

**Extract - Management Board's**

**Report on Operations of ING Bank Śląski**

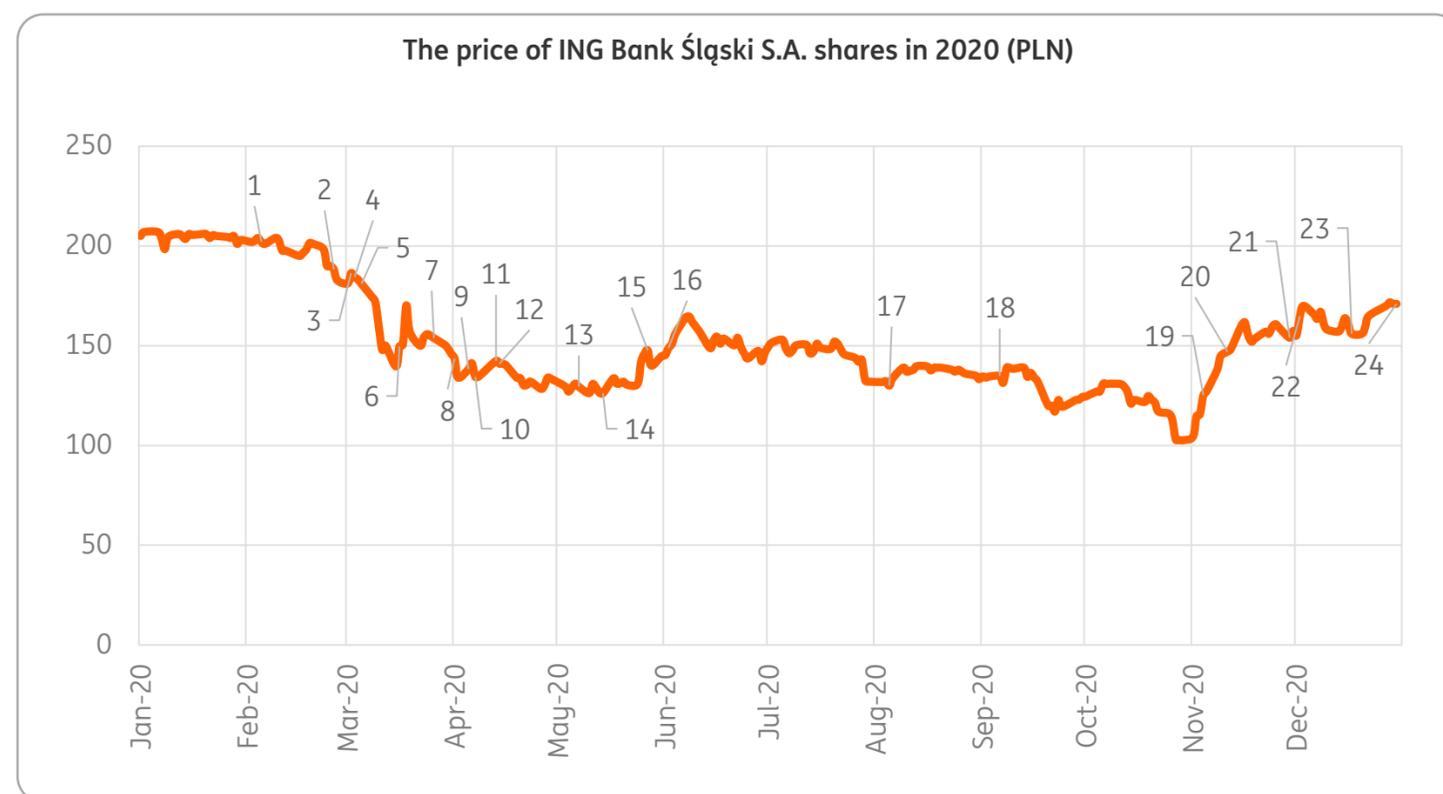
**Group in 2020**

(Covering Report on Operations of ING Bank Śląski S.A.)



## Key information

### 2020 events



- 1 **6 February** – publication of preliminary, unaudited financial results for Q4 2019 ([link](#)).
- 2 **27 February** – resignation of Mr Ad Kas from the position of a member of the Supervisory Board ([link](#)).
- 3 **3 March** – resignation of Mr Norman Tambach from the position of a member of the Supervisory Board ([link](#)).
- 4 **4 March** – the first confirmed case of the coronavirus in Poland ([link](#)), in the following days of March, further restrictions on movement or economic activity were introduced ("lockdown").
- 5 **6 March** – publication of the annual report for 2019 ([link](#)).
- 6 **17 March** – the Monetary Policy Council's (MPC) decision to cut interest rates and lower the required reserve rate (the reference rate was lowered from 1.5% to 1.0%, and the mandatory reserve from 3.5% to the reference rate; [link](#)).

- 7 **27 March** – publication of the current report with information on the impact of the coronavirus epidemic on the operations of our bank ([link](#)).
- 8 **2 April** – the Annual General Meeting of our Bank's shareholders, appointment of members of the Supervisory Board (Mr Remco Nieland and Ms Susan Poot) and appointment of the Management Board for a new term ([link](#)).
- 9 **6 April** – upgrade of credit ratings by Fitch agency ([link](#)).
- 10 **8 April** – the MPC's decision to cut interest rates (the reference rate was lowered from 1.0% to 0.5%; [link](#)).
- 11 **10 April** – information on the annual contribution to the Bank Guarantee Fund's (BGF) compulsory restructuring fund ([link](#)).
- 12 **15 April** – update of the current report with information on the impact of the coronavirus epidemic on the operations of our bank ([link](#)).
- 13 **8 May** – publication of the periodic report for Q1 2020 ([link](#)).
- 14 **15 May** – appointment of Mr Michał Mrozek to the Management Board ([link](#)).
- 15 **28 May** – the MPC's decision to cut interest rates (the reference rate was lowered from 0.5% to 0.1%; [link](#)).
- 16 **3 June** – update of the current report with information on the impact of the coronavirus epidemic on the operations of our bank ([link](#)).
- 17 **6 August** – publication of the periodic report for Q2 2020 ([link](#)).
- 18 **7 September** – the PFSA's decision to refuse consent to entrust Joanna Erdman with the function of a member of the Management Board supervising risk management at our bank ([link](#)).
- 19 **5 November** – publication of the periodic report for Q3 2020 ([link](#)).
- 20 **12 November** – resignation of Mr Michał Bolesławski from the position of the Vice-President of the Management Board ([link](#)).
- 21 **30 November** – resignation of Mr Lorenzo Tassan-Bassut from the position of the Vice-President of the Management Board ([link](#)).
- 22 **3-4 December** – failure of our Makler brokerage system ([link](#)).
- 23 **18 December** – appointment of Ms Ewa Łuniewska as the Vice-President of the Management Board ([link](#)).
- 24 **31 December** – initiation of forced restructuring of Idea Bank SA by the Bank Guarantee Fund ([link](#)).

## 2020 in numbers

### Net profit

**PLN 1,337.6m**

### Total number of clients

**4.7 million**

### Value of financed RES projects

**PLN 920m**

### Adjusted return on equity (ROE)

– adjusted for MCFH

**9.4%**

### Value of granted mortgage loans

**PLN 11.4m**

### The amount collected and donated to the health service

**PLN 7.1m**

### The most important numbers

	2016	2017	2018	2019	2020
<b>Financial area</b>					
Interest margin	2.67%	2.88%	2.92%	2.95%	2.63%
C/I ratio	48.5%	44.8%	44.5%	43.1%	44.3%
Risk cost margin	0.40%	0.50%	0.52%	0.54%	0.88%
Return on equity (ROE)	11.7%	12.7%	12.5%	11.6%	7.6%
LTD ratio	81.5%	83.8%	87.6%	90.7%	82.6%
Asset quality ratios	2.6%	2.8%	2.8%	3.0%	3.3%
Total capital ratio	14.73%	16.71%	15.58%	16.87%	18.72%
<b>Business area</b>					
Number of retail clients (million)	3.95	4.18	4.42	4.05	4.24
Number of corporate clients (thous.)	377.7	412.2	439.4	454.7	485.9
Market share in loans	6.71%	7.31%	8.05%	8.75%	9.30%
Market share in deposits	8.27%	8.68%	9.07%	9.28%	9.61%
Number of individual clients using mobile banking (Moje ING, thous.)	1,048	1,462	1,754	2,082	2,334
Number of corporate clients using mobile banking (ING Business, thous.)	11.7	16.4	20.8	26.6	33.4
Number of branches without traditional cash service	102	88	97	147	155
<b>Non-financial area</b>					
Greenhouse gas emissions (tons CO <sub>2</sub> e) – scope 1	542	462	385	271	203
Electricity consumption (MWh)	33,769	31,531	30,559	31,921	27,666
Percentage of females in managerial positions	53%	52%	52%	50%	49%
Hours devoted by employees to volunteering	-	-	5,221	7,052	1,072
The amount collected and allocated to financial charitable donations (PLN thousand)	695	1,042	717	757	7,603
Number of students in the "Professional Artist" programme	-	253	879	633	1,280
Number of ING participants in "Run Warsaw" and "I march and I support"	440	1,069	1,293	2,206	2,962

### COVID-19 pandemic

On the basis of information from WHO (World Health Organisation), COVID-19 is a virus disease of the coronavirus family. Its first outbreak was observed in China in December 2019 and is now a global pandemic.

On 4 March 2020, the first case of the disease was diagnosed in Poland, and an epidemic emergency was in force from 14 March to 20 March 2020. On 15 March 2020, Poland's borders were closed and on 20 March 2020 the state of epidemic was declared in line with the decision of the Minister of Health. As part of the measures to prevent the spread of COVID-19, restrictions have been introduced, including in terms of moving, running a business, using shops, mass events were forbidden, and classes in educational institutions were cancelled.

The restrictions have been gradually lifted step by step since April 2020. However, the guidelines were still in force, e.g. in terms of maintaining social distance, or covering the mouth and nose in generally accessible places that do not allow social distance. In the second half of 2020, at the turn of September and October, the second wave of cases began in Poland (as well as in the world), characterized by a significant increase in the number of sick people. This resulted in the restoration of some of the restrictions that were used during the first wave of the disease.

Beginning with the first wave of cases, the Government of the Republic of Poland introduced Anti-Crisis Shields, which were intended to mitigate the impact of the COVID-19 pandemic on the Polish economy and protect jobs. Nevertheless, GDP dynamics in 2020 was negative and amounted to -2.8%. At the end of 2020, nearly 1.3 million cases of COVID-19 were reported in Poland, and over 28.5 thousand people died.

The economic situation related to the COVID-19 pandemic had an impact on the banking sector, including our bank. In the following chapters of our Management Report for 2020, we describe how COVID-19 has affected the Polish economy, the banking sector, our bank, our employees and our clients. It seems that the further impact of the pandemic in 2021 should be expected in our economy, but as expected, the scale and strength of this impact may be limited by the ongoing process of vaccination against the coronavirus.

### COVID-19 cases

# 1,294.9k

(Poland – 31 December 2020)

### Decline in GDP

# -2.8% y/y

(Poland – 2020)

### The number of COVID-19 tests tested

# 6.9 million

(Poland – 31 December 2020)

### Increase in the unemployment rate

# +1.0p.p. y/y

(Poland – 2020)

## Outlook

### Business strategy goals for 2021

Goal	Metric	Ambitions
<b>Increase in client activity and digitisation</b>	<ul style="list-style-type: none"> <li>– Increase in the number of clients, including primary clients, and their activity.</li> <li>– Increasing activity in self-service channels.</li> <li>– Maintaining a high level of client satisfaction (NPS), with priority on client experience.</li> </ul>	<ul style="list-style-type: none"> <li>– We want to have over 2 million primary clients in the retail banking segment and over 160 thousand primary clients in the corporate banking segment.</li> </ul>
<b>Compliance with regulatory requirements</b>	<ul style="list-style-type: none"> <li>– Improvement of the Compliance control efficiency index and the Compliance risk level index</li> <li>– Maintaining the level of operational risk in line with the declared risk appetite.</li> </ul>	<ul style="list-style-type: none"> <li>– The declared level of appetite for operational risk is below 2.5.</li> </ul>
<b>Motivating and empowering employees</b>	<ul style="list-style-type: none"> <li>– Implementation of a hybrid work model for identified organisational units.</li> <li>– Further development of the well-being programme.</li> <li>– Promotion of brand value in the area of sustainable development, with priority for volunteering in the field of ecology and forestry.</li> </ul>	<ul style="list-style-type: none"> <li>– Development of the benefit offer (including development of the cafeteria).</li> <li>– Continue to simplify the job structure.</li> <li>– Developing a new approach to working conditions for the post-pandemic period.</li> <li>– A series of health conferences for employees.</li> <li>– Development of activities aimed at Talents.</li> </ul>
<b>Stability, availability and security of IT systems</b>	<ul style="list-style-type: none"> <li>– Building the awareness of employees and clients in the area of cybercrime.</li> <li>– Further work on the use of cloud solutions.</li> </ul>	<ul style="list-style-type: none"> <li>– Availability of Front-End systems at a level not worse than in 2020.</li> <li>– Reduction of negative events felt by clients by 15% y/y.</li> </ul>
<b>Operational efficiency, AI and data management</b>	<ul style="list-style-type: none"> <li>– Continuation of the transformation of the profile of the retail and distribution network.</li> <li>– Developing a concept for full digitisation of processes.</li> <li>– Raising knowledge and awareness of data, including personal data.</li> </ul>	<ul style="list-style-type: none"> <li>– Continued reduction in the number of meeting places in line with the trend of previous years.</li> </ul>
<b>Sustainable development priorities</b>	<ul style="list-style-type: none"> <li>– Develop and implement a sustainable finance strategy.</li> <li>– Development and implementation of an approach to climate risk management.</li> </ul>	<ul style="list-style-type: none"> <li>– You can read more in the "<a href="#">Sustainable Development Strategy</a>"</li> </ul>

### Our medium-term financial ambitions compared to the results for 2016-2020

	2016	2017	2018	2019	2020	Ambitions
<b>Loans/Deposits</b>	81.5%	83.8%	87.6%	90.7%	82.6%	~85%
<b>Interest margin</b>	2.67%	2.88%	2.92%	2.95%	2.63%	>2.4%
<b>Costs/Income</b>	48.5%	44.8%	44.5%	43.1%	44.3%	<45%
<b>Return on Equity (ROE) – adjusted for MCFH</b>	12.8%	13.0%	12.8%	12.8%	9.4%	>10%

# Table of contents

<b>Letter from the President</b>	<b>7</b>	Technological development	150
<b>ING Bank Śląski</b>	<b>8</b>	Responsible business activity	153
Who we are	8	Client voice	155
Awards and distinctions	16	Simple and understandable banking	156
Creating value for stakeholders	17	Availability at any time and any place	156
Business segments	34	Supporting clients in development	161
<b>The environment in which we operate</b>	<b>39</b>	COVID-19	164
Our presence on the capital market	40	<b>ING for the climate</b>	<b>171</b>
Responsibility in the supply chain	44	Green Statement and environmental and social risk	171
Involvement in initiatives and industry organisations	46	Sustainable financing	172
Business environment	46	The impact of operating activities on the natural environment and climate	174
Financial market and its regulations	52	<b>ING for the community</b>	<b>178</b>
<b>Our financial results</b>	<b>68</b>	Social involvement	178
Consolidated results of the ING Bank Śląski S.A. Group	68	Education and knowledge sharing	179
Separate performance of ING Bank Śląski S.A.	81	Donations and sponsoring	180
<b>ING Bank Śląski S.A. Management Board statement on the application of corporate governance rules</b>	<b>86</b>	Our corporate foundations	181
Ethics, values and compliance	86	<b>ING for employees</b>	<b>186</b>
Anti-corruption policies	86	HR management	186
Principles and scope of application of corporate governance	88	Employees in the bank – in numbers	186
Shares and shareholders of ING Bank Śląski S.A.	90	Ongoing improvement	189
The Articles of Association and the rules for its amendment	92	Development and training programs	189
General Meeting	92	Dialogue and commitment	192
Supervisory Board	94	Diversity and equal opportunities	194
Co-operation with external auditor	105	We develop friendly a work place	197
Risk control and management system in the process of preparing financial statements	106	Occupational Health and Safety	199
Bank Management Board	107	COVID-19	201
Remuneration of the Management Board and the Supervisory Board members	117	<b>Other information</b>	<b>203</b>
Diversity Policy	119	<b>About the report</b>	<b>204</b>
<b>Bank and client safety</b>	<b>121</b>	How was the report compiled	204
Risk and capital management system	121	Who was involved in the report compilation	205
Credit risk	128	<b>Glossary</b>	<b>207</b>
Market risk	136	<b>GRI index</b>	<b>211</b>
Liquidity and funding risk	138	Profile indicators	211
Non-financial risks	140	Detailed disclosure	212
Model risk	147	<b>Management Board statement</b>	<b>213</b>
Business risk	148	Correctness and reliability of the presented financial statements	213
Cyber security	148		
<b>ING for clients</b>	<b>150</b>		

## Letter from the President

### GRI [102-14] [102-15]

Dear Sirs,

It is my pleasure to present you the 2020 Annual Report of the ING Bank Śląski S.A. Group. It has been a difficult year for the economy, our society, our employees and our clients.

The COVID-19 pandemic has changed a lot. The priority for us was to protect the health of our employees and the safety of our clients. The activities we undertook in 2020 and described in this report allowed us to go through this difficult period.

In early March, one of the biggest challenges was the transition to remote working of all employees whose duties allowed them to do so. Thanks to their commitment and efficient organisation, employees were able to quickly start working from home. At the meeting places, we provided personal protective equipment, physical protection such as plexiglass covers, and shortened the time of work with clients to reduce the risk of illness. We have introduced additional communication for employees to keep them informed about all the activities we carry out.

We have also introduced a number of initiatives to support our clients. From the beginning, we joined the PFR subsidy programme for micro, small and medium-sized enterprises. We have introduced the so-called credit holidays aimed at both individual and corporate clients. We also organized webinars, during which we not only talked about the solutions we offer, but also suggested how to, for example, transfer your business online. On our website, we have made a special subpage for retail clients, where we informed you how to bank from home.

In 2020, 358.6 thousand new retail clients decided to use our services and 76.8 thousand new corporate clients. The increase in the number of clients translates into an increase in business volumes – gross loans of our clients increased by PLN 7.7 billion to a total value of PLN 126.1 billion, and our clients' deposits increased by PLN 20.5 billion to PLN 149.3 billion. Despite the difficult environment, the number of our clients is growing, and their trust in us – as a bank – is not weakening.

The COVID-19 pandemic left its mark on the results of our bank very strongly through the consequences of protective measures and changes in the expected parameters of economic development. The net profit for 2020 amounted to PLN 1,337.6 million, i.e. 19.4% less than in the previous year. We experienced three-fold cuts in interest rates by the

MPC, a sharp increase in corporate clients' deposits, high volatility: volumes of mutual funds, indicators and turnover on the stock exchange, FX rates. There has even been a substitute for a *run* on the banks due to increased demand for cash. Due to changes in the macroeconomic parameters, the cost of risk has risen significantly in the models. The growing risk of FX mortgage loans was also important. In order to address this risk in a conservative manner, we increased the coverage ratio of this portfolio with provisions to 33.6% (4.8% at the end of 2019), to the total amount of provisions for this purpose of PLN 311.8 million. I consider our results for 2020 to be very good. Our return on equity (ROE) of 7.6% in 2020 places us among the most profitable banks on the market.

The security of our bank and the funds entrusted to us by our clients – measured by financial ratios – remains at a high level. The total capital ratio at the end of 2020 was 18.72%, i.e. 7.72 pp above the regulatory requirements in this regard. The quality of our assets remained stable – the share of loans in stage 3 at the end of 2020 was 3.3% (3.0% the year before), still clearly below the market average. Due to the high inflow of deposits, the loan-to-deposit ratio fell by as much as 8.1 pp to 82.6%, so our bank's liquidity improved (LCR increased by 90 pp to 220%, and the NSFR ratio by 14 pp to 144% – both well above regulatory minimum).

The year 2020 has proved that the direction of our activities related to sustainable development and social responsibility is right, and additionally builds a strong organisation resistant to unusual challenges. In view of the difficulties faced by the health service, we donated a total of PLN 5 million to medical facilities in the form of a donation and PLN 2 million from a collection supported by the ING Group, our clients and employees. We implemented the activities planned in the sustainable development strategy online, if possible. We have also taken many other initiatives in response to the pandemic while supporting the priorities of our sustainable development strategy: #ING for entrepreneurship, #ING for equal opportunities, #ING for climate.

You can read about all our activities carried out in 2020 in the report below, to which I cordially invite you.

With sincere regards,

**Brunon Bartkiewicz**

**President of the Management Board**

## ING Bank Śląski

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

### Who we are

[GRI \[102-3\]](#) [\[102-4\]](#) [\[102-6\]](#) [\[102-7\]](#)

We are a universal, commercial bank that has been on the market for 30 years. We are constantly developing. We create value, both in financial and non-financial terms. We contribute to the development of the economy but we are aware that we also affect employees, society and the environment.



We started our activity on the Polish banking market 31 years ago, i.e. in 1989. We enjoy the position of one of the largest all-round banks in Poland. We render services to both retail clients and business entities.

As at 2020 yearend, we operated through 290 branches and 63 ING Express points. These are meeting places where our clients can ask for advice and talk. We provide our clients with modern online and mobile banking systems so that they can quickly and independently manage their finances.

Our organisation has two main locations – in Warsaw and in Katowice. This is where we take the most important decisions concerning the operations of our Bank. The Management Board is seated there as well. ING Bank Śląski S.A. is formally registered in Katowice. As at the end of December 2020, as a Group we employed over 8 000 people.

We are inspiring and empowering our clients to make accurate financial decisions. We provide them with tools to make banking easy, transparent and available 24/7. Delivery of our strategy is supported by our strong brand.

ING is one of the three best recognisable banking brands in Poland. This is confirmed by the “Brand Tracking” study conducted by Kantar Millward Brown (CAWI measurement method, October-December 2020). The bank's offer is attractive to consumers – we rank first when considering the account and savings. ING definitely stands out from the competition at the image level. We are the leaders in two dimensions of key importance for ING: “A bank for the resourceful” and “a bank that drives needs”.

Bank shares have been quoted on the Warsaw Stock Exchange since 1994. Since the very index formation (September 2013), we have been among the WIG30 companies. We are the only company from the finance sector which has been uninterruptedly present (for all its rounds) in the Respect Index (the index of most socially responsible WSE companies), which was replaced in September 2019 by the WIG-ESG index, to which we also belong.

### How does ING Group operate in Poland

[GRI \[102-1\]](#) [\[102-10\]](#) [\[102-45\]](#)

ING Bank Śląski S.A. is a parent entity of the ING Bank Śląski S.A. Group. As a Group, for 30 business years, we have managed to establish our position among the top financial institutions in Poland. We are number four as far as the balance sheet total is concerned (over PLN 158.6 billion as at 2020 yearend) and in terms of the commercial balance (the total of deposits and loans). We form the Group together with the subsidiaries, where we operate in the area of:

- leasing,
- factoring,
- financial advisory and intermediary services,
- payroll and accounting services.

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

In 2020, the Bank and its subsidiaries did not conclude any transactions with related entities that would be individually or jointly significant and concluded other than on the arm's length basis.

ING Bank Śląski performs operations with ING Bank 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 entities from the ING Group. All of the above transactions are carried out on an arm's length basis.

Operating costs incurred by the Bank for the parent entity result primarily from contracts for the provision of consultancy and advisory services, data processing and analysis, provision of software licenses and IT support. In

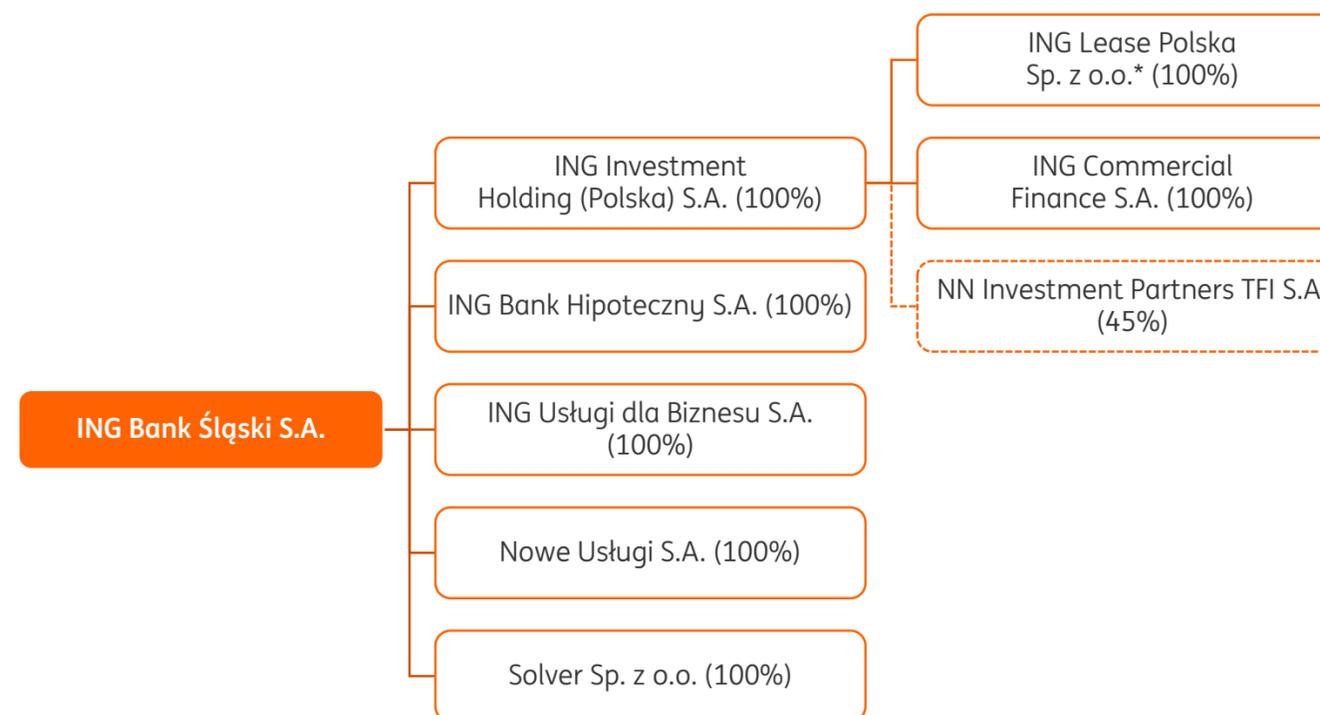
terms of costs incurred by the Bank for other related entities, outsourcing agreements play a dominant role regarding the provision of system resource hosting services for various applications, leasing of IT equipment, monitoring the availability and performance of applications and IT infrastructure as well as penetration testing and IT security monitoring. You can read more about transactions with related entities in the “Related entities” note in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for 2020.

### Changes to Group structure

In Q2 2020, the shares in Twisto Polska Sp. z o.o. were reclassified from an associated entity to a minority capital investment.

### ING Bank Śląski S.A. Group composition

**Subsidiaries and associates of the ING Bank Śląski S.A. Group as at 31 December 2020 (the solid box line means a subsidiary, and the dashed line means an associate company)**



\*The ING Lease (Polska) Group is composed of 9 subsidiaries wherein ING Lease (Polska) Sp. z o.o. holds 100% of shares.

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

- Biuro Informacji Kredytowej S.A. (9.0% of shares),
- Krajowa Izba Rozliczeniowa S.A. (5.7% of shares),
- Polski Standard Płatności Sp. z o.o. (14.3% of shares),
- Twisto Polska Sp. z o.o. (19.4% of shares),

- Voom Sp. z o.o. (8.1%; through ING Investment Holding (Polska)).

### ING Investment Holding (Polska) S.A.

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

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

ING Lease (Polska) has been present in the market since 1995. Since 2012, it has been a member of the ING Bank Śląski S.A. Group. ING Lease (Polska) offers all basic types of lease and a cash loan which can be used to finance both movables (passenger cars, light-duty vehicles, heavy transport means, machinery and equipment, medical and IT equipment) and immovables. The ING Lease (Polska) Group is composed of 9 subsidiaries wherein ING Lease (Polska) Sp. z o.o. holds 100% of shares. The company services are targeted at all market segments: large, medium and small enterprises as well as micro clients (entrepreneurs).

In 2020, the company's new lease production amounted to over PLN 3.8 billion (-24% y/y). as at 2020 yearend, the company was servicing almost 34 thousand clients (increase by 13% y/y), and the value of the portfolio remains at a high level of PLN 10 billion (based on management accounting data).

### ING Commercial Finance S.A.

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

As per the Polish Factors Association's data, in 2020, ING Commercial Finance was the third biggest factoring company in Poland. In 2020, the turnover of ING Commercial Finance totalled PLN 37.0 billion (up 4% y/y), which accounted for 12.7% of the market turnover. In 2020, the Company served 5.5 thousand clients (up by 16% y/y) and purchased 3.2 million invoices (down by 4% y/y).

### ING Bank Hipoteczny S.A.

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

The set goal may be achieved through:

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

So far, ING Bank Hipoteczny carried out the inaugural issue of 5-year “green” mortgage bonds for PLN 400 million. The funds obtained from the issue will be used to refinance mortgage loans in PLN for natural persons, secured with mortgage belonging to 15% of the most energy-efficient buildings in Poland. In 2020, due to the market situation caused by the COVID-19 pandemic, ING Bank Hipoteczny did not issue mortgage bonds, but in order to increase the diversification of existing sources of financing, it established a bond issue program, under which it issued the first short-term debt securities.

### ING Usługi dla Biznesu S.A.

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

ING Usługi dla Biznesu operates in the following business areas:

- online database of companies (registry data, financial data) and business purchase platform – ALEO,
- platform for invoicing and managing payments for entrepreneurs and accountancy and payroll services for companies keeping full accounting records – ING Accounting,
- platform and business process robotisation services – Roboplatform,
- My Services platform for the execution of micro payments by individual customers.

### Nowe Usługi S.A.

Nowe Usługi S.A. conducts educational and marketing activities. In the field of education, it runs the website [Edukacjagiieldowa.pl](https://edukacjagiieldowa.pl). This is a website about investing and the stock market, both for debuting and fully-fledged

investors. The knowledge database and investment-related materials are published on an ongoing basis on the website.

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

### Solver Sp. z o.o.

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

The company runs a business activity consisting in organizing holidays for employees and their families and pensioners of ING Bank Śląski SA. This activity is carried out in the Pan Tadeusz Training and Recreational Centre in Krynica.

### NN Investment Partners TFI S.A.

NN Investment Partners TFI S.A. has been present in Poland since 1997. It is the second largest TFI on the Polish market, managing PLN 21.3 billion (data from IZFiA as at 2020 yearend) allocated to funds and portfolios for a wide audience. It supports over 626 thousand clients by offering them a wide range of investment products. NN Investment Partners TFI SA is part of the international NN Group. It successfully combines global and local expertise to provide clients with investment solutions of the highest quality.

## The scale of our activity

GRI [102-2] [102-6]

### Our customers

The acquisition of new clients remained at a very high level – in 2020 we acquired 359 thousand new individual clients (401 thousand in 2019), 64 thousand entrepreneurs (73 thousand in 2019) and 13 thousand corporate clients (13 thousand in 2019).

Throughout the year, the Bank's client base increased by 219 thousand, versus decrease of 256 thousand the year before. The decrease in the net number of clients in 2019 was due to regulatory obligations and verification of the client portfolio in terms of acquisition potential.

As at the end of December 2020, the number of clients was 4.72 million and it was broken down into the following business segments:

- 4.24 million individual clients (up by 187 thousand clients y/y),
- 486 thousand corporate clients, including:
  - 408 thousand entrepreneurs (up by 25 thousand y/y),
  - 74 thousand SME/MC (up by 6 thousand y/y),
  - 3.4 thousand strategic clients (flat vs. 2019).

The growth of our client base is better described by the number of *primary* customers, i.e. those for whom we are the first choice bank and who hold several (specific) products. As at 2020 yearend, we had 2.08 million such clients in total, i.e. 107 thousand more than as at 2019 yearend, including:

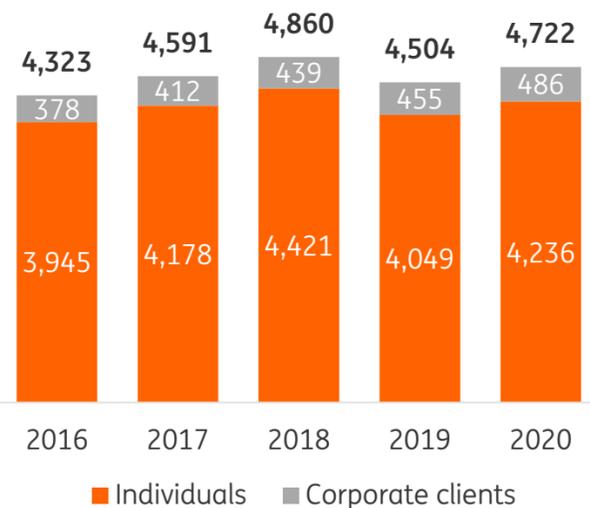
- 1.93 million individual customers (increase by 94 thousand during the year),
- 113 thousand entrepreneurs (an increase of nearly 10 thousand during the year, and
- 36 thousand corporate clients (excluding strategic clients; up by 4 thousand y/y).

Primary clients accounted for 44% of all our clients as at 2020 yearend (similar to the end of 2019, but more than at the end of 2017 – 37%).

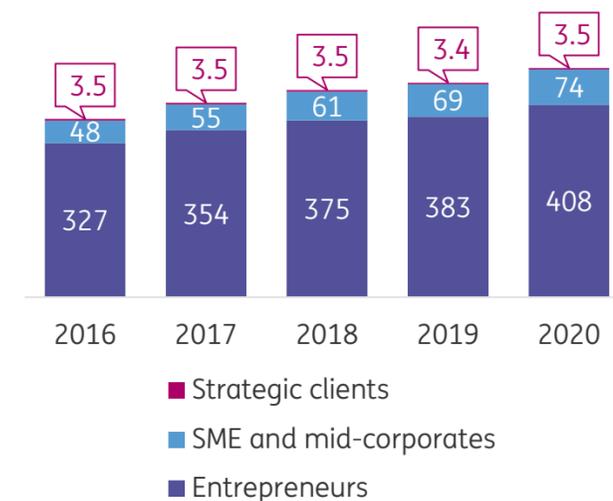
The constantly growing number of clients is the result of the activities pursued by us to foster long-term relationships with clients. These relationships are based on the trusted brand, transparent and flexible product offer and a continuously developed modern distribution and customer service system.

