the Entrepreneurs Register with the National Court Register maintained by the Commercial Division of the District Court in Katowice under the number KRS 5459.The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

1.2. Scope and duration of operations

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

1.3. Share capital

The share capital of ING Bank Śląski S.A. is PLN 130,100,000 and is divided in 130,100,000 ordinary bearer shares of a par value of PLN 1.00 each. Bank's shares are quoted on the Warsaw Stock Exchange (sector: banks). As at 31 March 2020, the share price of ING Bank Śląski S.A. was PLN 148.8, whereas as at 31 March 2019 was at the level of PLN 192.2. In the 3 months of 2020, the price of ING Bank Śląski S.A. shares was as follows:



Interim condensed consolidated financial statements (PLN million)

1.4. ING Bank Śląski S.A. Group.

ING Bank Śląski S.A. is the parent company of the ING Bank Śląski S.A. Group ("Capital Group", "Group"). As at 31 March 2020, the composition of ING Bank Śląski S.A. Group was the following:

Name	Type of activity	Registered office	% of the Group share in equity	% of the Group share in the General Meeting votes	Recognition in the Group Financial Statements
ING Investment Holding (Polska) S.A.	financial holding	Katowice	100	100	full consolidation
ING Commercial Finance S.A.*	factoring services	Warszawa	100	100	full consolidation
ING Lease (Polska) Sp. z o.o.**	leasing services	Warszawa	100	100	full consolidation
ING Bank Hipoteczny S.A.	banking services	Katowice	100	100	full consolidation
ING Usługi dla Biznesu S.A.	accountancy services, payroll services	Katowice	100	100	full consolidation
Nowe Usługi S.A.	education and promotion for the financial market and TURBO Certificates	Katowice	100	100	full consolidation
Solver Sp. Z o.o.	holiday and training courses organisation	Katowice	100	100	full consolidation
NN Investment Partners TFI S.A.*	*investment funds*	Warsaw	45	45	equity method consolidation
Twisto Polska Sp. Z o.o	services in the area of information and computer technologies	Warszawa	20	20	equity method consolidation

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

**) ING Bank Śląski S.A. has an indirect share in the company via ING Investment Holding (Polska) S.A. The ING Lease (Polska) Sp. z o.o Group incorporates 9 special-purpose vehicles wherein ING Lease Polska Sp. z o.o holds 100% of shares.

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

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 31 March 2020 held 75% share in the share capital of ING Bank Śląski S.A. and 75% shares in the total number of votes at the General Meeting. ING Bank NV belongs to the Group, herein referred to as ING Group.

According to the list of shareholders authorised to participate in the Ordinary General Meeting of ING Bank Śląski S.A. ("OGM") convoked on 2 April 2020 the following entities were entitled to 5 per cent or more of votes at the OGM of the Issuer:

No.	Entity	Number of shares and votes	% of total number of shares and votes at General Meeting
1.	ING Bank NV	97 575 000	75.00
2.	AVIVA Otwarty Fundusz Emerytalny AVIVA Santander	10 923 351	8.40

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

As at 31 March 2020, neither Management Board nor Supervisory Board members held shares of ING Bank Śląski S.A. So was the situation also at the date of rendering the financial statements for the previous reporting period into the public domain.

1.7. Approval of financial statements

The annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2019 to 31 December 2019 were approved by the General Meeting on 02 April 2020.

These interim condensed consolidated financial statements have been approved by the Bank Management Board on 6 May 2020.

2. Significant events in 1st quarter 2020

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

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

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

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

The Bank and its subsidiaries maintain a good and stable liquidity and capital position. The Group's LCR ratio as at 31 March 2020 was 141% (130% as at 31 December 2019). The Tier 1 ratio and the total capital ratio of the Group contributed 13.25% and 15.76% respectively as at 31 March 2020 (14.41% and 16.87% as at 31 December 2019 respectively).

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

Government measures supporting the economy

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

- co-financing of a part of employee remuneration costs,
- co-financing the business activity, e.g. in the form of subsidies,
- launching a system of sureties and guarantees for entrepreneurs,
- exemptions / delays in the payment of contributions and taxes,
- extension of deadlines for fulfilling selected reporting obligations,
- introducing a maximum level of non-interest costs,
- suspension of administrative proceedings.

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

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

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

Customers can use one of two options:

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

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

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

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

On the basis of the Portfolio Guarantee Line Agreement on the Liquidity Guarantee Fund concluded with Bank Gospodarstwa Krajowego, the Bank also introduced a guarantee offer for securing revolving and non-revolving working capital loans (80% of the loan amount) to provide financial liquidity for medium and large enterprises.

Social support

ING Bank Śląski S.A. is socially involved to reduce the social impact of the COVID-19 epidemic. The Bank actively promotes online banking, including the financial education of seniors, and financially supports medical services. The Bank donated PLN 4 million to help medical services.

The bank also launched, together with the ING Children Foundation, a special fundraiser for medical services.

Impact of the epidemic on the Bank's operating activities

Due to restrictions introduced by state institutions, some of the Bank's branches were closed, while the remaining branches are open on a reduced hourly basis.

Most employees perform their duties remotely while working from home, thanks to which the Bank and its subsidiaries maintained operational continuity, and all key processes are carried out smoothly. At the same time, the Bank has taken measures that enable it to manage increased operational risk, fraud risk and data security.

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

The Bank and its subsidiaries maintain a good and stable liquidity and capital position.

Lowering the level of the systemic risk buffer from 3% to 0% since 19 March effectively reduced the minimum capital requirement for the Bank and the Group to 9.0% for Tier 1 ratio and to 11.0% for total capital ratio. The Tier 1 ratio and the total capital ratio of the Group contributed 13.25% and 15.76% respectively as at 31 March 2020 (14.41% and 16.87% as at 31 December 2019 respectively).

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

Impairment losses

In the first quarter of 2020, the Group revised its macroeconomic indicator forecasts, which also included the effect of COVID-19 on these assumptions. The impact of the change in estimates in this respect, compared to the level of write-offs for macroeconomic forecasts adopted at the end of 2019, amounted to PLN 146.7 million, of which the amount of PLN 49.5 million related to the retail banking segment, and the amount about 97.2 million related to the corporate banking segment.

In making the estimate, the Group considered the International Accounting Standards Board's statement of 27 March 2020 regarding the recognition of expected losses under IFRS 9 taking into account the uncertainty associated with the COVID-19 pandemic. The Group made appropriate judgments, however, taking into account the existing significant uncertainty, in particular regarding 1) future macroeconomic conditions and the impact of government actions in counteracting the effects of a pandemic, and 2) assessing whether there was a significant increase in credit risk for credit exposures.

Macroeconomic forecasts

In terms of macroeconomic forecasts, the Group lowered its GDP forecast for 2020, assuming at the same time the reflection of this indicator in subsequent years and increased the expected unemployment rate in the three-year forecast period. The level of write-offs for losses expected in the corporate segment is primarily sensitive to the GDP parameter, while - in the retail segment - to the level of the unemployment rate.

Due to the dynamic development of the pandemic, the forecasts adopted by the Group may not fully take into account its impact of the macroeconomic situation in both the short and long term on the level of expected losses. The group took into account guidelines including published by the European Banking Authority, which indicate the need to give more weight in determining the losses expected for long-term macroeconomic forecasts.

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

Significant increase in credit risk (SICR)

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

Deferment of repayments and modification of financial assets

Allowing clients to postpone loan payments resulted in a change in the distribution of future contractual cash flows over the original contractual arrangements. Pursuant to IFRS 9, this change was assessed by the Group in the light of the requirements regarding the modification of financial assets. In the light of the Group's accounting policy, the change did not constitute grounds for removing financial assets from the statement of financial position.

Fair value

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

- uncertainty and predictions of market participants regarding the impact of the epidemic on the economic situation in Poland and in the world, which affected market activity and fluctuations in exchange rates and benchmark interest rates,

- measures taken to mitigate the effects of the epidemic, and
- interest rate cuts in Poland.

Changing economic conditions had a significant impact on the fluctuations in the valuation of financial instruments at fair value, in particular:

- result on hedge accounting increased by PLN 24.9 million, which was mainly due to the revaluation of the IRS variable leg constituting hedging instruments in fair value hedge accounting in connection with the reduction of interest rates in Poland,
- debt securities valued at fair value through other comprehensive income - a decrease in the result on revaluation charged to equity was recorded by PLN 287.4 million,
- cash flow hedge - an increase in revaluation gains / losses on equity by PLN 2 684.4 million was recorded.

Legal and regulatory changes

Capital adequacy

In order to reduce the risk of reducing the credit flow to the economy (the so-called credit-crunch phenomenon), the Minister of Finance, after prior recommendation of the Financial Stability Committee, waived on 19 March 2020 the banks' obligation to apply the 3% systemic risk buffer. The lower capital requirement will probably translate into a lower target MREL requirement. In addition, the Financial Stability Committee maintained the countercyclical buffer rate at 0%. The released funds from the buffer are to be retained to finance the economy and cover losses in the coming quarters. For ING Bank Śląski S.A. lowering the systemic risk buffer means reducing the required TCR from 14% to 11% and will reduce the pressure to acquire MREL instruments.

In addition, the Basel Committee (BCBS) postponed the implementation date of Basel IV by one year, until 1 January 2023, and the transitional period foreseen for the so-called "Output floor" has also been extended by one year, until 1 January 2028.

The regulators initially announced other potential activities supporting the capital position of banks in the area of, among others, reducing risk weights in selected areas and further reducing capital buffers.

Liquidity adequacy

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

- Operations supplying banks with liquidity, so-called repo operations. Access to these operations will be a type of insurance in the event of a need to provide banks with liquidity.
- Purchase of large-scale government bonds on the secondary market as part of structural open market operations, which will change the long-term liquidity structure in the banking sector. The effect of these operations should also be maintaining the liquidity of the secondary government bond market.
- Bill of exchange credit for banks, which - like the TLTRO program introduced by the ECB - will allow refinancing of loans granted by banks to non-financial sector enterprises.
- A significant reduction in the required reserve rate from 3.5% to 0.5% and an increase in the interest rate on the provision from 0.5% to the reference rate. This will enable the creation of an additional liquidity buffer for banks and reduce their costs due to maintaining the reserve.

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

On 26 March 2020 the Bank received a letter from the Polish Financial Supervision Authority (PFSA) regarding the dividend payout by banks. In the letter, the PFSA express their expectation that – regardless of all the decisions which had already been taken – banks will retain all the profit generated in the previous years, due to the announcement of epidemic in the Republic of Poland and possible further negative economic consequences resulting from the present situation.

Considering the foregoing, the Bank Management Board decided to change the motion on 2019 profit distribution and the draft General Meeting resolution on distribution of 2019 profit, whereby the amount earlier earmarked for the dividend, i.e. PLN 494,380,000.00 will be retained and non-divided. In consequence, the Bank Management Board resolved to withdraw the draft General Meeting resolution on dividend payout.
See chapter 3. Significant events after the reporting period for more information.

- *Information on MREL requirement for ING Bank Śląski S.A.*

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

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

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

– TLOF are 9.003% as at 2020 yearend and 10.341% as at 2021 yearend, and

– TRE are 16.405% as at 2020 yearend and 18.842% as at 2021 yearend.

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

- *Approval by the Bank's Supervisory Board for the update of the Bank's dividend policy*

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

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

- the Policy has been tailored to the stance of the PFSA in that the specification of additional buffer 1,5 p.p. in the capital criteria was waived,
- the provision that the Bank Management Board consider the PFSA's stance on the dividend policy when deciding on the amount of dividend payout has been added.

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

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

- minimum common equity Tier 1 (CET1) at the level of 4,5% + combined buffer requirement[1],
- minimum Tier 1 (T1) at the level of 6% + combined buffer requirement[1],
- minimum total capital ratio (TCR) at the level of 8% + combined buffer requirement[1].

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

When deciding on the amount of dividend payout, the Bank Management Board consider the regulatory requirements communicated in the official PFSA announcement on the dividend policy at banks.

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

- the current financial standing of the Bank and the Bank Group, including limitations in the case of sustaining financial loss or low profitability (low ROA/ROE),
- Bank's and Bank Group's assumptions of the management strategy and risk management strategy,
- limitations under Article 56 of the Act on macroprudential supervision over the financial system and crisis management in the financial system of 05 August 2015,
- the need to adjust profits of the present period or unapproved annual profits recognised as own funds with foreseeable dividends, according to art 26 of the Regulation EU 575/2013.

- _Change of the Fitch rating status_

On 5 March 2020 Fitch Ratings Ltd. changed the rating for ING Bank Śląski S.A. For more information please see item 16.1 Ratings.

- _Resignation of Members of the ING Bank Śląski S.A. Supervisory Board_

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

- on 3 March 2020 the Bank has received Mr Norman Tambach's letter of resignation from the capacity as member of the Bank Supervisory Board, effective from the date of the General Meeting. Mr Norman Tambach has not included the reasons behind his resignation therein,
- on 27 February 2020 Mr Ad Kas has tendered his resignation from the capacity as member of the ING Bank Śląski S.A. Supervisory Board, effective from the date of the General Meeting. Mr Ad Kas cited appointment as ad interim CRO of ING France as the reason for his resignation.