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

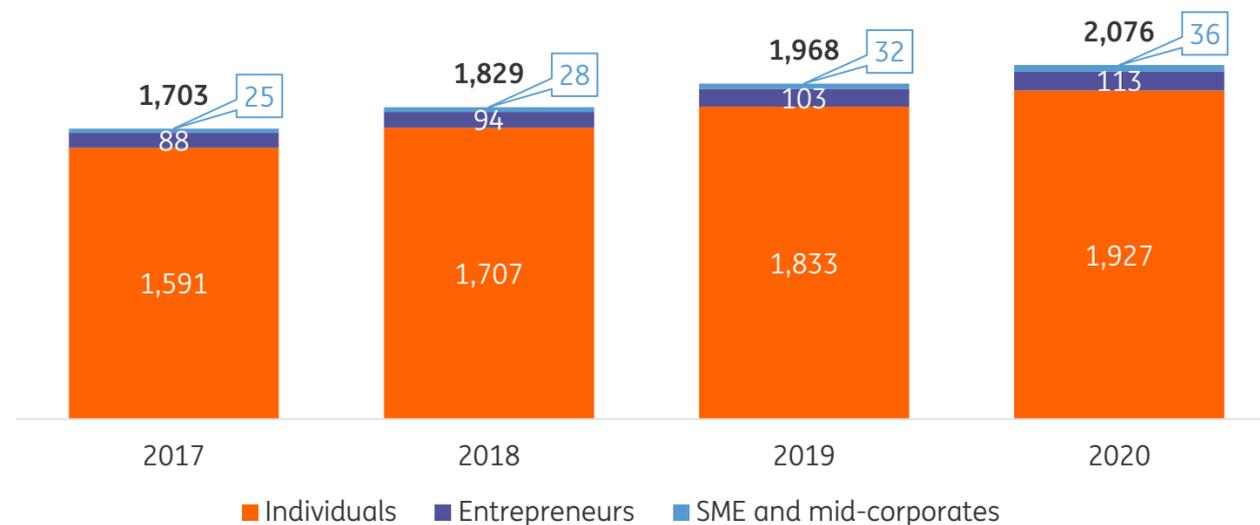
## Total (thousand)



## Corporate segment (thousand)

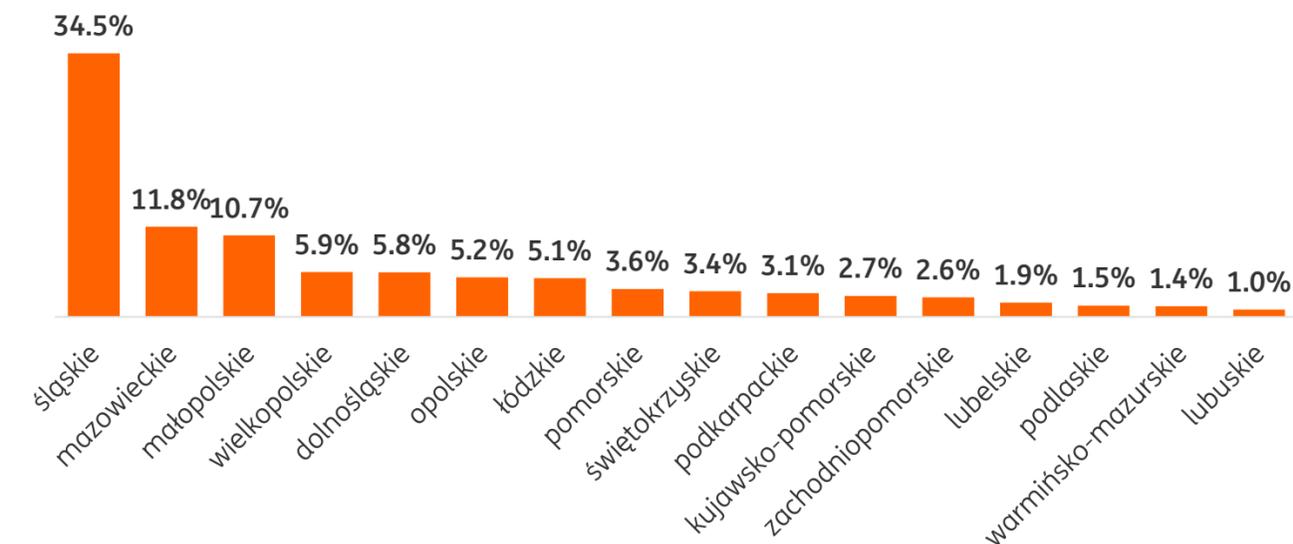


## Primary customers (thousand)

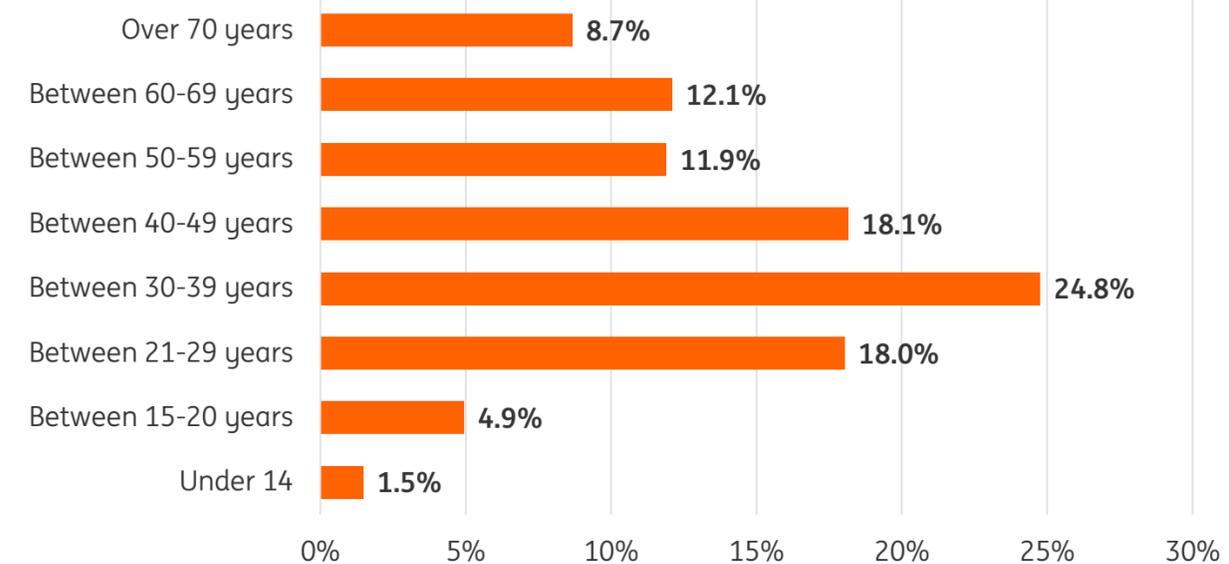


## Structure of the number of our retail clients

## Structure of retail clients by province (as at 2020 yearend)

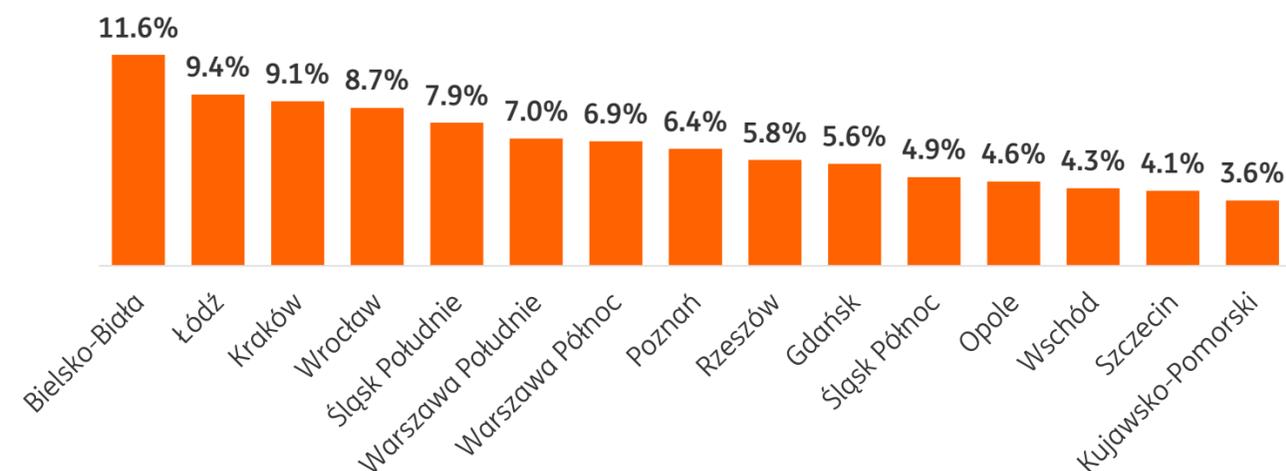


## Structure of the number of individual clients by age (as at 2020 yearend)

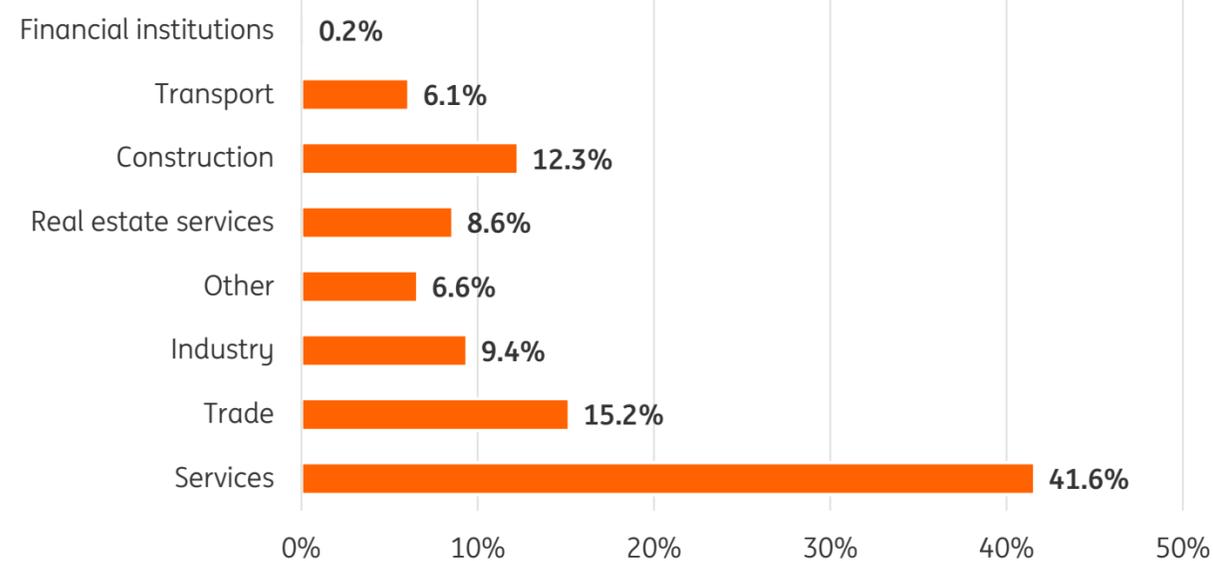


## Structure of the number of our corporate clients

### Structure of SME and mid-corporates by region (as at 2020 yearend)



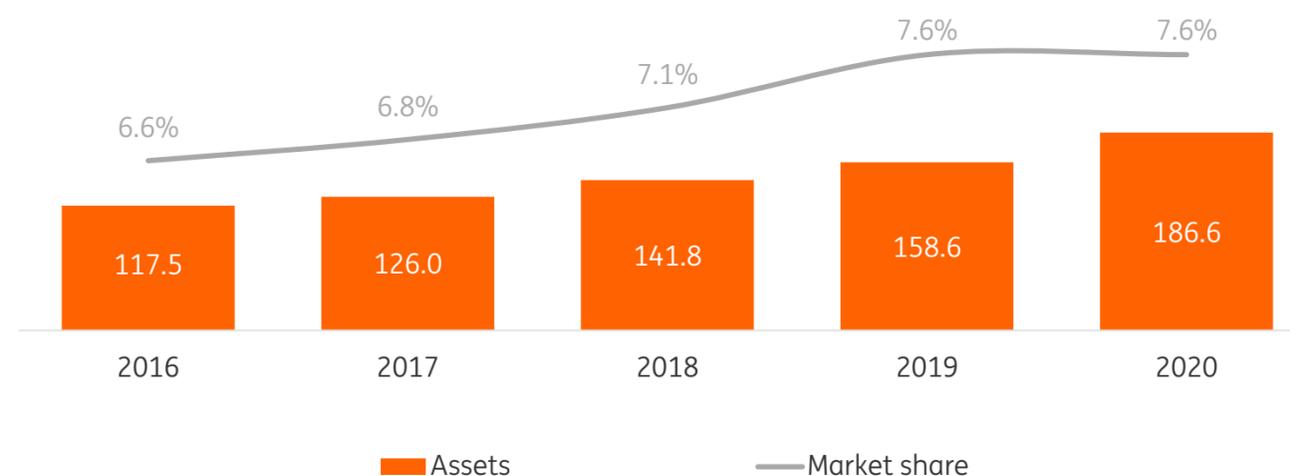
### Structure of the number of corporate clients by industry (as at 2020 yearend)



## Asset value and market share

The amount of guaranteed funds in Banks as at the end of 2020 was PLN 186.6 billion. It was 17.6% more than at the end of 2019. Over the last 5 years (2016-2020), our balance sheet total increased by 59% (i.e. by PLN 69.1 billion). The dynamics of total assets in the sector was 17.3% y/y in 2020 and 37.1% in the last 5 years, respectively. The consistent, faster growth of our bank's balance sheet total compared to the sector causes our market share to grow. Our bank's share in the sector's assets was 7.6% at the end of 2020, compared to 6.6% at the end of 2016. At the end of 2020, we were the fourth bank on the market in terms of asset value.

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



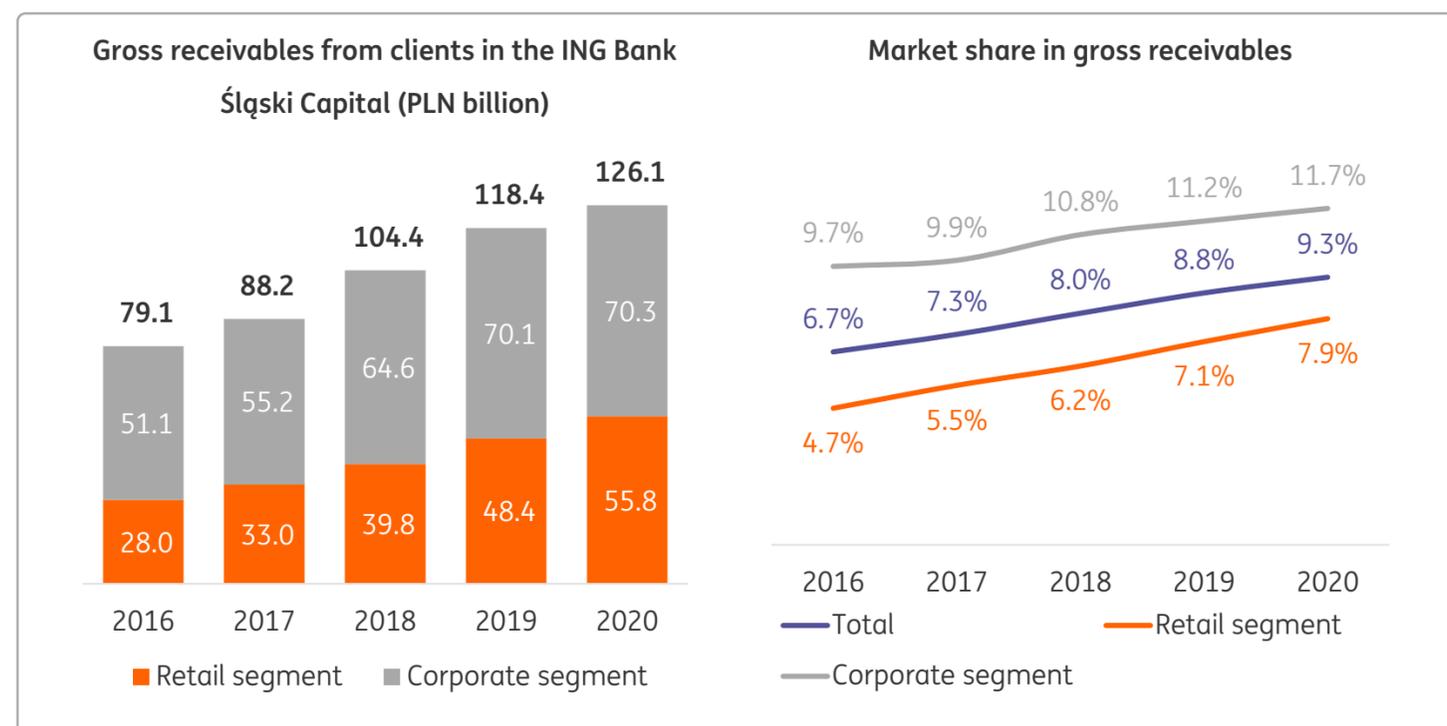
Source: Market data - NBP (Aggregate balance sheet of other monetary financial institutions)

### Value of amounts due from clients and market share

The volume of gross receivables (including loans measured at fair value) from our clients as at the end of 2020 amounted to PLN 126.1 billion and was by 6.5% higher than at the end of 2019. The above was translated into an increase of our market share in loans up to 9.3% or by 0.5 pps more than at the end of 2020.

Receivables from corporate clients continue to be the major part of our gross receivable portfolio; however, their share in the structure has been decreasing successively (from 65% at the end of 2016 to 56% at the end of 2020).

In terms of the size of the portfolio of amounts due from clients, we were the fourth bank on the market at the end of 2020.

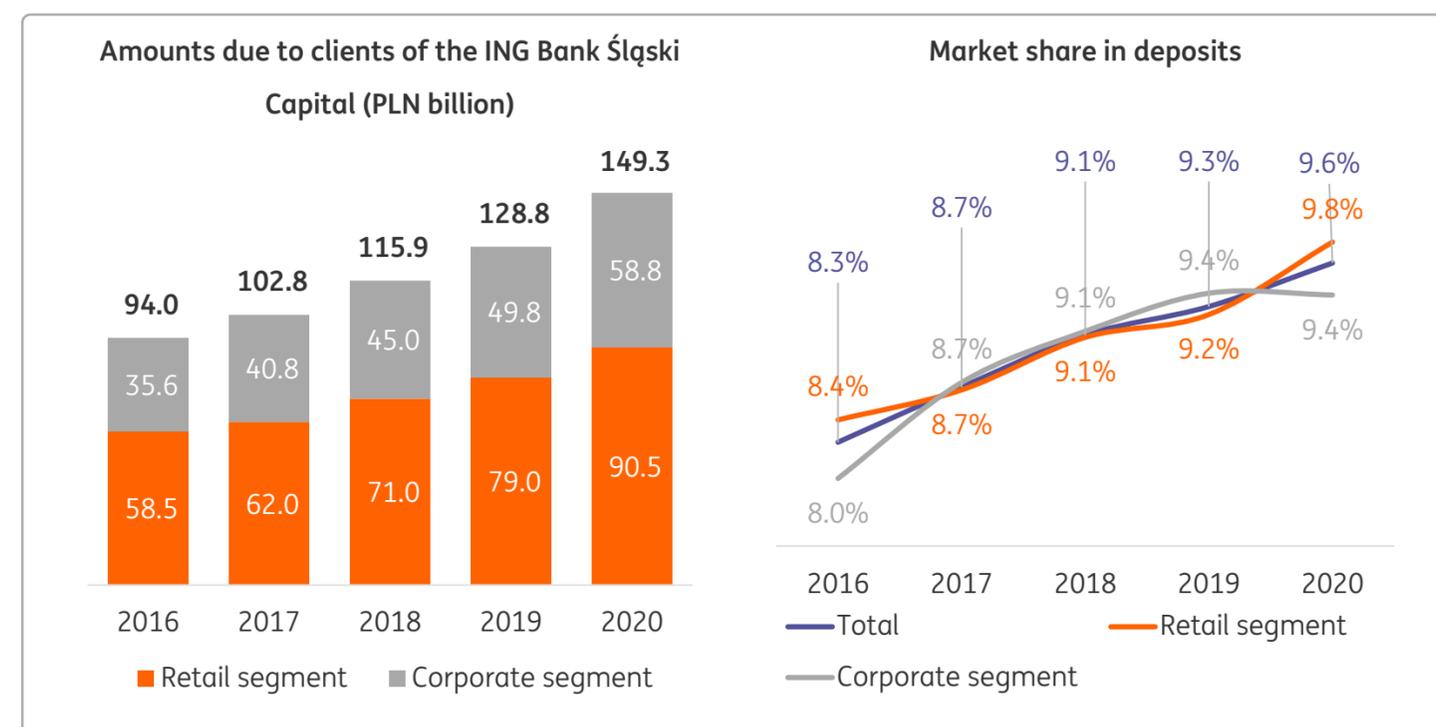


### Deposits value and market share

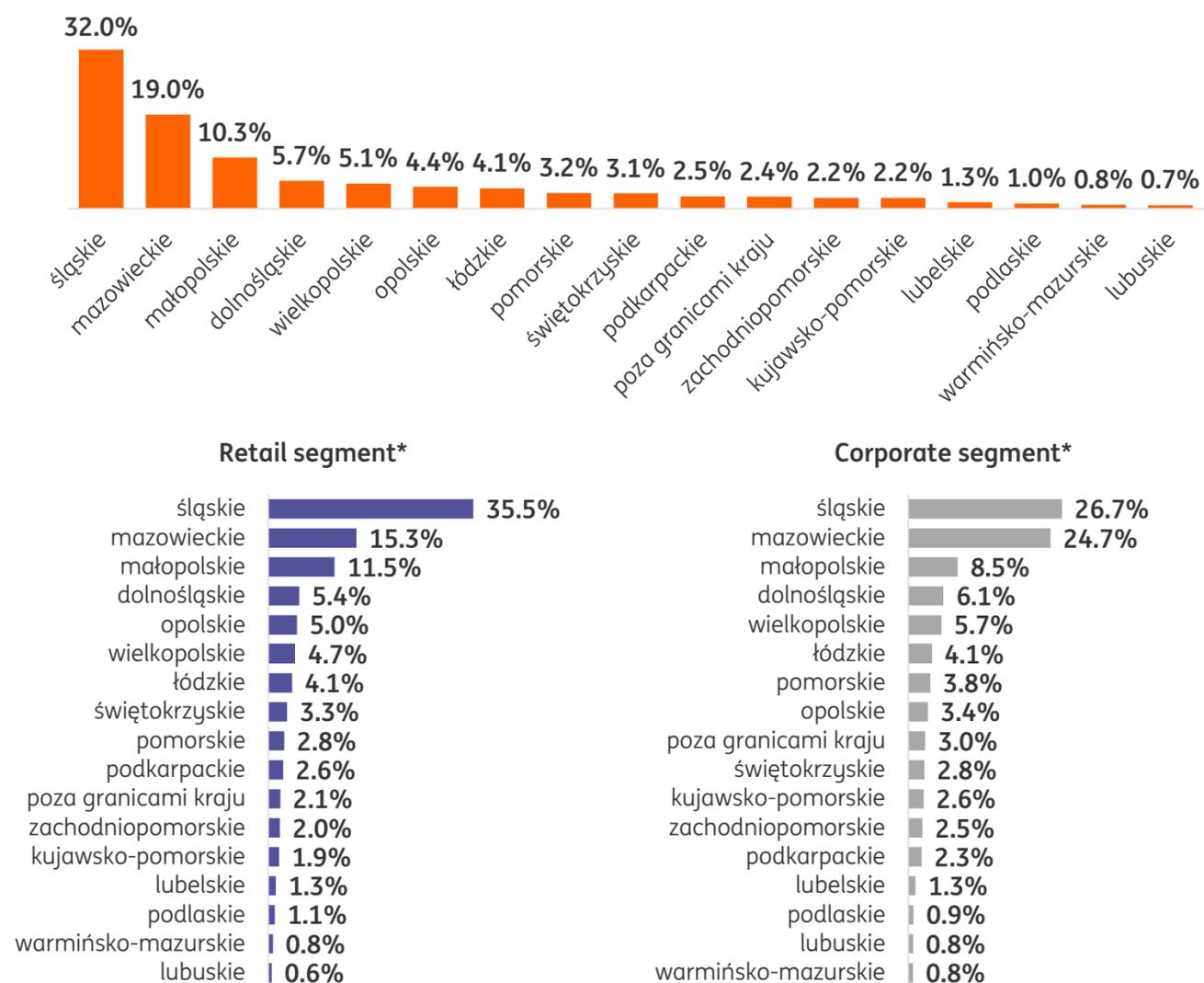
The savings of our clients (including off-balance sheet assets of the retail Banking segment) at the end of 2020 amounted to PLN 149.3 billion and were higher by 15.9% y/y. As a result, our market share in deposits grew by 0.3 pps up to 9.6% at the end of 2020.

Liabilities to the retail segment remain the major part of the balance sheet savings of our clients' savings (they accounted for 61% of all deposits at the end of 2020).

In terms of the size of the client liabilities portfolio, we were the fourth bank on the market at the end of 2020.



Structure of ING Bank Śląski S.A. Group deposits\* by province as at 2020 yearend



\*\* deposits and other liabilities to customers

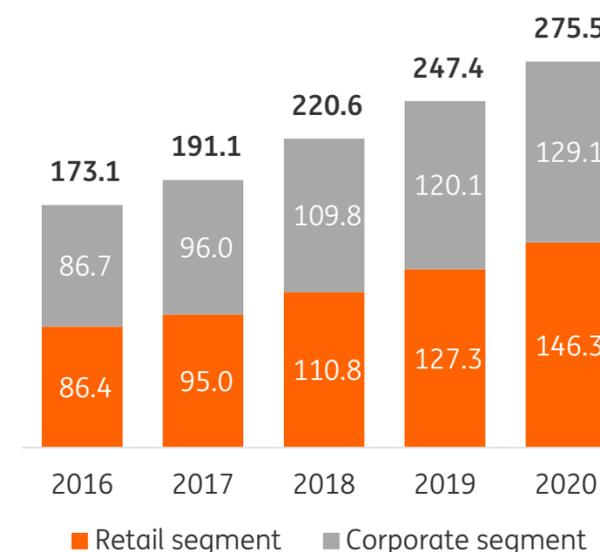
## Commercial Balance Value

The commercial balance at the end of 2020 was PLN 275.5 billion and was higher by 11.4% y/y. This allowed for an increase in our market share in the commercial balance by 0.6 pp. up to 9.5% at the end of 2020.

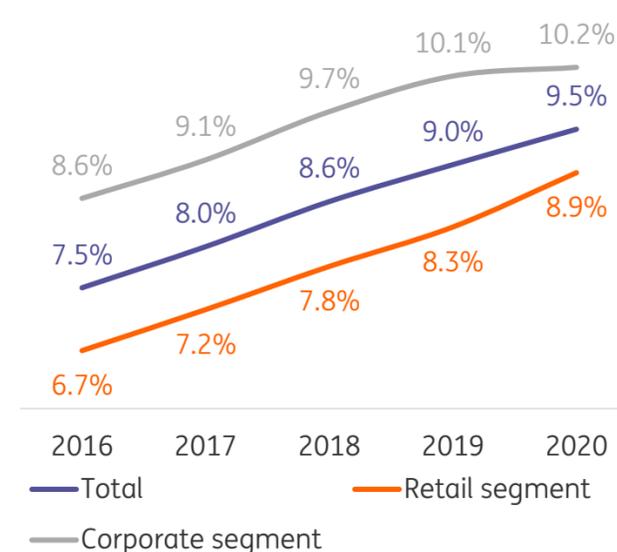
The retail segment remains the major part of the commercial balance (it accounted for 53% of the commercial balance at the end of 2020).

In terms of the size of the commercial balance, we were the fourth bank on the market at the end of 2020.

Commercial balance of the ING Bank Śląski Group (PLN billion)



Market share on the commercial balance



## Our competitive position

We are the fourth bank in Poland based on the size of assets, deposits or receivables from customers – based on the data as at the end of the fourth quarter of 2020 on a consolidated basis. In terms of profitability, we are a leader among Polish banks listed on the WSE, taking into account the return on equity. We were also the second largest bank in terms of market capitalization (PLN 22.2 billion) as at 2020 yearend, with our P/BV ratio being the highest at 1.2x.

## Our competitive position

Metric	Value	Value date	Market position
Number of clients (million, PRNews.pl)	4.7	31 December 2020	4
Total assets (PLN billion)	186.6	31 December 2020	4
Customer deposit portfolio (PLN billion)	151.0	31 December 2020	4
Portfolio of receivables from customers (PLN billion)	128.0	31 December 2020	4
Return on equity (ROE)	7.6%	2020*	1
Capitalization (PLN billion)	22.2	30 December 2020	2
P/ BV ratio	1.2x	30 December 2020 **	1

\* calculated as the sum of the net profit for 2020 to the average value of equity for the five consecutive quarters ending in Q4'20; \*\* ratio calculated based on the share price at the end of a given year

## Awards and distinctions



Our daily efforts in offering attractive products to our clients, attention to high service quality, sustainability actions and practices as well as outstanding commercial and financial results are honoured by the market. Below please find selected 2020 awards. The full list is available on [our website](#).

## For overall performance

- The first position in the Banking Star 2020 general ranking. The Bank also took first place in the "Star of customer relations", "Star of innovation" and "Star of efficiency" and second place in the "Stability star" category. The distinctions are awarded by the Dziennik Gazeta Prawna daily and PwC.
- Second place in the "Best Bank 2020" competition and third place in the "TechnoBiznes 2020" competition in the banking category, awarded by Gazeta Bankowa.
- Second place for ING Bank Śląski among banks in Poland in the "Forbes World's Best Banks 2020" ranking.
- The title of "Super Ethical Company 2019" awarded by the editors of Puls Biznesu.
- The title of the "Institution of the Year 2020" in six categories: the best service in the facility; best mortgage service; the best bank for companies; the best internet banking; the best mobile application; the best press office.

- At the same time, ING branches were among the best banking branches in Poland. Ranking on the basis of an expert review on [mojebankowanie.pl](#).
- The title of "Corporate Bank of the Year 2020" – Poland awarded by the jury of the Worldwide Finance Awards 2020 competition organized by the Acquisition International magazine.
- First place in the "Banker of the Forbes Year" ranking for Brunon Bartkiewicz – President of ING Bank Śląski.
- Barbara Borgieł-Cury, Director of the Daily Banking Center at ING Bank Śląski among the Top 5 most influential women in the Polish payment industry in the ranking of [Cashless.pl](#).

## For the quality of customer service and innovation

- ING Bank Śląski received the "Best Mobile Banking App" award in the "World's Best Corporate / Institutional Digital Banks in Central & Eastern Europe 2020" competition. The competition is organized by the international magazine Global Finance.
- ING Bank Śląski received the title of "CEE's Best Digital Bank". The award was granted by the jury of the international competition Euromoney Awards of Excellence 2020. The organizer is the prestigious British magazine Euromoney.
- ING Bank Śląski was awarded three times in the "Best Digital Solutions for SMEs" competition in Central and Eastern Europe. The jury awarded internet banking, mobile banking and digital financing solutions for small and medium-sized enterprises.
- The Moje ING mobile application was rated the highest by users. The application received the highest ratings among banking applications on the Polish market, in Google Play and App Store.
- The "Safest Bank in Poland" award granted by Global Finance magazine in the "World's Safest Banks" ranking.
- Four awards in the "Innovation 2020" competition: a gold statuette for the Prostomat application, a silver one for the Agregator, and two bronze ones for ING Księgowość and the EKO campaign. ING Bank Śląski was also ranked second in the overall competition as one of the most innovative companies.
- ING Bank Śląski took the first place in terms of Customer Experience, in the category of "Banks and payment operators", according to the study and report of KPMG in Poland entitled "Customer experiences in the new reality".
- The "Star of the Decade 2010-2020" emblem awarded by the Polish Service Quality Program.

- “2020 Service Quality Star” in the “Banks” category in the thirteenth edition of the Polish Service Quality Programme.

## For CSR actions and practices

- Gold CSR Leaf awarded to ING Bank Śląski S.A. by the Polityka weekly as one of the organizations distinguished by activities in the field of sustainable development. The bank was also awarded for its involvement for climate in the area of electromobility.
- First place in the "Ranking of Responsible Companies" organized by Koźmiński Business Hub. The bank was first in the overall classification and additionally in the following categories: banking, financial sector and insurance sector.
- "Golden Shield" – the main prize in the "17 Goals" competition during the 5. Edition of the Responsible Film Festival. The ranking is organized by the CSR Res Sever Foundation.
- ING Bank Śląski "Climate Leader" by Forbes ranking.

## For communication with clients, market and employees

- "Highest Quality HR Certificate" for HR standards and practices implemented for current, as well as future and former employees, awarded by the Polish Association of Human Resources Management (PSZK).
- ING Bank Śląski received the main prize in the "Power of Attraction" competition for a strategic approach to well-being activities.
- Third position in the annual review of investor relationships in WIG30 companies, organised by the “Parkiet” daily and the Chamber of Brokerage Houses.
- Three awards from the WSE during the Summary of the Stock Exchange Year 2019 gala: “WSE Award in the Main Stock Market” for ING Bank N.V., “WSE Award for Catalyst” for ING Bank Hipoteczny and “BondSpot Award” for ING Bank Śląski.
- "The Best of the Best" special award in the Banks and Financial Institutions category for reporting on business results, including financial data, business and social achievements. The competition is organized by the Institute of Accounting and Taxes.