At the same time, on 2 April 2020, the General Meeting of ING Bank Śląski S.A. was held at which resolutions were adopted, among others, on the appointment of Members of the Supervisory Board for a new term of office. See chapter 3. Significant events after the reporting period for more information.

- _Registration of amendments to the Charter of ING Bank Śląski S.A._

On 29 January 2020 they were notified on registration of amendments to the Bank Charter passed by Resolution No. 27 of the Ordinary General Meeting of 5 April 2018. The registration took place pursuant to the decision of the District Court for Katowice-Wschód, Commercial Division No. 8 of the National Court Register of 24 January 2020 and rectified by the decision of 29 January 2020. The registration covers an amendment to Article 8.2.7) of the Bank Charter, which shall be worded: "7) issuing electronic money,".

3. Significant events after the balance sheet date

- *Update of information on impact of the coronavirus epidemic on the financial operations of ING Bank Śląski S.A. Group*

The Management Board of ING Bank Śląski S.A. communicated the revised preliminary estimates of impact of adverse effects of spread of COVID-19 coronavirus epidemic on the financial operations of the Bank Group.

The Bank Management Board estimate that the Monetary Policy Council's decisions of 17 March 2020 and 8 April 2020 pertaining to the change to the interest rates (including reference rate cut from 1.5% to 0.5% in particular) will have a negative impact of PLN 170-220 million on the interest result of the Bank Group in 2020. The actual impact will depend on the profitability curve and delivery of business assumptions. Further, the Bank Management Board initially estimates that in Q1 2020 the adverse impact of the COVID-19 coronavirus epidemic-driven Polish economy deterioration on the risk costs of the Bank Group will be at least PLN 110 million.

Both the estimates and assumptions of the impact of lower interest rates on the interest result and the impact of deterioration of economy on the risk costs are subject to change.

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

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

- *Upgrade of ratings by Fitch*

On 6 April 2020 Fitch Ratings Ltd. has taken two independent decisions on Bank ratings.

For more information please see item 16.1 Ratings.

- *Resolutions of the Ordinary General Meeting of ING Bank Śląski S.A.*

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

- approval of the annual financial statements for 2019 (both standalone and consolidated),
- approval of the Management Board's report on the operations of the ING Bank Śląski S.A. Capital Group in 2019, covering the report on the activities of ING Bank Śląski S.A., including the statement on the application of corporate governance principles,
- adoption of the Supervisory Board reports for 2019 and assessment of the Bank's remuneration policy,
- granting discharge to members of the Management Board and Supervisory Board in 2019,
- distribution of profit for 2019 and coverage of loss from previous years,
- amendments to the Statutes of ING Bank Śląski S.A.,
- appointing members of the Supervisory Board for a new term of office,
- assessment of the collective suitability of the Supervisory Board,
- changes to the Remuneration Policy for Members of the Supervisory Board and the Management Board.

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

At the same time, the Management Board communicated that in consequence of adoption of the resolution on distribution of 2019 profit and past-year loss coverage in the manner not providing for the payout of the 2019 dividend, the General Meeting did not adopt the resolution concerning dividend payout since its pointless.

Interim condensed consolidated financial statements (PLN million)

4. Compliance with International Financial Reporting Standards

These interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for the 1 quarter 2020 were prepared under the IAS 34 Interim Financial Reporting (International Accounting Standards) in a version approved by the European Commission effective as at the reporting date, that is 31 March 2020 as well as in accordance with the Ordinance of Finance Minister of 29 March 2018 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws of 2018, no. 33, item 757).

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

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

4.1. Changes in accounting standards

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

Change	Impact on the Group statements
Amendments to References to the Conceptual Framework in IFRS Standards	Implementation of this interpretation has no impact on the financial statements of the Group.
IAS 1 and IAS 8 Definition of materiality	Implementation of this interpretation has no impact on the financial statements of the Group.

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

Change (EU effective date provided for in the parentheses)	Influence on the Group statements
IAS 1 Presentation of financial statements: classification of financial liabilities as short-term or long-term (financial year beginning on 1 January 2022)	The classification of financial liabilities as long-term will depend on the existence of rights to extend the liability for a period longer than 12 months and on the fulfillment of the conditions for such extension on the balance sheet date. The implementation of the change will not affect the Group's financial statements.

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

4.2. Going-concern

These annual consolidated financial statements of the ING Bank Śląski S.A. Group were prepared on a going-concern basis as regards the foreseeable future, namely as regards the period of minimum 12 months from the date of publication, i.e. from 8 May 2020. As at the approval date hereof, the Bank Management Board have not identified any events that could pose a threat to the Group members continuing their operations during the period of 12 months from the date of publication as a result of intentional or forced abandonment or significant limitation of its operations by the Capital Group.

4.3. Discontinued operations

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

4.4. Financial statements scope and currency

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

4.5. Comparative data

The comparative data cover the period from 1 January 2019 to 31 March 2019 for the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income and the interim condensed consolidated cash flow statement, additionally for the period from 1 January 2019 to 31 December 2019 for the interim condensed consolidated statement of changes in equity and in the case of the interim condensed consolidated statement of financial position data as at 31 December 2019 and 31 March 2019.

5.b Significant accounting principles and key estimates

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

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

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

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

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

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

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

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

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

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

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

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

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

The evidence of impairment

The evidence of impairment is:

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

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

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

- classification of the exposure to the Stage 3,
- restructuring of the exposures for noncommercial reasons, significant financial difficulties resulting in the modification of the previous terms and conditions of the contract, total or partial refinancing of the exposure that would not have occurred if the Client does not experience a financial difficulties (including forbearance), resulting in loss more than 1% of the present value of the discounted futures cash flows, for retail credit exposures – restructuring of non-performing,

- the restructuring process resulting in forgiveness or writes off significant amount of the corporates client receivables, which leads to reduction in cash flows from a given financial assets item,
- forgiveness or writes off the retail credit exposure in the recovery process,
- the Bank, client's counterparty or other bank files a motion for the client's bankruptcy or initiation of the proceedings in accordance with the restructuring law,
- declaration of insolvency. In case of corporate credit exposures, the customer has been put in liquidation, ceased business operations,
- a credit exposure becomes due and payable as a result of the Bank terminating the loan agreement,
- the Bank disposed of its credit exposures (in whole or in part) with a loss of exceeding 5% of the on-balance sheet exposures and the sale was driven by deteriorating exposure quality,
- occurrence of a delay in excess of 30 days or granting another forbearance on exposures classified originally as Forbearance Non-Performing and cured afterwards and in the status of Forbearance Performing during the probation period,
- non-interest status (suspended interest accrual) for credit exposure,
- for retail credit exposures over 3-month delay in repayment of obligations under a loan with full principal repayment at maturity date,
- for corporate credit exposures, a decision is taken to pursue receivables in a collection strategy,
- questioning of the credit exposure by the customer by way of litigation.

The impairment indications

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

The impairment indications for corporate credit exposures include:

- a natural person in default provides a guarantee to the Bank for material obligations of the company owned by the person; or when a natural person is an obligor of the Bank and the company owned by such person is at default,
- arrears in repayment over 3 months (including all interest, principal and fees) under a loan with full disbursed principal repayment at maturity date. (does not apply if the repayment frequency exceeds one month),
- the customer is a member of the same economic or legal group as the obligor at default,
- no re-financing possibilities,
- applies to exposures resulting from transactions in the financial market – disappearance of an active market (e.g. suspended trading at WSE) for the financial asset (shares, bonds, other securities), held by the Bank due to the issuer's/customer's financial problems which may adversely affect future cash flows from the financial asset,
- discontinued repayment of principal, interest or commissions by the customer and delay in repayment or the oldest of disallowed overdraft continues for over 45 calendar days,
- the threat of bankruptcy, filing a motion for restructuring proceedings or another financial reorganization that may result in no repayment or late repayment of debt,
- no willingness or potential on the part of the obligor to repay the obligations due to existing financial problems. In particular, events specified below may mean major financial problems:
    a) negative equity at the end of the financial period,
    b) negative cash flows from operating activities in three consecutive annual financial periods (on the basis of a cash flow statement, and if this is not made – on the basis of a simplified cash flow),

c) revenues from basic operations are materially reduced (over 50% year on year on the basis of results of annual reporting periods) or revenues from core operations are reduced (over 30% year to year on the basis of results of annual reporting periods) and debt/EBITDA (earnings before interest, taxes, depreciation and amortization) > 4 or EBITDA < 0 (if the contract contains another debt / EBITDA clause, the occurrence of an event is a default indicator if the value of the contract clause is exceeded 4. If the contract contains debt / EBITDA clause higher than 4, the occurrence of an event is a default indicator if the value of the contract clause is exceeded the threshold from contract.),

d) negative EBITDA in two consecutive annual financial periods

e) accomplishment of financial projections by the Customer is under those accepted by the Bank by minimum 20% which results in material breaches of financial indicators,

f) the events specified in items a)-e) occurred during the financial year as long as they are in amounts considered as material and the Bank anticipates that the situation will not improve until the end of the financial year and the situation may result in non-repayment of delayed repayment of debt;

g) active seizures to customers' accounts with the Bank if the oldest active seizure continues to apply for over 90 days and the total amount of such seizures is in excess of PLN 100 thousand for customers of the corporate sales network or PLN 500 thousand for strategic customers,

h) uncovered claims under guarantees issued by the Bank (no customer's funds) if the customer's overdue obligations to the Bank under drawn guarantees continues for over 45 days since disbursement under guarantees

- A major breach of contractual terms and conditions by the customer if this may have adverse impact on future cash flows from the financial asset. (if the contractual terms and conditions have been materially breached but the Bank – having reviewed and assessed the reasons and effects of such breach – has (temporarily or permanently) accepted such breach or has modified the relevant conditions, such event shall not be treated as an impairment indication.
- termination of a loan agreement of a significant value with another bank
- unknown whereabouts of the customer resulting in no representation in contacts with the Bank and undisclosed assets of the customer,
- a crisis of the sector in which the customer operates combined with the customer's weak position in the sector
- restructuring of debt for non-commercial reasons related to the customer's major financial problems, resulting in changes to the previous contractual terms and conditions or partial refinancing of the endangered exposure that would not have occurred if the customer did not have such financial problems (including forbearance) and the NPV loss is equal or less than 1%
- Credit fraud by the obligor to ING or other entity of ING Group
- Over the last 5 years, the exposure was provided with forbearance two or more times.
- Material deterioration of the customer's rating resulting in re-classification to risk class minimum 17 with a simultaneous one-off drop by minimum 4 classes.

Bank determines also additional impairment indicators apply to leveraged transactions:

- A material breach of a major financial covenant or no return to the status before the breach, in particular in a situation when the customer also applies for forbearance in repayment.
- Forbearance refinancing of an existing borrower at an increased level of leverage (interest bearing debt to earnings before interest, taxes, depreciation and amortisation, i.e. IBD /EBITDA ratio) compared with the respective leverage levels at origination or previous refinancing.

- Refinancing of exposures full disbursed principal repayment at maturity in case of financial problems on the part of the customer and low refinancing likelihood by another bank in the prevailing market conditions.
- Base case scenarios and stress case scenarios indicate insufficient stable cash flows to service the debt in accordance with the approved time schedule.

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

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

Impairment indications for retail credit exposures include:

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

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

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

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

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

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

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

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

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

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

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

- for customers in the mortgage and retail business segments – at business segment level unless this applies to a situation identified at obligor level (e.g. bankruptcy),
- for corporate customers and for retail customers in the entrepreneur segment and for the Easy lending portfolio – at obligor level.

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

- no evidence of impaired or indicator of impaired underlying default or indicating a high likelihood of failure to repay – is not active

- minimum 3 months (probation period) have passed since the end date of evidence of impaired or indicator of impaired and in the period the obligor's behaviour (willingness to repay) and the debtor's situation (ability to repay) were positively assessed; in case of a corporate obligor, the assessment of its financial condition was documented
- the obligor made regular repayments – no arrears >30 days in the probation period,
- at the end of the probation period the obligor is considered able to pay its credit obligations in full, without recourse to collateral,
- without arrears in repayment exceeding the amount of the absolute limit; if any arrears exist in an amount in excess of the absolute limit, the probation period is extended until the time the amount of arrears drops below the limit.

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

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

Bank applied additional default exit criteria for all obligors:

- If impairment evidence or indicator of impairment is identified in the probation period which is the source of default/ indicates a high likelihood of non-repayment, the end date of the probation period will be reset and the probation period is re-started until expiry of such evidence/indicator.
- If in the probation period and after the end of the grace period, DPD > 30 occurred, the probation period end date will be reset and the probation period will restart until DPD returns to below 31 days.
- All conditions of exit from default and reversal of impairment should be met also with regard to new exposures to the obligor, in particular where the previous defaulted and restructured exposures of the obligor were sold or written off.
- Classification to Stage3/provision is an exception to the rule of no active ODUW/ PUW being the source of default if such existence does not block the opening of the probation period (since it is the effect and not the reason of default) – classification to Stage3 and provision are also maintained in the probation period

6. Comparability of financial data

When compared with the interim consolidated financial statements for previous periods, in the interim condensed consolidated financial statements for the period from 1 Jan 2020 to 31 Mar 2020, the Group amended the manner of presentation of individual items of the consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows. The changes are as follows:

- *adjustment to recognition of transactions in the purchase and sale of treasury bonds* (**change a**)

In the third quarter of 2019, guided by the principle of advantage of economic content over legal form in force in accounting, the Group changed the method of recognizing transactions in treasury bonds from outright buy - outright sell transaction (buy and sell transactions) to buy-sell-back (BSB) and sell -buy-back (SBB). The adjustment also resulted in the recognition of an additional tax liability on financial institutions in the amount of PLN -0.9 million in the financial result and PLN -14.7 million in the previous years.

- *change in the presentation of the arrangement fee* (**change b**)

In connection with the change in the presentation of the arrangement fee by a subsidiary, the Group changed the presentation of this fee - in earlier periods it was recognized as interest income, while it is now recognized as commission income.

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

The Group changed the presentation of commissions regarding the purchase of invoices as part of factoring - in earlier periods it was recognized in commission income, while it is now recognized in interest income.

Interim condensed consolidated financial statements (PLN million)

The table below presents individual items of the consolidated profit and loss account according to the values presented in the interim condensed consolidated financial statements for the period from 1 January 2019 to 31 March 2019 and according to the values presented in these financial statements.

	Period from 01.01.2019 to 31.03.2019				
	in Consolidated Financial Statements for the period from 1 Jan 2019 to 31 Mar 2019 (approved data)	change a)	change b)	change c)	in Consolidated Financial Statements for the period from 1 Jan 2020 to 31 Mar 2020 (comparable data)
Interest income	1 253.4		2.4	7.3	1 263.1
Interest expenses	242.9				242.9
Net interest income	**1 010.5**		**2.4**	**7.3**	**1 020.2**
Commission income	409.3		-2.4	-7.3	399.6
Commission expenses	81.8				81.8
Net commission income	**327.5**		**-2.4**	**-7.3**	**317.8**
Net income on financial instruments at fair value through profit or loss and FX result	31.4				31.4
Net income on the sale of securities measured at amortised cost	0.0				0.0
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	15.8				15.8
Net income on hedge accounting	-1.2				-1.2
Net income on other basic activities	2.4				2.4
Net income on basic activities	**1 386.4**		**0.0**	**0.0**	**1 386.4**
General and administrative expenses	721.1				721.1
Impairment for expected losses	125.0				125.0
Tax on certain financial institutions	101.3	0.9			102.2
Share in net profits of associates accounted for using the equity method	-0.1				-0.1
Gross profit (loss)	**438.9**	**-0.9**	**0.0**	**0.0**	**438.0**
Income tax	113.5				113.5
Net profit/ (loss)	**325.4**	**-0.9**	**0.0**	**0.0**	**324.5**

Interim condensed consolidated financial statements (PLN million)

The table below presents individual items of the consolidated statement of financial position according to the values presented in the interim condensed consolidated financial statements for the period from 1 January 2019 to 31 March 2019 and according to the values presented in these financial statements.

	As at **31.03.2019** in Consolidated Financial Statements for the period from 1 Jan 2019 to 31 Mar 2019 (approved data)	As at **1.01.2019** change a)	As at **31.03.2019** change a)	As at **31.03.2019** in Consolidated Financial Statements for the period from 1 Jan 2020 to 31 Mar 2020 (comparable data)
Assets				
Cash in hand and balances with the Central Bank	1 760.3			1 760.3
Loans and other receivables to other banks	987.9			987.9
Financial assets held for trading	2 203.9		*30.4*	2 234.3
Derivative hedge instruments	929.3			929.3
Investment securities	29 977.3			29 977.3
Loans and other receivables to customers	107 387.4			107 387.4
Investments in associates	0.9			0.9
Property, plant and equipment	1 004.3			1 004.3
Intangible assets	433.5			433.5
Assets held for sale	12.1			12.1
Deferred tax assets	431.7			431.7
Other assets	558.4			558.4
Total assets	**145 687.0**		***30.4***	**145 717.4**
Liabilities				
Liabilities to other banks	5 004.3			5 004.3
Financial liabilities at fair value through profit or loss	1 299.5		*30.4*	1 329.9
Derivative hedge instruments	727.4			727.4
Liabilities to customers	120 414.0			120 414.0
Liabilities under issue of debt securities	302.2			302.2
Subordinated liabilities	1 077.2			1 077.2
Provisions	152.2			152.2
Current income tax liabilities	345.4			345.4
Other liabilities	2 935.9		*15.6*	2 951.5
Total liabilities	**132 258.1**		***46.0***	**132 304.1**
Equity				
Share capital	130.1			130.1
Share premium	956.3			956.3
Accumulated other comprehensive income	1 392.2			1 392.2
Retained earnings	10 950.3		*-15.6*	10 934.7
Total equity	**13 428.9**		***-15.6***	**13 413.3**
Total equity and liabilities	**145 687.0**		***30.4***	**145 717.4**

Interim condensed consolidated financial statements (PLN million)

7. Supplementary notes to interim condensed consolidated financial statements

7.1. Net interest income

	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019
Interest income, including:	**1 386.6**	**1 263.1**
Interest income calculated using effective interest rate method, including:	**1 385.8**	**1 262.0**
Interest on financial instruments measured at amortized cost:	**1 269.4**	**1 155.8**
interest on loans and receivables to other banks measured at amortised cost	10.2	9.7
interest on loans and receivables to customers measured at amortised cost	1 200.2	1 082.8
interest on securities measured at amortised cost	59.0	63.3
Interest on securities measured at fair value through other comprehensive income	**116.4**	**106.2**
Other interest income, including:	**0.8**	**1.1**
interest on loans and receivables to other banks measured at fair value through profit or loss	0.8	1.1
Interest expense, including:	**234.5**	**242.9**
interest on deposits from other banks	12.8	15.1
interest on deposits from customers	210.3	220.2
interest on issue of debt securities	2.8	1.9
interest on subordinated liabilities	7.4	4.1
interest on lease liabilities	1.2	1.6
Net interest income	**1 152.1**	**1 020.2**

Interim condensed consolidated financial statements (PLN million)

7.2. Net commission income

	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019
Commission income, including:		
transaction margin on currency exchange transactions	105.5	90.9
account maintenance	80.1	70.5
lending	92.9	82.5
payment and credit cards	84.4	73.1
participation units distribution	20.1	16.0
insurance product offering	38.4	29.8
factoring and lease agreements	7.3	7.1
brokerage activity	10.7	5.8
fiduciary and custodian	8.0	6.8
foreign commercial business	6.5	9.0
other	6.7	8.1
Total commission income	**460.6**	**399.6**
Commission expenses	**101.5**	**81.8**
including payment and credit cards	55.9	41.4
Net commission income	**359.1**	**317.8**

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

	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019
FX result and net income on interest rate derivatives, including:	23.6	15.1
FX result	-6.7	-29.8
currency derivatives	30.3	44.9
Net income on interest rate derivatives	-33.0	10.9
Net income on debt instruments held for trading	23.1	5.4
Result on measurement of loans to customers which are measured at fair value through profit or loss	0.2	0.0
Net income on financial instruments at fair value through profit or loss and FX result	**13.9**	**31.4**

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

	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019
Net income on the sale of securities measured at amortised cost	**7.3**	**0.0**
Net income on sale of securities measured at fair value through other comprehensive income and dividend income, including:	**1.8**	**15.8**
sale of debt securities	1.8	15.8
Total	**9.1**	**15.8**

Interim condensed consolidated financial statements (PLN million)

7.5. Net income on hedge accounting

	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020	**1 quarter 2019** the period from 01 Jan 2019 to 31 Mar 2019
Fair value hedge accounting for securities:	**29.6**	**2.3**
valuation of the hedged transaction	314.6	30.2
valuation of the hedging transaction	-285.0	-27.9
Cash flow hedge accounting:	**-5.9**	**-3.5**
ineffectiveness under cash flow hedges	-5.9	-3.5
Net income on hedge accounting	**23.7**	**-1.2**

7.6. General and administrative expenses

	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020	**1 quarter 2019** the period from 01 Jan 2019 to 31 Mar 2019
Personnel expenses	308.2	286.4
Other general and administrative expenses, including:	466.8	434.7
cost of marketing and promotion	27.6	29.7
depreciation and amortisation	71.5	71.3
obligatory Bank Guarantee Fund payments, including:	162.9	148.8
for forced restructuring fund	124.4	131.2
to the bank guarantee fund	38.5	17.6
fees to the Polish Financial Supervision Authority	13.3	16.1
IT costs	68.9	58.3
maintenance and rental of buildings	24.6	26.0
costs of short-term leasing and leasing of low-value assets	3.8	6.6
other	94.2	77.9
Total	**775.0**	**721.1**

7.6.1. Headcount

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

	as at **31 Mar 2020**	as at **31 Dec 2019**	as at **31 Mar 2019**
FTEs	8 135.2	8 071.6	8 063.1
Individuals	8 187	8 135	8 115

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

	as at **31 Mar 2020**	as at **31 Dec 2019**	as at **31 Mar 2019**
FTEs	7 704.7	7 640.7	7 643.6
Individuals	7 744	7 690	7 692

Interim condensed consolidated financial statements (PLN million)

7.7. Impairment for expected losses

	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020	**1 quarter 2019** the period from 01 Jan 2019 to 31 Mar 2019
corporate banking	185.2	95.7
retail banking	109.5	29.3
Total	**294.7**	**125.0**

7.8. Loans and other receivables to other banks

	as at **31 Mar 2020**	as at **31 Dec 2019**	as at **31 Mar 2019**
Current accounts	521.2	258.3	433.9
Interbank deposits	111.9	74.1	5.1
Loans and advances	205.4	204.1	248.4
Placed call deposits	243.8	262.1	300.6
Total (gross)	**1 082.3**	**798.6**	**988.0**
Impairment for expected losses, including:	0.0	-0.1	-0.1
concerning loans and advances	0.0	-0.1	-0.1
Total (net)	**1 082.3**	**798.5**	**987.9**

7.9. Financial assets held for trading

	as at **31 Mar 2020**	as at **31 Dec 2019**	as at **31 Mar 2019**
Valuation of derivatives	**1 090.5**	**554.3**	**692.8**
Other financial assets held for trading, including:	**272.4**	**669.9**	**1 541.5**
debt securities:	228.1	498.4	773.9
Treasury bonds	210.2	480.6	755.1
European Investment Bank bonds	17.9	17.8	18.8
repo transactions	44.3	171.5	767.6
Total	**1 362.9**	**1 224.2**	**2 234.3**

Interim condensed consolidated financial statements (PLN million)

7.10. Investment securities

	as at 31 Mar 2020	as at 31 Dec 2019	as at 31 Mar 2019
Measured at fair value through other comprehensive income (FVOCI), including:	**22 392.3**	**21 244.1**	**17 782.1**
debt securities, including:	22 280.5	21 133.4	17 669.3
treasury bonds	19 743.9	18 682.4	15 259.7
treasury bonds in EUR	1 023.6	982.6	969.5
European Investment Bank bonds	1 034.3	1 021.5	992.1
Austrian government bonds	478.7	446.9	448.0
equity instruments, including:	111.8	110.7	112.8
Biuro Informacji Kredytowej S.A.	63.8	63.8	83.9
Krajowa Izba Rozliczeniowa S.A.	14.7	14.7	15.2
other	33.3	32.2	13.7
Measured at amortised cost, including:	**17 803.9**	**12 580.4**	**12 195.2**
debt securities, including:	17 803.9	12 580.4	12 195.2
treasury bonds	10 541.6	5 962.9	5 972.9
treasury bonds in EUR	4 036.9	3 272.7	3 335.2
BGK bonds	514.3	508.5	518.7
European Investment Bank bonds	2 639.1	2 606.4	2 268.4
NBP bills	72.0	229.9	100.0
Total	**40 196.2**	**33 824.5**	**29 977.3**

7.11. Loans and receivables to customers

	as at 31 Mar 2020	as at 31 Dec 2019	as at 31 Mar 2019
Measured at amortised cost	123 459.7	118 127.8	107 181.3
Measured at fair value through profit or loss	148.7	160.3	206.1
Total (net)	**123 608.4**	**118 288.1**	**107 387.4**

Interim condensed consolidated financial statements (PLN million)