## For marketing actions

- During this year's edition of the "Effie Awards Poland" competition, ING Bank Śląski received three statuettes. Gold in the "Finance" category and two bronze ones in the "React & Sustain" and "Marketing and Business Solutions" categories. The bank also took second place in the "Companies of the Year 2020" ranking.
- Gold banker in the “Social media” category. Ranking developed by the publishers of Bankier.pl and Puls Biznesu.
- The ING Bank Śląski spot #zdałnidopomocy became the most popular ad on YouTube, according to the "YouTube Ads Leaderboard" for April 2020.
- Awards in the IAB MIXX Awards competition: "Advertiser of the Year" in the general classification, "Best in Show" and gold in the "Content Marketing" category, gold in the "Online marketing with Influencer" category, silver in the "Brand Awareness and Positioning" category, silver in the "Best use of social" category media "and bronze in the" Cross media integration "category.

## Creating value for stakeholders

### The trends we face

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

2020 was unique – it redefined the framework for the activities and functioning of many economies, industries and societies. 2021, despite the efforts of governments and the start of vaccination against the coronavirus, will probably not allow us to return to the reality we know from before the pandemic. We are at a turning point of some sort, and activity in many areas will need to be redefined over time after the pandemic is over. This may result in the trends that we observe today may not materialize or new ones may arise which, with their strength and influence, will change a lot.

### Economy

In terms of economic and economic trends, the trend we identify is low interest rates for a long time, despite the fact that, on the other hand, we will face rising inflation (read more about this in the [commentary of our team of economists](#)). Looking at it from the point of view of households and enterprises, these entities will look for alternative

forms of savings to bank deposits in order to protect themselves against inflation. Treasury bonds, or – gradually – corporate bonds, can enjoy more and more interest. This is a trend that seems to have started as early as 2020.

### Green transformation

Another very important trend that we hope will happen is the (acceleration) of the green transformation in Poland ([see our economists' report](#) on page 22). This is necessary to achieve climate neutrality of our economy in 2050. As a bank, we support this trend in terms of financing the transformation – by engaging, inter alia, in projects of photovoltaic farms, as well as on the educational side – emphasizing the importance of environmental protection or air quality in our marketing communication and educational campaigns for our employees. The importance of this issue at the European level is emphasized by new legal regulations, including for the financial sector, which force the sector to engage in the fight for climate protection, support sustainable development and transparency in this area.

### Terminology

From the technological side – the development and universality of digital solutions will accelerate. The coronavirus pandemic and the shutdown of economies have proved that we are able – as an economy and society – to quickly and significantly shift our operations to remote mode. Work, entertainment, shopping, social contacts, official matters – in 2020, the basic channel for their implementation was the Internet. After the pandemic is over, some of the activities will probably return to the form we knew before 2020, but the digitisation of some of them will certainly accelerate in the coming years.

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

### Society

In terms of social trends, two important aspects should be noted. The first trend is global – it is the polarisation of social groups. From the perspective of companies and people building the brand, it is a challenge when building marketing communication or the company's image. The second challenge is to improve the financial knowledge of

Poles. We must constantly work to change this. Knowledge in this area should be built from school age. The aging society and low financial literacy pose a threat to finances in the form of frauds carried out mainly in remote channels.

### Labour market

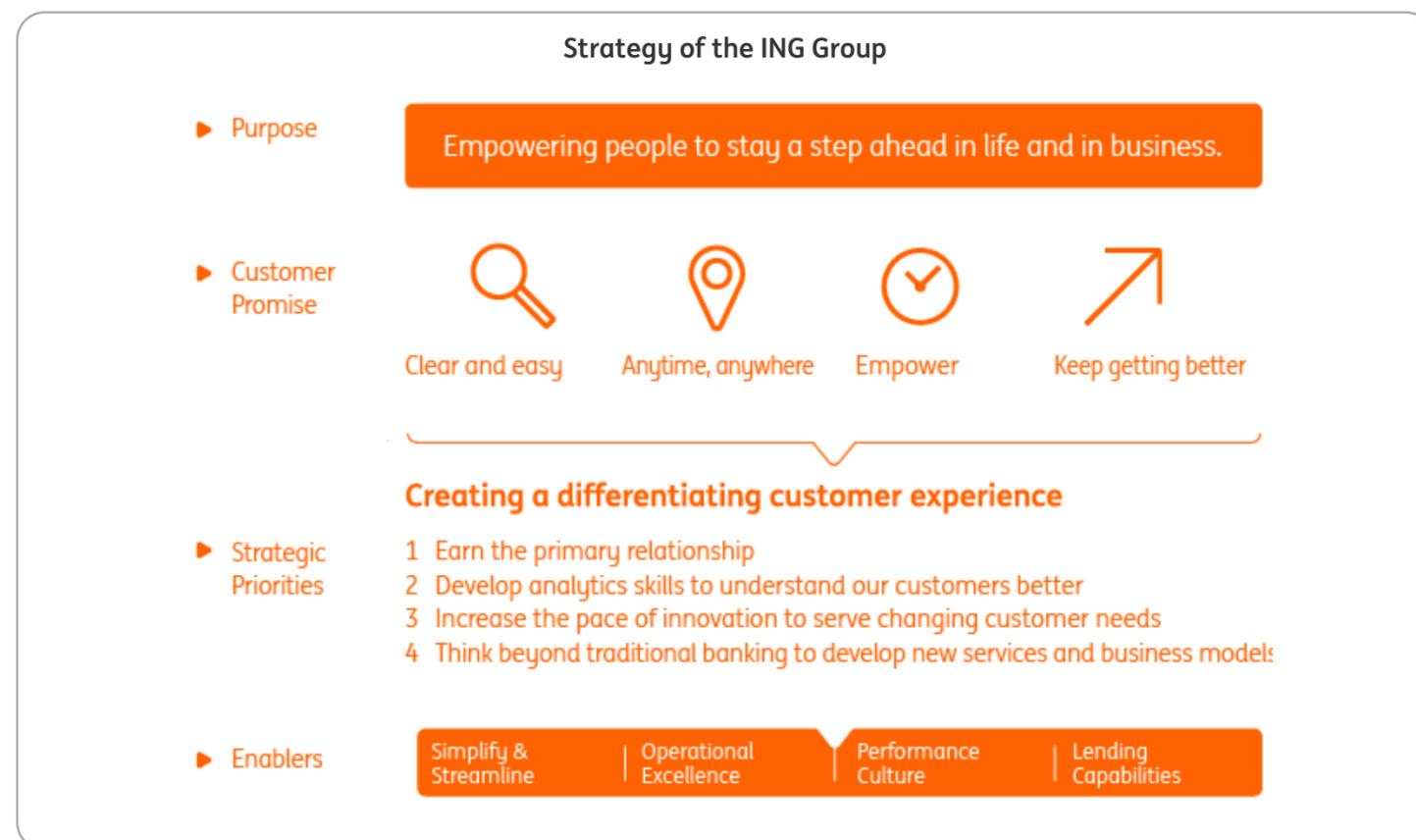
The coronavirus pandemic and periodic *lockdowns* have forced and accelerated some changes in the labour market. Remote and hybrid work is a trend that begins to consolidate and spread in the long term. This is evidenced by, inter alia, plans to legally regulate these issues in the Labour Code. The key will continue to be to ensure the safety of employees, strive to reduce the level of stress and take care of their psychophysical condition. All activities that make up the area of well-being will gain importance. It may also be important to make working time more flexible. Working models based on the interaction of people and technology, as well as more personalized internal communication (e.g. video films instead of text messages) can also play an increasingly important role. It will serve to create and maintain committed, integrated teams despite the limitations in social contacts. The challenge will also be to design and implement such a work model that – as a remote and hybrid form – will provide attractive opportunities for employees' self-development, unlocking their potential, talent management and effective recruitment. An active presence in digital channels that they have not used before (e.g. outside the catalogue of popular social media) may turn out to be a permanent element of building the image of employers.

### Business strategy

#### GRI [203-2]

Today our Think Forward strategy (adopted in 2014) is more important than ever. With our data-driven approach and mobile channel priority, we continue to support our clients to stay one step ahead in life and in business – also during the social and economic shock of the COVID-19 pandemic. The pandemic made us realize how much our society is already digitized, accelerating the trends of clients shifting to mobile channels and the use of cashless payments. The implementation of our strategy is based on providing a client experience that is simple and understandable, available anytime and anywhere, supportive and inspiring, and constantly improved. Digitisation remains key to this, and we are adapting our processes and services to make banking even safer, more personal, easier and smarter. Combined with our data literacy skills, we see ourselves as a bank that truly knows its clients and anticipates their evolving needs, finding innovative ways to add value, also in areas beyond traditional banking.

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



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

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

## Strategic priorities

### We wish to be the house bank for our clients

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

### We develop our competencies to understand clients better

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

### We implement innovations to provide for clients' needs

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

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

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

## Lines of action

### Streamlining and simplifying

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

## Operational excellence

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

## Effectiveness of operation

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

## Wide range of product possibilities

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

## Accounting for the goals of the business strategy for 2020

As part of the implementation of the business strategy, we have set ourselves a few key areas that we worked on in 2020. These areas were designated and formulated before the outbreak of the COVID-19 pandemic, which could have influenced the outcome of their implementation. The results of achieving these goals are presented in the table below:

## Business strategy goals for 2020

Goal	Metric	Implementation
<b>Client acquisition and digitisation</b>	<ul style="list-style-type: none"> <li>- An increase of the number of primary clients, in retail Banking and corporate Banking.</li> <li>- A growth of green credit assets.</li> <li>- Top 3 brand recognition as an Internet Bank.</li> </ul>	<ul style="list-style-type: none"> <li>- The number of primary clients in the retail segment increased by 93.9 thousand, and the number of the corporate segment by 13.8 thousand.</li> <li>- We recorded an increase in the volumes of green loans by 15% y/y.</li> <li>- We received the "Best Mobile Banking App" award in the "World's Best Corporate / Institutional Digital Banks in Central &amp; Eastern Europe 2020" competition and the title of "CEE's Best Digital Bank".</li> </ul>
<b>Compliance with regulatory requirements</b>	<ul style="list-style-type: none"> <li>- Compliance with the requirements and recommendations of the Polish Financial Supervision Authority.</li> <li>- Non-financial risk ratio within the risk appetite.</li> </ul>	<ul style="list-style-type: none"> <li>- We have completed 3 regulatory projects.</li> <li>- Improvement of the Compliance control efficiency ratio by 7 pp y/y.</li> <li>- We kept the operational risk level within the declared risk appetite.</li> <li>- Over 90% of employees systematically participate in training in the regulatory area.</li> </ul>
<b>Employee incentives</b>	<ul style="list-style-type: none"> <li>- Further development of the <i>Well-being</i> programme.</li> <li>- An increase of permanent employee commitment measured with WPC.</li> <li>- Promotion of diversity and inclusion policies.</li> <li>- Promotion of green and pro-health initiatives among employees.</li> </ul>	<ul style="list-style-type: none"> <li>- We have conducted a number of workshops and webinars supporting financial <i>well-being</i>.</li> <li>- We resigned from conducting the WPC study, and instead conducted two editions of the OHI Pulse study; despite the pandemic, the involvement of our employees is still high, above 80%.</li> <li>- We joined the Coalition for Friendly Recruitment.</li> <li>- We have taken numerous actions in relation to our employees in connection with the COVID-19 pandemic (<a href="#">see more</a>).</li> </ul>
<b>System stability and availability</b>	<ul style="list-style-type: none"> <li>- System availability and capacity.</li> <li>- Propagation of knowledge on IT security and awareness of risks related to cybercrimes.</li> <li>- A leader in the field of modern mobile solutions.</li> </ul>	<ul style="list-style-type: none"> <li>- The availability of ING Business was 99.96%, and the availability of Moje ING - 99.87%.</li> <li>- We have implemented the new ING Business Mobile application.</li> <li>- Implementation of new systems protecting the bank and its clients against malware.</li> </ul>
<b>Operating effectiveness and data management</b>	<ul style="list-style-type: none"> <li>- Development of a system integration strategy.</li> <li>- More intensive use of Artificial Intelligence, Machine Learning and Cognitive.</li> </ul>	<ul style="list-style-type: none"> <li>- The commercial balance per FTE increased to PLN 32.8 million (+ 6.3% y/y).</li> <li>- The cost/income ratio deteriorated to 44.3% (+1.3 pp y/y) due to the negative impact of the pandemic on revenues and an increase in regulatory costs (+ 38% y/y).</li> <li>- We have developed a system integration strategy.</li> <li>- We have implemented a complete client onboarding process based on video verification.</li> </ul>

## Business strategy goals and the main risks of their implementation in 2021

### Business strategy goals for 2021

Goal	Metric	Ambitions
<b>Increase in client activity and digitisation</b>	<ul style="list-style-type: none"> <li>– Increase in the number of clients, including primary clients, and their activity.</li> <li>– Increasing activity in self-service channels.</li> <li>– Maintaining a high level of client satisfaction (NPS), with priority on client experience.</li> </ul>	<ul style="list-style-type: none"> <li>– We want to have over 2 million primary clients in the retail banking segment and over 160 thousand primary clients in the corporate banking segment.</li> </ul>
<b>Compliance with regulatory requirements</b>	<ul style="list-style-type: none"> <li>– Improvement of the Compliance control efficiency index and the Compliance risk level index</li> <li>– Maintaining the level of operational risk in line with the declared risk appetite.</li> </ul>	<ul style="list-style-type: none"> <li>– The declared level of appetite for operational risk is below 2.5.</li> </ul>
<b>Motivating and empowering employees</b>	<ul style="list-style-type: none"> <li>– Implementation of a hybrid work model for identified organisational units.</li> <li>– Further development of the well-being programme.</li> <li>– Promotion of brand value in the area of sustainable development, with priority for volunteering in the field of ecology and forestry.</li> </ul>	<ul style="list-style-type: none"> <li>– Development of the benefit offer (including development of the cafeteria).</li> <li>– Continue to simplify the job structure.</li> <li>– Developing a new approach to working conditions for the post-pandemic period.</li> <li>– A series of health conferences for employees.</li> <li>– Development of activities aimed at Talents.</li> </ul>
<b>Stability, availability and security of IT systems</b>	<ul style="list-style-type: none"> <li>– Building the awareness of employees and clients in the area of cybercrime.</li> <li>– Further work on the use of cloud solutions.</li> </ul>	<ul style="list-style-type: none"> <li>– Availability of Front-End systems at a level not worse than in 2020.</li> <li>– Reduction of negative events felt by clients by 15% y/y.</li> </ul>
<b>Operational efficiency, AI and data management</b>	<ul style="list-style-type: none"> <li>– Continuation of the transformation of the profile of the retail and distribution network.</li> <li>– Developing a concept for full digitisation of processes.</li> <li>– Raising knowledge and awareness of data, including personal data.</li> </ul>	<ul style="list-style-type: none"> <li>– Continued reduction in the number of meeting places in line with the trend of previous years.</li> </ul>
<b>Sustainable development priorities</b>	<ul style="list-style-type: none"> <li>– Develop and implement a sustainable finance strategy.</li> <li>– Development and implementation of an approach to climate risk management.</li> </ul>	<ul style="list-style-type: none"> <li>– You can read more in the "<a href="#">Sustainable Development Strategy</a>" section in this chapter.</li> </ul>

The macroeconomic assumptions used to define our medium-term financial ambitions:

- GDP – after a decline in 2020, we assume a clear rebound in GDP growth in the medium term at a level of at least 4%.
- Inflation – we assume it will stay at an elevated level of at least 3%.
- Interest rates – we assume their stable level in 2021-2022 and their increase in the next year.
- Unemployment rate – we assume its gradual decline from 6.2% at the end of 2020.

### Our medium-term financial ambitions compared to the results for 2016-2020

	2016	2017	2018	2019	2020	Ambitions
<b>Loans/Deposits</b>	81.5%	83.8%	87.6%	90.7%	82.6%	~85%
<b>Interest margin</b>	2.67%	2.88%	2.92%	2.95%	2.63%	>2.4%
<b>Costs/Income</b>	48.5%	44.8%	44.5%	43.1%	44.3%	<45%
<b>Return on Equity (ROE) – adjusted for MCFH</b>	12.8%	13.0%	12.8%	12.8%	9.4%	>10%

## Risks and opportunities in achieving the goals of the business strategy in 2021

### Risks related to the implementation of the business strategy in 2021

Risk	Comment
<b>Consequences of the COVID-19 pandemic</b>	<ul style="list-style-type: none"> <li>– Progress in immunisation and the unfrozen economy.</li> <li>– Changes in the labor market (job cuts, greater emphasis on remote work, acceleration of robotisation and automation).</li> <li>– Balance sheet management challenges arising from client behaviour, new investments and government relief programmes.</li> <li>– Instability and risk factors related to the pace of macroeconomic recovery.</li> <li>– The size of the budget deficit and public debt</li> </ul>
<b>The occurrence of low (close to zero) interest rates</b>	<ul style="list-style-type: none"> <li>– Risk of further rate cuts.</li> <li>– Limited effectiveness of MPC's policy in regards to the interest rate management in light of increasing inflation.</li> </ul>
<b>Regulatory</b>	<ul style="list-style-type: none"> <li>– The result of the PFSA's initiative for a sectoral solution for the historic CHF loan portfolio.</li> <li>– Tax interpretations and regulations regarding credit losses on the CHF portfolio.</li> <li>– Benchmark reform (IBOR).</li> <li>– Changes in the rules regarding the MREL requirement (deferral, change of the calculation formula, target levels).</li> </ul>
<b>Competition</b>	<ul style="list-style-type: none"> <li>– The shape of the Polish banking sector is constantly changing, resulting in the level of competition and increased marketing expenses.</li> </ul>
<b>Cybersecurity/IT</b>	<ul style="list-style-type: none"> <li>– The growing risk of bank and client security in the digital world results in increased IT and cybersecurity spending.</li> <li>– The complexity of IT systems and their workload could make applications and systems unavailable and/or unstable.</li> <li>– Moving to cloud solutions.</li> </ul>

### Chances in achieving the goals of the business strategy in 2021

Opportunities	Comment
<b>Clients</b>	<ul style="list-style-type: none"> <li>– Acquisition of new clients.</li> <li>– An increase of the share of primary clients in the overall number of clients.</li> <li>– Use of the potential of electronic banking.</li> </ul>
<b>Sustainable Development</b>	<ul style="list-style-type: none"> <li>– Increased ecological awareness of the society.</li> <li>– Increased access to green energy sources.</li> <li>– EU climatic neutrality.</li> <li>– Access to new technologies.</li> <li>– Recovery plan for Europe and distribution of its funds.</li> </ul>
<b>Financial results</b>	<ul style="list-style-type: none"> <li>– Growing business volumes.</li> <li>– Increased importance of the result on fees and commissions in revenues.</li> <li>– Cost effectiveness.</li> </ul>
<b>Capital regulations and requirements</b>	<ul style="list-style-type: none"> <li>– Target level and path: <ul style="list-style-type: none"> <li>▪ BFG funds,</li> <li>▪ Capital requirements/MREL.</li> </ul> </li> </ul>

## Sustainable development strategy “Our Responsibility”

Today, it is up to our decisions and actions what the world will look like and what world will be available to the next generations. The mission of ING Bank Śląski is to support our clients to be one step ahead in life and business. Each of us is part of smaller and larger families, groups and communities. That is why we work for the common good. We understand them as a sense of community, respect for each other and for nature. We are united by the conviction that we must act TOGETHER – for clients, for society – in our bank.

We see our responsibility in three priorities related to our business: #ING for entrepreneurship ING for equal opportunities #ING for climate. Additionally, we have determined that our responsibility is:

- supporting clients in financial management so that they can do their thing,
- building openness and providing equal opportunities,
- fighting the climate crisis.

## Sustainability Strategy of ING Bank Śląski “Our Responsibility”



The entire Sustainable Development Strategy for 2020 can be found at [this link](#).

A summary of the implementation of the strategy for 2020 is available at [this link](#).

Due to the ongoing pandemic, we had to achieve some goals in remote or hybrid mode, and some were replaced by other activities. We also carried out a number of activities that were not included in the strategy, but were related to the prevention of the pandemic.

In 2021, we will continue our activities within the same three priorities, but by setting new goals and measures of success for the next year.

## Value creation model

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

## Our business model

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

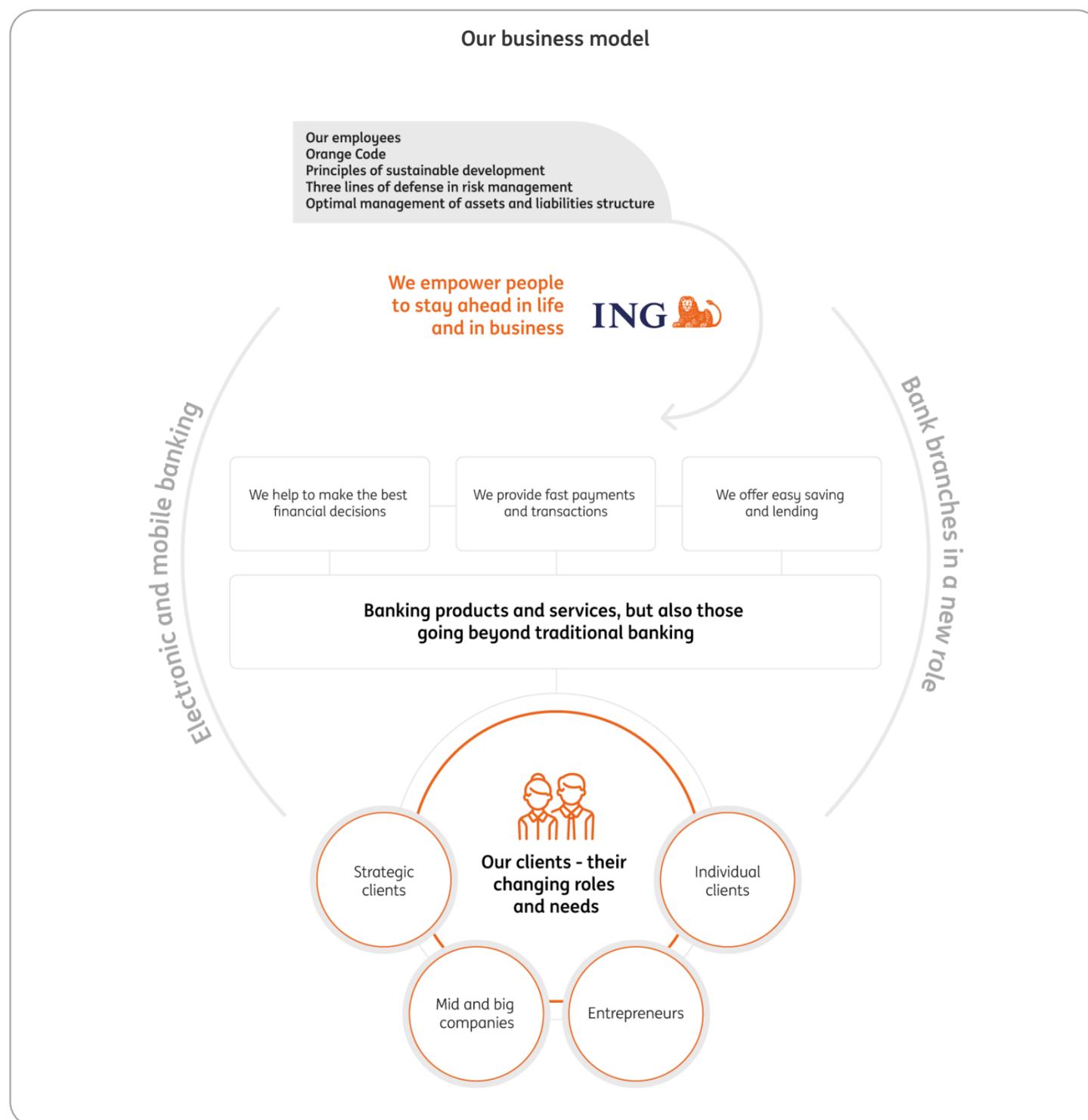
Effective functioning of our business model relies on a group of over 8 thousand staff members. What we value is motivation, diversified experience, seniority and abundant knowledge. We base our work on our code of ethics – Orange Code or a set of ING Conduct and Values.

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

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

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

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



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

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

We split our clients into two core segments – retail clients and corporate clients as detailed below.

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

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

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

## Capitals used



### Human capital

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

#### How do we manage capital?

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

#### Equity at the end of the year

Metric	2019	2020
Headcount	8,135	8,507
Rotation indicator	7.2%	6.3%
Females in management positions	393	349
Number of primary clients (million)	1.97	2.08

#### Result of capital processing in 2020

- 986 people benefited from the remote work training programme.
- 67% of employees took part in the OHI Pulse survey.
- We acquired 358.6 thousand new retail clients and 76.8 thousand new corporate clients.

#### An exemplary impact on other capitals

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



### Financial capital

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

#### How do we manage capital?

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

#### Equity at the end of the year

Metric	2019	2020
Equity (PLN million)	15,223.3	18,618.3
Collected deposits (PLN million)	130,473.5	151,028.5
Subordinated liabilities (PLN million)	2,131.1	2,309.2
Total capital ratio	16.87%	18.72%

#### Result of capital processing in 2020

- The cost to income ratio was 44.3%.
- ROE (return on equity) was 7.6%.
- Interest expense amounted to PLN 705.1 million.

#### An exemplary impact on other capitals

- Impact on human capital through employee remuneration costs.
- Impact on intellectual capital through the costs of training and development activities for employees.
- Impact on environmental capital thanks to the issue of green covered bonds.
- Impact on social capital through donations.



### Intellectual capital

These are our skills and knowledge that we use to create modern products and services that meet the current and future needs of clients.

#### How do we manage capital?

We organize trainings, internal internships. We give access to e-learning. Our employees are speakers at conferences. We work based on our own PACE methodology. We use Agile in the organisation of work.

#### Equity at the end of the year

Metric	2019	2020
Number of development activities per employee	12.5	22
Employee participation in internal internships	151	102
Number of participants of the Internship with the Lion	530	264

#### Result of capital processing in 2020

- 99.4% of employees took part in at least one development activity.
- 11 new people joined the International Talent Programme.
- We sold 79% of our cash loans via remote channels.
- 36% of mortgage loans granted are fixed rate loans.

#### An exemplary impact on other capitals

- Impact on social capital by creating new products and services tailored to the needs of clients.
- Impact on financial capital by lowering training costs due to promoting in-house training.
- Impact on human capital by increasing the competences and skills of employees.
- Impact on environmental capital by creating solutions that have a positive impact on the environment.



### Environmental capital

It is the natural environment that we mainly influence indirectly through the projects we finance. We try to minimize our direct impact.

#### How do we manage capital?

In 2017, we introduced the Ecological Declaration, according to which we will not finance coal-based businesses. We will increase our commitment to environmental projects. We reduce our direct environmental impact. Environmental goals are part of our Sustainable Development Strategy.

#### Equity at the end of the year

Metric	2019	2020
Electricity consumption (MWh)	31,921	27,666
Water consumption (m3)	58,284	65,693
Carbon dioxide emissions (tonnes of CO <sub>2</sub> e)	3,268	2,186
Recycling	100%	100%

#### Result of capital processing in 2020

- 100% of agreements with contractors include a clause relating to respect for the natural environment.
- 100% of the energy used comes from renewable sources.
- We reduced carbon dioxide emissions by 89% compared to 2014.
- We provided financing for RES in the amount of PLN 920 million.

#### An exemplary impact on other capitals

- Impact on human capital by promoting sustainable transport.
- Impact on financial capital by increasing the financing of environmentally friendly projects.
- Impact on intellectual capital by looking for a solution for the urban mobility platform.
- Impact on social capital by implementing pro-ecological products for clients.



### Social capital

It is relationships with stakeholders from our environment: clients, employees, vendors, local communities and social and charitable organisations.

#### How do we manage capital?

We care about our relations with all stakeholders. We know that we have a direct impact on our stakeholders, but also indirectly on the entire environment, e.g. the families of our employees, charges of social organisations with whom we cooperate, participants of our partnerships, etc. We conduct a dialogue, we are open and available in all communication channels.

#### Equity at the end of the year

Metric	2019	2020
Hours devoted to volunteering	7,283	1,072
Number of students in the "Professional Artist" programme	633	1,280
Number of ING participants in "Run Warsaw"	2,206	2,962

#### Result of capital processing in 2020

- So far 1,200 employees have benefited from the cancer prevention programme.
- We provided over PLN 5.5 million in financial donations.
- 36 teams applied for the implementation of the ING Challenge under the partnership with Exempt from Theory.

#### An exemplary impact on other capitals

- Impact on human capital by promoting a healthy lifestyle and social commitment.
- Impact on financial capital through donations.
- Impact on intellectual capital by mentoring our employees and developing their soft skills.
- Impact on environmental capital through the implementation of eco-volunteering.

### Our value creation model





## Client experience



### Availability, speed and intuitiveness

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

#### How we measure it

##### Measures in terms of availability, speed and intuitiveness

	2017	2018	2019	2020
Bank branches	357	337	317	290
Bank branches with service in sign language	100%	100%	100%	100%
A network of cash handling devices	1,081	1,051	1,012	1,001
Retail transfers ordered via electronic banking	99.8%	99.9%	99.9%	99.9%
Time of website availability	99.8%	99.8%	99.9%	99.9%
Share of clients actively using Moje ING	46.9%	49.4%	58.8%	60.5%
Average waiting time for a connection with a Contact Centre advisor (seconds)	20	48	65	104
Problems resolved during your first phone call with the Contact Centre	80%	81%	80%	79%

### Dialogue and simple communication

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

#### How we measure it

##### Measures for dialogue and simple communication

	2017	2018	2019	2020
Messages and documents adapted to the rules of plain language (thousand) *	1.4	2.0	2.5	3.0
Number of fans on the ING Bank Śląski profile on Facebook (thousand)	214	247	249	254
Number of responses provided by the Contact Centre on Facebook (thousand)	52	78	95	156
Number of users visiting the ING Community every month (thousands)	80	100	113	139

\* cumulative number from the beginning of the project

### Independence and awareness in elections

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

#### How we measure it

##### Measures of independence and awareness in elections

	2017	2018	2019	2020
Regular investment instruction (thousand)	82.1	89.4	107.3	109.7
Number of brokerage accounts (thousand)	70.2	80.4	91.0	133.6
YouTube subscribers (thousand)	59.0	126.6	194.5	204.0
Place in the brand survey – the indicator "bank for resourceful and enterprising"	TOP 1	TOP 1	TOP 1	TOP 1
Place in the brand survey – the indicator "a bank that allows you to make better financial decisions"	TOP 1	TOP 1	TOP 1	TOP 1



## Sustainable growth and CSR



### We support green investment projects

We support and promote solutions related to the protection of the natural environment. We undertake initiatives to create and offer new products, support pro-ecological projects, shape pro-ecological awareness and manage environmental and social risks. We help our clients in the energy transformation.

#### How we measure it

##### Measures for supporting green investments

	2017	2018	2019	2020
Corporate segment projects reviewed for compliance with the ESR policy	100%	100%	100%	100%
Number of electric cars made available as part of cooperation with Innogy	-	-	500	500

### We Reduce Our Environmental Impact

We strive to minimize the negative impact we have on the environment. We conduct information campaigns that reduce the consumption of resources and increase the awareness and pro-ecological sensitivity of employees.

#### How we measure it

##### Measures to reduce our environmental impact

	2017	2018	2019	2020
Reduction in greenhouse gas emissions compared to 2014	-79%	-80%	-89%	-89%
Reduction in water consumption compared to 2014	-13%	-11%	-9%	9%

### Social responsibility and financial education

Our activities are directed primarily to children and adolescents. They serve the development of entrepreneurship, financial education, and local communities.

#### How we measure it

##### Measures in the field of social responsibility and financial education

	2017	2018	2019	2020
Number of lessons in the BAKCYL programme	313	210	125	23
Hours devoted by employees to volunteering	5,041	5,301	7,283	1,072
Number of charitable donations made by the bank	32	25	36	49



## Risk and security management



### Stability of IT systems and transaction security

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

#### How we measure it

##### Measures in the field of IT systems stability and transaction security

	2017	2018	2019	2020
Percentage of employees trained in Compliance	97%	98%	98%	97%
Percentage of employees trained in counteracting fraud	98%	94%	80%	91%
Time of website availability	99.8%	99.8%	99.9%	99.9%
Number of logins blocked to Moje ING based on suspected fraud attempts	-	-	5,860	13,228

### Personal data security

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

#### How we measure it

##### Measures in the field of personal data security

	2017	2018	2019	2020
Legitimate complaints of breach of client privacy	0	0	0	0
Percentage of employees trained in the field of personal data security	100%	99%	97%	97%

### Security of funds

Our risk management system includes constant identification, measurement and monitoring of the level of risk borne by the Bank in order to ensure the safety of funds entrusted to us by clients.

#### How we measure it

##### Measures in the field of financial security

	2017	2018	2019	2020
Tier 1 ratio	15.77%	14.74%	14.41%	16.09%
Total capital ratio	16.71%	15.58%	16.87%	18.72%
Share of loans in stage 3 (opening balance 2018 for the 2017 column)	3.0%	2.8%	3.0%	3.3%
Credit coverage ratio in stage 3 (opening balance 2018 for the 2017 column)	59.6%	59.6%	54.1%	60.7%



## Committed employees and a strong employer



### Reliable employer

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

#### How we measure it

##### Measures in terms of a reliable employer

	2017	2018	2019	2020
The ratio of the salaries of the lowest level employees to the market	143%	125%	119%	114%
Employee retention rate after parental return	99.0%	99.7%	98.9%	99.3%
Percentage of women in managerial positions	52%	52%	51%	49%
The number of employees in the Employee Pension Programme	70%	77%	77%	77%

### Culture of innovation and employee development

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

#### How we measure it

##### Measures in the field of innovation culture and employee development

	2017	2018	2019	2020
Number of employees trained in the PACE methodology	52	550	191	81
Percentage of employees who took part in annual interviews	97%	96%	93%*	94%*
Number of employees who participated in internal internships	170	180	151	102
Number of participants of the Internship with the Lion	131	331	530	264

\*only people who were absent for a long time did not participate in the interviews



## Stability and predictability



### Consistent and stable development

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

#### How we measure it

##### Measures for consistent and stable development

	2017	2018	2019	2020
LTD ratio	83.8%	87.6%	90.7%	82.6%
Value of mortgage loans granted (PLN billion)	6.7	8.5	11.4	11.4
Value of granted cash loans (PLN billion)	2.9	3.5	4.1	3.1
Market share in factoring turnover	14.5%	13.0%	12.7%	12.7%
Market share in the value of concluded lease agreements	5.5%	5.6%	6.5%	5.5%
Market share in loans	7.3%	8.0%	8.8%	9.3%
Market share in deposits	8.7%	9.1%	9.3%	9.6%

### Predictable results

We take care of the capitals entrusted to us and we try to allocate them effectively. We work to deliver a medium to long-term return that will satisfy our capital providers.