Loans and other receivables measured at amortised cost

	as at 31 Mar 2020			as at 31 Dec 2019			as at 31 Mar 2019		
	gross	impairment	**net**	gross	impairment	**net**	gross	impairment	**net**
Portfolio of loans, including:	**123 904.5**	**-2 801.5**	**121 103.0**	**118 312.3**	**-2 481.3**	**115 831.0**	**108 238.7**	**-2 284.4**	**105 954.3**
households	61 317.9	-1 414.1	59 903.8	58 524.1	-1 239.2	57 284.9	50 644.9	-1 151.9	49 493.0
business entities	59 611.3	-1 387.2	58 224.1	56 769.0	-1 241.8	55 527.2	54 460.5	-1 132.2	53 328.3
the government and self-government institutions' sector	2 975.3	-0.2	2 975.1	3 019.2	-0.3	3 018.9	3 133.3	-0.3	3 133.0
Total, including:	**123 904.5**	**-2 801.5**	**121 103.0**	**118 312.3**	**-2 481.3**	**115 831.0**	**108 238.7**	**-2 284.4**	**105 954.3**
Corporate banking segment	**72 928.8**	**-1 891.8**	**71 037.0**	**69 916.7**	**-1 686.0**	**68 230.7**	**66 846.6**	**-1 508.4**	**65 338.2**
loans in the current account	11 871.7	-550.1	11 321.6	11 515.3	-515.8	10 999.5	12 286.3	-472.4	11 813.9
term loans and advances	43 599.3	-1 211.8	42 387.5	41 166.6	-1 067.4	40 099.2	38 337.1	-953.4	37 383.7
leasing receivables	9 608.4	-81.9	9 526.5	9 396.8	-62.1	9 334.7	8 673.6	-55.5	8 618.1
factoring receivables	5 373.9	-47.4	5 326.5	5 333.4	-40.1	5 293.3	5 038.5	-26.6	5 011.9
corporate and municipal debt securities	2 475.5	-0.6	2 474.9	2 504.6	-0.6	2 504.0	2 511.1	-0.5	2 510.6
Retail banking segment	**50 975.7**	**-909.7**	**50 066.0**	**48 395.6**	**-795.3**	**47 600.3**	**41 392.1**	**-776.0**	**40 616.1**
mortgages	43 214.2	-237.3	42 976.9	40 807.0	-209.6	40 597.4	34 589.5	-227.8	34 361.7
loans in the current account	627.3	-54.4	572.9	645.2	-48.7	596.5	588.9	-47.7	541.2
other loans and advances	7 134.2	-618.0	6 516.2	6 943.4	-537.0	6 406.4	6 213.7	-500.5	5 713.2
Other receivables, including:	**2 356.7**	**0.0**	**2 356.7**	**2 296.8**	**0.0**	**2 296.8**	**1 227.0**	**0.0**	**1 227.0**
complex call deposits	1 936.5	0.0	1 936.5	1 598.6	0.0	1 598.6	1 029.7	0.0	1 029.7
other receivables	420.2	0.0	420.2	698.2	0.0	698.2	197.3	0.0	197.3
Total	**126 261.2**	**-2 801.5**	**123 459.7**	**120 609.1**	**-2 481.3**	**118 127.8**	**109 465.7**	**-2 284.4**	**107 181.3**

Interim condensed consolidated financial statements (PLN million)

Quality of loan portfolio

	as at 31 Mar 2020			as at 31 Dec 2019			as at 31 Mar 2019		
	gross	impairment	**net**	gross	impairment	**net**	gross	impairment	**net**
Corporate banking	**72 928.8**	**-1 891.8**	**71 037.0**	**69 916.7**	**-1 686.0**	**68 230.7**	**66 846.6**	**-1 508.4**	**65 338.2**
assets in stage 1	63 155.4	-125.7	63 029.7	61 733.3	-67.0	61 666.3	58 546.5	-68.5	58 478.0
assets in stage 2	6 759.9	-190.0	6 569.9	5 261.7	-144.9	5 116.8	5 856.8	-149.6	5 707.2
assets in stage 3	3 012.2	-1 576.1	1 436.1	2 920.2	-1 474.1	1 446.1	2 443.3	-1 290.3	1 153.0
POCI assets	1.3	0.0	1.3	1.5	0.0	1.5	0.0	0.0	0.0
Retail banking	**50 975.7**	**-909.7**	**50 066.0**	**48 395.6**	**-795.3**	**47 600.3**	**41 392.1**	**-776.0**	**40 616.1**
assets in stage 1	46 334.6	-64.3	46 270.3	44 045.1	-56.2	43 988.9	35 906.9	-49.8	35 857.1
assets in stage 2	3 950.4	-333.1	3 617.3	3 741.9	-304.2	3 437.7	4 858.0	-257.3	4 600.7
assets in stage 3	690.7	-512.3	178.4	608.6	-434.9	173.7	627.2	-468.9	158.3
Total loan portfolio	**123 904.5**	**-2 801.5**	**121 103.0**	**118 312.3**	**-2 481.3**	**115 831.0**	**108 238.7**	**-2 284.4**	**105 954.3**

The Group identifies POCI financial assets whose carrying value as at 31 March 2020 is PLN 1.3 million (PLN 0.0 million as at 31 March 2019). These are exposures due to impaired receivables acquired in connection with the acquisition of SKOK Bieszczadzka in 2017 and exposures that have been significantly modified as a result of restructuring, which necessitated the removal of the original credit commitment and the re-recognition of the asset in the statement of financial position

Interim condensed consolidated financial statements (PLN million)

Changes in impairment for expected losses

	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020				1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019			
	Stage 1	Stage 2	Stage 3	**Total**	Stage 1	Stage 2	Stage 3	**Total**
Opening balance of impairment	**123.2**	**449.1**	**1 909.0**	**2 481.3**	**114.2**	**424.8**	**1 731.0**	**2 270.0**
Changes in the period, including:	**66.8**	**74.0**	**179.4**	**320.2**	**4.1**	**-17.9**	**28.2**	**14.4**
impairments for granted loans during the period	39.3	-	-	**39.3**	21.7	-	-	**21.7**
transfer to stage 1	10.4	-54.7	-1	**-45.3**	8.0	-57.0	-1.7	**-50.7**
transfer to stage 2	-19.0	133.0	-9.1	**104.9**	-10.3	85.2	-10.3	**64.6**
transfer to stage 3	-0.9	-36.4	150.5	**113.2**	-0.9	-32.0	145.1	**112.2**
change in the estimation of an impairment loss expected	36.4	30.2	32.9	**99.5**	-14.3	-14.3	11.2	**-17.4**
derecognition from the balance sheet (write-downs, sale)	-	-	-15.1	**-15.1**	0.0	0.0	-133.7	**-133.7**
calculation and write-off of effective interest	-	-	21.8	**21.8**	0.0	0.0	18.2	**18.2**
other	0.6	1.9	-0.6	**1.9**	0.0	0.2	-0.6	**-0.4**
Closing balance of impairment	**190.0**	**523.1**	**2 088.4**	**2 801.5**	**118.3**	**406.9**	**1 759.2**	**2 284.4**

7.12. Debt securities

	as at **31 Mar 2020**	as at **31 Dec 2019**	as at **31 Mar 2019**
Debt securities held for trading	228.1	498.4	773.9
Debt securities measured at fair value through other comprehensive income	22 280.5	21 133.4	17 669.3
Debt securities measured at amortised cost in the investment securities portfolio	17 803.9	12 580.4	12 195.3
Debt securities measured at amortised cost in the loans and other receivables to customers portfolio	2 474.9	2 504.0	2 510.6
Total	**42 787.4**	**36 716.2**	**33 149.1**

7.13. Liabilities to other banks

	as at **31 Mar 2020**	as at **31 Dec 2019**	as at **31 Mar 2019**
Current accounts	347.1	474.9	248.7
Interbank deposits	199.5	1 559.5	574.2
Loans received*	3 782.5	3 639.5	3 543.4
Repo transactions	1 535.7	31.1	0.0
Margin call	725.3	549.2	611.4
Other	34.2	1.9	26.6
Total	**6 624.3**	**6 256.1**	**5 004.3**

*) The financing of the long-term leasing contracts in EUR ("the matched funding") received by the subsidiary ING Lease Polska Sp. z o.o. from ING Bank NV and other banks not related to the Group is presented in item Loans received.

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7.14. Financial liabilities at fair value through profit or loss

	as at 31 Mar 2020	as at 31 Dec 2019	as at 31 Mar 2019
Valuation of derivatives	**974.5**	**667.2**	**711.4**
Other financial liabilities at fair value through profit or loss, including:	**53.1**	**247.9**	**618.5**
liabilities due to short position of securities	43.4	167.2	618.5
financial liabilities held for trading, including:	9.7	80.7	0.0
repo transactions	9.7	80.7	0.0
Total	**1 027.6**	**915.1**	**1 329.9**

7.15. Liabilities to customers

	as at 31 Mar 2020	as at 31 Dec 2019	as at 31 Mar 2019
Deposits, including:	**137 489.4**	**128 800.1**	**118 653.1**
households	93 434.1	87 643.7	80 732.7
business entities	41 880.5	36 191.2	35 548.5
the government and self-government institutions' sector	2 174.8	4 965.2	2 371.9
Total (gross), including:	**137 489.4**	**128 800.1**	**118 653.1**
Corporate banking	**52 497.3**	**49 848.1**	**44 854.9**
current accounts	36 864.7	34 707.2	28 041.2
savings accounts	14 371.8	13 513.1	12 675.1
term deposits	1 260.8	1 627.8	4 138.6
Retail banking	**84 992.1**	**78 952.0**	**73 798.2**
current accounts	17 720.6	15 706.7	13 740.4
savings accounts	64 941.0	60 812.0	57 778.5
term deposits	2 330.5	2 433.3	2 279.3
Other liabilities, including:	**2 159.3**	**1 673.4**	**1 760.9**
liabilities under cash collateral	411.3	400.1	404.0
other liabilities	1 748.0	1 273.3	1 356.9
margin call	72.4	11.6	8.2
liabilities under repo transactions	559.5	0.0	9.1
other liabilities	1 116.1	1 261.7	1 339.6
Total	**139 648.7**	**130 473.5**	**120 414.0**

7.16. Provisions

	as at 31 Mar 2020	as at 31 Dec 2019	as at 31 Mar 2019
Provision for off-balance sheet liabilities	89.7	107.1	75.5
Provision for retirement benefits	56.7	55.9	41.7
Provision for disputes	18.1	18.1	35.0
Other provisions	21.8	24.6	0.0
Total	**186.3**	**205.7**	**152.2**

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

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7.17. Fair value

Please find below the breakdown of carrying amounts of financial assets and liabilities into individual categories of valuation levels. In 2020, there were no movements between particular valuation levels.

as at **31 Mar 2020**

	Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	**22 508.6**	**2 166.3**	**260.5**	**24 935.4**
Valuation of derivatives	**-**	**1 090.5**	**-**	**1 090.5**
Financial assets held for trading, including:	**228.1**	**-**	**-**	**228.1**
debt securities, including:	228.1	-	-	228.1
treasury bonds	210.2	-	-	210.2
European Investment Bank bonds	17.9	-	-	17.9
Derivative hedge instruments	**-**	**1 075.8**	**-**	**1 075.8**
Financial assets measured at fair value through other comprehensive income, including:	**22 280.5**	**-**	**111.8**	**22 392.3**
debt securities, including:	22 280.5	-	-	22 280.5
treasury bonds	19 743.9	-	-	19 743.9
treasury bonds in EUR	1 023.6	-	-	1 023.6
European Investment Bank bonds	1 034.3	-	-	1 034.3
Austrian Government bonds	478.7	-	-	478.7
equity instruments	-	-	111.8	111.8
Loans and other liabilities measured at fair value through profit or loss	**-**	**-**	**148.7**	**148.7**
Financial liabilities, including:	**43.4**	**1 484.9**	**-**	**1 528.3**
Valuation of derivatives	**-**	**974.5**	**-**	**974.5**
Other financial liabilities measured at fair value through profit or loss, including:	**43.4**	**-**	**-**	**43.4**
book short position in trading securities	43.4	-	-	43.4
Derivative hedge instruments	**-**	**510.4**	**-**	**510.4**

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as at **31 Dec 2019**

	Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	**21 768.4**	**1 405.9**	**271.0**	**23 445.3**
Valuation of derivatives	-	554.3	-	554.3
Financial assets held for trading, including:	669.9	-	-	669.9
debt securities, including:	498.4	-	-	498.4
treasury bonds	480.6	-	-	480.6
European Investment Bank bonds	17.8	-	-	17.8
Repo transactions	171.5	-	-	171.5
Derivative hedge instruments	-	851.6	-	851.6
Financial assets measured at fair value through other comprehensive income, including:	21 098.5	-	110.7	21 209.2
debt securities, including:	21 098.5	-	-	21 098.5
treasury bonds	18 647.5	-	-	18 647.5
treasury bonds in EUR	982.6	-	-	982.6
European Investment Bank bonds	1 021.5	-	-	1 021.5
Austrian Government bonds	446.9	-	-	446.9
equity instruments	-	-	110.7	110.7
Loans and other liabilities measured at fair value through profit or loss	-	-	160.3	160.3
Financial liabilities, including:	**247.9**	**1 213.2**	**-**	**1 461.1**
Valuation of derivatives	-	667.2	-	667.2
Other financial liabilities measured at fair value through profit or loss, including:	247.9	-	-	247.9
book short position in trading securities	167.2	-	-	167.2
financial liabilities held for trading	80.7	-	-	80.7
Derivative hedge instruments	-	546.0	-	546.0

In 1 quarter 2020 the measurement techniques for Stages 1 and 2 did not change. The financial assets classified to measurement stage 3 as at 31 March 2020 include unquoted equity instruments and loans which did not meet the SPPI criterion as per IFRS 9.

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

Methodology of the fair value measurement of the lending portfolio is based on the discounted cash flow method. In this method, the expected cash flows and individual payment dates discount factors are estimated for each measured contract; the value of the discounted cash flows as at the measurement date is also determined. Pricing models are fed with business parameters for individual contracts and parameters observable by the market such as interest rate curves, liquidity cost and capital cost. The change of the parameters used in the measurement did not have a material impact on the measurement as at 31 March 2020.

In 1 quarter 2020 the revaluation of the equity instruments classified to measurement level 3 recognised in the comprehensive income totalled PLN 1.1 million.

The measurement impact of equity instruments and the loans classified to measurement level 3 for income statement was insignificant.

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

as at **31 Mar 2020**

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	TOTAL
Investment securities measured at amortised cost	**17 803.9**	**17 845.5**	**72.0**	**0.0**	**17 917.5**
treasury bonds	10 541.6	10 339.7	0.0	0.0	10 339.7
treasury bonds in EUR	4 036.9	4 377.9	0.0	0.0	4 377.9
Bank Gospodarstwa Krajowego bonds	514.3	525.2	0.0	0.0	525.2
European Investment Bank bonds	2 639.1	2 602.7	0.0	0.0	2 602.7
NBP bills	72.0	0.0	72.0	0.0	72.0
Loans and receivables to customers at amortised cost	**123 459.7**	**0.0**	**0.0**	**123 455.2**	**123 455.2**
Corporate banking segment, including:	**71 037.0**	**0.0**	**0.0**	**71 192.6**	**71 192.6**
loans and advances (in the current account and term ones)	53 709.1	0.0	0.0	53 825.3	53 825.3
leasing receivables	9 526.5	0.0	0.0	9 586.4	9 586.4
factoring receivables	5 326.5	0.0	0.0	5 326.5	5 326.5
corporate and municipal debt securities	2 474.9	0.0	0.0	2 454.4	2 454.4
Retail banking segment, including:	**50 066.0**	**0.0**	**0.0**	**49 905.9**	**49 905.9**
mortgages	42 976.9	0.0	0.0	42 785.0	42 785.0
other loans and advances	7 089.1	0.0	0.0	7 120.9	7 120.9
Other receivables	2 356.7	0.0	0.0	2 356.7	2 356.7
Subordinated liabilities	**2 278.1**	**0.0**	**0.0**	**2 289.2**	**2 289.2**

as at **31 Dec 2019**

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

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7.18. Total capital ratio

	as at 31 Mar 2020	as at 31 Dec 2019	as at 31 Mar 2019
Own funds			
A. Own equity in the statement of financial position, including:	**17 341.0**	**15 223.3**	**13 428.9**
A.I. Own equity included in the own funds calculation	12 616.7	12 879.3	11 969.1
A.II. Own equity excluded from own funds calculation	4 724.3	2 344.0	1 459.8
B. Other elements of own funds (decreases and increases), including:	**1 711.8**	**1 712.4**	**762.8**
subordinated debt	2 276.2	2 129.3	1 075.0
goodwill and other intangible assets	-516.9	-521.5	-428.5
AIRB shortfall/surplus of credit risk adjustments to expected losses	-104.0	-67.4	-142.4
adjustment in the transitional period due to adaptation to IFRS 9 requirements*	181.5	220.3	259.9
value adjustments due to the requirements for prudent valuation	-125.0	-48.3	-1.2
Own funds taken into account in total capital ratio calculation (A.I. + B), including:	**14 328.5**	**14 591.7**	**12 731.9**
Core Tier 1 capital	12 052.3	12 462.4	11 656.9
Tier 2 capital	2 276.2	2 129.3	1 075.0
Risk weighted assets	**90 936.1**	**86 477.3**	**80 471.3**
for credit risk	80 325.3	75 706.5	69 940.9
for operational risk	9 810.7	8 762.9	8 762.9
other	800.1	2 007.9	1 767.5
Total capital requirements	**7 274.8**	**6 918.2**	**6 437.7**
Total capital ratio (TCR)	**15.76%**	**16.87%**	**15.82%**
Minimum required level	11.002%	13.955%	13.963%
Surplus TCR ratio (p.p)	4.76	2.91	1.86
Tier 1 ratio (T1)	**13.25%**	**14.41%**	**14.49%**
Minimum required level	9.002%	11.955%	11.963%
Surplus T1 ratio (p.p)	4.25	2.45	2.53

*) When calculating the capital ratios, the Group was using the transitional provisions concerning alleviation of the IFRS 9 implementation impact on own funds. If the IFRS 9 implementation impact had been recognised in full, the total capital ratio would have arrived at 15.57% and the Tier 1 capital ratio at 13.07%.

8. Factors potentially affecting the financial results in the following quarters

- Due to the COVID-19 epidemic, the world economy is in a state of recession. The International Monetary Fund warns that the decline in GDP will be stronger than during the financial crisis of 2008-2009. The current ING group forecasts indicate a 7% decline in GDP in 2020 in the US and a 5% decline in the euro area.
- The external environment enforces expansive monetary policy by major central banks. The Federal Reserve has reduced interest rates to 0%, it also conducts unprecedented, unlimited purchases on the Treasury bond and mortgage-backed assets market. The European Central Bank does the same - its authorities announced, among others purchase of EUR 750 billion of assets under the pandemic eradication program and launch of the OMT rescue operation on a potentially unlimited scale.
- Fiscal policy in developed economies is also expansive. The US authorities have adopted a package of measures worth 10% of GDP, further stimulation of the economy is being considered. Governments of the eurozone have declared direct budget support of 2% of GDP and a guarantee package close to 10% of GDP. Solutions are still being discussed at EU level, although Germany and Northern European countries are still opposed to issuing EU bonds and debt sharing.

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- The global recession will not omit Poland. ING forecasts indicate a decline in GDP by circa 4.5% in 2020. The instruments introduced by the NBP and the government are similar to actions taken to alleviate the economic effects of a pandemic by Western European countries. Since mid-March, the Monetary Policy Council has reduced its basic interest rates by 100bp in total, the reference rate to 0.5% and introduced the purchase of Treasury bonds and Treasury securities and securities guaranteed by the State Treasury on the secondary market. ING estimates that the total value of purchased bonds will reach at least 8.4% of GDP. The Monetary Policy Council also lowered the required reserve rate from 3.5% to 0.5% and introduced their interest rate at the level of the reference rate.
- In parallel, the government is implementing the so-called anti-crisis shield worth approximately PLN 230 billion (10.5% of GDP), which includes exemptions from Social Security contributions, subsidies for maintaining jobs, public investments, and loan guarantees. Recently, the government has announced financial shield of the Polish Development Fund (PFR) - a loan program to support liquidity in companies worth PLN 100 billion (4.5% of GDP). Even 60% of the value of these loans (75% in the case of small and medium-sized enterprises) will be able to be redeemed if they operate and retain employment at that time. These loans will be financed from PFR bonds, guaranteed by the State Treasury, which will eventually be largely purchased by the National Bank of Poland. As a result, in 2020 the public finance sector deficit will reach 11% of GDP, according to the ESA2010 methodology.
- According to ING Bank Śląski economists, the EUR / PLN exchange rate will remain above 4.40 for most of 2020. The scale of the expected purchase of bonds by the NBP in relation to GDP is almost as much as the Federal Reserve operations implemented during the first quantitative easing program (9% of GDP). The dollar is the world's reserve currency, but it did not save it from weakening as a consequence of these operations. The measures taken so far in Poland are more aggressive than in other countries of the region. In our opinion, this means that the strengthening of PLN to CZK or HUF, which has been ongoing since the outbreak of the epidemic in Europe, is over.

9. Off-balance sheet items

	as at **31 Mar 2020**	as at **31 Dec 2019**	as at **31 Mar 2019**
Off-balance sheet liabilities granted	36 124.9	36 547.7	34 290.0
Off-balance sheet liabilities received	106 961.6	96 981.1	100 030.8
Off-balance sheet financial instruments	752 208.0	646 273.0	561 574.1
Total off-balance sheet items	**895 294.5**	**779 801.8**	**695 894.9**

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

In the first quarter of 2020, there were no issues, redemption or repayment of debt and equity securities.

As at 31 March 2020 and 31 December 2019, the Group had liabilities under the issue of mortgage bonds issued as part of the 2019 Mortgage Bond Issue Program established in ING Bank Hipoteczny S.A. (“Program"). The purpose of establishing the Program was to create a legal infrastructure under which the Group will be able to issue covered bonds both on the local and foreign market. The funds obtained from the inaugural 5-year "green" issue, carried out under the Program, were used to refinance PLN mortgage loans of natural persons secured on real estate belonging to 15% of the most energy-efficient buildings in Poland. The issue will be redeemed in October 2024.

11. Dividends paid

The Management Board of the Bank decided to change the application regarding the distribution of profit for 2019 and the draft resolution submitted to the General Meeting regarding the distribution of profit for 2019 in such a way that the amount previously allocated for dividend, i.e. PLN 494.380.000.00, will be left undistributed. Detailed information can be found in the interim condensed consolidated financial statements in the Additional information chapter in point 2. Important events in the first quarter of 2020.

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

12. Settlements due to disputable cases

ING Bank Śląski maintains detailed records of court cases and other liabilities being legal claims. The Bank establishes reserves for the cases, which in the opinion of the legal staff and/or management staff are encumbered with a high risk of losing the case or it is impossible to recover the lost assets. Possible future settlements are made against the reserves established.

Provision for disputes

The value of the proceedings conducted in Q1 2020 concerning liabilities and debt claims did not exceed 10% of the Group's equity. The Group is of the opinion that none of the proceedings conducted in 2020 before court, competent authority for arbitration proceedings or public administration authority, pose a risk to the Group's financial liquidity, individually or in total.

Changes to the litigation reserves (in PLN million)

	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020	**1 quarter 2019** the period from 01 Jan 2019 to 31 Mar 2019
Opening balance	**18.1**	**32.5**
provisions recognised	0.3	3.3
provisions reversed	-0.3	-0.4
provisions utilised	0.0	-0.3
reclassifications	0.0	-0.1
Closing balance	**18.1**	**35.0**

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

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

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

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

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

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

The bank responded to the allegations and submitted an application for a commitment decision, including in part a change to the modification clauses. The bank applied for discontinuing the proceedings and concluding an agreement between UOKiK and the Bank, while declaring that certain solutions would be introduced. By letter of 25 March 2020, UOKiK extended the proceedings.

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

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

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

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

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

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

Following the ruling, the President's decision became final and binding and in October 2015 the Bank paid the fine of PLN 14.1 million as ruled.

The Bank and other banks participating in the proceedings alike lodged a complaint for annulment of the judgment of the Court of Appeal. On 25 October 2017, the Supreme Court repealed the judgment of the Court of Appeal and referred the case thereto for re-review. In line with the position of the Office of Competition and Consumer Protection, the fine paid was refunded to the Bank.

Currently, proceedings are pending before the Court of Appeal, which on 24 October 2018 adjourned the hearing without setting a date for the next hearing, and imposing specific obligations on the parties' representatives regarding the submission of declarations or documents.

Due to the lack of final decisions, the amount of the penalty returned was not included in the profit and loss account. As at 31 March 2020, the Group maintains a provision of PLN 14.1 million.

Other provisions

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

<u>Legal risk related to the portfolio of loans indexed to CHF</u>

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

As at 31 March 2020, the Bank had PLN 926.0 million gross worth of retail mortgage loans indexed in CHF (in total loans indexed to various currencies amounted to PLN 946.0 million). The Bank does not have any mortgage loans denominated in foreign currencies.

As at 31 March 2020, the Bank had 196 pending court cases relating to agreements on PLN-loans indexed to the Swiss franc. The total balance sheet value of the exposures covered by the said proceedings was PLN 64.7 million.

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

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

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

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

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

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

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

As at 31 March 2020, the total amounts of impairment allowances and provisions arising from legal risk for the portfolio of mortgage loans indexed to CHF amounted to PLN 35.4 million, respectively, for loans still disclosed in the statement of financial position (the amount presented as a reduction of receivables from the said loans) and PLN 9 .6 million for loans already removed from the statement of financial position (amount presented in liabilities under "Provisions").