#### How we measure it

##### Measures for Predictable Outcomes

	2017	2018	2019	2020
Interest margin	2.88%	2.92%	2.95%	2.63%
Cost/Income Ratio	44.8%	44.5%	43.1%	44.3%
Risk cost margin	0.50%	0.52%	0.54%	0.88%
Return on equity (ROE)	12.65%	12.50%	11.61%	7.60%

## Business segments

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



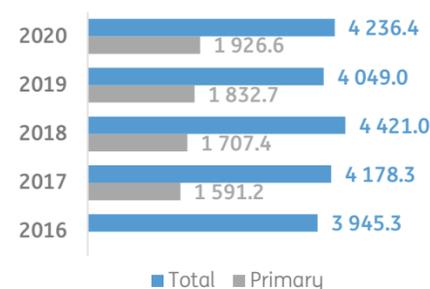
In terms of our segmentation, there was a change in 2020 – in 2020, entrepreneurs were transferred to the corporate banking segment. The data for 2019 in terms of financial results have been properly transformed to maintain comparability with the data for 2020. For loan and deposit values, or market shares, the history has been transformed in the longer term, as presented below. Why did we decide to change the segmentation? We know that our clients' companies are growing dynamically, we want to support their development even better. We have provided entrepreneurs with an offer of products for companies, e.g. trade finance, an EU offer that supports investments in new technologies, or specialist products previously offered to corporate clients, e.g. guarantees from Bank Gospodarstwa Krajowego. In addition, we want to strengthen the use of microfactoring and leasing among entrepreneurs.

## Retail segment

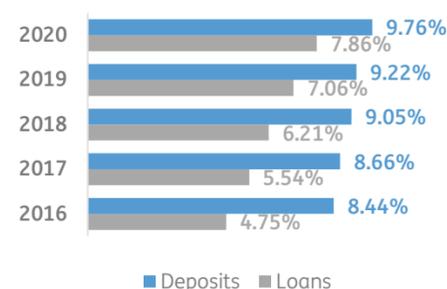
### Description

As part of the retail segment, we serve individual clients – we already have 4.2 million of them, of which 1.9 million are primary clients, for whom we are the bank of first choice.

### Number of clients (thousand)



### Market shares



## Consolidated income statement (PLN million)

	2019	2020	y/y (%)	y/y (PLNm)
Net interest income	2,309.9	2,439.9	+5.6%	+130.0
Net fee and commission income	417.9	457.3	+9.4%	+39.4
Other revenues*	71.9	61.5	-14.5%	-10.4
<b>Revenues</b>	<b>2,798.8</b>	<b>2,958.7</b>	<b>+5.7%</b>	<b>+159.9</b>
<b>Operating expenses</b>	<b>1,323.9</b>	<b>1,439.6</b>	<b>+8.7%</b>	<b>+115.7</b>
<b>Income before risk costs</b>	<b>1,475.7</b>	<b>1,519.1</b>	<b>+2.9%</b>	<b>+43.4</b>
Risk costs**	193.6	586.3	+202.8%	+392.7
Bank levy	167.3	196.4	+17.4%	+29.1
<b>Gross result</b>	<b>1,114.8</b>	<b>736.4</b>	<b>-33.9%</b>	<b>-378.4</b>

\*including share in profits of associates; \*\*including legal risk costs of foreign currency mortgage loans

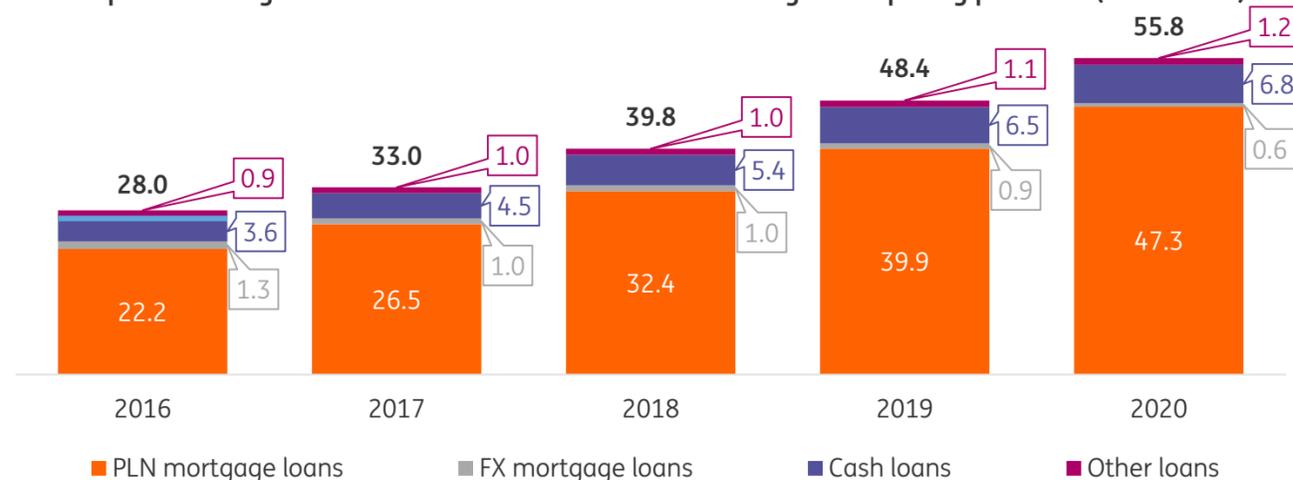
## Balance sheet and key indicators

	2019	2020	y/y (%)	y/y (PLNm)
<b>Balance sheet data (PLN million)</b>				
Total Assets	67,948.9	83,040.2	+22.2%	+15,091.3
Receivables from clients	47,600.3	54,745.4	+15.0%	+7,145.1
Liabilities to clients	78,952.0	90,514.5	+14.6%	+11,562.5
<b>Key indicators</b>				
Loans for deposits	60.3%	60.5%	+0.2 p.p.	-
Cost to income	47.3%	48.7%	+1.3 p.p.	-
Risk cost margin	0.44%	0.12%	+0.68 p.p.	-

## Comment on the segment's results

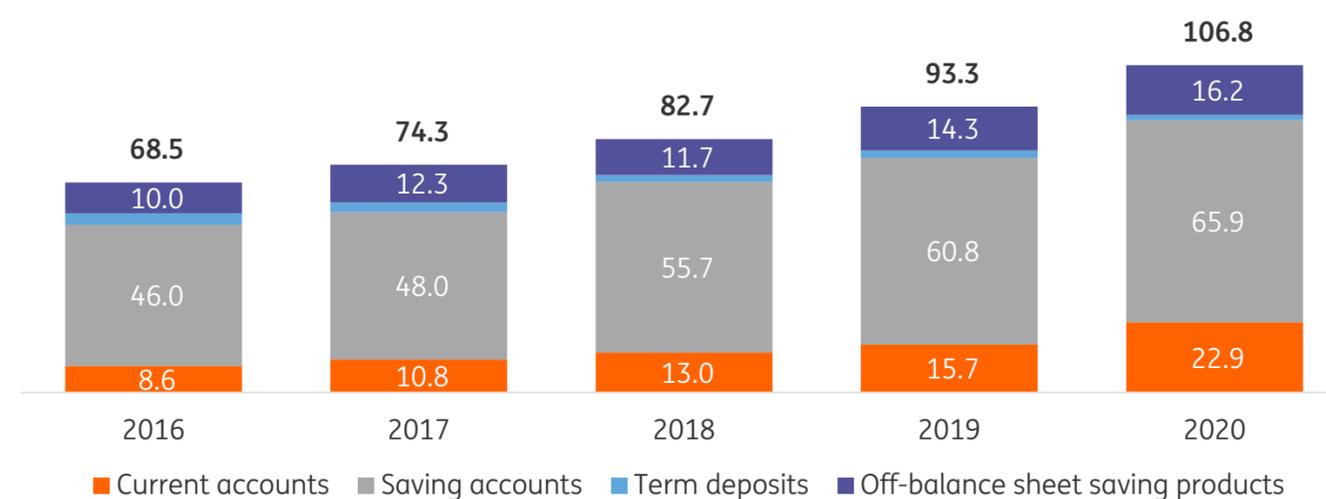
The gross result of the retail segment was lower in 2020 by PLN 377.5 million (-33.9% y/y), mainly due to an increase in the cost of risk by PLN 392.7 million (+ 202.8% y/y), including higher costs of provisions for legal risk of FX mortgage loans (PLN 270.3 million in 2020 compared to PLN 31.2 million in 2019) and the negative impact of changes in macroeconomic assumptions in the models (PLN 51.9 million in 2020). Operating expenses were also higher than in the previous year (by PLN 115.7 million, + 8.7% y/y), inter alia due to higher costs of BFG contributions in the field of deposit guarantees. Due to the increase in the segment's assets, the banking tax was also higher by 17.4% y/y (up by PLN 29.1 million). Higher risk costs, operating expenses and banking tax were partially compensated by the increase in revenues. Net interest income increased by +5.6 y/y due to growing loan volumes (+ 15.0% y/y) and optimization of financing costs (lower interest rates on deposit products). The result on fees and commissions was also higher by 9.4% y/y – the categories that contributed to this were mainly: offering insurance products, margin on foreign exchange transactions and brokerage activities.

### The portfolio of gross receivables from the retail client segment split by products (PLN billion)



As at the end of 2020, the total value of gross receivables from retail clients grew by 15.5% y/y up to PLN 55.8 billion. The main category that contributed to the growth of this portfolio were PLN mortgage loans (an increase of + 18.6% y/y). FX loans decreased by 30.5% y/y, but the main reason for this decrease was the reduction of the gross book value of this portfolio by the value of the provision for legal risk of this portfolio (at the end of 2020, the adjustment was PLN 300.0 million compared to PLN 35.3 million at the end of 2019). The portfolio of cash loans increased by 4.7% y/y, i.e. slower than in 2019 due to lower sales of these loans in 2020 and the natural amortization of the portfolio.

### The portfolio of liabilities to the retail segment split by products (PLN billion)



### Sales of retail loans



In 2020, as in the previous year, we granted a total of PLN 11.4 billion in mortgage loans. This allowed us to rank second in terms of new sales with a market share of 19.2% (18.8% a year earlier). In 2020, the value of sales of mortgage loans with a fixed interest rate amounted to PLN 4.1 billion and accounted for 36% of total sales of mortgage loans (PLN 2.9 billion and 26% in 2019, respectively). Our clients more and more often choose the EKO mortgage loan offer. The share of sales of the offer of energy-efficient houses increased significantly year-on-year. Since the implementation of this variant of the offer in February 2018, we have already granted nearly PLN 0.9 billion in "green" mortgage loans. It should also be added that a significant part of new sales meets the criteria for the issue of green covered bonds by ING Bank Hipoteczny.

In 2020, we granted PLN 3.1 billion in cash loans to individuals, which means a decrease by 23.9% y/y. This decrease resulted from lower client demand as well as the change in the Bank's lending policy caused by the COVID-19 pandemic. We sold 79.4% of these loans online (78.5% in 2019).

The portfolio of balance sheet liabilities towards retail clients increased by 14.6% y/y to PLN 90.5 billion. The highest y/y growth dynamics was recorded in current accounts (+ 46.0% y/y to the value of PLN 22.9 billion). Funds accumulated on savings accounts grew at a slower pace (+ 8.4% y/y to PLN 65.9 billion), and term deposits decreased (-30.4% y/y to PLN 1.7 billion). Thus, current accounts gained importance in the portfolio of balance sheet liabilities to retail clients (25.3% of the portfolio at the end of 2020, compared to 19.9% a year earlier), which contributed to the improvement (reduction) of the bank's financing costs.

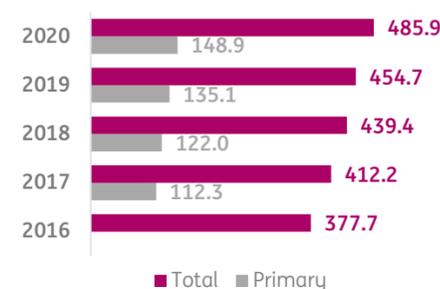
As part of off-balance sheet products, we offer, among others brokerage services and we mediate in the sale of funds managed by TFI. At the end of 2020, the savings accumulated on our clients' brokerage accounts amounted to PLN 4.5 billion (75.1% more than in the previous year). This was favoured by lowering interest rates and clients seeking alternative forms of saving and investing. The share of our brokerage house in the turnover on the WSE stock market was 4.7% (1.6% a year earlier), with a turnover of PLN 27.7 billion. In 2020, we opened a record number of new brokerage accounts – 42.7 thousand, which was the largest increase in the base of all brokerage houses. At the end of 2020, our clients' savings accumulated in TFI amounted to PLN 11.7 billion – stable y/y. Large net redemptions in March and April (similarly to the market) were neutralized by positive net sales in the following months of the year and an increase in the value of participation units.

## Corporate segment

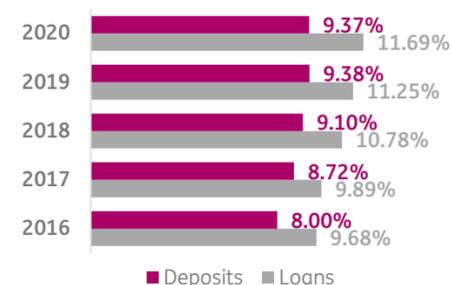
### Description

As part of the corruption segment, we serve corporate clients, which at the end of 2020 had as much as 485.9 thousand of which 148.9 thousand are our primary clients for whom we are the main bank.

### Number of clients (thousand)



### Market shares



## Consolidated income statement (PLN million)

	2019	2020	y/y (%)	y/y (PLNm)
Net interest income	2,015.2	2,101.9	+4.3%	+86.7
Net fee and commission income	922.6	1,071.1	+16.1%	+148.5
Other revenues*	58.9	99.0	+68.1%	+40.1
<b>Revenues</b>	<b>2,997.6</b>	<b>3,272.0</b>	<b>+9.2%</b>	<b>+274.4</b>
<b>Operating expenses</b>	<b>1,173.5</b>	<b>1,322.9</b>	<b>+12.7%</b>	<b>+149.4</b>
<b>Income before risk costs</b>	<b>1,823.2</b>	<b>1,949.2</b>	<b>+6.9%</b>	<b>+126.0</b>
Risk cost	411.9	488.6	+18.6%	+76.7
Bank levy	268.4	285.2	+6.3%	+16.8
<b>Gross result</b>	<b>1,142.9</b>	<b>1,175.4</b>	<b>+2.8%</b>	<b>+32.5</b>

\*including share in profit of associates

## Balance sheet and key indicators

	2019	2020	y/y (%)	y/y (PLNm)
<b>Balance sheet data (PLN million)</b>				
Total Assets	88,845.2	101,730.4	+14.5%	+12,885.2
Receivables from clients	68,391.0	68,082.9	-0.5%	-308.1
Liabilities to clients	49,848.1	58,755.4	+17.9%	+8,907.3
<b>Key indicators</b>				
Loans for deposits	137.2%	115.9%	-21.3 p.p.	-
Cost to income	39.1%	40.4%	-1.3 p.p.	-
Risk cost margin	0.61%	0.69%	+0.09 p.p.	-

## Comment on the segment's results

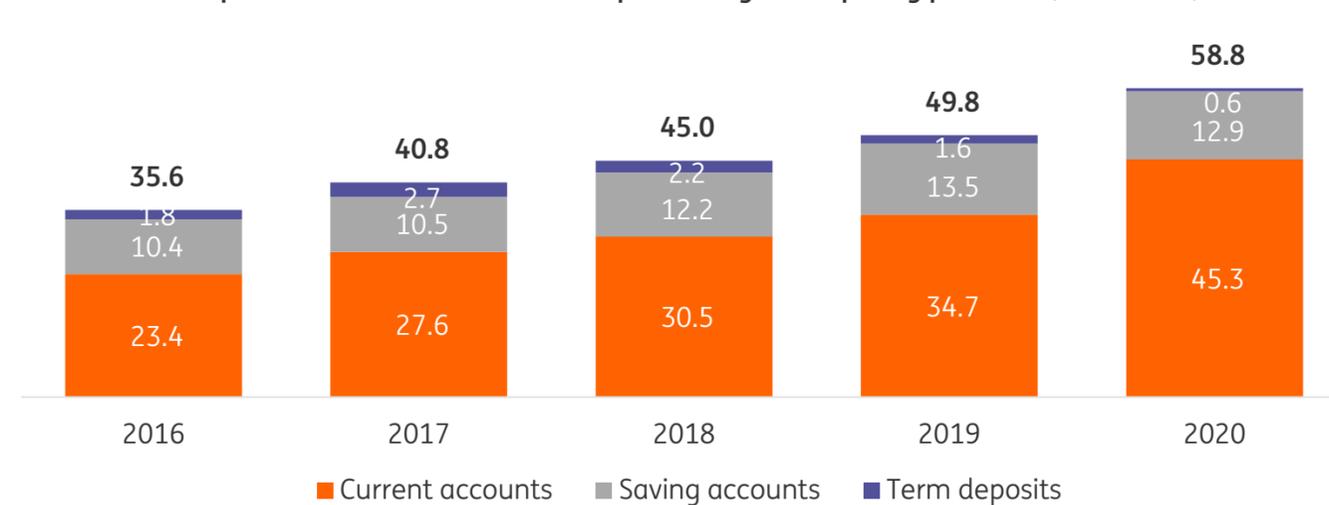
The gross result of the corporate segment was higher in 2020 by PLN 31.5 million (+2.8% y/y) thanks to higher y/y revenues (+9.2% to PLN 3,272.0 million), in particular the result from fees and commissions (+16.1% y/y to PLN 1,071.1 million). The y/y improvement was visible mainly in fees and commissions for: maintaining client accounts, margins on currency exchange transactions and granting loans. Net interest income also improved compared to 2019 (+4.3% to PLN 86.7 million). Operating expenses increased by 12.7% to PLN 1,322.9 million. In 2020, the cost of risk significantly increased (+ 18.6% y/y to PLN 488.6 million), mainly due to a change in macroeconomic assumptions in the models (impact of PLN 190.6 million in 2020). The Bank levy increased by 6.3% y/y to PLN 285.2 million due to the increase in the tax base.

### Portfolio of gross receivables from corporate segment clients by products (PLN billion)

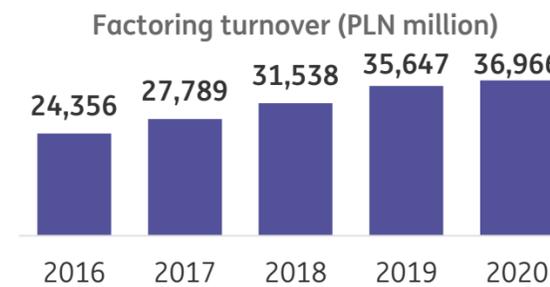


At the end of 2020, the total value of gross receivables (including loans measured at fair value) from corporate segment clients increased by 0.3% y/y to PLN 70.3 billion. The loan portfolio was stable y/y (+ 0.4% y/y to PLN 55.6 billion) – the portfolio of small and medium-sized enterprises increased y/y, and entrepreneurs and strategic clients decreased compared to the end of 2019. The portfolio of leasing receivables increased by 4.6% y/y to PLN 9.8 billion (mainly due to the portfolios of entrepreneurs and small and medium-sized enterprises). On the other hand, the factoring portfolio decreased by 8.9% y/y to PLN 4.9 billion (the decrease was due to the portfolios of small and medium-sized enterprises and strategic clients).

### The portfolio of liabilities to the corporate segment split by products (PLN billion)



### Turnover in factoring and leasing sales



The factoring turnover in 2020 amounted to PLN 37.0 billion, i.e. it was 3.7% higher than in 2019. In Q2 2020, the turnover dropped significantly (-9% q/q and -7% y/y), but this decline was quickly recovered (dynamics in Q3 2020 was + 17% q/q and + 3% y/y, respectively). The turnover in 2020 allowed us to achieve a 12.7% market share. The number of factoring clients increased by 16% y/y to 5.5 thousand. In 2020, we purchased 3.2 million invoices – 4% less than in the previous year.



Sales of leasing products amounted to PLN 3.8 billion in 2020 and was 24.0% lower than in the previous year. As in factoring, the decline in sales was very noticeable in Q2 2020, and each subsequent quarter was better. Sales in Q4 2020 was higher than the year before (PLN 1.2 billion, + 15.0% y/y). Our market share in sales of leasing products was 5.5% in 2020 (6.5% in 2019). The number of leasing clients is 34 thousand. (+12.0% y/y).

The funds deposited by our corporate clients as at the end of 2020 amounted to PLN 58.8 billion and were by 17.9% higher than at the end of the previous year. The most important part of liabilities towards this group of clients are funds accumulated on current accounts (77%, compared to 70% a year earlier). This contributed to the improvement of the bank's financing costs.

The funds accumulated on current accounts increased by as much as 30.4% y/y to PLN 45.3 billion, including due to the support received under the Anti-Crisis Shield 1.0, the current accounts of entrepreneurs increased the most (+41.7% y/y), followed by small and medium-sized enterprises (+ 30.4%), and the funds collected by strategic clients decreased (23.7% y/y), which could have resulted in an outflow of the end-of-year deposit fee.

The funds accumulated in savings accounts fell by 4.4% y/y to PLN 12.9 billion, mainly due to the deferment of funds accumulated by small and medium-sized enterprises (-8.6% y/y). On the other hand, funds accumulated by entrepreneurs (+13.2% y/y) and strategic clients (+3.7% y/y) increased y/y.

## The environment in which we operate

The environment in which we operate is very complex. As a capital group, we interact with a wide range of stakeholders. Therefore, it is very important for us to manage relations with the environment. In this chapter, you will find information on how we approach it, what our presence in the capital market looks like, what characterizes the current economic situation and what our economists' expectations are in this regard. Management of relations with the environment.

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

Our activities have an impact on clients, employees, shareholders, vendors and the broadly understood social environment. We are aware that the expectations of our stakeholders are different. In our daily work, we act in such a way as to respond to these different expectations. We take care of professional and simple communication of our bank, both with the internal and external environment. We use specialized tools to develop the best possible cooperation and dialogue practices with stakeholders.

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

All groups of our stakeholders are important from the perspective of the business strategy, sustainable development strategy, direct and indirect influence of the organisation. We give the most important topics a strategic dimension. Thanks to this, we can implement them efficiently and quickly. Our stakeholders were identified during the preparation of the CSR report for 2011-2012. Since that time no changes have been made to the identification of stakeholders and at the workshop with employees in 2019 we decided that no changes were necessary in our map of stakeholders.

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



## Clients

Clients are one of the most important groups of our stakeholders, because without them our organisation would not exist. Their opinions and needs are extremely important to us, which is why we collect them on an ongoing basis, analyse and try to implement them in our products and services (the so-called client voice). Satisfaction surveys and other surveys such as Mystery Shopper, NPS or FCR are conducted quarterly or annually. Our clients can contact us through various communication channels.

## Investors, analysts and rating agencies

We care for equal treatment of all shareholders and attach importance to broad access to information and effective communication with capital market participants. We maintain constant contact and organize quarterly meetings with the management board on the occasion of the publication of financial results. More information about our bank's investor relations is available on [our website](#).

## Media

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

## Employees

We learn the opinions and assessments of employees, among others through an annual alternation of Organisation Health Survey (OHI) and Pulse Check. On the intranet, employees discuss through the community and blog with the president. We also organize anonymous chats with board members, where each employee can ask a question that is answered each time. The interests of employees and their rights are represented by employee organisations – the works council and trade unions. The works council provides information and consults on the most important issues for employees.

## ING volunteers

Communication with ING Volunteers is very important to us. Daily we use all tools available at the Bank – Intranet, communities, Dobry Pomysł [Good Idea] platform. We conduct a survey once a year. Every year, the ING for Children Foundation organizes training courses for volunteers at the centre in Wisła. Ongoing dialogue is an element which

enhances the employees' commitment to local projects and actions. In 2020, most of the training and communication took place online.

## Non-governmental organisations

Communication with non-governmental organisations is very important to us. We contact them on an ongoing basis using a variety of tools. We invite you to meetings, enter into partnerships, and engage in joint initiatives. Additionally, every year we make financial and in-kind charitable donations to non-governmental organisations.

## Academic environment

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

## Vendors

Vendor cooperation is assessed once a year. From 2018, we introduced additional extended surveys in the area of social responsibility.

## Our presence on the capital market

### Investor relations

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

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



Contact details to the Investor Relations Bureau

e-mail: [investor@ing.pl](mailto:investor@ing.pl) | phone: +48 (22) 820 44 16

In 2020, the representatives of the Management Board and the Investor Relations Bureau held many individual and group meetings with investors and participated in key investor conferences.

As a rule, open meetings for investors, analysts and journalists are organised by the Investors Relations Bureau and Press Office once a quarter, at the quarterly report publication date. With the exception of the conferences in Q4 2019, due to the COVID-19 pandemic, the conferences organized in 2020 were only broadcast via the Internet (without the possibility of physical participation in the Bank's headquarters as in previous years). Conference participants invariably had the opportunity to ask questions via the broadcast website or by contacting the Investor Relations Bureau's e-mail address directly. Recordings of our conference broadcasts are available for viewing on the website of the Investor Relations Bureau.

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

Our bank is one of the companies that are watched and analysed by the market. As at 2020 yearend, analysts representing 13 domestic and foreign financial institutions published reports and recommendations for the ING Bank Śląski's shares.

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

### Structure of share recommendations for ING Bank Śląski S.A. as at 31 December 2020

7x Buy / Accumulate

4x Hold / Neutral

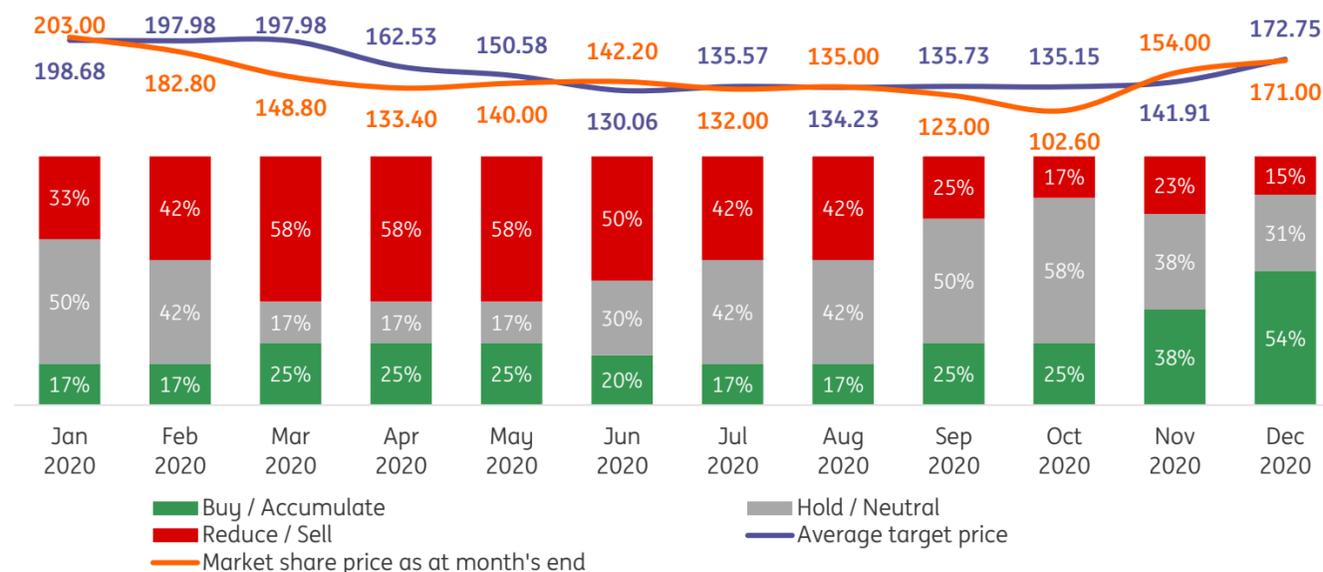
2x Reduce / Sell



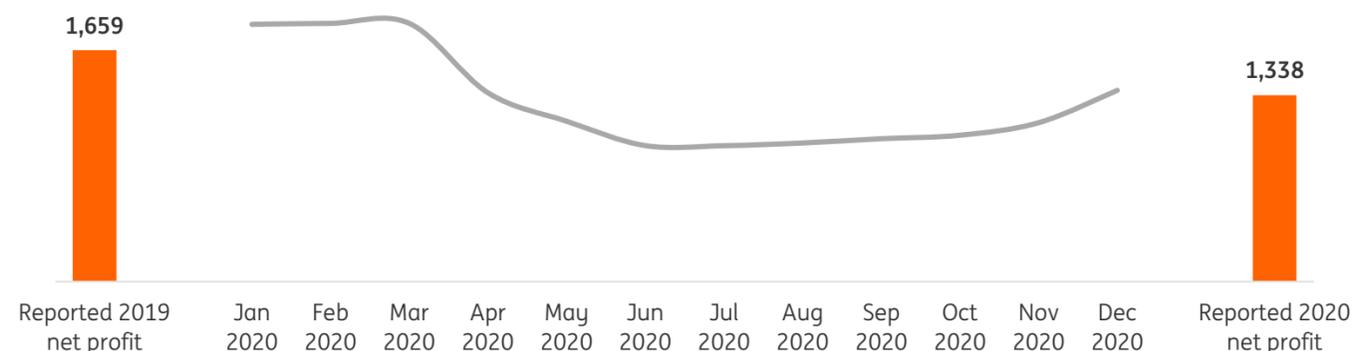
### Average target price for ING Bank Śląski S.A.'s shares as at 31 December 2020

172.75 zł

### Structure of share recommendations and average target price over 2020



### Analysts' expectations regarding the consolidated result of ING Bank Śląski in 2020 (PLN million)



## Share price

In 2020, the price of ING Bank Śląski shares on the WSE fluctuated from PLN 99.5 to PLN 209.5. On 30 December 2020, the share price of our bank at the close of the session was PLN 171.0, i.e. it was 15.6% lower than on the last trading day of 2019 (the average price weighted by the trading volume was PLN 171.0374 as at December 30, 2020 and PLN 203.2219 a year earlier). For comparison, the WIG-Banks sector index fell by 29.9% at that time.

As at 2020 yearend, the market value of our bank was PLN 22.2 billion, while the book value of the bank's capital group was PLN 18.3 billion.

Our Bank has been listed in the WIG30 (current share in the index 2.3947%), mWIG40 (current share 9.7038%) and WIG-ESG (current share 2.0845%) indices since their beginnings. Our shares are also included in the WIG-banks index (estimated share of 9.926% at the last session in 2020).

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

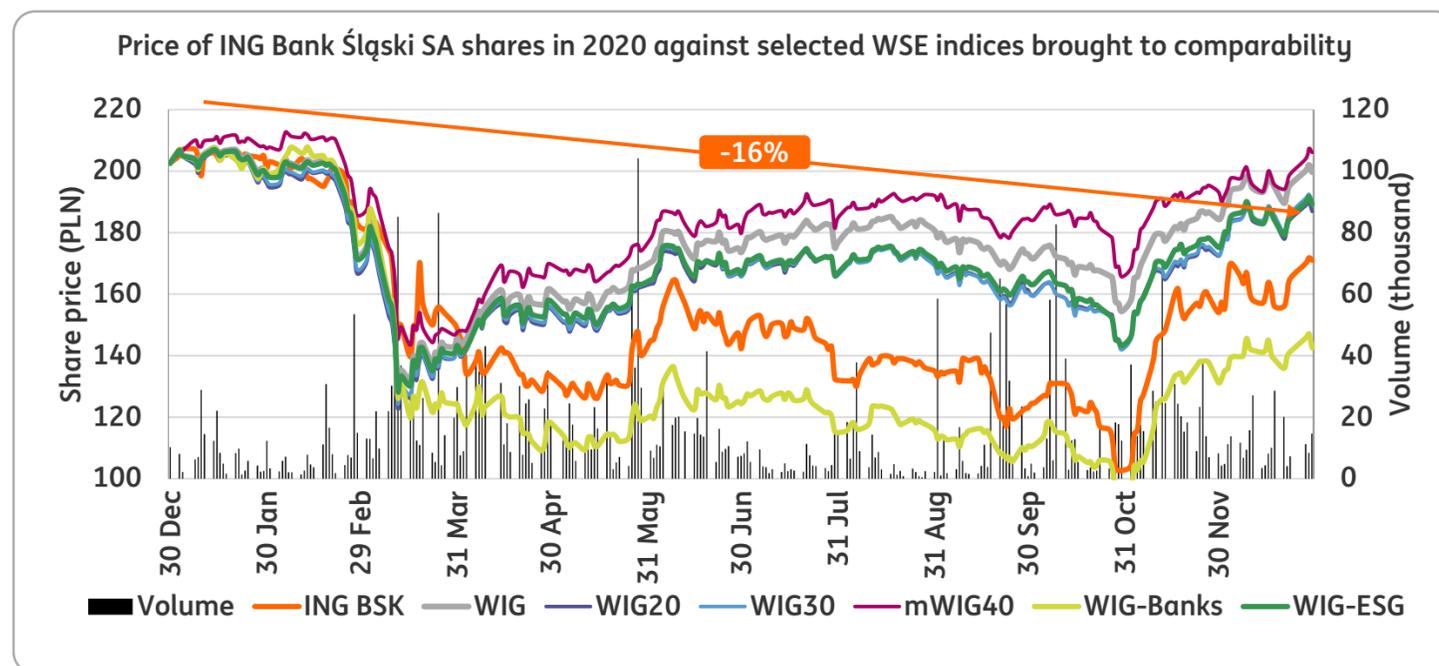
	2018	2019	2020
WIG	2.0300%	2.2023%	1.8181%
WIG30	2.7300%	2.8520%	2.3947%
mWIG40	9.9700%	9.9998%	9.7038%

### ING Bank Śląski S.A. shares data

	2018	2019	2020
Share price as at the yearend (PLN)	180.0	202.5	171.0
Top share price (PLN)	221.5	204.5	207.0
Bottom share price (PLN)	160.6	180.0	102.6
Turnover weighted average spread (basis points)	36	35	43
Yearend capitalization (PLN billion)	23.4	26.3	22.2
Number of shares	130,100,000	130,100,000	130,100,000
Total number of transactions	52,863	39,974	88,567
Number of block trades	7	3	0
Average number of transactions per session	214	161	351
Trading volume	2,892,622	1,949,283	3,799,640
Average trading volume per session	11,711	7,860	17,078
Market makers' share in turnover	6.39%	9.85%	12.41%
Dealers' share in turnover	13.00%	11.93%	3.50%
Earnings per share in PLN	11.71	12.75	10.3
Share book value (PLN)	102.40	117.01	143.1
Dividend paid per share in the year (PLN)	3.20	3.50	0.00
P/E ratio (x)*	15.3	15.9	16.6
P/B ratio (x)*	1.8	1.7	1.2

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

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



## ING Bank Śląski S.A. ratings

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

### Fitch Ratings Ltd.

Fitch Ratings agency (Fitch Ratings Ireland Limited with its seat in Dublin) assigns a full rating under the agreement between our bank and the Agency. As at the 2020 annual report's signing date, the ratings are as follows:

### Fitch Ratings Ltd.

Long-Term IDR	A+
Outlook for sustaining the 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)

In the press release published by Fitch on 30 September 2020, as part of the annual review, the Agency sustained the ratings for ING Bank Śląski SA. It emphasized in the review that the maintained ratings for ING Bank Śląski SA reflect its moderate risk appetite, good asset quality, solid capital buffers, strong funding based on deposits and high liquidity. The entity's long-term rating outlook is Negative. Fitch indicated that this was directly due to the negative rating outlook for the parent entity of the Bank, ING Bank NV. The perspective of the long-term rating on the national scale is Stable.

### Moody's Investors Service Ltd.

Moody's Investors Service (Moody's Investors Service Cyprus Ltd.) assigns their rating to our bank on the basis of public information. As at the 2020 annual report's signing date, the ratings are as follows:

### Moody's Investors Service Ltd.

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

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

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

## ING Bank Hipoteczny S.A. ratings

### Moody's Investors Service Ltd.

The Moody's Investors Service Agency assigns a full rating under the agreement between ING Bank Hipoteczny and the Agency. As at the 2020 annual report's signing date, ING Bank Hipoteczny S.A. ratings are as follows:

#### Moody's Investors Service Ltd.

LT Counterparty Risk	A2
ST Counterparty Risk	P-1
LT Issuer Ratings	Baa1
ST Issuer Ratings	P-2
Outlook	Stable
Counterparty Risk Assessment (CR Assessment) long-term/ short-term	A2 (cr) / P-1 (cr)

In its press release on 30 June 2020, the Agency emphasised that the rating of ING Bank Hipoteczny reflects:

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

## Rating breakdown

The table below compares the long-term ratings for Poland, ING Bank Śląski S.A., ING Bank Hipoteczny S.A. and ING Bank N.V. – as at the 2020 annual report's signing date.

### Rating breakdown

	Poland	ING Bank Śląski S.A.	ING Bank Hipoteczny S.A.	ING Bank N.V.
Fitch Ratings	A-	A+	-	AA-
Moody's Investor Services	A2	A2	A2	Aa3

## Responsibility in the supply chain

### GRI [102-9] [308-1] [414-1]

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

- a coherent vision and strategy of cooperation with the bank's vendors,
- risk mitigation in cooperation with vendors.
- covering vendors with a uniform management process, including comprehensive management information on vendors.

The Procurement and Strategic Sourcing Department designs and maintains cooperation standards with vendors, sets goals and responsibilities of process participants. Vendor qualification is a major element in vendor management. In compliance with the Procurement Policy, in 2020 we continued activities related to vendor classification. The process mitigates the risk of cooperation with vendors that may be involved in undesirable criminal, financial and economic activity, including such as are characteristic for bribery and corruption, or such that have an uncertain financial, social or environmental situation.

As at the end of 2020, there were 1,106 vendors in the procurement area who were classified as qualified vendors. In 2020, alone we verified 625 vendors of which 600 (96%) received positive qualification. Vendors are verified on the basis of established criteria in line with the values and ethical principles contained in the bank's mission and strategy.

The vendor qualification process includes:

- company identification in a credit information agency, verification of their financial condition,
- verification on control lists,

- verification for negative press,
- verification in relation to policies in the field of counteracting financial and economic crimes, in the field of counteracting bribery and corruption or environmental and social risk policy.

Vendors with whom the bank cooperates are 91% of vendors from Poland (according to the number of contracts).

The remaining 9% are foreign vendors. In 2020 alone, we completed 422 purchasing processes.

An important aspect in the qualification of vendors is the attitude that guarantees compliance with the vendor code.

Vendors who declare that they adhere to the vendor code (the code is available on [our website](#)) thereby undertake to comply with the basic standards. These include: observing the applicable law in relations with employees, including employee rights, as well as respecting their personal dignity, privacy and individual rights. The vendor should also provide its employees with a safe and harmless workplace, and take care of environmental protection, striving to minimize the environmental burden as part of its operations and taking steps to improve it. Moreover, vendors should observe prohibition of forced labour, child labour, corruption, and discrimination. It is important for us to be able to evidence compliance with the above standards. To this end, the Bank may request vendors to provide such Evidence:

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

Good communication is the basis for finding an agreement in mutual cooperation, therefore, when choosing a partner, the bank pays attention to the financial and non-financial aspects of this cooperation. It expects from its vendors an innovative approach and support, knowledge sharing, flexible response to the bank's needs and building partnership relations.

In 2020, there were 50 strategic vendors that assessed cooperation with the Bank as very good and good. Additionally, on the basis of counterparty cards received from vendors, we analyse:

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

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

In 2020, we coordinated the process of inspections with vendors concerning the provision of personal data for processing. The audit was performed for selected contracts. The inspection covered the following: Security of the Bank's data and personal data, physical security, identity and access management, management and configuration of the system infrastructure, incident monitoring and management.

The vendors to ING Bank Śląski S.A. also used the trading and auction platform for companies called Aleo. After registering at [www.aleo.com/pl](http://www.aleo.com/pl), vendors had the opportunity to participate in auctions organized as part of bank bidding procedures. In 2020, via the platform – over 76 auctions were held; the total number of auctions on the platform was 637. The bank's vendors and clients could also continue to use the platform to support their own purchasing processes.

## Involvement in initiatives and industry organisations

GRI [102-12] [102-13]

### ING Group is a signatory to, among others:

- Responsible Investment Guidelines for Investors – PRI,
- Carbon Disclosure Project,
- Global Reporting Initiative,
- Global Investor Statement on Climate Change.

### ING Group is also a member of:

- International Integrated Reporting Council,
- United Nations Global Compact,
- United Nations Environmental Programme Finance Initiative,
- Equator Principles Association.

### In Poland, we are a member of:

- Polish Bank Association,
- Foundation for the Development of Cashless Services,
- Polish Factors Association,
- Polish Leasing Association,
- Polish SWIFT Users' Committee,
- National Clearing House,
- Credit Information Bureaus,
- Polish Payment Standard,
- Banking Law Council,
- Council of Bank Card Issuers,
- Coalition for Polish Innovation,
- Responsible Business Forum.

## Business environment

GRI [102-15]

### 2020

#### Gross Domestic Product

Poland entered the pandemic period with relatively good economic conditions. In 2019, GDP increased by 4.5%, and investments for the second year in a row recorded a growth rate higher than GDP, increasing their share in the growth structure. While in 2018 this was the result of a strong acceleration in public investment, in 2019 the private sector was responsible for maintaining the high overall investment dynamics. High consumption dynamics continued. The good situation on the labour market and the support of household disposable income with generous social programs contributed to the increase in consumer spending. The contracting of EU funds under the 2014-2020 financial perspective also accelerated, but the gap between the contracted funds and those transferred to the economy was still high, approx. 45% of the funds allocated to Poland. A sharp change in the economic situation took place in mid-March with the introduction of the *lockdown* in connection with the first wave of the pandemic in Poland. In Q2 In 2020, the decline in GDP reached 8.4% y/y, household consumption collapsed (fell by 10.8% y/y) and investments (fell by 10.7% y/y). Only public demand, both consumption and investment demand, made a positive contribution to GDP. Net exports also made a positive contribution to GDP growth, but this is due to a lower decline in exports than in imports. With the loosening of the restrictions in Q3 2020 saw a strong improvement in the economic situation. This was mainly due to the rebound in private consumption, which increased by 0.4% y/y, and its level turned out to be higher than before the pandemic. The deferred demand effect worked, boosted by the record fiscal impulse which prevented a spike in unemployment and strengthened the propensity to spend. Investments remained almost as weak as in Q2. 2020, which was the result of a double-digit decline in private spending. The fall of 2020 brought another wave of the pandemic and a renewed tightening of restrictions. However, the economy dealt with them better than in spring. The restrictions affected service industries to a greater extent. The industry was strong and it is closely related to German supply chains, which were favoured by the recovery in Asia. ING Bank Śląski economists emphasize that the economy is becoming immune to the impact of the pandemic – during the fall wave of the pandemic, the number of cases increased several times, but the restrictions were  $\frac{1}{4}$  –  $\frac{1}{2}$  less burdensome than in

spring, and the decline in GDP in Q4. 2020 was only 1/10 of what in Q2 2020. According to the preliminary estimate of the Central Statistical Office, in 2020 the GDP in Poland shrank by 2.8% y/y in real terms, investments fell by 8.4% y/y, and household consumption by 3.0% y/y. Public consumption has risen in real terms. Net exports made a positive contribution to GDP growth (1.2 pp).

### Low interest rate environment

Despite the expansive expenditure policy of the budget, high GDP dynamics and mounting inflationary pressure, the Monetary Policy Council (MPC) kept rates in Poland unchanged for 5 years. We entered the pandemic period with CPI inflation at 4.7% y/y with the reference rate at 1.5%. The Council reacted quickly to the sharp economic downturn and an increase in borrowing needs in the period of the first lockdown. It significantly lowered interest rates, including the reference rate to 0.1%. It also started the purchase of bonds issued and guaranteed by the Treasury from the secondary market, and offered banks the option of taking out a promissory note loan to refinance loans granted to enterprises from the non-financial sector. In December 2020, NBP decided to implement a series of currency interventions. According to A. Glapiński, the President of the NBP, their aim was to limit the risk of PLN appreciation, which could harm the recovery of the economy after the pandemic.

ING Bank Śląski economists believe that low rates will be maintained in Poland at least until the end of 2022. There is a limited risk of further cuts in Q1 2021, if the next wave of the pandemic hurt the economy more than in Q4 2020. The Bank's analysts estimate the probability of this scenario at no more than 40%, and the existing space at 10 bp – some MPC members point out that cutting interest rates to negative levels requires changing the law. The NBP's policy will focus on the purchase of bonds, President A. Glapiński announced that if there is such a need (e.g. more government shields), the NBP is ready to continue buying assets on a large scale. Occasional currency interventions, both real and verbal, are possible.

### International economic environment



The COVID-19 pandemic has determined the global economic situation since the beginning of 2020. While China has already managed to recover from the shock caused by the coronavirus in 2020, it will take a little longer for other economies. The American economy will return to the pre-crisis level most likely in 2021, the euro zone in 2022, and the British economy only in 2023. The gradual opening of economies will be a derivative of the course of vaccination.

The initial vaccination rate is uneven. It is important that the most difficult stage, i.e. inventing vaccines, is behind us. The second one, the vaccination rate, will improve over time, depending on the efficiency of the health service and the demand of citizens. Vaccination progress is slower than initial expectations, and it may take longer to achieve herd immunity, but epidemic restrictions will be lifted already in Q2 2021, when the risk groups are vaccinated, and then the global recovery should begin. Information from pharmaceutical companies indicates that mutations in the virus should not harm the effectiveness of the vaccines.

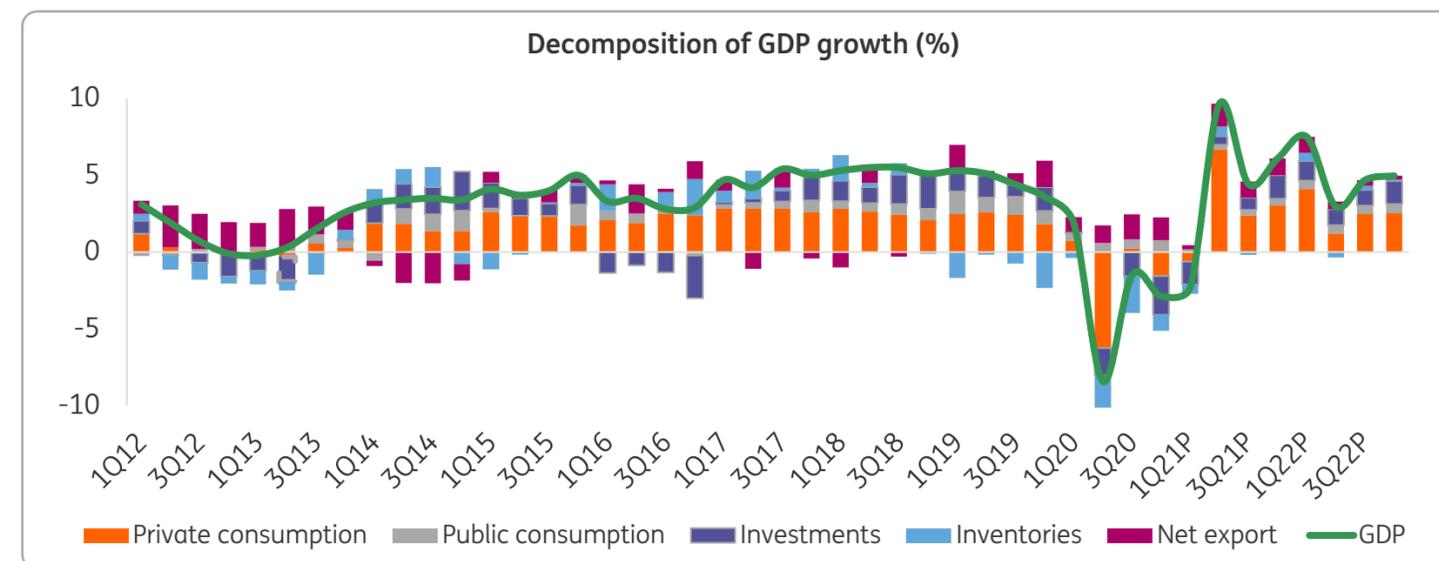
The US economy quickly recovered from the first wave of the pandemic and resisted the much higher second wave for a long time. Data for Q4 2020 show that the economic downturn is lower than expected. In December, the Fed did not change rates or the scale of QE, but strengthened expectations of keeping rates low until at least 2024. The Congress passed a reduced stimulus package worth \$ 900 billion (4.5% of GDP). Another one (of 9.5% of GDP) has already been announced by President J. Biden. Strong fiscal easing amid maintaining easing Fed bias creates pressure on dollar and *Treasuries* weakening.

The euro area was hit hard by the pandemic in Q2 2020, but in Q3 2020 the economy recovered, especially industry. Although Q4 2020 brought breathlessness due to the increase in disease and restrictions, but the decline in GDP was much shallower than in Q2 2020 (-0.7% q / q versus -11.7% q / q, respectively). The ECB came to the rescue of the weakened economic situation, which significantly increased the QE program and extended and softened the TLTRO. The ECB's easing policy did not stop the strengthening of the euro resulting from the capital outflow outside the US on the eve of the global rebound, or the historically expected easing Fed policy in the recovery phase. The EUR / USD exchange rate should approach 1.30 at the end of the year. A weaker dollar would help PLN, but the NBP currency intervention – so far – has anchored the EUR / PLN rate above 4.50.

## 2021

### Gross Domestic Product

ING Bank Śląski economists estimate that GDP in Poland in 2021 will make up for the losses caused by the pandemic. Already in 2020, the global and Polish economies showed a growing resistance to the effects of the epidemic – the second wave of the pandemic resulted in a several times greater increase in the incidence, but epidemiological restrictions were  $\frac{1}{4}$  –  $\frac{1}{2}$  less severe than in spring, and the decline in GDP in Q4 2020 even smaller (1/10 of what in Q2 2020). The seasonality of the ordinary flu supports cautious forecasts for Q1 2021 – in February the incidence doubles compared to December. New COVID-19 mutations have caused hard lockdowns to be extended beyond the holiday season in many countries. According to the economists of ING Bank Śląski, a stronger rebound of GDP can only be expected from Q2 2021. In 2020, the negative impact of the pandemic on GDP was mitigated by rising public demand. However, this is not enough for positive GDP growth y/y, a rebound in private demand is needed. The continuing good situation on the labour market and generous social transfers together with the reduction of restrictions will unblock private consumption. ING Bank Śląski economists estimate that on average in 2021 household consumption may increase in real terms by 5.0% y/y. However, without mobilizing private investment, the structure of growth will be pro-inflationary. The share of private investment in GDP in Poland has been lower than the EU average for years. In Q3 2020 it dropped to just 12.4% (seasonally adjusted), the lowest level in recent history. From the sector side, the industry has looked relatively good so far. Here, the ratio of investment to value added in processing did not differ from the EU average, although it did not record such a recovery as in Romania or Hungary in 2016-2019. The total share of investments in GDP is underestimated by other sectors: electricity, gas, steam and hot water generation and supply. Economists of ING Bank Śląski predict that private investment in Poland will start to grow y/y from Q2 2021 (this is where the low base starts working). However, total investment demand will return to the level of Q4 2019, i.e. the period before the pandemic, in the second half of the 2022, unless there is a significant acceleration in spending EU funds. The business cycle, as in the previous year, will be sustained by the public sector, although the government's investment plans to date and the announced cuts in wage growth in the budget suggest that support in 2021 will be lower than last year. Together with the effects of the low base in 2020 and the defeat of private demand, this will allow GDP to grow by 4.5% y/y in 2021.



### Labour market and salary levels

The labour market in Poland remains extremely resistant to the next waves of the pandemic and the related restrictions. Employers not only did not suspend recruitment processes (they temporarily decided to do so in April and May), but even in the fall of 2020, they intensified recruitment to compensate for the absences of employees who were quarantined or took leave to look after children due to the closure of schools. ING Bank Śląski economists estimate that a turning point in the labour market will take place in March, when the economy will still feel the effects of the *lockdown* in connection with the fall-level wave of COVID-19 cases. Unemployment will then reach 6.5%. Some companies (including hotel industry, retail trade, recreation) will be released from the obligation to maintain jobs in connection with receiving the financial shield. In mid-2021, this obligation will expire for the remaining companies that have used the shield on a regular basis. However, this will be compensated by the creation of new jobs by companies benefiting from the economic recovery. According to ING Economists, as at yearend 2021 the unemployment rate will drop to 5.9%, and the average annual increase in wages in the enterprise sector in 2021 will reach 6.8% y/y.

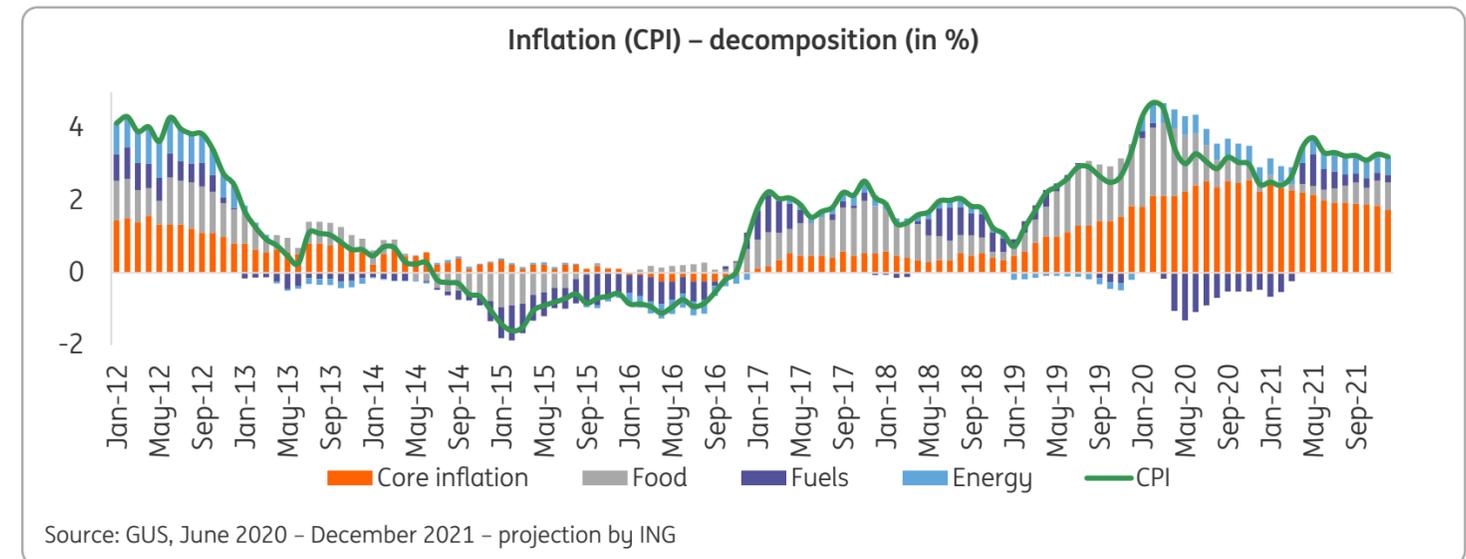
## Inflation

Economists of ING Bank Śląski indicate that the strong economic slowdown due to the pandemic will only slightly contribute to the decline in inflation in Poland. In 2020, the CPI increased by an average of 3.4%, in 2021 it is likely to increase by another 3.1%. For most of the year, CPI inflation will fluctuate between 2.5-3.5% y/y, i.e. close to the upper limit of the NBP target.

The most important pro-inflationary factors in 2021 will include administrative decisions: the introduction of the capacity fee, renewable energy charges, sugar tax, trade tax or an increase in fees for waste disposal. The total impact of these factors on CPI is, according to the economists of ING Bank Śląski, approx. 1.0 pp. Companies will also compensate for the cost of adjusting their activities to the stringent sanitary requirements, which they have already started to do in 2020, increasing the prices of services where close contact with the customer is required.

Increased pressure on CPI will also trigger the expected revival in consumer demand. Already in Q3 2020, its level was higher than in Q4 2019, i.e. in the period before the pandemic, despite a strong slump in Q2 2020. Low unemployment, generous fiscal programs increasing disposable income of households, combined with double-digit money supply growth is an effective fuel to stimulate inflation. Fiscal and monetary stimulation is also used by the euro area and the USA. However, we must not forget that they did not enter the crisis with inflation reaching 4.7%.

Additionally, in Poland, since 2016, we have been observing a strong decline in the share of private investment in GDP, to only 12.4% in Q3 2020 (after purging of seasonality), the lowest in recent history. Such a structure is not conducive to building competitive advantages, which, through productivity growth, would ease the inflationary pressure from higher consumption.



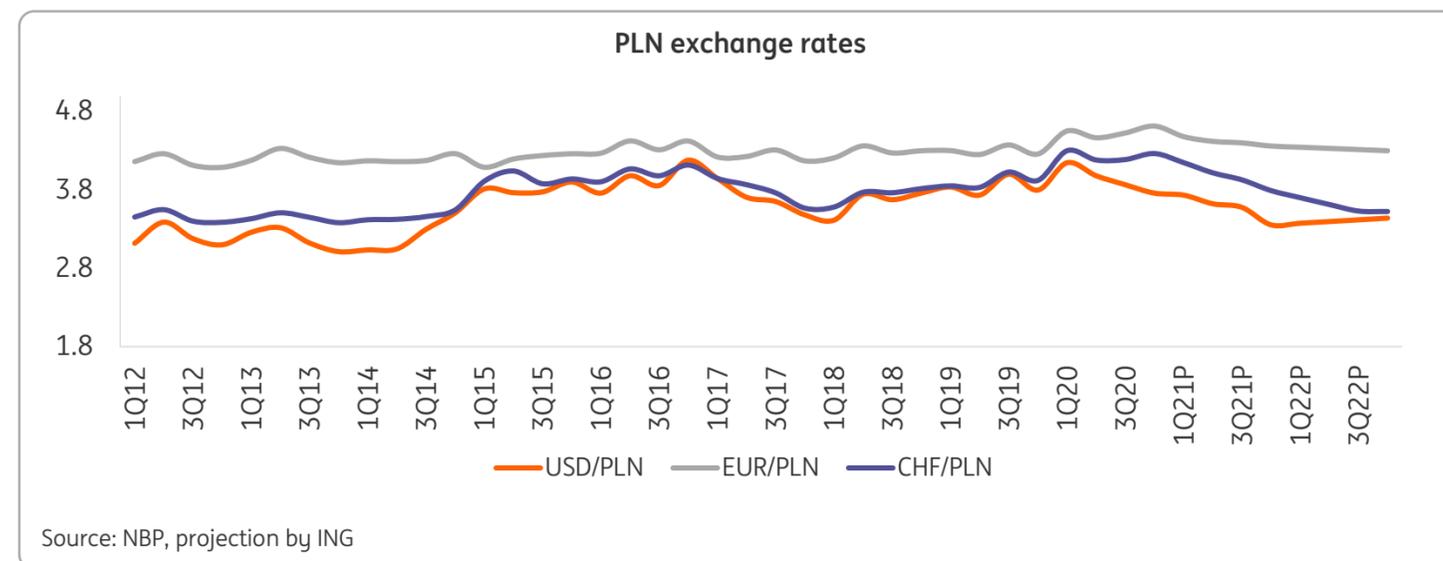
## Impact of the situation in global financial markets on Poland's economy

The spillover of the pandemic affecting developed economies has met with a strong response from major central banks. Interest rates were cut to record-low levels before the crisis and thus asset purchase programmes became a key element of monetary policies. From the beginning of the pandemic to the end of last year, the Fed has already increased its balance sheet by around 70%. In the case of the ECB, it was approx. 50%, but in December 2020 the bank decided to increase (the PEPP program by EUR 500 billion to EUR 1.850 billion) and extend (the PEPP program until March 2022, and the TLTRO program until June 2022) of the quantitative easing.

According to the economists of ING Bank Śląski, in 2021 the EUR / USD exchange rate will continue the growth started this year. At the end of the year, the pair should reach at least 1.25, i.e. the highs from the turn of 2017 and 2018, there is a good chance for a move to 1.30. The expected rebound in global GDP, usually accompanied by an outflow of capital from the US to more risky markets, speaks in favour of the dollar weakening. An additional factor weakening the dollar will be the change in the Fed's inflation target to symmetrical. This suggests that the Fed will allow inflation to rebound and thus keep rates low for a long time, which will only strengthen the role of the dollar as a currency financing more profitable and risky positions. ING Bank Śląski economists believe that the new president J. Biden will also conduct a less aggressive trade policy, which helps the currencies of Asian exporters and the euro.

In such an environment, PLN should strengthen against the euro during the year, to below 4.40. In 2021, the following speak for a strong PLN: (1) high current account surplus, (2) expected increase in EUR / USD, (3) record capital inflows into emerging markets due to the expected recovery in the global economy.

The room for PLN appreciation will be limited by the easing policy of the NBP, including the possibility of further interventions, which, as announced by President A. Głapiński, are to limit too rapid appreciation.



## Public finances

The result of public finances in 2020 was heavily burdened with the costs of anti-crisis shields. Economists of ING Bank Śląski estimate them at least PLN 140 billion (6.5% of GDP). These costs were transferred from the state budget to BGK and PFR. This made it possible to keep the deficit in the central budget low, which amounted to approximately PLN 90 billion throughout the year. A large fiscal impulse stimulated GDP and allowed to maintain high tax revenues. The effective rates of VAT and excise duty decreased slightly, and in the case of CIT they even increased.

ING Bank Śląski economists estimate that in 2021 tax revenues in relation to GDP will stabilize. The effective VAT and excise duty rates should slightly increase as consumption, including the luxury one, rebuilds. There will also be a new sugar tax (PLN 3 billion). However, this will be compensated by the costs of introducing the so-called Estonian CIT (PLN 4 billion), i.e. tax exemptions for profits intended for reinvestment.

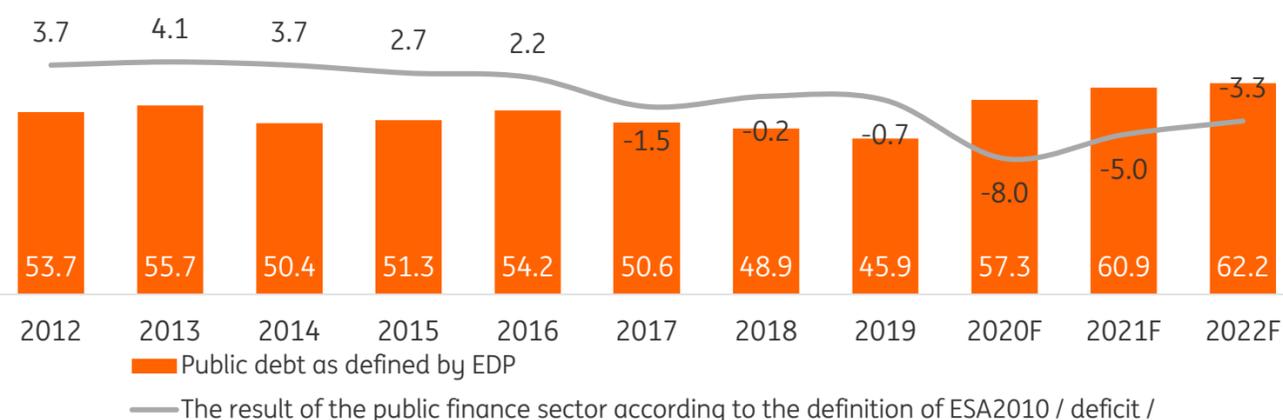
## Government protection measures during COVID-19

From the beginning of April 2020, the government launched anti-crisis shields. During the first wave of the pandemic, shield support was widespread. During the second wave, it was limited to selected approximately 40 industries most affected by the effects of the restrictions introduced in autumn 2020. Support from the shields included, among others wage subsidies, standstill, extended care leaves, remission of social security contributions, micro-loans and other benefits for persons running a business and employed under civil contracts. To a large extent, the new public expenditure was refinanced from the COVID-19 Counteracting Fund established for this purpose, administered by BGK and supplied mainly from the issue of BGK bonds, which are not classified as public debt according to the national methodology. By the end of 2020, BGK issued bonds with a total nominal value of PLN 100.7 billion.

An important element of the government's strategy to combat the pandemic was the launch of the Polish Development Fund's financial shield in the amount of PLN 100 billion at the end of April 2020 and addressed to all classes of enterprises, financed from the issue of new PFR bonds. In that shield, companies that recorded a drop of minimum 25% in revenues in a month versus previous months of 2020 or versus the equivalent period of the preceding year, were entitled to obtain a financial subsidy. When headcount in those enterprises is maintained for 12 months, as much as 75% of the subsidy will be cancelled. Under the PFR 1.0 Shield, bond issues totalled PLN 65 billion. Along with the fall wave of the pandemic, the Government together with PFR launched Shield 2.0, which was extended for 2021, and its cost is expected to reach PLN 35 billion.

According to ING economists, the next wave of the pandemic and the related restrictions on economic activity increase the cost of anti-crisis shields in 2021 by about PLN 45-55 billion, of which only PLN 20 billion is allocated to the state budget (costs of the anti-crisis shield 6.0). PFR will spend the remaining PLN 25-35 billion on the Financial Shield 2.0. The total state budget deficit will amount to approximately PLN 90 billion in 2020 and PLN 70 billion in 2021 – in the first case, it is less than the government assumed in the amended Budget Act (PLN 109 billion). In turn, the deficit of the entire public finance sector, estimated by the economists of ING Bank Śląski, is approx. 8-9% of GDP in 2020 and 5% of GDP in 2021 according to the EU ESA2010 methodology.

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



Source: GUS, projection by ING

The estimates take into account the allocation of part of the expenses budgeted in 2020 only in 2021 (e.g. a reserve in the Solidarity Fund for 13 and 14 pensions), which will burden the deficit according to ESA2010. Part of the industry shield will have the opposite effect, where expenses will be incurred in 2021, but in the form of reimbursement of costs from 2020. In the following years, public finances will return to gradual consolidation, and the general government deficit will drop to around 3.3% of GDP in 2022.

### Monetary policy

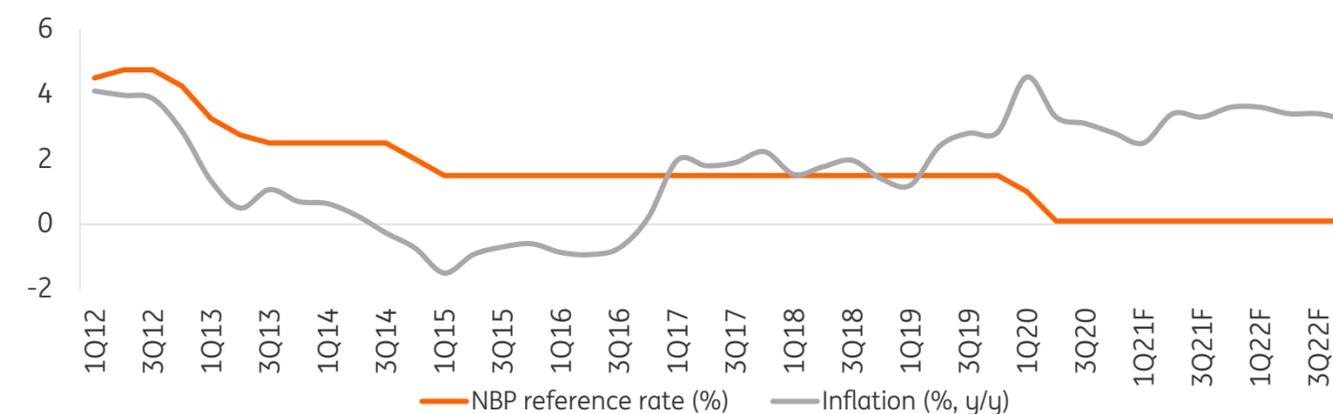
After 5 years of no change to interest rates (reference rate of 1.5%), the Monetary Policy Council (MPC) immediately responded to the economic shock caused by the pandemic. The MPC launched purchases in the secondary market of BGK bonds and PFR bonds, guaranteed by the State Treasury. From mid-March to the end of May, the MPC cut interest rates three times by a total of 140 bp to almost zero (reference 0.10%). Additionally, after the MPC's decision in March, at the end of April there was a reduction of required reserve from 3.5% down to 0.5%, earning interest at the reference rate. Since the end of May 2020 the NBP's interest rates have been as follows:

- deposit rate – 0%.
- reference rate – 0.10%.
- bill discount rate – 0.12% (a new instrument launched in March 2020),
- bill re-discount rate – 0.11%.