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

On 11 September 2019, the European Court of Justice (CJEU) announced its judgment in the case of the question referred by the Lublin-Wschód District Court for a preliminary ruling regarding the interpretation of Art. 16 clause 1 of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on consumer credit agreements. The Act on consumer credit in force in Poland (UKK) contains in art. A similar provision, which up to 2016 had no interpretation doubts, and banks, as a rule, charging a commission for granting a loan, did not return to the client in the event of early repayment (except for withdrawal from the contract). Discussion on the interpretation of art. 49 UKK started UOKiK by issuing a joint position with the Financial Ombudsman in 2016, according to which in the event of early repayment of a consumer loan all possible costs of such a loan should be reduced, irrespective of their nature and regardless of when these costs were actually borne by the borrower this reduction is to be proportional, i.e. refer to the period from the date of actual repayment of the loan to the date of final repayment specified in the contract. The judgment of the CJEU resolves this issue in such a way that in the event of early repayment of consumer credit, the Bank should:

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

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

In connection with the judgment of the CJEU and the statement of the Office of Competition and Consumer Protection, the Group currently automatically returns proportionally the commission in the event of early repayment of consumer credit (for repayments made after 11 September 2019). For early repayments made before 11 September 2019, the Group makes returns if the customer submits a complaint and its verification shows that the return is justified.

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

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

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

13. Seasonality or cyclicity of activity

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

14. Transactions with related entities

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 31 Mar 2020 held 75% share in the initial capital of ING Bank Śląski and 75% shares in the total number of votes at the General Meeting of Shareholders.

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

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

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

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

Transactions between related entities (PLN million)

	ING Bank NV	other ING Group entities	associated entities	ING Bank NV	other ING Group entities	associated entities
	as at **31 Mar 2020**			as at **31 Mar 2019**		
Receivables						
Current accounts	235.3	7.6	-	22.4	3.2	-
Deposits placed	112.0	-	-	-	-	-
Loans	15.6	30.8	-	30.1	150.5	-
Positive valuation of derivatives	112.0	20.7	-	75.6	36.9	-
Other receivables	4.1	3.5	-	1.3	0.4	-
Liabilities						
Deposits received	87.3	61.5	53.0	33.1	35.4	1.8
Loans received	3 619.9	-	-	3 326.1	-	-
Subordinated loan	2 278.2	-	-	1 077.2	-	-
Loro accounts	21.3	45.5	-	14.9	28.9	-
Negative valuation of derivatives	117.5	16.6	-	49.6	32.4	-
Other liabilities	58.0	2.5	-	58.6	2.3	-
Off-balance-sheet operations						
Off-balance sheet liabilities granted	572.1	2 128.4	0.1	548.5	3 017.0	-
Off-balance sheet liabilities received	871.4	754.9	-	985.3	549.2	-
FX transactions	10 204.7	5.5	-	8 253.2	57.6	-
Forward transactions	-	-	-	143.4	-	-
IRS	1 998.8	1 341.5	-	2 619.0	2 616.9	-
Options	3 782.7	31.2	-	2 968.6	36.1	-

	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020			**1 quarter 2019** the period from 01 Jan 2019 to 31 Mar 2019		
Income and expenses						
Income, including:	**-45.1**	**4.8**	**11.8**	**5.5**	**7.5**	**-**
interest and commission income/expenses	-12.9	1.3	11.8	-4.5	0.9	-
income on financial instruments	-32.3	3.2	-	10.6	5.3	-
net income on other basic activities	0.1	0.3	-	-0.6	1.3	-
General and administrative expenses	36.6	2.4	-	17.8	3.3	-
Outlays for non-current assets						
Outlays for intangible assets	0.4	-	-	-	0.9	-

15. Segment reporting

Segments of operation

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

- retail banking segment,
- corporate banking segment.

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

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

Retail banking segment

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

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

Corporate banking segment

Corporate banking area encompasses as follows:

- providing services to institutional clients,
- sole traders,
- Financial Markets products.

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

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

Measurement

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

Revenue, costs, results, assets and liabilities for a given segment account for elements that are directly attributable to the segment in question, as well as element that may be attributed to that segment based on reasonable premises. The Group presents segment's interest income reduced by the cost of the interest. In 1 quarter 2019 the Group revised the allocation key for the ALCO's income. The data for previous periods presented herein were made comparable.

Interim condensed consolidated financial statements (PLN million)

1 quarter 2020 the period from 1 Jan 2020 to 31 Mar 2020

	Retail banking segment	Corporate banking segment	TOTAL
Income total	**737.3**	**821.0**	**1 558.3**
net interest income	616.9	535.2	1 152.1
net commission income	102.4	256.7	359.1
commission income:	170.8	289.8	460.6
transaction margin on currency exchange transactions	17.1	88.4	105.5
account maintenance fees	23.8	56.3	80.1
lending commissions	5.3	87.6	92.9
payment and credit cards fees	63.0	21.4	84.4
participation units distribution fees	20.1	0.0	20.1
insurance product offering commissions	31.3	7.1	38.4
factoring and lease agreements commissions	0.0	7.3	7.3
other commisions	10.2	21.7	31.9
commission expenses	68.4	33.1	101.5
other income/expenses	18.0	29.1	47.1
Expenses total	**384.2**	**390.8**	**775.0**
Segment result	**353.1**	**430.2**	**783.3**
Impairment losses	109.5	185.2	294.7
Tax on certain financial institutions	46.5	69.5	116.0
Share of profit (loss) of associates accounted for using the equity method	4.4	0.0	4.4
Segment gross profit	**201.5**	**175.5**	**377.0**
Income tax	-	-	109.7
Net profit	-	-	**267.3**
- attributable to shareholders of ING Bank Śląski S.A.	-	-	267.3
Allocated capital	7 057.9	10 283.1	17 341.0
ROE – return on capital (%)*	13.8	8.6	10.6

*) ROE - return on capital ratio - net profit ratio for ING Bank Śląski S.A. shareholders from the next 4 quarters to the average equity from the next 5 quarters.

Interim condensed consolidated financial statements (PLN million)

1 quarter 2019 the period from 1 Jan 2019 to 31 Mar 2019

	Retail banking segment	Corporate banking segment	TOTAL
Income total	**656.2**	**730.2**	**1 386.4**
net interest income	541.7	478.5	1 020.2
net commission income	91.1	226.7	317.8
commission income:	146.6	253.0	399.6
transaction margin on currency exchange transactions	12.2	78.7	90.9
account maintenance fees	24.4	46.1	70.5
lending commissions	6.2	76.3	82.5
payment and credit cards fees	55.5	17.6	73.1
participation units distribution fees	16.0	0.0	16.0
insurance product offering commissions	25.2	4.6	29.8
factoring and lease agreements commissions	0.0	7.1	7.1
other commisions	7.1	22.6	29.7
commission expenses	55.5	26.3	81.8
other income/expenses	23.4	25.0	48.4
Expenses total	**378.7**	**342.4**	**721.1**
Segment result	**277.5**	**387.8**	**665.3**
Impairment losses	29.3	95.7	125.0
Tax on certain financial institutions	38.1	64.1	102.2
Share of profit (loss) of associates accounted for using the equity method	0.0	-0.1	-0.1
Segment gross profit	**210.1**	**227.9**	**438.0**
Income tax	-	-	113.5
Net profit	-	-	**324.5**
- attributable to shareholders of ING Bank Śląski S.A.	-	-	324.5
Allocated capital	4 964.6	8 448.7	13 413.3
ROE – return on capital (%)*	16.6	9.0	12.1

Geographical segments

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

Interim condensed consolidated financial statements (PLN million)

16. Other information

16.1. Ratings

Fitch Ratings Ltd.

The Fitch Ratings Ltd. (Fitch agency) assigns full rating to ING Bank Śląski S.A. under the agreement between the Bank and the Agency.

The full rating assigned to the Bank by Fitch as at 31 March 2020 was as follows:

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

In a statement published on 5 March 2020, the Fitch agency placed the IDR rating for ING Bank Śląski S.A. on the Under Criteria Observation (UCO) rating list with the option of increasing it.

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

Then, in a statement published on 6 April 2020, Fitch agency made two independent decisions regarding the Bank's ratings. First, as per previous information about the change in rating criteria for banks (published on 28 February 2020, explanation below), Fitch has upgraded the Long-Term Issuer Default Rating (Long-Term IDR) of the Bank to “A+” from “A” and the Short-Term Issuer Default Rating (Short-Term IDR) of the Bank to “F1+” from “F1”, while removing them from the Under Criteria Observation (UCO) status.

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

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

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

As at the date of signing the report for the first quarter of 2020, the Bank's rating from the Fitch Agency

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

Moody's Investors Service Ltd.

The Moody's Investors Service Ltd. Agency assigns rating to ING Bank Śląski S.A. on the basis of the universally available public information. In the press release published on 15 October 2019 Moody's sustained the ratings assigned to the Bank.

As at 31 March 2020, the Bank's financial viability rating issued by the Moody's Agency was as follows:

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

In the announcement published on 21 October 2019, the Agency upheld the ratings assigned to the bank. The agency emphasized in its communication that the Bank's rating reflects:

- good quality, though unseasoned, bank loan portfolio with very limited exposure to foreign currency mortgage loans,
- adequate capital ratio,
- moderate profitability, and
- stable bank financing profile based on deposits and high liquidity buffers.

16.2. Number of Branches and ATMs, CDMs

The number of outlets of the Bank in particular periods was as follows:

	as at **31 Mar 2020**	as at **31 Dec 2019**	as at **31 Mar 2019**
Number of outlets	315	317	334
Number of ING Express sales points at shopping malls	62	67	65

As at 31 March 2020, clients could use 1.027 machines for cash self-service, including 178 standard ATMs and 849 dual machines.

As at 31 March 2019, there were 1.051 machines for cash self-service, including 190 standard ATMs and 861 dual machines.

16.3. Electronic distribution channels

Development of electronic distribution channels is one of the Bank's priorities. A regular update of this offer results in an increase of the number of Clients interested in e-banking.

The figures for electronic banking clients are as follows (the number of clients is not the same as the number of users as one client may represent several users in a given system):

	as at **31 Mar 2020**	as at **31 Dec 2019**	as at **31 Mar 2019**
Moje ING, ING BusinessOnLine (in million)	4.0	4.1	4.2
ING BankMobile. Moje ING Mobile* (in million)	3.2	4.5	3.8
HaloŚląski (in million)	0.0	0.0	2.2
ING BusinessMobile (in thousands)	28.2	26.6	22.1

*) The number of downloaded applications

The monthly number of transactions in March 2020 was at the level of 46.9 million, and in the analogical period last year it was 41.1 million.

16.4. Banking cards

ING Bank Śląski S.A. is one of the largest issuers of banking cards in Poland. The data concerning the number of payment cards issued to ING Bank Śląski S.A. clients are as follows:

in thousands	as at **31 Mar 2020**	as at **31 Dec 2019**	as at **31 Mar 2019**
debit cards	3 125	3 050	2 887
credit cards	264	271	253
other cards*	158	156	151
Total payment cards. in which:	**3 547**	**3 477**	**3 291**
paywave**	3 358	3 298	3 135
virtual cards	189	179	156

*) including charge and prepaid cards

**) cards: Contactless VISA, Contactless Visa Business, Contactless MasterCard Debit, Visa Zbliżak, Zbliżak, VISA 2016, VISA NFC, Mastercard in EUR, MasterCard Debit in phone, Mastercard in phone Business.

Interim condensed consolidated financial statements (PLN million)

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

2020-05-06	**Brunon Bartkiewicz** *President*	*The original Polish document is signed with a qualified electronic signature*
2020-05-06	**Michał Bolesławski** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-05-06	**Joanna Erdman** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-05-06	**Marcin Giżycki** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-05-06	**Bożena Graczyk** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-05-06	**Sławomir Soszyński** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-05-06	**Lorenzo Tassan-Bassut** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2020-05-06	**Jolanta Alvarado Rodriguez**	Director of Accounting Department Chief Accountant	*The original Polish document is signed with a qualified electronic signature*

Interim condensed standalone financial statements (PLN million)

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

Interim condensed standalone income statement

	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020	**1 quarter 2019** the period from 01 Jan 2019 to 31 Mar 2019
Interest income, including:	1 315.1	1 211.8
Interest income calculated using effective interest rate method	1 314.3	1 210.7
Other interest income	0.8	1.1
Interest expenses	231.1	242.2
Net interest income	**1 084.0**	**969.6**
Commission income	450.4	391.6
Commission expenses	103.2	84.6
Net commission income	**347.2**	**307.0**
Net income on financial instruments at fair value through profit or loss and FX result	12.9	31.8
Net income on the sale of securities measured at amortised cost	7.3	0.0
Net income on the sale of financial assets measured at fair value through other comprehensive income and dividend income	-9.8	12.7
Net income on hedge accounting	23.7	-1.2
Net income on other basic activities	-0.1	0.4
Net income on basic activities	**1 465.2**	**1 320.3**
General and administrative expenses	739.9	690.9
Impairment for expected losses	274.9	116.6
including profit on sale of impaired receivables	4.1	9.8
Tax on certain financial institutions	116.0	102.2
Share of profit (loss) of subsidiaries and associates accounted for using the equity method	35.3	21.6
Gross profit	**369.7**	**432.2**
Income tax	102.4	107.7
Net profit	**267.3**	**324.5**
Weighted average number of ordinary shares	130 100 000	130 100 000
Earnings per ordinary share (PLN)	2.05	2.49

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

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

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

Interim condensed standalone financial statements (PLN million)