- lombard rate – 0.50%.

In mid-March 2020, the MPC decided to start an asset purchase program. The scale of Polish QE is one of the largest in emerging markets. Until mid-January 2021, the NBP organized 17 auctions and purchased bonds with a nominal value of PLN 108.6 billion (4.7% of GDP). Treasury bonds accounted for about one half of the growth of NBP's balance sheet while the other half was made of bonds of PFR and BGK which predominated at the most recent auctions.

NBP's reference rate vs. inflation (in %)



Source: GUS, NBP – projection by ING

### 2022

Global progress in the vaccination process is slower than expected. It is most likely that half of the US and EU populations will not be vaccinated by mid-2021, which was assumed in mid-December 2020. Nevertheless, huge fiscal programs in 2021 (in the US it is already 14% of GDP, and in February the J. Biden administration is to announce further measures) with a mild attitude of central banks will support the recovery of the world economy this year. In the meantime, vaccinations will progress, which will allow the lifting of further restrictions and further strengthen the growth in the recovery of the Polish economy. The economists of ING Bank Śląski forecast that in 2022 the real GDP growth rate in Poland will accelerate to 5.0% y/y compared to 4.5% y/y in 2021. The good condition of the labour market will support the increase in household consumption expenditure. The bank's economists estimate that in real terms household consumption will increase by 4.5% in 2022. In their opinion, the pace of investment growth will accelerate – from 2.3% in 2021 to 7.2% in 2022. The source of this acceleration will be an increase in capital

expenditure in the public and private sectors. Funds from the EU financial perspective for 2014-2020 must be settled by 2023, and the gap between contracting and settlement of financed projects is still approx. 45%. Funds from the next financial perspective (2021-2027) will start flowing in a wider stream only from 2024, which theoretically would result in a break in the inflow of funds at the turn of 2023 and 2024, as was the case in 2016. However, in connection with the pandemic, this time the gap will be filled by PLN 26.6 billion in grants awarded to Poland under the Reconstruction Fund for 2021-2024. Larger inflows from these funds will begin to appear in 2022, and their use will accelerate in the next three years.

The coming years will also be groundbreaking for the green transformation in Poland. At the last EU summit, the European Council raised the EU's emission reduction target in 2030 from 40% to 55% compared to 1990 levels. In 2021, new, higher national targets will be defined based on these targets. This creates a great challenge for Poland due to the costs of reducing emissions and increasing the prices of CO2 allowances. But access to substantial EU funds, including the new Reconstruction Fund, for green and digital investments can turn challenges into opportunities and benefits. ING economists expect a large mobilization of economic policy for a quick recovery and recovery of the economy after the end of the fight against the pandemic.

### Macroeconomic projections

	2018	2019	2020P	2021P	2022P
GDP growth (%)	5.4	4.5	-2.8	4.5	5.0
General government debt as per the EU methodology (% of GDP)	48.9	48.9	45.9	57.9	60.9
Average annual inflation (CPI) (%)	1.7	2.3	3.4	3.1	3.4
Unemployment rate (%)	5.8	5.2	6.2	5.9	5.4
USD/PLN exchange rate (yearend)	3.76	3.80	3.76	3.35	3.44
EUR/PLN exchange rate (yearend)	4.30	4.26	4.61	4.36	4.30
WIBOR 3M (yearend)	1.72	1.71	0.21	0.33	0.33

## Financial market and its regulations

The financial results and condition of the banking sector, including ING Bank Śląski, in 2020 were influenced by many external factors. They have a direct impact on the sector profitability.

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

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

## Banking sector

### Liabilities

As of the end of December 2020, the basic cash categories were as follows:

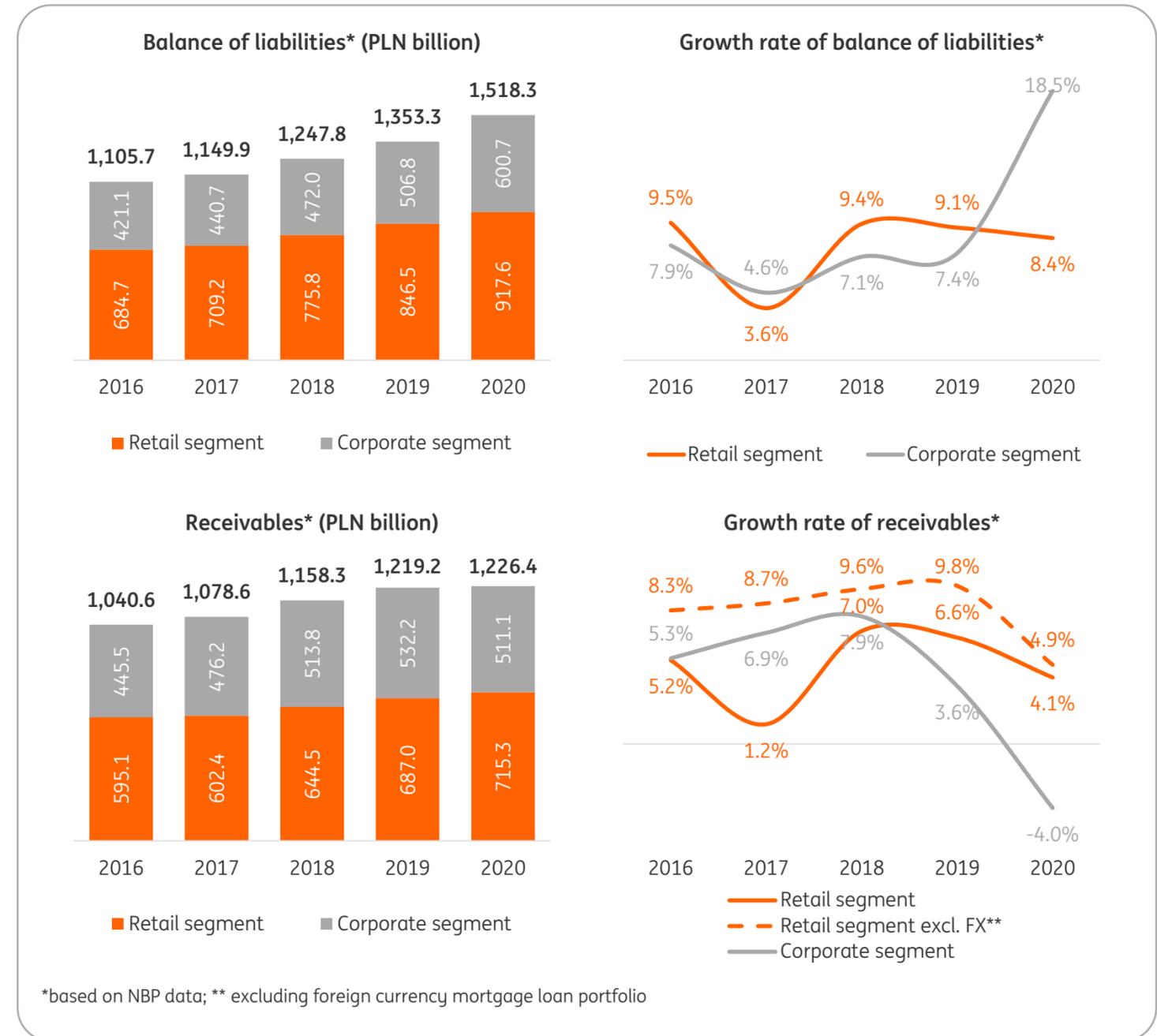
- Liabilities to the retail segment reached PLN 917.6 billion, which means an increase by PLN 71.1 billion y/y or by 8.4% compared to the end of 2019.
- Liabilities to the corporate segment amounted to PLN 600.7 billion, i.e. they were 18.5% higher than as at yearend 2019. The volume increase by PLN 93.9 billion was achieved mainly due to the increase in liabilities to enterprises (by 19.0%, i.e. by PLN 60.4 billion to PLN 377.4 billion) and liabilities to individual entrepreneurs (by 41.0%, i.e. by PLN 24.7 billion to PLN 84.9 billion). This was largely related to the transfer of PLN 61.0 billion to micro, small and medium-sized enterprises under the Anti-Crisis Shield 1.0. Deposits accumulated by non-profit institutions serving households amounted to PLN 29.7 billion as at 2020 yearend and were PLN 2.8 billion higher (+ 10.3% y/y) than as at yearend 2019. Liabilities to local government institutions and Social Insurance Funds increased by PLN 8.8 billion (+ 18.3% y/y) to PLN 56.5 billion as at 2020 yearend. On the other hand, liabilities towards non-monetary financial institutions decreased by 4.9% in the analysed period, i.e. by PLN 2.7 billion to PLN 52.1 billion.

## Receivables

- Receivables from the retail segment reached PLN 715.3 billion in December 2020 and were 4.1% higher than in the previous year. Housing loans, which constitute the main part of banks' credit exposure to the retail segment (constitute 66.6% of receivables from this group of customers, compared to 64.5% in the previous year), increased by 7.6% to PLN 476.5 billion. This increase resulted from the still high – despite the pandemic – sales of PLN mortgage loans. At the 2020 year-end, the portfolio of PLN-denominated housing loans totalled PLN 356.2 billion and was up by PLN 33.1 billion y/y. The sales of mortgage loans alone – based on NBP data – in 2020 amounted to PLN 58.2 billion (+ 6.4% y/y). The portfolio of foreign currency housing loans increased by PLN 0.5 billion y/y to the level of PLN 120.3 billion due to PLN depreciation by 8.7% against the Swiss franc. Other retail loans, including consumer loans, decreased by 2.2% (by PLN 5.3 billion) compared to the end of 2019 and amounted to PLN 238.7 billion. Sales of other retail loans – based on NBP data – in 2020 amounted to PLN 81.7 billion, i.e. it was lower by as much as 21.3% y/y.
- Receivables from corporate clients decreased by PLN 21.1 billion (-4.0%) compared to December 2019 to PLN 511.1 billion. The receivables from enterprises alone decreased by PLN 16.5 billion (-4.8% y/y) to the level of PLN 330.1 billion. Due to the pandemic and its consequences (uncertainty and resources from the Anti-Crisis Shield 1.0), demand for corporate loans remained low in 2020. This is also indicated in the NBP publication (link to the report "[Lending activity of the non-financial enterprise sector in Poland during the COVID-19 pandemic](#)"). Receivables from individual entrepreneurs were also under pressure – their balance decreased by 7.6% y/y (PLN -5.2 billion) to PLN 62.8 billion.

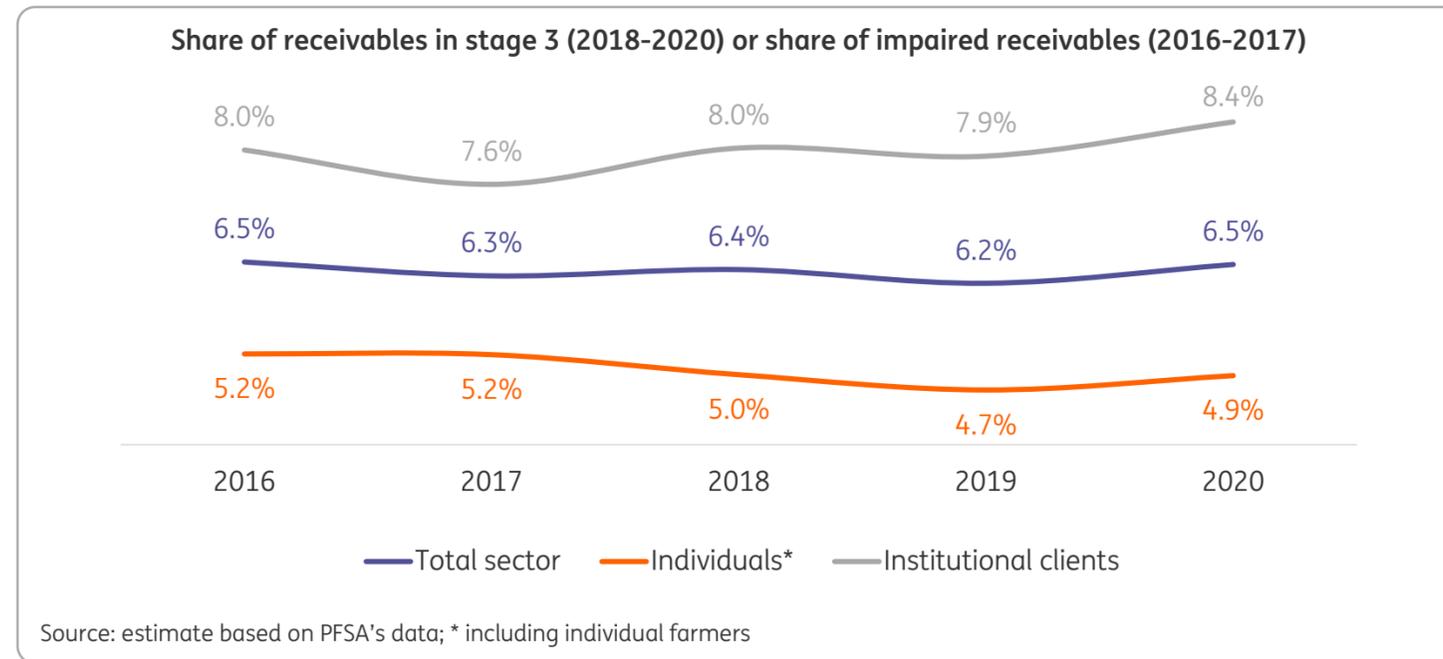
Our Bank's economists expect that the GDP growth rate in 2021 will be positive, 4.5% y/y, compared to a 2.8% y/y decline from 2020. The rebound in economic activity will favour a gradual recovery of lending. The current forecasts of economists assume that credit in 2021 will increase by 2.1% after a decrease of 0.1% y/y in 2020. In the corporate segment, the volume of loans in 2021 will not change significantly compared to 2020. In the first phase of the recovery, companies will use the funds that grew strongly on deposits last year. In turn, the growth rate of loans in the retail segment will accelerate. The Bank's economists expect the growth rate of deposits to slow down to 7.0% in 2021 from 11.7% y/y in 2020. This is mainly the effect of a slower growth in the corporate segment, where after a strong growth in 2020, this year the growth rate will be lower, closer to the average for the last 10 years. In the case

of the retail sector, the increase in deposits will be supported by the relatively good situation on the labor market, including the expected acceleration of the wage growth rate.



## Asset quality

With respect to asset quality, in December 2020 the share of loans in Stage 3 among all the loans measured at amortised cost was 6.5% (versus 6.2% at the end of 2019).



The deterioration of the asset quality ratio during 2020 was visible both in individual clients (from 4.7% to 4.9%) and in institutional clients (from 7.9% to 8.4%). For individual clients, it resulted from both lower quality of real estate loans (from 2.5% to 2.7%) and consumer loans (from 10.3% to 11.0%). The lower quality of corporate clients' loans was due to the deterioration in the quality of operating loans (from 10.5% to 12.0%) and investment loans (from 7.1% to 7.3%), with the stable quality of real estate loans (9.9%).

## Financial results

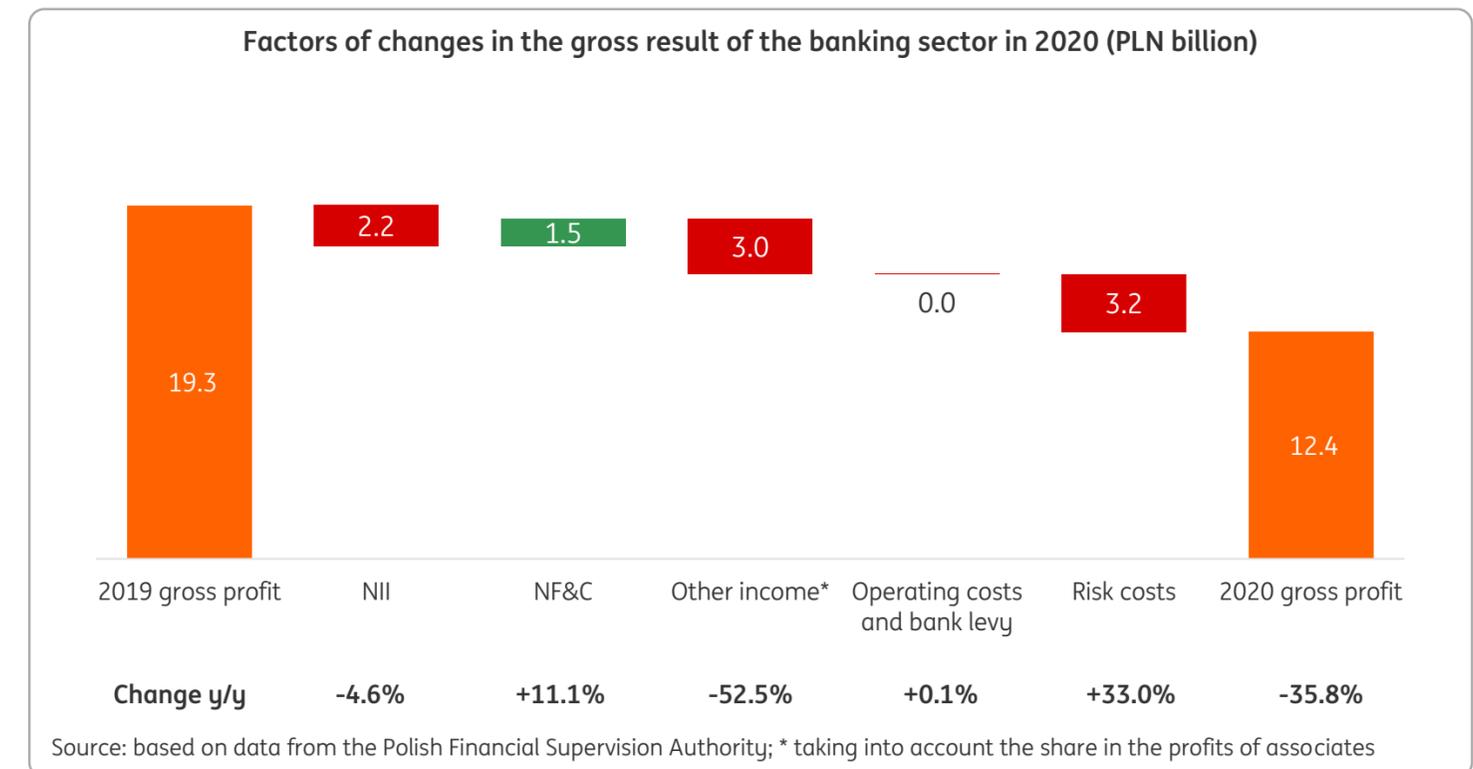
The decline in the renovation of the banking sector in 2020 was caused by, inter alia, economic downturn, rising unemployment, lowering interest rates, increasing legal risk of foreign currency mortgage loans, additional provisions for commission returns on prepaid retail loans or an increase in BFG costs. On the other hand, there was a trend of further reduction in employment in the banking sector, as well as a decrease in the number of branches.

In 2020, the net financial result of the banking sector decreased by 43.8% y/y to PLN 7.8 billion.

In 2020, the gross result of the banking sector amounted to PLN 12.4 billion and was 35.8% lower than the gross result for 2019. The decline in gross profit was due to falling revenues (-5.5% y/y) and an increase in risk costs (+ 33.0% y/y). The decline in revenues was mainly due to the decline in net interest income (-4.6% y/y) and other income (-52.5%), which was partly compensated by the improvement in commission income (+ 11.1% y/y) . The high decline in other income was mainly due to the provisions that banks created for legal risk related to FX mortgage loans.

Banks' operating expenses were under control (+ 0.1% y/y), and an increase in depreciation costs (+ 3.7% y/y) and other operating expenses (+ 1.0% y/y; including the cost of bank contributions) on BFG, which increased by 13.8% y/y in 2020) was compensated by a decrease in employee costs (-1.7% y/y).

The high, positive dynamics of risk costs (+ 33% y/y) resulted from the deterioration of the economic situation caused by the COVID-19 pandemic.



## Asset-backed Finance Market

### Leasing

In 2020, the leasing market in Poland decreased by 10.1% y/y to the level of PLN 70.1 billion. At the end of 2020, the total value of the active leasing agreement portfolio amounted to PLN 160.6 billion (up by 0.1% y/y). For comparison, the value of investment loans granted by the banking sector amounted to PLN 160.5 billion at the end of December 2020.

The largest segment of the leasing market (share in sales increased from 45.2% to 47.5%) were cars weighing up to 3.5 tons. The value of assets in that lease category was PLN 33.3 billion (-5.7% y/y). The main category contributing to the decline was passenger cars (-6.7% y/y). Commercial vehicles and trucks up to 3.5 tons were a more resistant category (down by -0.3% y/y), mainly due to the development of the e-commerce sector, especially in the second half of the year.

The second largest segment of the market, that is the segment of machinery and equipment (including IT), recorded a decrease in annual terms of 5.1%. The total value of financed machines and equipment was PLN 21.4 billion.

Source: Polish Leasing Association

### Factoring

Sales in the factoring market, associated in the Polish Factors Association (PZF), grew in 2020 by 3.0% y/y and reached PLN 290.1 billion. The most frequently chosen form of financing by entrepreneurs was incomplete factoring (51.0% of the turnover value), under which the turnover in 2020 amounted to PLN 148.1 billion, and the growth dynamics amounted to 9.4% y/y.

The number of clients associated in PZF was 18.4 thousand after a growth by 2.2% y/y. The number of invoices issued in 2020 amounted to 18.4 million (up by 44.9%). In the sectoral approach, it is production and distribution companies that most often use factoring companies for their receivables (43.4% and 36.5% respectively).

Source: Polish Factors Association

## Capital market

### Warsaw Stock Exchange (WSE)

2020 was also unique for capital market participants. The COVID-19 pandemic, the shutdown of the economy, three-fold cuts in interest rates by the MPC, negative GDP growth, and at the same time loud stock exchange debuts, calls

for the sale of shares – all this contributed to the volatility of financial instrument prices and transaction volumes. The sentiment towards industry sectors was different. The WIG-mining index (+ 82.1% y/y) and the WIG-construction index (+ 60.7% y/y) increased the most. On the other hand, the strongest declines were recorded in the WIG-banks (- 29.6% y/y) and WIG-fuels (-23.7% y/y) indices. The companies included in the WIG.GAMES index were very popular (+53.9% y/y), which in 2020 gained several participants.

Strong declines in indices at the beginning of the year (February / March) were caused by the COVID-19 pandemic and, as a consequence, concerns about the condition of our economy. However, the reduction of interest rates and, subsequently, the reduction of interest rates on bank deposits made the stock market (significantly) popular among individual investors who were looking for means of investing capital alternative to banking products.



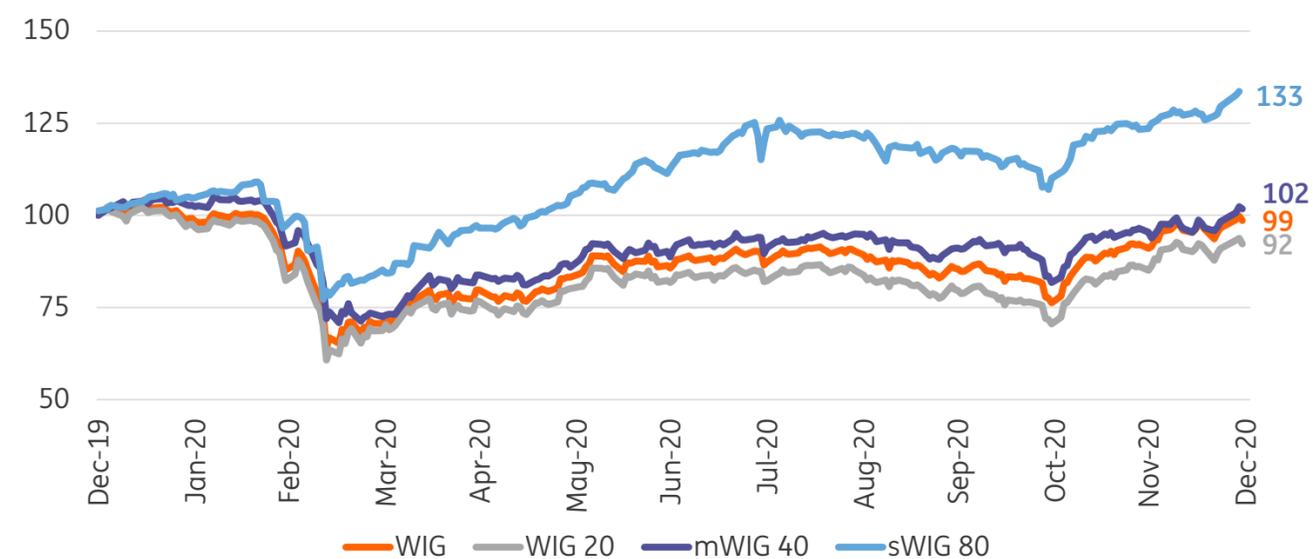
The value of the broad market index – WIG – slightly decreased by 1.4% y/y in 2020, making up for the losses from the first half of the year. In the same period, the alternative market index, NC Index, rose by a record 108.9% y/y.

The volumes of trading in shares, rights to shares and subscription rights on the main trading floor amounted to PLN 311.1 billion, which means they increased by as much as 59.3% y/y. The increase in the volatility of prices of underlying instruments contributed to an increase in the volumes on the derivatives market – futures by 62.5% y/y (11.1 million contracts) and options by 48.7% y/y (374.5 thousand). With the high growth of the NC Index, the alternative New Connect market recorded a nearly 10x increase in turnover compared to 2019 (turnover increased from PLN 1.5 billion to PLN 14.9 billion). On Catalyst, the trading volume decreased by 4.1% y/y to the level of PLN 2.8 billion.

From the perspective of the number of entities listed on the WSE, 2020 was another year (fourth in a row) in which more companies were closed (23) than introduced (7) to the main trading floor. As at 2020 yearend, 433 companies were listed on the main trading floor (449 a year earlier). Their total capitalization declined to PLN 1,068.7 trillion (- 3.2% y/y). The NewConnect market recorded a greater number of debuts (14 in 2020 compared to 15 a year earlier), but the number of listed companies shrank to 373 (16 withdrawals, 1 of which were transfers to the WSE main market). The value of listed corporate and municipal stock issues on the Catalyst market was up by 7.9% y/y to the level of PLN 99.4 billion.

Source: Warsaw Stock Exchange (WSE)

Major WSE indices in 2019 (as of 30 December 2019 = 100)

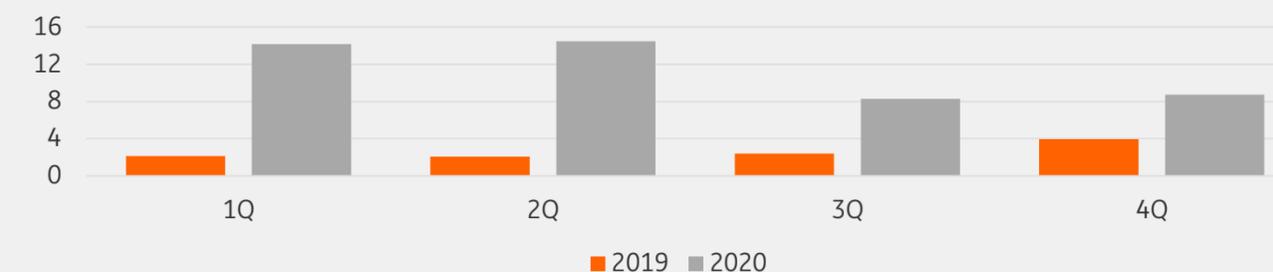


Operations of the Brokerage Office of ING Bank Śląski during the COVID-19 pandemic

The growing interest in brokerage products in the market was directly translated into the operations of our brokerage office. In 2020, the number of brokerage accounts in Poland increased by 85,000 and it was the best year in this regard since 2010. March and April 2020 were record-breaking in this respect – in these two months we opened 35% of the accounts opened this year. At the end of 2020, we ran a total of 133.6 thousand brokerage accounts, an increase of 43 thousand y/y (+47%) and gives us 4th position on the market in terms of the number of accounts maintained.

The activity of individual investors is also reflected in our share in turnover on the market – in 2020 our market share in turnover on the stock market was 4.70% (1.65% a year earlier), and in the record-breaking December it was as high as 7.61%. In total, our office's turnover on the stock market amounted to PLN 27.7 billion compared to PLN 6.3 billion in 2019. Commission income from brokerage activities in 2020 increased by 214% y/y.

Number of new net brokerage accounts – BM ING Bank Śląski (thousand)



### Investment funds

The investment fund market, measured by the value of funds under management accumulated by these institutions, grew in 2020 by PLN 12.5 billion (4.7% y/y) to the level of PLN 280.5 billion. In non-dedicated funds, accumulated funds increased to PLN 170.3 billion (3.5% y/y), and in dedicated funds to PLN 110.2 billion (6.5% y/y).

In 2020, the balance of purchases and redemptions of participation units and investment certificates was positive (PLN 0.3 billion), better than in 2019 (PLN -0.5 billion). This result was achieved despite very high amortizations that were observed in the first half of the year – negative net sales for March-April (the worst in the year) amounted to PLN -23.0 billion.

Customers of non-dedicated funds were most willing to invest their funds in investment funds with a relatively low risk profile. The most popular category was money and bond funds (62.5% of non-dedicated funds' assets), whose assets, however, changed by 1.1% during the year. The next ones were mixed funds, which accounted for 17.2% of this part of the market (assets increase by 20.0% y/y) and equity funds accounting for 13.4% of non-dedicated funds assets (assets increase by 9.5% y/y).

Source: Chamber of Fund and Asset Management Companies

### Open-End Pension Funds

At the end of December 2020, the assets of open-ended pension funds amounted to PLN 148.6 billion, i.e. PLN 6.2 billion (4.0%) less than in the previous year. 86% of assets were invested in shares, subscription rights and rights to shares (it was 83% the year before). Originally, the liquidation of OFE was planned for 2020, but due to the outbreak of the COVID-19 pandemic, it has been suspended and is expected to be completed in 2021. The government has prepared a new bill on the transformation of OFE into IKE. The act is to enter into force on 1 June 2021, and the transformation is to take place on 28 January 2022. The project, like the previous one, provides for a 15% conversion fee.

Źródło: Komisja Nadzoru Finansowego

### Employee Capital Plans

The Act on Employee Capital Plans (ECP) entered into force on 1 January 2019 and provides for four stages of covering an increasingly broad group of companies with the ECP program:

- I – from 1 July 2019, employees in companies employing at least 250 employees were included in the PPK,
- II – from 1 January 2020 companies employing at least 50 employees,
- III – from 1 July 2020, the program will be extended to include companies employing at least 20 employees,
- IV – from 1 January 2021 other entities and public sector units.

The COVID-19 pandemic meant that companies employing from 50 to 249 people had a longer deadline to conclude a PPK management contract (until 27 October 2020) and a contract for running (until 10 November 2020). This means aligning the deadlines and combining the 2nd stage with the 3rd stage. The dates for the third and fourth stage have not been changed.

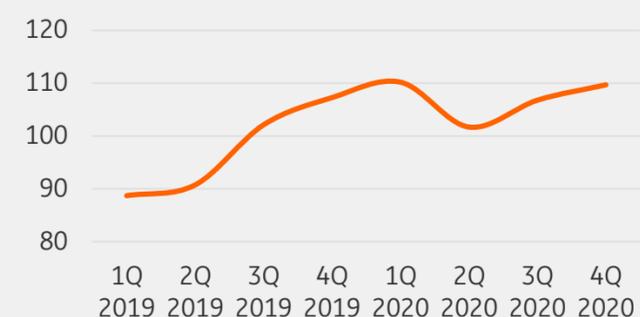
Based on the data of the Polish Financial Supervision Authority, as at 2020 yearend, PLN 2.8 billion of assets was collected as part of the PPK funds (a year earlier it was PLN 84.7 million). The scale of the accumulated funds is small due to the early stage of life of this solution and the low (lower than expected) participation of participants in the program.

### Savings of ING clients in investment funds during COVID-19

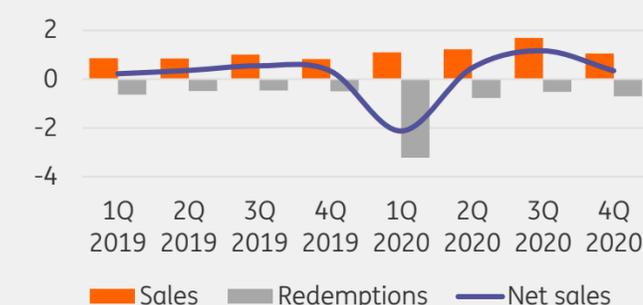
High volatility in financial markets and decreasing prices in financial markets have been translated into activity of clients saving in investment funds. That was very well visible in March 2020.

The number of clients who closed their regular investment instructions (DRI) was record high; however, in May the situation stabilised. The number of clients with active DRI at the end of 2020 was 109.7 thousand, compared to 107.3 thousand at the end of 2019. Closing of DRI is not equivalent to redemption of participation units in funds. However, with respect to purchases and redemptions of units in open-end investment funds, the dynamics of changes was similar to that of DRI. March 2020 – as in the sector – was characterized by high write-offs, and in the following months their amount was normalized. From May 2020, clients returned to the investment fund market – then we recorded record net acquisitions.

Number of DRI active in investment funds at the end of the quarter (thousand)



Value of purchases and redemptions of TFI investment units by ING clients (PLN billion)



## Changes in the law

### Anti-crisis shields

Due to the crisis caused by the COVID-19 epidemic, special provisions have been introduced. The so-called Anti-crisis shields consist in particular of:

- The Act of 31 March 2020 amending the Act on special solutions related to the prevention, prevention and combating of COVID-19, other infectious diseases and crisis situations caused by them and certain other acts,
- Act of 16 April 2020 on special support instruments in connection with the spread of SARS-CoV-2 virus,
- Act of 14 May 2020 amending certain acts in the field of protective measures in connection with the spread of SARS-CoV-2 virus,
- Act of 19 June 2020 on interest subsidies for bank loans granted to entrepreneurs affected by COVID-19 and on simplified proceedings for approval of an arrangement in connection with the occurrence of COVID-19,
- The Act of 17 September 2020 amending the Act on special solutions related to the prevention, prevention and combating of COVID-19, other infectious diseases and crisis situations caused by them and certain other acts,
- Act of 28 October 2020 amending certain acts in connection with counteracting crises related to the occurrence of COVID-19.

From the viewpoint of banking activity, the changes resulting from the Anti-crisis shields relate in particular to lending activity and cover inter alia:

- solutions for changing loan repayment terms and dates during the epidemic (including statutory regulations regarding the so-called government credit holidays),
- granting sureties and loan repayment guarantees by Bank Gospodarstwa Krajowego,
- reduction of the maximum non-interest cost of a consumer loan,
- BGK subsidies to interest on bank loans granted to entrepreneurs who find themselves in a difficult financial situation due to negative economic consequences resulting from the spread of SARS-CoV-2 virus infections.

The anti-crisis regulations additionally provide for:

- aid for enterprises affected by the crisis,
- changes regarding benefits excluded from enforcement,
- simplified restructuring proceedings initiated by an announcement made by the debtor,
- postponement to 1 January 2021 of the entry into force of the provisions extending the application of the provisions on abusive clauses to natural persons running a business,
- extending the possibility of remote adoption of resolutions by the company's bodies,
- in the period of the most restrictive restrictions, deadlines in court and administrative proceedings were suspended (currently, most of the restrictions in this respect have been lifted).

On the tax side, the following solutions have been introduced:

- shift of the obligation to submit the JPK\_VAT file for large entrepreneurs from 1 April 2020 to 1 July 2020,
- postponing the entry into force of the VAT rate matrix from 1 April 2020 to 1 July 2020,
- extension of the deadline for submitting a notification of payment of receivables to a bank account not included in the so-called White list of VAT payers – up to 14 days from the date of ordering the transfer (the original period is 3 days),
- extension of the deadline for issuing tax interpretations to 6 months,
- making it possible to deduct from the tax base donations for counteracting COVID-19 for entities, including performing medical activities involving the provision of healthcare in connection with counteracting COVID-19, the Material Reserves Agency, etc. Donations made both in cash and in kind are deductible.
- the possibility of extending, at the taxpayer's request, the date of payment of the minimum income tax on commercial real estate for the period March – May 2020 – until 20 July 2020, provided that the taxpayer suffered negative economic consequences due to COVID-19 and obtained revenues by at least 50 % lower than in previous months.

- temporary use for the duration of the state of epidemic threat and state of the epidemic announced in connection with COVID-19, as well as for the next 2 months after their cancellation:
  - a copy of the certificate of residence, if the information resulting from the submitted copy does not raise reasonable doubts as to its compliance with the facts,
  - a certificate of residence covering the year 2019 and the taxpayer's statement as to the validity of the data contained therein,
  - certificates of residence that do not contain a validity period, the application period of which expires twelve months during the period of the epidemic threat or epidemic state announced in connection with COVID-19;
- the possibility of including contractual penalties and compensations as tax deductible costs in a situation where a defect in the delivered goods, performed works and services and a delay in the delivery of goods free of defects or a delay in the removal of defects in goods or performed works and services arose due to the state of epidemic threat or an epidemic state declared due to COVID-19,
- suspension of the deadlines related to the reporting of tax schemes (the so-called MDR) in the period from 31 March 2020 to the 30th day following the cancellation of the epidemic threat and epidemic state announced in connection with COVID-19 (but no longer than until 30 June 2020 in for terms relating to a cross-border tax scheme),
- extension of deadlines for submission of transfer pricing information (TPR) and submission of a declaration on the preparation of local transfer pricing documentation:
  - until 31 December 2020 – if the deadline (determined in accordance with the provisions of the Corporate Income Tax Act) expires in the period from 31 March to 30 September 2020,
  - by 3 months – if this period (defined in accordance with the provisions of the Corporate Income Tax Act) expires in the period from 1 October 2020 to 31 January 2021.
- to attach group transfer pricing documentation to the local documentation – by the end of the third month, counting from the day following the expiry of the extended submission deadline statements on the preparation of local transfer pricing documentation.

## Changes in the banking sector regulations

Name	Effective date	Description
<a href="#">The Act of 4 July 2019 amending the Act on support for borrowers in a difficult financial situation who took out a housing loan and certain other acts</a>	1 January 2020	<p>The Act introduced a change in the mechanism of providing financial support to persons who, as a result of objective circumstances, found themselves in financial dire straits and at the same time are obliged to repay instalments of a housing loan.</p> <p><b>Tax consequences</b> No longer treated as tax deductible expenses:</p> <ul style="list-style-type: none"> <li>- contributions to the Borrower Support Fund who contracted housing loans and are now in a difficult financial situation, and</li> <li>- support costs incurred by borrowers in the period between the lender decides to reject the application until the date when the Fund Council approves a resolution confirming compliance with conditions to be provided with support or a loan to repay debt.</li> </ul>
<a href="#">Act of 19 July 2019 amending certain acts to reduce payment gridlocks</a>	1 January 2020	<p>In commercial transactions where the debtor is a public entity (public administration), the payment period must not be longer than 30 days from the date of delivery of the invoice, 60 days are left for public healthcare entities to make payment.</p> <p>It will be mandatory to apply a maximum 60-day payment period also in transactions where the creditor is a micro, small or medium-sized business and the debtor is a large company (the so-called asymmetric transaction).</p> <p>A relief for bad debts vis-a-vis uCIT was introduced, consisting in the fact that the creditor will be entitled to adjust the tax base by the value of the debt (unpaid) previously included in the revenue due. If, after the tax year for which the creditor adjusts the tax base, the debt is settled or disposed of, the creditor will be obliged to increase the tax base accordingly – in the tax return filed for the tax year in which the debt is settled/ disposed of.</p> <p>On the other hand, debtors who fail to pay their obligations for the purchase of goods/services on time will generally be required to increase the tax base (or reduce the tax loss accordingly) by the tax-deductible amount of the outstanding liability.</p> <p>The increase of the tax base (reduction of tax loss) will be made in the tax return submitted for the tax year in which 90 days have passed from the date of expiry of the payment deadline specified in the invoice (account) or in the agreement – if by the date of filing the tax return the liability is not settled. The period of 90 days shall be counted from the first day following the end of the period for payment of the undertaking specified in the invoice (bill) or contract.</p> <p>The largest corporate income tax payers (capital groups, taxpayers whose annual income exceeds EUR 50 million) will submit reports on their payment practices (payment deadlines applied) to the Minister of Economy each year. These reports will be publicly available.</p>

<p><a href="#"><u>Act of 12 April 2019 amending the act on tax on goods and services and certain other acts</u></a></p>	<p>1 January 2020</p>	<p>Payment of the receivables to an account other than that included in the White List of VAT taxpayers, made after 31 December 2019 (and in the case of CIT taxpayers in the tax year starting after 31 December 2019) results in the inability to include it in tax deductible costs. This applies to payments for transactions with a value exceeding PLN 15,000 realized between entrepreneurs, when the supply of goods and services is made by an entrepreneur registered for the purposes of tax on goods and services as an active VAT taxpayer.</p> <p>At the same time, the buyer of goods or services, who is a VAT payer, is jointly and severally liable with all its property together with the supplier of goods / service provider, who is an active VAT taxpayer, for its tax arrears – if the payment for the supply of goods / services, confirmed by an invoice, was made by bank transfer other than the one concluded on the day of the transfer order on the White List of VAT taxpayers, and separate regulations imply the obligation to make the payment via a payment account. This responsibility rests with the buyer in that part of the VAT that is proportionate to this supply of goods / services.</p> <p>Avoiding negative consequences is possible provided that the buyer notifies the Head of the Tax Office competent for the issuer of the invoice about the transfer to a bank account outside the list within 3 days from the date of ordering the transfer.</p> <p>The current form of the notification has been included in the <a href="#"><u>Regulation of the Minister of Finance of 1 July 2020 on the template of the notification of payment of receivables to an account other than that included on the date of the transfer order in the list of entities referred to in art. 96b paragraph. 1 of the act on tax on goods and services</u></a> (Journal of Laws, item 1188). This is ZAW-NR form.</p>
<p><a href="#"><u>Act of 4 July 2019 amending the Act on tax on goods and services and certain other acts</u></a></p>	<p>1 January 2020</p>	<p>Payments of personal income tax, corporate income tax, tax on goods and services and non-tax budget receivables are made to the account of the tax office using an individual tax account identifying the taxpayer or payer, the so-called individual tax account or micro tax account.</p> <p>The microaccount number can be verified at any time during the year using the generator available at podatki.gov.pl or with any tax office. Use of such microaccount generates no fees. It is sufficient to check the number on the generator and then make a transfer. Additionally, payment for delay interest on tax liability under PIT, CIT and VAT and costs of reminders may be paid to the microaccount. Taxes other than PIT, CIT and VAT shall be paid as previously – the tax accounts of tax offices.</p>
<p><a href="#"><u>Act of 20 December 2019 amending the act on personal income tax and the act on personal income tax</u></a></p>	<p>20 February 2020</p>	<p>The adopted regulations introduced exemptions from personal and corporate income tax for support granted from the Low-Emission Transport Fund.</p>
<p><a href="#"><u>Act of 30 August 2019 amending the Act – Bankruptcy Law and certain other acts</u></a></p>	<p>24 March 2020</p>	<p>The main objective of the adopted law is to introduce changes to the existing regulations on consumer bankruptcy. They are intended to facilitate debt relief for natural persons not running their own businesses.</p>
<p><a href="#"><u>Regulation of the Minister of Finance of 27 March 2020 on the extension of the deadline for submitting a return on the amount of income earned (loss incurred) and payment of the due tax by taxpayers of corporate income tax</u></a></p>	<p>27 March 2020</p>	<p>Due to the epidemiological situation and the resulting difficulties, the deadline for submitting a CIT-8 return and payment of the due tax for CIT taxpayers was extended until 31 May 2020.</p>
<p><a href="#"><u>Ordinance of the Minister of Finance of 27 March 2020 on abandoning the collection of income tax on certain income (revenues) related to a mortgage loan granted for housing purposes</u></a></p>	<p>28 March 2020</p>	<p>The regulation is a continuation of the previous regulation of the Minister of Development and Finance of 21 November 2017 on ceasing to collect income tax on certain income (revenues) in connection with a mortgage loan granted for housing purposes (Journal Of Laws of 2017, item 2167), which with abandonment of tax collection affected the income (revenue) obtained from 1 January 2017 to 31 December 2018. Pursuant to this regulation, the possibility of applying the omission to the income (revenue) obtained from 1 January 2019 to 31 December 2021 was extended.</p>



<p><a href="#"><u>The Act of 16 October 2019 amending the Act on Public Offering and the Conditions for Introducing Financial Instruments to Organized Trading, and on Public Companies and Certain Other Acts</u></a></p>	<p>30 November 2019 / 3 September 2020</p>	<p>Some of the provisions of the act (including provisions on public offers and transactions with related parties) entered into force on 30 November 2019. In 2020, however, the regulations concerning:</p> <ul style="list-style-type: none"> <li>- Remuneration policy for members of the management board and supervisory board of a public company (<a href="#"><u>the Bank's General Meeting adopted a relevant resolution on this matter</u></a>),</li> <li>- Possibilities of identifying shareholders, providing information to shareholders and facilitating the exercise of their rights. Certain obligations in this respect apply to intermediaries, in particular investment firms and custodian banks keeping securities accounts.</li> </ul>
<ul style="list-style-type: none"> <li>▪ <a href="#"><u>Regulation of the Minister of Finance, Funds and Regional Policy of 22 December 2020 on abandoning the collection of income tax on certain types of income (revenue) of central banks</u></a></li> </ul>	<p>29 December 2020</p>	<p>The regulation provides for the discontinuation of the collection of income tax on the income of non-residents – central banks – obtained from interest or discount on bonds issued by the State Treasury on the domestic market and purchased by these central banks from 1 January 2021 to 31 December 2025, as well as from paid sale these bonds. The omission applies to the income (revenues) of the above-mentioned entities obtained from the above titles until 31 December 2047.</p>
<ul style="list-style-type: none"> <li>▪ <a href="#"><u>Regulation of the Minister of Finance, Funds and Regional Policy of 18 December 2020 on authorizing another body of the National Revenue Administration to perform the tasks of the Head of the National Revenue Administration regarding information on tax schemes</u></a></li> </ul>	<p>29 December 2020</p>	<p>The regulation authorizes the body of the National Tax Administration – the Director of the Tax Administration Chamber in Olsztyn to perform the tasks of the Head of the National Tax Administration regarding information on tax schemes (MDR).</p>

2021		
<a href="#"><u>Act of July 31, 2019 amending certain acts to reduce regulatory burdens</u></a>	On 1 January 2021, an amendment to extending the scope of consumer protection came into force	Among the changes introduced by the Act is the extension of the scope of application of provisions on prohibited clauses in contracts with consumers to natural persons conducting business activity.
<a href="#"><u>Act of 27 November 2020 amending the act on tax on goods and services and certain other acts</u></a>	1 January 2021	<p>The Act introduced solutions to simplify the settlement of tax on goods and services by taxpayers – the SLIM VAT (<i>Simple Local and Modern VAT</i>) package, incl. relating to:</p> <ul style="list-style-type: none"> <li>- no need to obtain confirmation of receipt of corrective invoices in minus,</li> <li>- introducing a new condition in the form of having documentation, which shows that the seller has agreed with the buyer "the conditions for lowering the tax base for the supply of goods or services specified in the correcting invoice and these conditions have been met, and the invoice is consistent with the documentation held",</li> <li>- extending the deadline for deducting input VAT up to a total of 4 settlement periods, and in the case of quarterly taxpayers, the deduction on the current terms, i.e. up to 3 settlement periods,</li> <li>- consistent exchange rates – adding an optional solution for taxpayers in the field of exchange rates used for VAT and CIT settlements,</li> <li>- introducing the possibility of deducting input tax resulting from invoices documenting the purchase of accommodation services for resale,</li> <li>- increasing the limit on unchecked gifts of small value from PLN 10 to PLN 20,</li> <li>- introducing a provision on the settlement of correcting invoices increasing the price.</li> </ul>
<a href="#"><u>Act of 28 November 2020 amending the act on corporate income tax and certain other acts</u></a>	1 January 2021	<p>The act introduced two alternative taxation options, i.e.:</p> <ul style="list-style-type: none"> <li>- a system modelled on the Estonian solution linking taxable income with the categories of balance sheet law and consisting in a significant modification of the existing taxation rules – the so-called lump sum on income of capital companies,</li> <li>- The flat-rate tax will be available to capital companies (i.e. limited liability and joint-stock companies) under certain conditions, e.g. their shareholders are only natural persons, and its total operating revenues from the previous tax year or the value of average operating revenues are not exceed the amount of PLN 100 million, including the amount of VAT, etc.,</li> <li>- a special investment fund which (in an economic sense) will enable taxpayers to settle the depreciation of fixed assets faster in tax costs without interfering with the current tax settlements.</li> </ul>

<p><a href="#"><u>Act of 28 November 2020 amending the act on personal income tax, the act on corporate income tax, the act on flat-rate income tax on certain revenues generated by natural persons and certain other acts</u></a></p>	<p>1 January 2021</p>	<p>The act introduced many significant changes for taxpayers, including:</p> <ul style="list-style-type: none"> <li>- introducing the obligation to prepare and make public by the largest CIT taxpayers, i.e. taxpayers whose revenues exceeded EUR 50 million in a tax year, as well as tax capital groups information about the implemented tax strategy for the tax year, hereinafter: report,</li> <li>- the report should be prepared in Polish and posted on its website by the end of the twelfth month following the end of the tax year and submitted to the Head of the Tax Office competent for the taxpayer at the website address. The prepared reports will be made public. Non-compliance is sanctioned with a fine of up to PLN 250,000,</li> <li>- extending the scope of transactions subject to verification for compliance with the arm's length principle, in particular when the beneficial owner is established in the so-called "Tax haven",</li> <li>- covering limited partnerships and some general partnerships with CIT,</li> <li>- changes in the so-called real estate clause,</li> <li>- taxation of the issue of liquidation assets in kind – so far there has been a dispute in this respect between tax authorities and administrative courts,</li> <li>- introducing a definition of a real estate company along with the rules for their taxation,</li> <li>- limiting the possibility of settling losses resulting from restructuring activities,</li> <li>- extension of the exemption from the minimum tax on commercial real estate for the period of the epidemic – the existing exemption was extended for the period from 1 January 2021 until the end of the month in which the epidemic will be removed</li> <li>- limiting the possibility of using reduced or increased depreciation rates in relation to fixed assets used in activities, the income of which is exempt from income tax – during the period of using such an exemption,</li> <li>- increasing the revenue limit entitling to the reduced 9% CIT rate from EUR 1.2 million to EUR 2 million.</li> </ul>
<ul style="list-style-type: none"> <li>▪ <a href="#"><u>Regulation of the Minister of Finance, Funds and Regional Policy of 28 December 2020 amending the regulation on the properties of tax authorities</u></a> and</li> <li>▪ <a href="#"><u>Ordinance of the Minister of Finance, Funds and Regional Policy of 28 December 2020 amending the ordinance on certain taxpayers and remitters for which tasks are performed by the head of a tax office other than the locally competent</u></a></li> </ul>	<p>1 January 2021</p>	<p>The regulations change, with effect from 1 January 2021, the existing jurisdiction of the tax authorities for a large part of taxpayers, including banks. These changes also have effects on the basis of submitted declarations and conducted administrative proceedings.</p> <p>Until 31 December 2020, the tax office competent for ING Bank Śląski SA was the First Silesian Tax Office in Sosnowiec, and on 1 January 2021, the First Masovian Tax Office in Warsaw, hereinafter referred to as: I Mazowiecki US.</p> <p>In addition, the I Mazowiecki Tax Office will take over the role of the tax office competent for the largest entities, being a nationwide office. On the other hand, large enterprises will go to 19 established specialized tax offices (referred to as WUS). On the other hand, small entities with foreign capital will return to the regional tax offices – an exception to this rule is the situation in which such an entity is classified under the WUS.</p> <p>At the same time, the Head of the Lublin Tax Office in Lublin will provide services to all taxpayers and payers from all over the country in matters of lump-sum corporate income tax collected by payers from non-residents (withholding tax).</p> <p>This authority will also be locally competent in matters of overpayment of the flat-rate corporate income tax collected by remitters at the request of a non-resident taxpayer of this tax.</p>

<p><a href="#">Recommendation S on good practices in the management of mortgage-secured credit exposures</a></p>	<p>The PFSA expects the banks to introduce the Recommendation by 30 June 2021</p>	<p>Recommendation S is a set of principles regarding best practices in the field of mortgage-secured credit exposures. The purpose of issuing the revised Recommendation S is, inter alia, extending its current wording to include rules for the management of mortgage-secured credit exposures bearing a fixed interest rate or periodically a fixed interest rate, so as to take into account the risk associated with these loans. Banks should also offer these types of loans among their mortgage-secured loans on residential real estate for retail clients. They should also allow clients to change the interest rate formula under an already concluded mortgage secured loan contract from a variable interest rate to a fixed interest rate or periodically fixed interest rate. The provisions of the Recommendation relating to loans with an option of release from the obligation vis-a-vis the bank related to a credit exposure secured by a mortgage on a residential real estate in the event of the borrower's transfer to the bank of ownership title to the real estate being credited (the so-called "keys for debt" loans), lay down specific rules for assessing creditworthiness and collateral.</p>
<p><a href="#">Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, own funds requirements and eligible liabilities, counterparty credit risk, market risk, CCP exposures, collective investment undertakings exposures, large exposures, reporting and disclosure requirements as well as Regulation (EU) No 648/2012</a></p>	<p>Most of the provisions entered into force on 28 June 2021.</p>	<p>The CRR2 regulation deals with prudential requirements for banks. The changes concern, among others the leverage ratio, the introduction of a net stable funding ratio as well as detailed capital requirements for credit and market risk. The provisions of the regulation also affect reporting and disclosure of information by banks.</p>
<p><a href="#">Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36 / EU as regards exempt entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and measures capital protection</a></p>	<p>The provisions of the directive require implementation into Polish law. The exact date of their entry into force is unknown.</p>	<p>The CRD V directive includes rules on corporate governance (including remuneration policy), additional own funds requirements that may be imposed by competent authorities as well as rules on interest rate risk arising from banking book activities.</p>
<p><a href="#">Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59 / EU as regards the loss absorption and recapitalization capacity of credit institutions and investment firms and Directive 98/26 / EC</a></p>	<p>The provisions of the directive require implementation into Polish law. The exact date of their entry into force is unknown.</p>	<p>The BRRD II Directive amends the provisions on forced restructuring of banks. It includes, among others provisions on the requirements for banks to maintain an appropriate level of eligible liabilities (MREL).</p>
<p><a href="#">Recommendation Z on the principles of internal governance in banks</a></p>	<p>The PFSA expects the banks to introduce the Recommendation by 1 January 2022</p>	<p>Recommendation Z is a collection of good practices in the field of internal governance. The internal governance includes in particular: the bank management system, the bank's organization, principles of operation, powers, duties and responsibilities as well as mutual relations between the supervisory board, the management board and persons performing key functions in the bank.</p>

### Projects

Draft act amending the <b>act on tax on goods and services and certain other acts</b>	Planned date of project acceptance by RM: Q1 2021	The draft provides for an amendment to the act on tax on goods and services by introducing the possibility of issuing structured invoices as one of the allowed forms of documenting sales in addition to paper invoices and electronic invoices currently in the economic turnover. With regard to structured invoices, appearing as a type of electronic invoices, it will be possible to issue and receive them via the ICT system, i.e. the National System of e-Invoices (KSeF).
<a href="#">Draft act amending the act on tax on goods and services and some other acts</a> – as of 15 January 2021, the draft is at the stage of giving opinions.	The planned date of entry into force is: 1 July 2021	This project implements the solutions provided for in the so-called e-commerce VAT package, consisting mainly of the EU Council Directive 2017/2455 of 5 December 2017 and the EU Council Directive 2019/1995 of 21 November 2019 and the accompanying implementing acts.  As at the EU level, the amendments to the VAT Act are aimed at simplifying the obligations related to VAT settlement in the e-commerce sector and tightening the tax collection in cross-border e-commerce in the B2C model.

## Our financial results

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

### The position of the Management Board regarding the possibility of implementing previously published forecasts

The Bank has not published its projected financial results for 2020.

### Seasonal or cyclical nature of the activity in the reporting period

The operations of the ING Bank Śląski S.A. Group are not seasonal or cyclical as defined in Art. 21 of IAS 34.

## Consolidated results of the ING Bank Śląski S.A. Group

[GRI \[103-1\]](#) [\[103-2\]](#) [\[103-3\]](#) [\[201-1\]](#)

### Key effectiveness ratios

#### Basic performance indicators of the ING Bank Śląski S.A. Group for 2016-2020

	2016	2017	2018	2019	2020	Change 2020 to 2019
C/I ratio	48.5%	44.8%	44.5%	43.1%	44.3%	+1.3 p.p.
ROA	1.10%	1.16%	1.15%	1.10%	0.76%	-0.34 p.p.
ROE	11.7%	12.7%	12.5%	11.6%	7.6%	-4.0 p.p.
ROE adjusted for MCFH	12.8%	13.0%	12.8%	12.8%	9.4%	-3.5 p.p.
Interest margin ratio	2.67%	2.88%	2.92%	2.95%	2.63%	-0.33 p.p.
LTD ratio	81.5%	83.8%	87.6%	90.7%	82.6%	-8.1 p.p.
LCR	155%	145%	133%	130%	220%	+90 p.p.
NSFR	124%	122%	131%	130%	144%	+14 p.p.
LR according to transitional definition	7.1%	7.7%	7.4%	7.2%	6.9%	-0.3% p.p.
Total capital ratio	14.73%	16.71%	15.58%	16.87%	18.72%	+1.85 p.p.
Tier 1 capital ratio	13.70%	15.77%	14.74%	14.41%	16.09%	+1.68 p.p.

### Key financial data

#### Brief information on the financial results of the ING Bank Śląski S.A. Group for 2016-2020

PLN million	2016	2017	2018	2019	2020	Change 2020 to 2019
Revenues*	4,325	4,769	5,232	5,796	6,231	7.5%
Cost	2,099	2,136	2,327	2,497	2,763	10.6%
Cost of risk**	301	421	501	606	1,075	77.5%
Gross profit	1,645	1,882	2,031	2,258	1,912	-15.3%
Net profit***	1,253	1,403	1,524	1,659	1,338	-19.4%
Balance sheet total	117,478	125,972	141,813	158,611	186,596	17.6%
Liabilities to clients	95,825	104,503	117,683	130,474	151,029	15.8%
Loans and receivables to clients, net****	78,070	87,275	103,126	118,288	124,762	5.5%
Equity***	10,475	11,534	13,322	15,223	18,618	22.3%
Earnings per share (EPS) (PLN)	9.63	10.78	11.71	12.75	10.28	-19.4%
Dividend per 1 share (in PLN) for a given year	0.00	3.20	3.50	0.00	-	-

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

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

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

### EUR/PLN exchange rate

	2016	2017	2018	2019	2020
For the items specified in the Statement of Financial Position	4.4240	4.1709	4.3000	4.2585	4.6148
For items posted in the income statement	4.3757	4.2447	4.2669	4.3018	4.4742

### Brief information on the financial results of the ING Bank Śląski S.A. Group for 2016-2020

EUR million	2016	2017	2018	2019	2020	Change 2020 to 2019
Revenues*	988	1,124	1,226	1,347	1,393	3.3%
Cost	480	503	545	581	617	6.4%
Cost of risk **	69	99	117	141	240	70.7%
Gross profit	376	443	476	525	427	-18.6%
Net profit**	286	331	357	386	299	-22.5%
Balance sheet total	26,555	30,203	32,980	37,246	40,434	8.6%
Liabilities to clients	21,660	25,055	27,368	30,638	32,727	6.8%
Loans and receivables to clients, net****	17,647	20,925	23,983	27,777	27,035	-2.7%
Equity***	2,368	2,765	3,098	3,575	4,034	12.9%
Earnings per share (EPS) (PLN)	2.20	2.54	2.74	2.96	2.30	-22.5%
Dividend per 1 share (in PLN) for a given year	0.00	0.75	0.82	0.00	-	-

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

## Income statement

Basic consolidated income statement figures of the ING Bank Śląski S.A. Group for 2020 and changes vis-à-vis 2018 are presented in the table below.

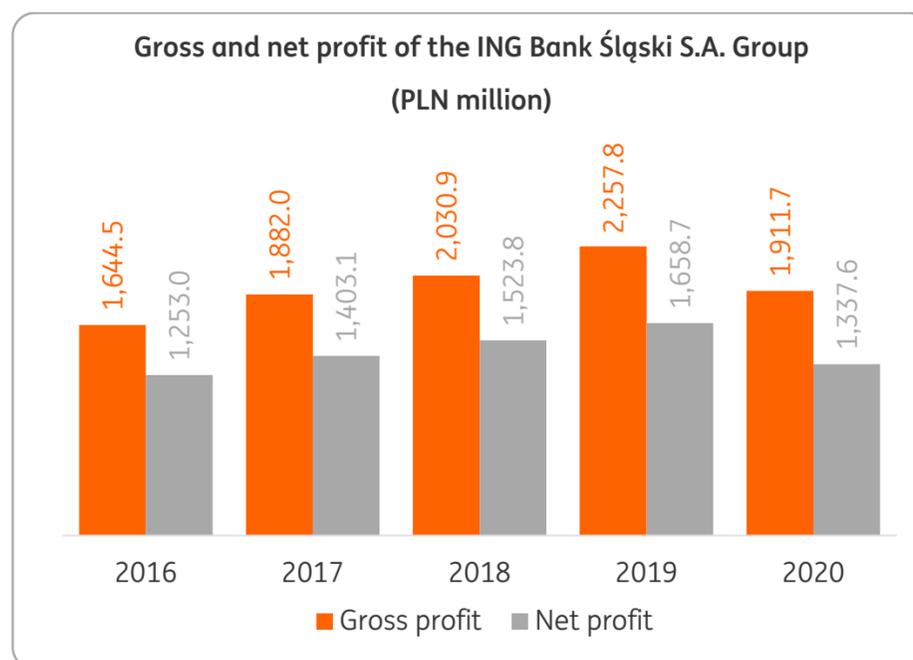
### Basic figures in Consolidated income statement in analytical terms

	2016	2017	2018	2019	2020	Change 2020 to 2019	
						PLN million	%
PLN million							
Net interest income	2,953.4	3,389.4	3,759.3	4,325.1	4,541.8	216.7	5.0%
Net commission income	1,064.8	1,196.0	1,304.9	1,340.5	1,528.4	187.9	14.0%
Other revenues*	306.3	183.7	168.2	130.8	160.5	29.7	22.7%
<b>Total income</b>	<b>4,324.5</b>	<b>4,769.1</b>	<b>5,232.4</b>	<b>5,796.4</b>	<b>6,230.7</b>	<b>434.3</b>	<b>7.5%</b>
<b>Operating expenses</b>	<b>2,099.2</b>	<b>2,135.8</b>	<b>2,326.8</b>	<b>2,497.4</b>	<b>2,762.5</b>	<b>265.1</b>	<b>10.6%</b>
Impairment losses and provisions**	300.6	421.2	500.9	605.5	1,074.9	469.4	77.5%
Bank levy	280.2	330.1	373.8	435.7	481.6	45.9	10.5%
<b>Gross profit</b>	<b>1,644.5</b>	<b>1,882.0</b>	<b>2,030.9</b>	<b>2,257.8</b>	<b>1,911.7</b>	<b>-346.1</b>	<b>-15.3%</b>
Income tax	391.4	478.9	507.1	599.1	574.1	-25.0	-4.2%
Net result attributable to non-controlling shareholders	0.1	0.0	0.0	0.0	0.0	0.0	-
<b>Net profit</b>	<b>1,253.0</b>	<b>1,403.1</b>	<b>1,523.8</b>	<b>1,658.7</b>	<b>1,337.6</b>	<b>-321.1</b>	<b>-19.4%</b>

\* together with the share in the net profit of associates valued using the equity method; \*\* including costs of legal risk of foreign currency mortgage loans

## Profit before tax and net profit

In 2020, the ING Bank Śląski S.A. Group generated a net profit attributable to the shareholders of the parent company of PLN 1,337.6 million. This means that the net result decreased by 19.4% compared to 2019. As since the beginning of 2018, the Bank has been using the equity method in its separate statements to measure investments in subsidiaries and associates, the consolidated net result of the Bank Group is the same as the separate net result of the Bank.



The gross result amounted to PLN 1,911.7 million and decreased by 15.3% compared to 2019. The results of 2020 were influenced by the pandemic and the resulting, inter alia, interest rate cuts and deterioration of macroeconomic expectations. We will write about the details and the strength of the influence of these factors in the following sections of this chapter.

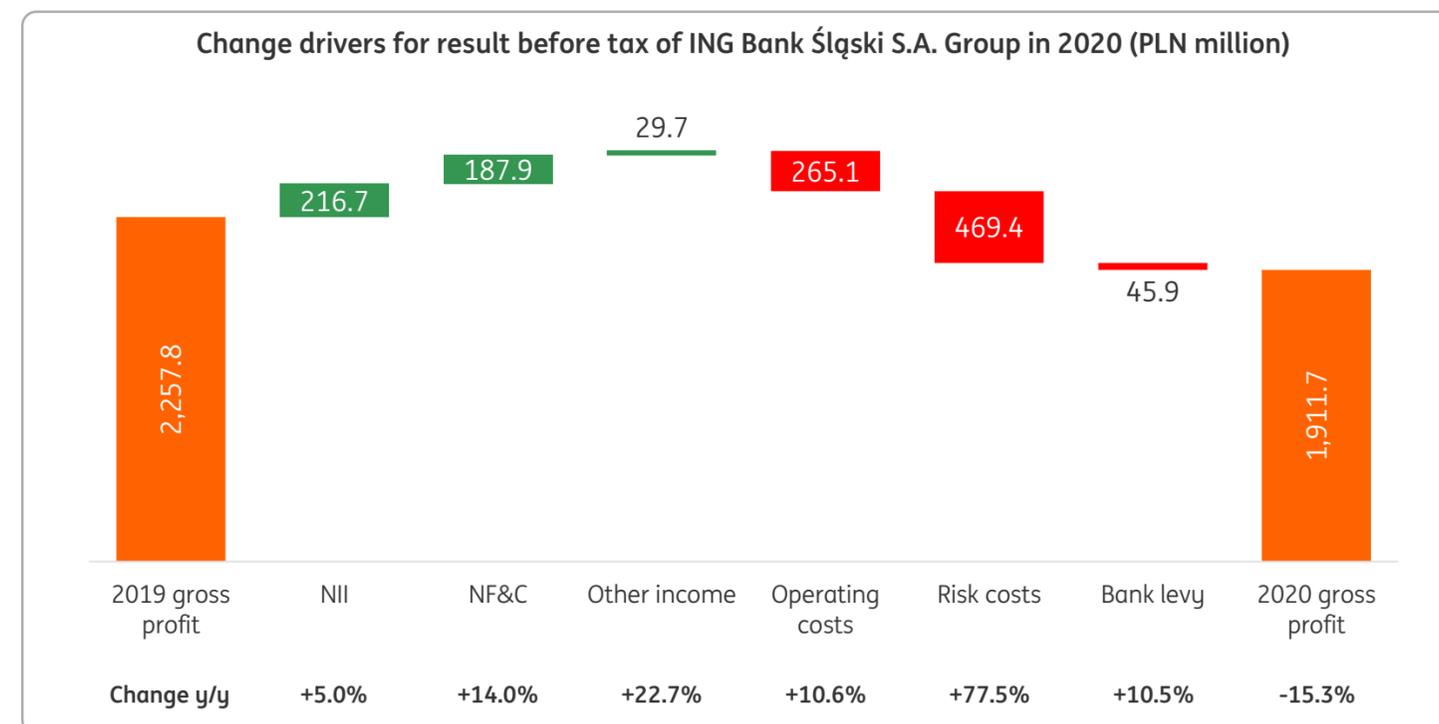
The decrease in gross profit for 2020 by PLN 346.1 million compared to 2019 was mainly due to:

- increase in impairment losses and provisions, including legal risk costs of foreign currency mortgage loans (by PLN 469.4 million, +77.5% y/y),
- increase in operating expenses (by PLN 265.1 million, +10.6% y/y),
- increase in banking tax (by PLN 45.9 million, +10.5% y/y).