Interim condensed standalone statement of comprehensive income

	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020	**1 quarter 2019** the period from 01 Jan 2019 to 31 Mar 2019
Net profit for the period	**267.3**	**324.5**
Total other comprehensive income, including:	**1 819.7**	**150.8**
Items which can be reclassified to income statement, including:	**1 819.6**	**126.9**
debt instruments measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-232.8	-96.1
debt instruments measured at fair value through other comprehensive income – reclassification to the financial result due to sale	-1.5	2.4
loans measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-30.7	-71.7
cash flow hedging – gains/losses on revaluation carried through equity	2 174.4	389.2
cash flow hedging – reclassification to profit or loss	-89.8	-96.9
Items which will not be reclassified to income statement, including:	**0.1**	**23.9**
equity instruments measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	0.0	23.9
fixed assets revaluation	0.1	0.0
Net comprehensive income for the reporting period	**2 087.0**	**475.3**

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

Interim condensed standalone financial statements (PLN million)

Interim condensed standalone statement of financial position

	note	as at 31 Mar 2020	as at 31 Dec 2019	as at 31 Mar 2019
Assets				
Cash in hand and balances with the Central Bank		1 740.5	1 402.9	1 760.3
Loans and other receivables to other banks		4 349.4	3 285.3	1 399.4
Financial assets held for trading		1 361.4	1 224.2	2 234.3
Derivative hedge instruments		1 075.8	851.6	929.3
Investment securities		40 074.1	33 559.6	29 852.9
Loans and other receivables to customers	4.1	114 904.9	110 536.5	103 006.0
Investments in subsidiaries and associates measured at equity method		1 317.0	1 112.2	1 029.4
Property, plant and equipment		928.0	932.8	979.8
Intangible assets		403.4	408.4	419.0
Assets held for sale		2.2	3.6	12.1
Deferred tax assets		202.1	270.8	243.9
Other assets		186.4	329.4	174.2
Total assets		**166 545.2**	**153 917.3**	**142 040.6**
Liabilities				
Liabilities to other banks		2 848.7	2 622.5	1 684.4
Financial liabilities at fair value through profit or loss		1 026.2	915.1	1 329.9
Derivative hedge instruments		510.4	546.0	727.4
Liabilities to customers		139 379.6	130 036.8	120 218.3
Liabilities under issue of debt securities		0.0	0.0	302.2
Subordinated liabilities		2 278.1	2 131.1	1 077.2
Provisions		182.4	201.9	149.4
Current income tax liabilities		698.9	377.9	336.0
Other liabilities		2 419.1	1 971.2	2 874.3
Total liabilities		**149 343.4**	**138 802.5**	**128 699.1**
Equity				
Share capital		130.1	130.1	130.1
Share premium		956.3	956.3	956.3
Accumulated other comprehensive income		3 578.5	1 758.8	1 320.4
Retained earnings		12 536.9	12 269.6	10 934.7
Total equity		**17 201.8**	**15 114.8**	**13 341.5**
Total equity and liabilities		**166 545.2**	**153 917.3**	**142 040.6**
Carrying amount		17 201.8	15 114.8	13 341.5
Number of shares		130 100 000	130 100 000	130 100 000
Carrying amount per share (PLN)		132.22	116.18	102.55

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

Interim condensed standalone financial statements (PLN million)

Interim condensed standalone statement of changes in equity

1 quarter 2020
the period from 01 Jan 2020 to 31 Mar 2020

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total equity
Opening balance of equity	**130.1**	**956.3**	**1 758.8**	**12 269.6**	**0.0**	**15 114.8**
Profit for the current period				267.3	**-**	**267.3**
Other net comprehensive income, including:	**0.0**	**0.0**	**1 819.7**	**0.0**	**0.0**	**1 819.7**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	-263.5	-	-	-263.5
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	-1.5	-	-	-1.5
cash flow hedging – gains/losses on revaluation carried through equity	-	-	2 174.4	-	-	2 174.4
cash flow hedging – reclassification to profit or loss	-	-	-89.8	-	-	-89.8
fixed assets revaluation	-	-	0.1	-	-	0.1
disposal of fixed assets	-	-	-	-	-	0.0
actuarial gains/losses	-	-	-	-	-	0.0
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
valuation of share-based payments	-	-	-	-	-	0.0
profit distribution for dividend payment	-	-	-	-	-	0.0
Closing balance of equity	**130.1**	**956.3**	**3 578.5**	**12 536.9**	**0.0**	**17 201.8**

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

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

Interim condensed standalone financial statements (PLN million)

1 quarter 2019
the period from 01 Jan 2019 to 31 Mar 2019

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total equity
Opening balance of equity	**130.1**	**956.3**	**1 169.7**	**11 080.2**	**0.0**	**13 336.3**
adjustment in recognition the repo transactions	-	-	-	-14.7	-	**-14.7**
business model update for mortgage loans	-	-	-32.6	-	-	**-32.6**
Opening balance of equity adjusted for changes to the accounting principles	**130.1**	**956.3**	**1 137.1**	**11 065.5**	**0.0**	**13 289.0**
Profit for the current period				324.5	**-**	**324.5**
Other net comprehensive income, including:	**0.0**	**0.0**	**183.3**	**0.0**	**0.0**	**183.3**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	-111.4	-	-	-111.4
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	2.4	-	-	2.4
cash flow hedging – gains/losses on revaluation carried through equity	-	-	389.2	-	-	389.2
cash flow hedging – reclassification to profit or loss	-	-	-96.9	-	-	-96.9
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**-455.3**	**0.0**	**-455.3**
valuation of share-based payments	-	-	-	0.1	-	0.1
profit distribution for dividend payment	-	-	-	-455.4	-	-455.4
Closing balance of equity	**130.1**	**956.3**	**1 320.4**	**10 934.7**	**0.0**	**13 341.5**

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

Interim condensed standalone financial statements (PLN million)

Interim condensed standalone cash flow statement

	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020	1 quarter 2019 the period from 01 Jan 2019 to 31 Mar 2019
Net profit (loss)	**267.3**	**324.5**
Adjustments	**5 310.0**	**1 314.4**
Share of profit (loss) of subsidiaries and associates accounted for using the equity method	-35.3	-21.6
Depreciation and amortisation	68.9	69.4
Interest accrued (from the income statement)	-1 084.0	-969.6
Interest paid	-237.6	-234.5
Interest received	1 013.2	1 465.4
Gains (losses) on investing activities	18.9	0.0
Income tax (from the income statement)	102.4	107.7
Income tax paid from the income statement	287.3	-63.3
Change in provisions	-19.5	-0.1
Change in loans and other receivables to other banks	-835.3	-606.6
Change in financial assets held for trading	-135.2	-299.9
Change in debt securities measured at fair value through other comprehensive income	-1 521.4	2 251.9
Change in hedge derivatives	1 824.9	388.2
Change in loans and other receivables to customers	-4 228.7	-4 226.1
Change in other assets	469.6	5.3
Change in liabilities to other banks	226.2	-121.4
Change in liabilities at fair value through profit or loss	111.1	-357.3
Change in liabilities to customers	9 345.2	2 920.5
Change in other liabilities	-60.7	1 006.4
Net cash flow from operating activities	**5 577.3**	**1 638.9**
Purchase of property plant and equipment	-9.7	-475.8
Purchase of intangible assets	-12.7	-13.9
Disposal of assets held for sale	0.1	0.0
Acquisition of shares in subsidiaries	-170.0	-373.3
Purchase of debt securities measured at amortized cost	-7 985.8	-224.9
Disposal of debt securities measured at amortized cost	2 886.3	0.0
Net cash flow from investing activities	**-5 291.8**	**-1 087.9**
Long-term loans received	300.0	0.0
Interest on long-term loans repaid	4.7	-12.6
Repayment of leasing liabilities	-25.4	0.0
Net cash flow from financing activities	**279.3**	**-12.6**
Effect of exchange rate changes on cash and cash equivalents	161.1	136.7
Net increase in cash and cash equivalents	**564.8**	**538.4**
Opening balance of cash and cash equivalents	**1 997.4**	**1 956.4**
Closing balance of cash and cash equivalents	**2 562.2**	**2 494.8**

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

Additional information to the interim condensed standalone financial statements

1. Introduction

1.1. Going-concern

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

1.2. Discontinued operations

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

1.3. Compliance with International Financial Reporting Standards

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

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

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

1.4. Comparative data

The comparative data cover the period from 1 Jan 2019 to 31 Mar 2019 for the interim condensed standalone income statement, the interim condensed standalone statement of comprehensive income and the interim condensed standalone cash flow statement, additionally for the period from 1 Jan 2019 to 31 Dec 2019 for the interim condensed standalone statement of changes in equity and in the case of the interim condensed standalone statement of financial position data as at 31 Dec 2019 and 31 Mar 2019.

1.5. Financial statements scope and currency

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

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

Interim condensed standalone financial statements (PLN million)

1.6. Approval of financial statements

These interim condensed standalone financial statements have been approved by the Bank Management Board on 6 May 2020.

1.7. Changes in accounting standards

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

Change	Impact on the Group statements
Amendments to References to the Conceptual Framework in IFRS Standards	Implementation of this interpretation has no impact on the financial statements of the Group.
IAS 1 and IAS 8 Definition of materiality	Implementation of this interpretation has no impact on the financial statements of the Group.

2. Significant accounting principles and key estimates

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

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

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

3. Comparability of financial data

When compared with the interim standalone financial statements for previous periods, in the interim condensed standalone financial statements for the period from 1 January 2020 to 31 March 2020, the Bank amended the manner of presentation of individual items of the standalone income statement, standalone statement of financial position and standalone statement of cash flows. The changes are as follows:

- *adjustment to recognition of transactions in the purchase and sale of treasury bonds* (**change a**)

In the third quarter of 2019, guided by the principle of advantage of economic content over legal form in force in accounting, the Bank changed the method of recognizing transactions in treasury bonds from outright buy - outright sell transaction (buy and sell transactions) to buy-sell-back (BSB) and sell -buy-back (SBB). The adjustment also resulted in the recognition of an additional tax liability on financial institutions in the amount of PLN -0.9 million in the financial result and PLN -14.7 million in the previous years.

- *change in the presentation of receivables related to deferred payments* (**change b**)

The Bank changed the presentation of receivables related to deferred payment for sales transactions to ING Bank Hipoteczny S.A. (a subsidiary of the Bank) of the mortgage-secured housing loan portfolio.

Interim condensed standalone financial statements (PLN million)

- *updating the business model for mortgage loans that may be subject to sale to ING Bank Hipoteczny S.A.* (**change c**)

The Bank updated the assumptions regarding the issue of mortgage bonds. As the target portfolio of assets that will form the basis for the issue of green covered bonds, the Bank defined a pool of mortgage loans financing energy-efficient properties. These loans are designated for the Maintenance and Sales business model and are measured at fair value through other comprehensive income. As a result of the change, the balance of Loans and other receivables to customers valued at amortized cost as at 31 March 2019 decreased by PLN 2 811.3 million, while the balance of Loans and other receivables granted to customers valued at fair value through other comprehensive income increased by PLN 2 770.9 million.

The table below highlights the individual items of the standalone income statement as they were presented in the interim standalone financial statements for 1 quarter 2019 and in the current statements.

	the period from 1 Jan 2019 to 31 Mar 2019		
	in Standalone Financial Statements for 2019 (approved data)	change a)	in Standalone Financial Statements for Q1 2020 (comparable data)
Interest income	1 211.8		1 211.8
Interest expenses	242.2		242.2
Net interest income	**969.6**		**969.6**
Commission income	391.6		391.6
Commission expenses	84.6		84.6
Net commission income	**307.0**		**307.0**
Net income on financial instruments at fair value through profit or loss and FX result	31.8		31.8
Result on the sale of securities measured at amortized cost	0.0		0.0
Result on the sale of securities measured at fair value through other comprehensive income and dividend income	12.7		12.7
Net income on hedge accounting	-1.2		-1.2
Net income on other basic activities	0.4		0.4
Net income on basic activities	**1 320.3**		**1 320.3**
General and administrative expenses	690.9		690.9
Impairment losses	116.6		116.6
Tax on certain financial institutions	101.3	0.9	102.2.
Share in net profits of associates accounted for using the equity method	21.6		21.6
Gross profit (loss)	**433.1**	**-0.9**	**432.2**
Income tax	107.7		107.7
Net profit (loss)	**325.4**	**-0.9**	**324.5**

The table below presents individual items of the statement of financial position according to the values presented in the interim standalone financial statements as at 31 March 2019 and according to the values presented in these financial statements.

(PLN million)

	as at 31.03.2019	as at 1.01.2019 as at 31.03.2019	as at 1.01.2019 as at 31.03.2019	as at 1.01.2019 as at 31.03.2019	as at 31.03.2019
	in Standalone Financial Statements for the period from 1 Jan 2019 to 31 Mar 2019	change a)	change b)	change c)	in Standalone Financial Statements for the period from 1 Jan 2020 to 31 Mar 2020
	(approved data)				(comparable data)
Assets					
Cash in hand and balances with the Central Bank	1 760.3				1 760.3
Loans and other receivables to other banks	1 068.0		*331.4*		1 399.4
Financial assets held for trading	2 203.9	*30.4*			2 234.3
Derivative hedge instruments	929.3				929.3
Investment securities	29 852.9				29 852.9
Loans and other receivables to customers	103 046.4			*-40.4*	103 006.0
Investments in associates	1 029.4				1 029.4
Property, plant and equipment	979.8				979.8
Intangible assets	419.0				419.0
Assets held for sale	12.1				12.1
Deferred tax assets	236.1			*7.8*	243.9
Other assets	505.6		*-331.4*		174.2
Total assets	**142 042.8**	***30.4***	**0.0**	***-32.6***	**142 040.6**
Liabilities					
Liabilities to other banks	1 684.4				1 684.4
Financial liabilities at fair value through profit or loss	1 299.5	*30.4*			1 329.9
Derivative hedge instruments	727.4				727.4
Liabilities to customers	120 218.3				120 218.3
Liabilities under issue of debt securities	302.2				302.2
Subordinated liabilities	1 077.2				1 077.2
Provisions	149.4				149.4
Current income tax liabilities	336.0				336.0
Other liabilities	2 858.7	*15.6*			2 874.3
Total liabilities	**128 653.1**	***46.0***			**128 699.1**
Equity					
Share capital	130.1				130.1
Share premium	956.3				956.3
Accumulated other comprehensive income	1 353.0			*-32.6*	1 320.4
Retained earnings	10 950.3	*-15.6*			10 934.7
Total equity	**13 389.7**	***-15.6***		***-32.6***	**13 341.5**
Total equity and liabilities	**142 042.8**	***30.4***		***-32.6***	**142 040.6**

Interim condensed standalone financial statements (PLN million)

4. Supplementary notes to interim condensed standalone financial statements

4.1. Loans and other receivables to customers

	as at 31 Mar 2020	as at 31 Dec 2019	as at 31 Mar 2019
Measured at amortised cost	106 986.2	102 524.2	94 663.9
Measured at fair value through other comprehensive income	7 770.0	7 852.0	8 136.0
Measured at fair value through profit or loss	148.7	160.3	206.1
Total (net)	**114 904.9**	**110 536.5**	**103 006.0**

Some mortgage loans may be sold to ING Bank Hipoteczny S.A. as part of a so-called pooling. In connection with receipt by ING Bank Hipoteczny S.A. of the consent to start operations in the first quarter of 20190, some of the mortgage loans were designated by the Bank in that quarter for the new business model “hold to collect and sell" and are currently valued at fair value through other comprehensive income. The book value of reclassified loans as at the reclassification date was 7 904.6 million (gross balance value was 7 906.7 million), while the fair value of 7 820.6 million.

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

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

Interim condensed standalone financial statements (PLN million)

Loans and other receivables measured at amortised cost

	as at 31 Mar 2020			as at 31 Dec 2019			as at 31 Mar 2019		
	gross	impairment	**net**	gross	impairment	**net**	gross	impairment	**net**
Portfolio of loans, including:	**107 231.3**	**-2 601.8**	**104 629.5**	**102 523.3**	**-2 295.9**	**100 227.4**	**95 552.9**	**-2 116.0**	**93 436.9**
households	47 181.1	-1 397.2	45 783.9	45 328.1	-1 227.1	44 101.0	40 211.5	-1 142.6	39 068.9
business entities	57 081.1	-1 204.4	55 876.7	54 183.0	-1 068.5	53 114.5	52 214.6	-973.1	51 241.5
the government and self-government institutions' sector	2 969.1	-0.2	2 968.9	3 012.2	-0.3	3 011.9	3 126.8	-0.3	3 126.5
Total, including:	**107 231.3**	**-2 601.8**	**104 629.5**	**102 523.3**	**-2 295.9**	**100 227.4**	**95 552.9**	**-2 116.0**	**93 436.9**
Corporate banking segment	**68 210.5**	**-1 698.2**	**66 512.3**	**65 193.1**	**-1 504.7**	**63 688.4**	**62 721.8**	**-1 341.3**	**61 380.5**
loans in the current account	14 806.3	-550.0	14 256.3	14 048.4	-515.8	13 532.6	15 391.6	-472.4	14 919.2
term loans and advances	50 928.7	-1 147.6	49 781.1	48 640.1	-988.3	47 651.8	44 819.1	-868.4	43 950.7
corporate and municipal debt securities	2 475.5	-0.6	2 474.9	2 504.6	-0.6	2 504.0	2 511.1	-0.5	2 510.6
Retail banking segment	**39 020.8**	**-903.6**	**38 117.2**	**37 330.2**	**-791.2**	**36 539.0**	**32 831.1**	**-774.7**	**32 056.4**
mortgages	31 259.2	-231.2	31 028.0	29 741.6	-205.6	29 536.0	26 028.4	-226.5	25 801.9
loans in the current account	627.3	-54.4	572.9	645.2	-48.7	596.5	588.9	-47.7	541.2
other loans and advances	7 134.3	-618.0	6 516.3	6 943.4	-536.9	6 406.5	6 213.8	-500.5	5 713.3
Other receivables, including:	**2 356.7**	**0.0**	**2 356.7**	**2 296.8**	**0.0**	**2 296.8**	**1 227.0**	**0.0**	**1 227.0**
complex call deposits	1 936.5	0.0	1 936.5	1 598.6	0.0	1 598.6	1 029.7	0.0	1 029.7
other receivables	420.2	0.0	420.2	698.2	0.0	698.2	197.3	0.0	197.3
Total	**109 588.0**	**-2 601.8**	**106 986.2**	**104 820.1**	**-2 295.9**	**102 524.2**	**96 779.9**	**-2 116.0**	**94 663.9**

Interim condensed standalone financial statements (PLN million)

Quality of loan portfolio

	as at 31 Mar 2020			as at 31 Dec 2019			as at 31 Mar 2019		
	gross	impairment	**net**	gross	impairment	**net**	gross	impairment	**net**
Corporate banking	**68 210.5**	**-1 698.2**	**66 512.3**	**65 193.1**	**-1 504.7**	**63 688.4**	**62 721.8**	**-1 341.3**	**61 380.5**
assets in stage 1	61 158.0	-120.5	61 037.5	59 501.9	-62.8	59 439.1	56583.5	-61.1	56522.4
assets in stage 2	4 722.8	-179.1	4 543.7	3 430.3	-138.6	3 291.7	4195	-137	4058
assets in stage 3	2 328.4	-1 398.6	929.8	2 259.4	-1 303.3	956.1	1943.3	-1143.2	800.1
POCI assets	1.3	0.0	1.3	1.5	0.0	1.5	0.0	0.0	0.0
Retail banking	**39 020.8**	**-903.6**	**38 117.2**	**37 330.2**	**-791.2**	**36 539.0**	**32 831.1**	**-774.7**	**32 056.4**
assets in stage 1	34 438.8	-60.6	34 378.2	33 023.6	-53.7	32 969.9	27 359.1	-48.8	27310.3
assets in stage 2	3 892.1	-331.0	3 561.1	3 698.6	-302.7	3 395.9	4 845.1	-256.9	4588.2
assets in stage 3	689.9	-512.0	177.9	608.0	-434.8	173.2	626.9	-469	157.9
Total loan portfolio	**107 231.3**	**-2 601.8**	**104 629.5**	**102 523.3**	**-2 295.9**	**100 227.4**	**95 552.9**	**-2 116.0**	**93 436.9**

The Group identifies POCI financial assets whose carrying value as at 31 March 2020 is PLN 1.3 million (PLN 0.0 million as at 31 March 2019). These are exposures due to impaired receivables acquired in connection with the acquisition of SKOK Bieszczadzka in 2017 and exposures that have been significantly modified as a result of restructuring, which necessitated the removal of the original credit commitment and the re-recognition of the asset in the statement of financial position.

Interim condensed standalone financial statements (PLN million)

4.2. Total capital ratio

	as at 31 Mar 2020	as at 31 Dec 2019	as at 31 Mar 2019
Own funds	14 340.3	14 603.0	12 708.9
Total capital requirements	6 720.5	6 383.6	5 920.6
Total capital ratio	**17.07%**	**18.30%**	**17.17%**
Tier 1 ratio	**14.36%**	**15.63%**	**15.72%**

When calculating the capital ratios, the Bank was using the transitional provisions concerning alleviation of the IFRS 9 implementation impact on own funds. If the IFRS 9 implementation impact had been recognised in full, the total capital ratio would have arrived at 16.88% and the Tier 1 capital ratio at 14.16%.

5. Significant events in 1 quarter 2020

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

6. Significant events after the balance sheet date

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

7. Seasonality or cyclicity of activity

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

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

None.

9. Dividends paid

The Management Board of the Bank decided to change the application regarding the distribution of profit for 2019 and the draft resolution submitted to the General Meeting regarding the distribution of profit for 2019 in such a way that the amount previously allocated for dividend, i.e. PLN 494.380.000.00, will be left undistributed. Detailed information can be found in the interim condensed consolidated financial statements in the Additional information chapter in point 2. Important events in the first quarter of 2020.

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

10. Acquisitions

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

11. Off-balance sheet items

	as at 31 Mar 2020	as at 31 Dec 2019	as at 31 Mar 2019
Off-balance sheet liabilities granted	38 145.0	37 583.1	33 991.1
Off-balance sheet liabilities received	106 484.4	96 621.1	99 485.3
Off-balance sheet financial instruments	752 208.0	646 273.0	561 574.0
Total off-balance sheet items	**896 837.4**	**780 477.2**	**695 050.4**

12. Transactions with related entities

Transactions between related entities (PLN million)

	ING Bank NV	Other ING Group entities	Subsidiaries	Associated entities	ING Bank NV	Other ING Group entities	Subsidiaries
	as at 31 Mar 2020				as at 31 Mar 2019		
Receivables							
Current accounts	235.3	7.6	-	-	22.4	3.2	-
Deposits placed	112.0	-	-	-	-	-	-
Loans	-	0.1	12 754.2	-	-	113.4	9 383.3
Positive valuation of derivatives	112.0	20.7	2.5	-	75.6	36.9	2.3
Other receivables	4.1	3.5	1.5	-	1.3	0.4	337.4
Liabilities							
Deposits received	87.3	61.5	176.1	53.0	33.1	35.4	507.9
Subordinated loan	2 278.2	-	-	-	1 077.2	-	-
Loro accounts	21.3	45.5	0.6	-	14.9	28.9	1.3
Negative valuation of derivatives	117.5	16.6	0.7	-	49.6	32.4	-
Other liabilities	58.0	2.5	2.9	-	58.6	2.3	1.8
Off-balance-sheet operations							
Off-balance sheet liabilities granted	536.6	2 070.2	4 570.5	0.1	470.5	2 955.8	824.0
Off-balance sheet liabilities received	394.1	754.9	8 650.0	-	440.0	549.2	-
FX transactions	10 204.7	5.5	-	-	8 253.2	57.6	-
Forward transactions	-	-	31.9	-	143.4	-	-
IRS	1 998.8	1 341.5	61.8	-	2 619.0	2 616.9	63.0
Options	3 782.7	31.2	-	-	2 968.6	36.1	-
	1 quarter 2020 the period from 1 Jan 2020 to 31 Mar 2020				**1 quarter 2019** the period from 1 Jan 2019 to 31 Mar 2019		
Income and expenses							
Income. including:	**-44.0**	**4.5**	**55.6**	**11.8**	**7.0**	**7.2**	**47.8**
interest and commission income/expenses	-11.7	1.1	67.1	11.8	-2.9	0.6	49.7
income on financial instruments	-32.3	3.2	-0.5	-	10.6	5.3	0.6
net income on the sale of securities measured at fair value through other comprehensive income	0.0	0.0	-11.6	-	0.0	0.0	-3.1
net income on other basic activities	0.0	0.2	0.6	-	-0.7	1.3	0.6
General and administrative expenses	36.6	1.3	0.2	-	18.1	2.8	-0.5
Outlays for non-current assets	0.4	-	-	-	-	0.9	-

In the first quarter of 2020, the Bank sold to ING Bank Hipoteczny S.A. (a subsidiary of the Bank) a portfolio of mortgage-backed housing loans in the amount of PLN 1 032.5 million. The purchase price was set on an arm's-length basis. The amount due from ING Bank Hipoteczny S.A. concerning deferred payment under this sale transaction in the amount of PLN 318.1 million was recognized as at 31 March 2020 in the Loans and other receivables to other banks item.

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

Interim condensed standalone financial statements (PLN million)

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

2020-05-06	**Brunon Bartkiewicz** *President*	*The original Polish document is signed with a qualified electronic signature*
2020-05-06	**Michał Bolesławski** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-05-06	**Joanna Erdman** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-05-06	**Marcin Giżycki** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-05-06	**Bożena Graczyk** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-05-06	**Sławomir Soszyński** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-05-06	**Lorenzo Tassan-Bassut** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2020-05-06	**Jolanta Alvarado Rodriguez**	Director of Accounting Department Chief Accountant	*The original Polish document is signed with a qualified electronic signature*