On the other hand, the factors that had a positive impact on the level of the gross result in 2020 compared to 2019 were:

- increase in net interest income (by PLN 216.7 million, +5.0% y/y),
- increase in net commission income (by PLN 187.9 million, +14.0% y/y),

- increase in other revenues (by PLN 29.7 million, +22.7% y/y).



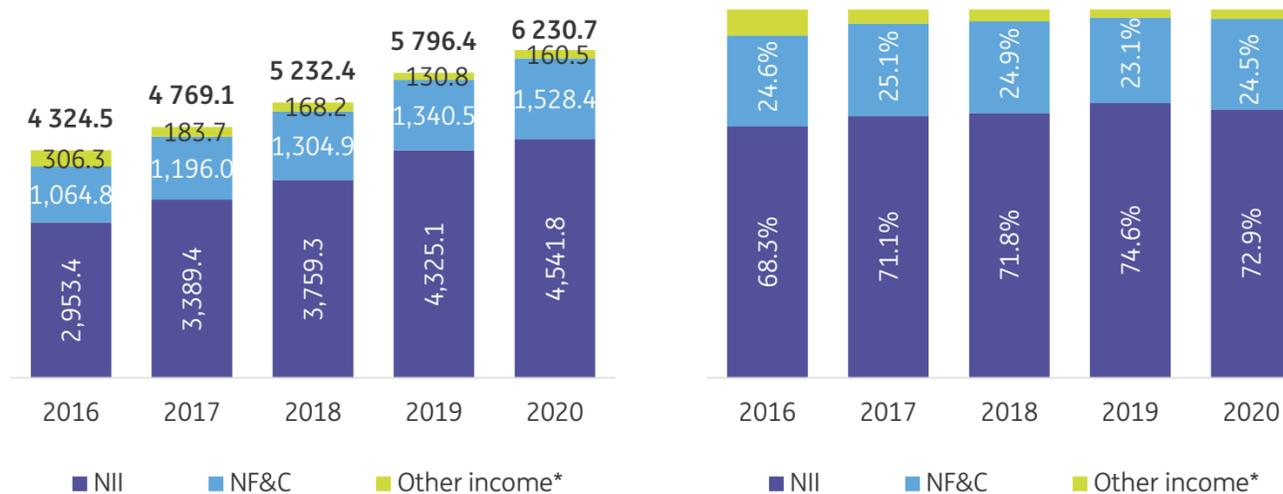
In 2020 the total income of the ING Bank Śląski S.A. Group attributable to the shareholders of the parent company (including, apart from net profit, also other income and cost items included in equity) amounted to PLN 3,395.0 million compared to PLN 2,356.9 million in 2019. The increase is mainly due to the higher valuation of derivatives under hedge accounting.

## Revenues

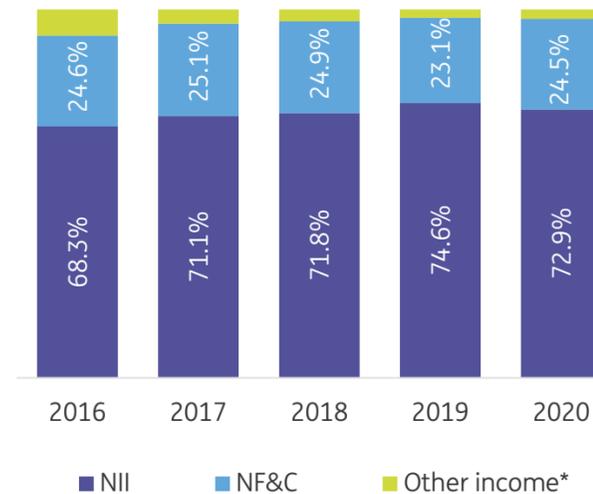
In 2020, total revenues of the ING Bank Śląski S.A. Group amounted to PLN 6,230.7 million. This means that the improvement compared to 2019 amounted to PLN 434.3 million, or 7.5%, and resulted from the improvement in all three components.

## Revenues\* by category of the income statement

(PLN million)



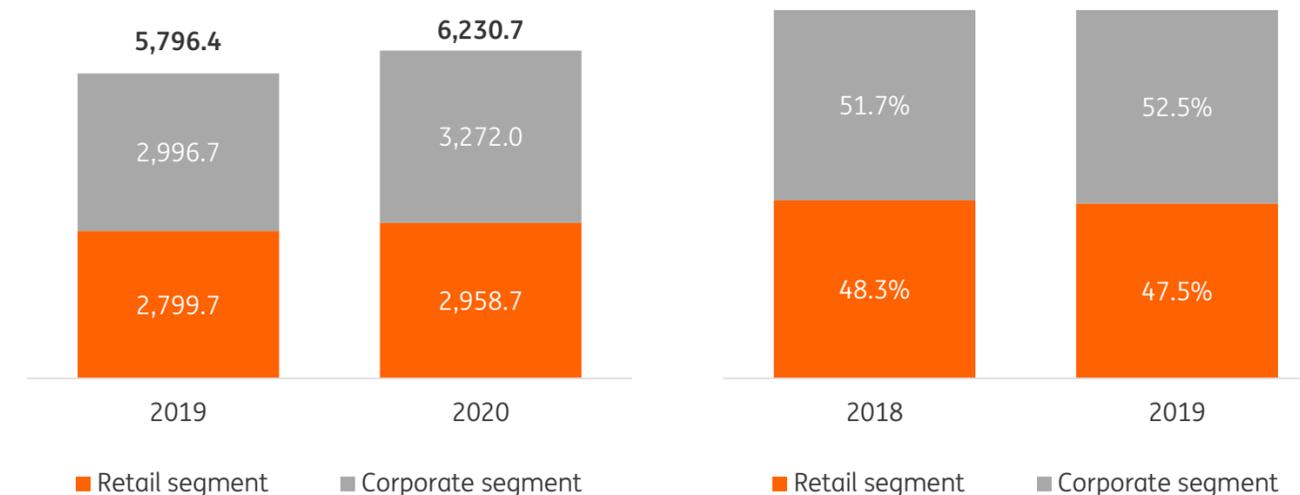
## Income structure\*



\*including the share in net profits of affiliated entities recognised on an equity basis

In 2020, the corporate segment was the main income growth contributor. Its income was up by PLN 275.3 million, or 9.2%, to up to the level of PLN 3,272.0 million. Consequently its share in the structure was up by 0.8 p.p. to the level of 52.5%. Income of the retail segment was up by PLN 159.0 million, or by 5.7%, to reach PLN 2,958.7 million.

## Income\* breakdown by segments (PLN million)

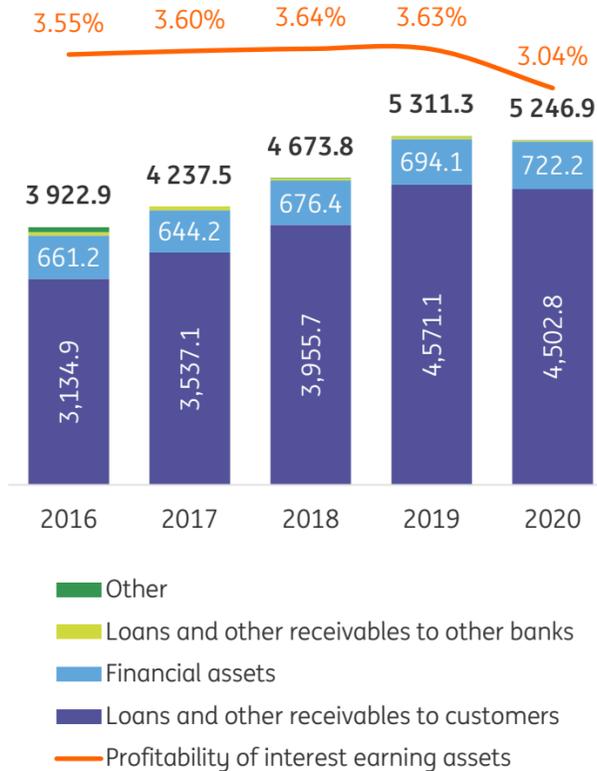


\*including the share in net profits of affiliated entities recognised on an equity basis

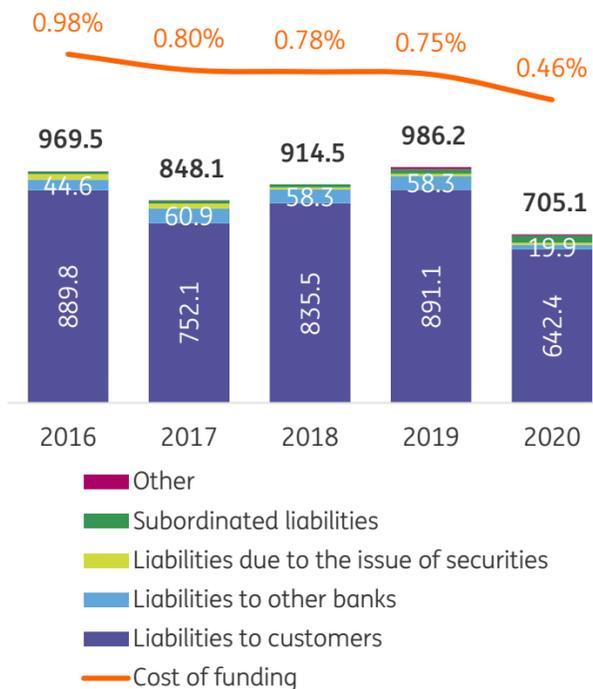
## Net interest income

In 2020, interest income decreased by 1.2% compared to 2019, mainly due to lower interest on loans and other receivables. On the other hand, interest expenses dropped by 28.5% y/y, mainly due to lower costs of liabilities to clients. Consequently, the net interest income was up by 5.0% y/y, i.e. by PLN 216.7 million to the level of PLN 4,541.8 million. The threefold reduction in interest rates had a negative impact on the net interest income (the reference rate was lowered by the Monetary Policy Council during the year from 1.5% to 0.1%). This had a direct impact on the profitability of interest-bearing assets (lower interest on loans and lower profitability of the investment portfolio). On the other hand, the bank decided to change the interest rates on client deposits, e.g. savings accounts.

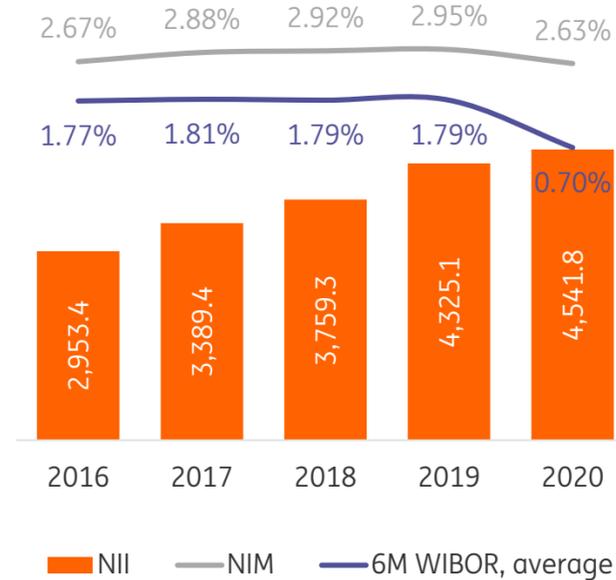
Interest income (PLN million)



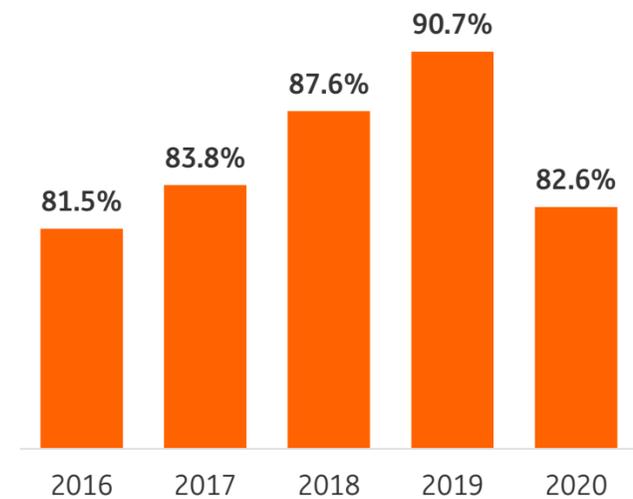
Interest expenses (PLN million)



Net interest income (PLN million) and interest margin against the average 6M WIBOR rate



LTD ratio



The net interest margin was 2.63% in 2020, i.e. below the 2019 level (2.95%).

Average basic interest rate\* in 2020

	Segment		Total
	Retail	Corporations	
<b>Term deposits</b>			
PLN	0.42%	0.21%	0.34%
in foreign currencies	0.02%	0.01%	0.02%
<b>Loans</b>			
PLN	3.44%	2.60%	3.05%
in foreign currencies	0.51%	1.71%	1.62%
including: mortgage loans			
PLN	2.94%	-	2.94%
in foreign currencies	0.51%	-	0.51%

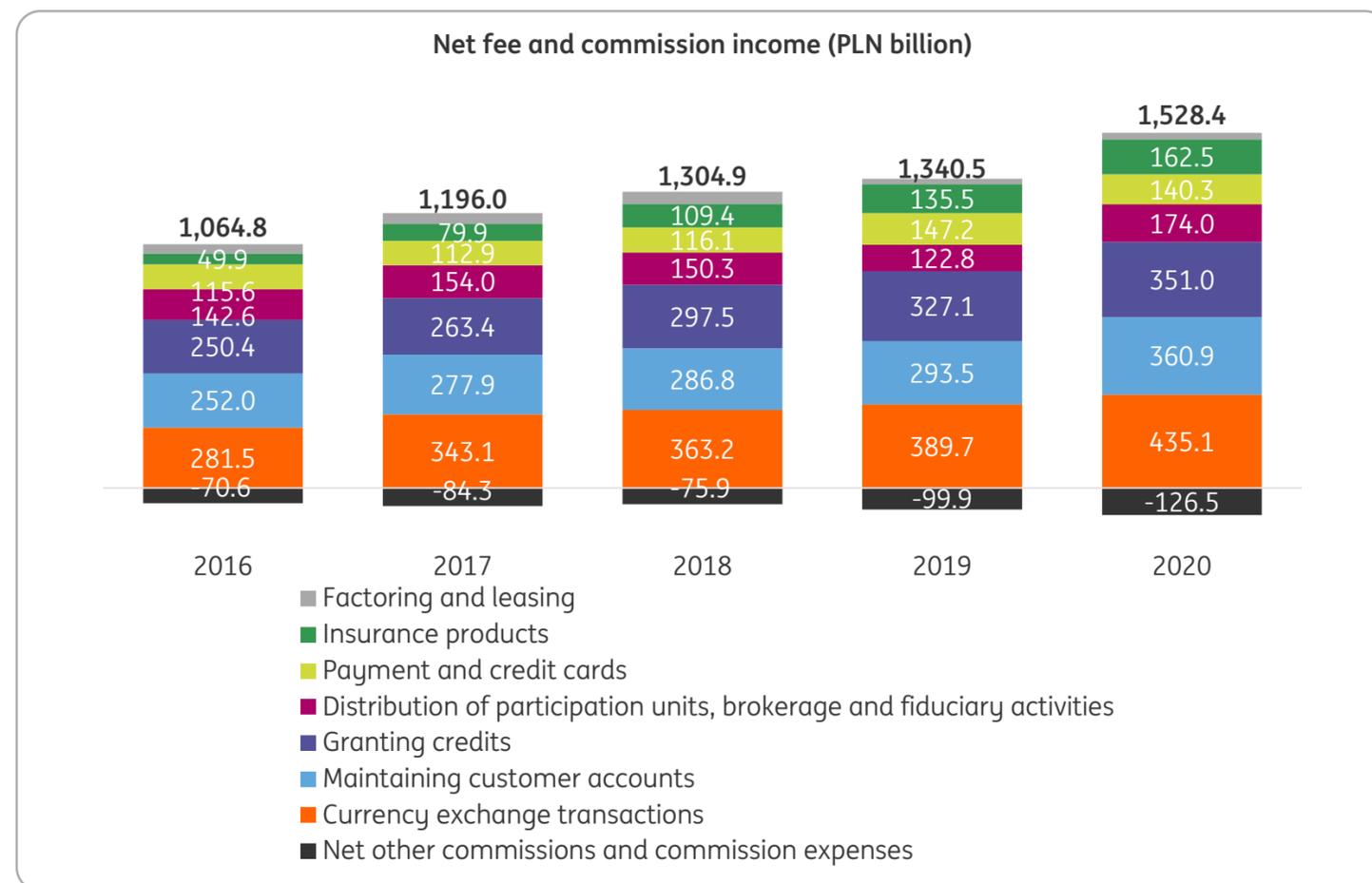
\*Based on management data

## Net fee and commission income

In 2020, the result on commissions and fees of the ING Bank Śląski S.A. Group increased by PLN 187.9 million, or by 14.0% compared to 2019, to the level of PLN 1,528.4 million.

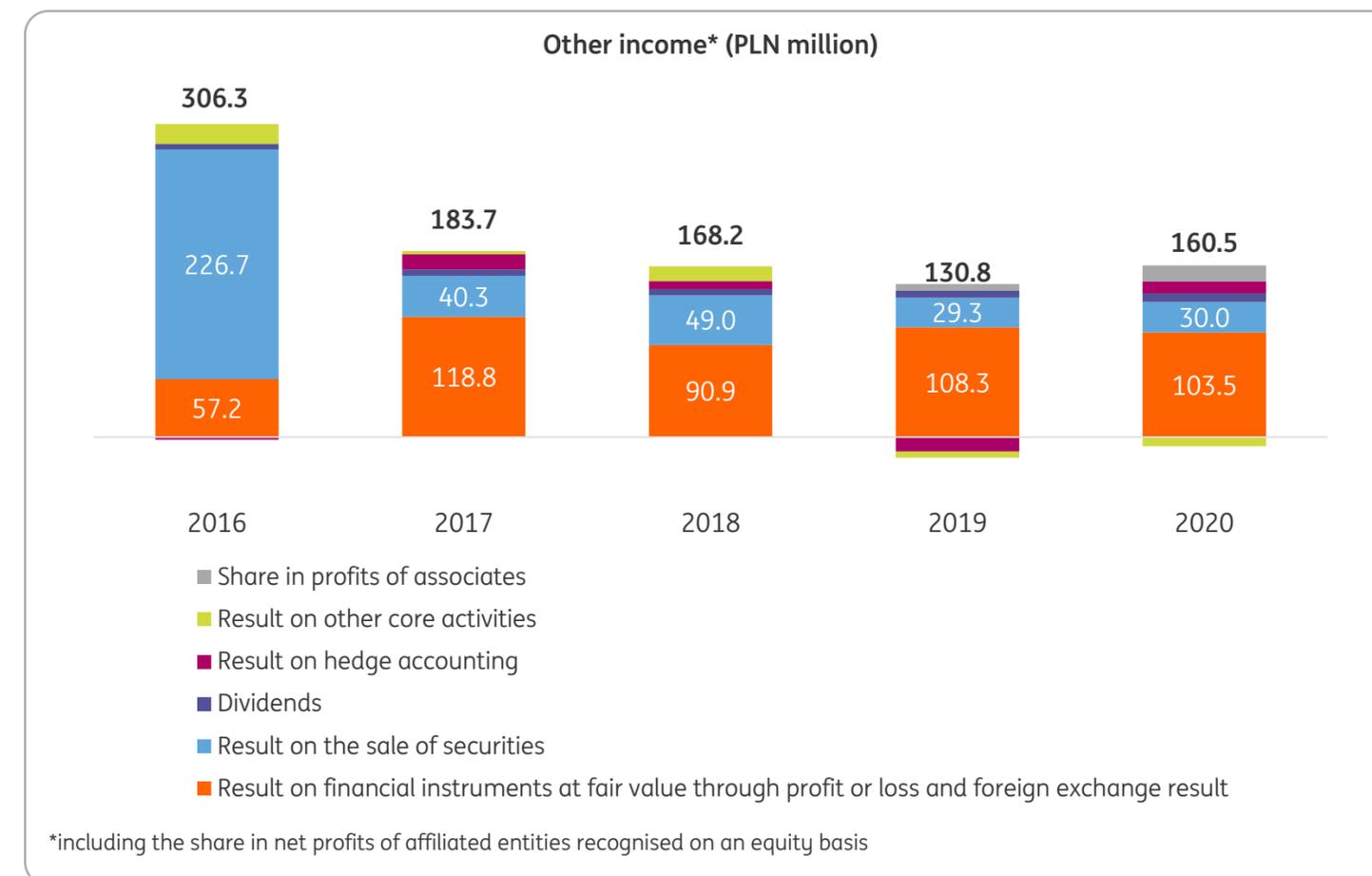
The most significant increase in fee and commission income was recorded for the following items:

- fees for maintaining client accounts by PLN 67.4 million (+23.0% y/y) – which was the result of, inter alia, modification of fees in the corporate segment,
- distribution of participation units, brokerage and fiduciary activities by PLN 51.2 million (+41.7% y/y) – which was due to the high activity of clients of our brokerage house,
- currency exchange transactions by PLN 45.4 million (+11.6% y/y) – due to the high transactionality of our clients.



## Other revenues

In 2020, the remaining revenues of the Group (including the share in the net result of associates valued using the equity method) amounted to PLN 160.5 million and were higher by PLN 29.7 million compared to the previous year. This increase is mainly due to a higher result on hedge accounting (+PLN 25.8 million y/y) and a higher share in the profit of associates (+PLN 9.5 million, +144% y/y).



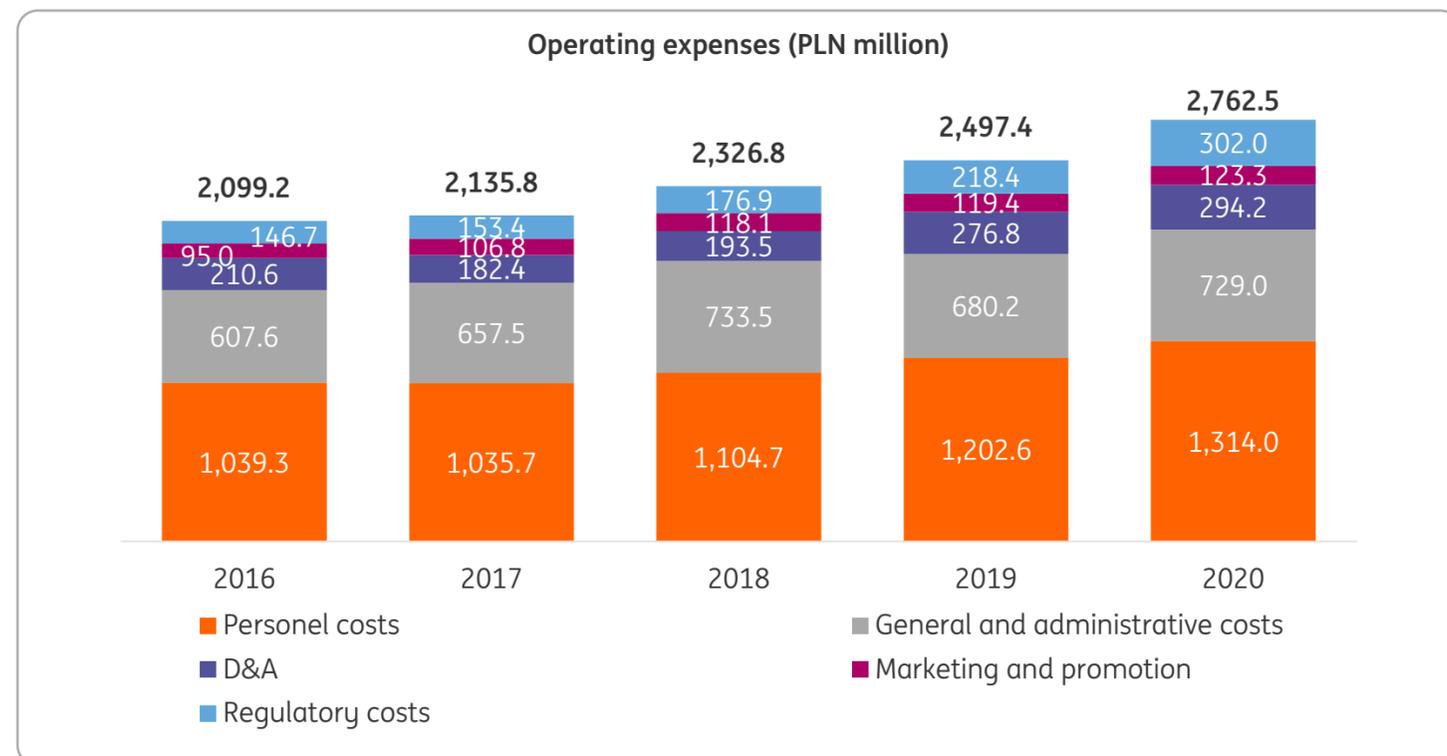
## Operating expenses

In 2020, operating expenses of ING Bank Śląski S.A. Group were up by 10.6% y/y to the level of PLN 2,762.5 million, including own costs that were up by 8.0% y/y to PLN 2,460.5 million, and regulatory costs (total BGF and PFSA expenses) up by 38.3% y/y to the level of PLN 302.0 million. BFG fee costs were PLN 86.4 million higher y/y (+42.7% y/y; the fee for the restructuring fund fell from PLN 131.2 million to PLN 125.4 million, but the fee for the guarantee

fund increased from PLN 71.1 million to PLN 163.3 million). PFSA supervision costs dropped to PLN 13.3 million compared to PLN 16.1 million a year earlier (-17.4% y/y).

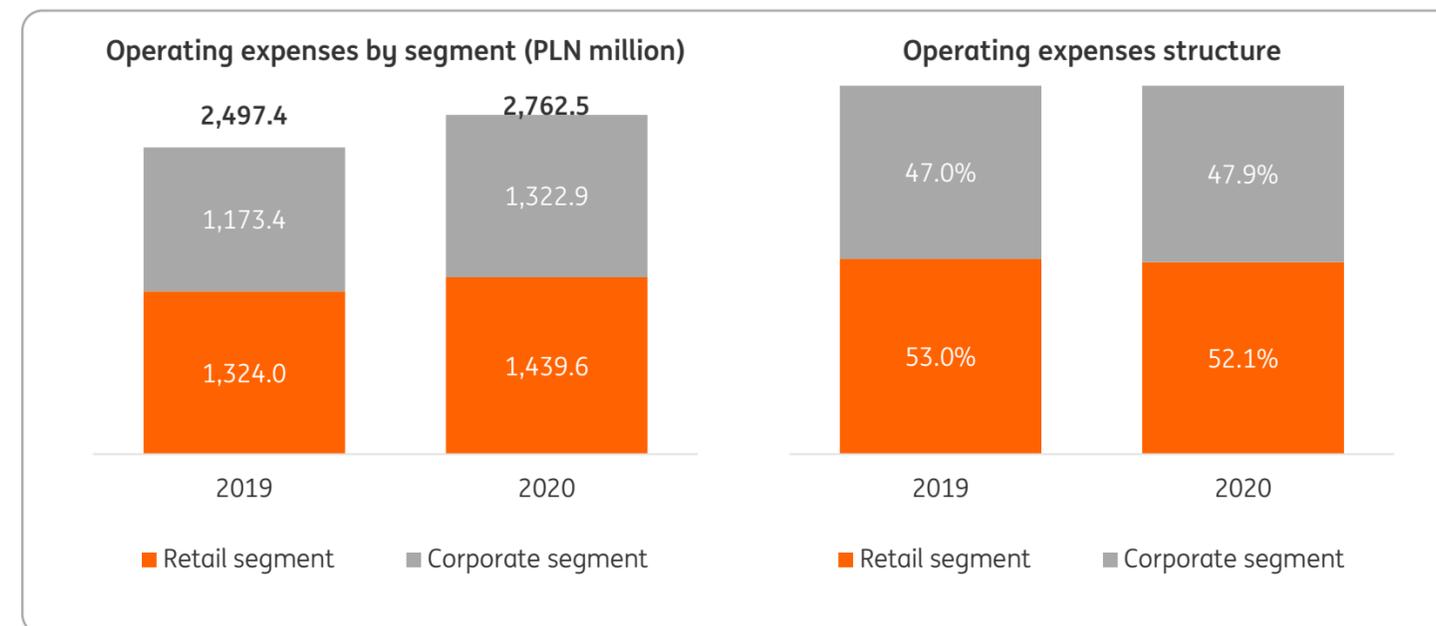
The increase in the value of own costs was visible in all major categories, which was due to business development. In 2020 the highest growth was recorded in the following categories:

- personnel costs (by PLN 111.4 million, +9.3% y/y) as a result of an increase in salaries (the raise action took place in April, as in 2019), an increase in employment in the bank and the creation of PLN 39.5 million in provisions restructuring related to the continuation of our long-term project of organizational structure evolution, and
- general and administrative costs (increase by PLN 48.8 million, +7.2% y/y), mainly due to higher IT costs (+PLN 29.7 million, +13.4% y/y).



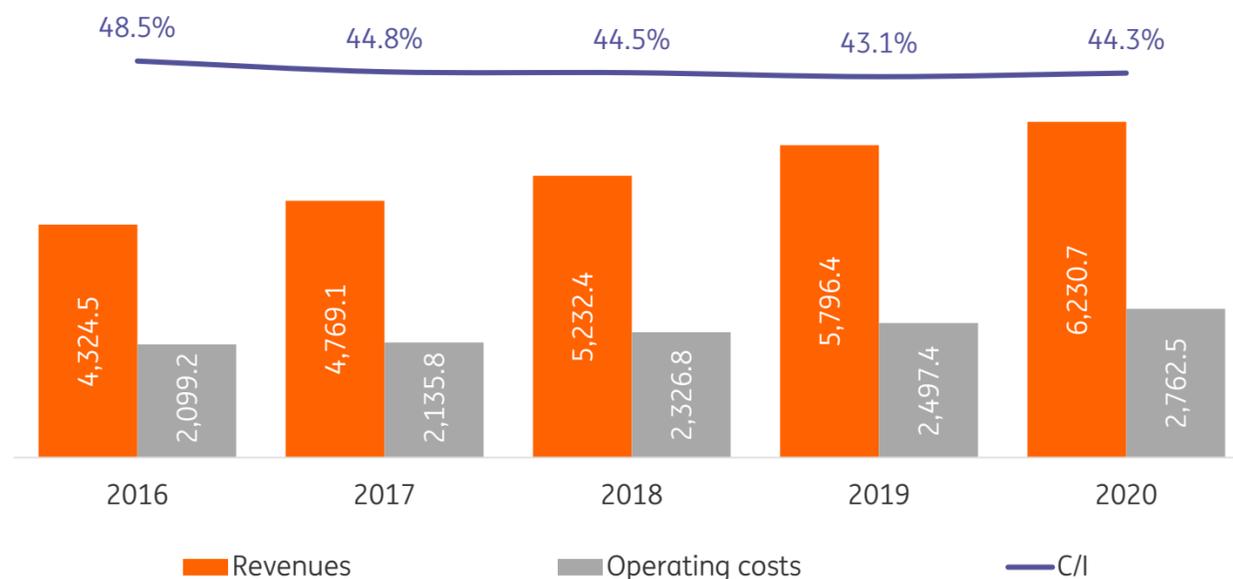
Employment in the ING Bank Śląski Group increased y/y from 8,072 FTEs at the end of 2019 to 8,451 FTEs at the end of 2020.

Operating expenses of the retail segment were up by PLN 115,6 million y/y (+8.7%) to PLN 1,439.6 million, while operating expenses of the corporate segment were up by PLN 149.5 million y/y (+12.7%) to PLN 1,322.9 million. As a consequence, the share of the retail segment in costs decreased by 0.9 pp to 52.1% compared to 2019.



Due to the faster growth of operating expenses than revenues, the efficiency ratio – costs to revenues – deteriorated in 2020 compared to the previous year. It was 44.3%, which means a growth by 1.3 p.p. r/r.

Revenues\* against operating expenses (in PLN million) and the cost-to-income ratio

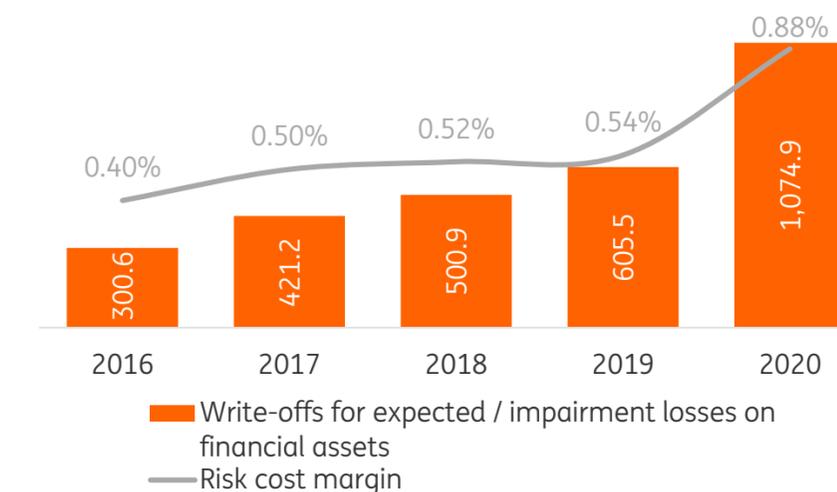


\*including the share in net profits of affiliated entities recognised on an equity basis

## Impairment losses and provisions

In 2020, there was an increase in the cost-of-risk margin (ratio of the write-off for net expected losses and provisions for legal risk of FX mortgage loans to the gross loan portfolio) to 0.88% from 0.54% in the previous year. It resulted, inter alia, from changes (to the detriment of) macroeconomic parameters used in credit risk estimation models, which was associated with the COVID-19 pandemic and its economic consequences, and high provisions for legal risk of FX mortgage loans.

Consolidated impairment for expected/impairment losses on net financial assets, including legal risk costs of foreign currency mortgage loans (PLN million)

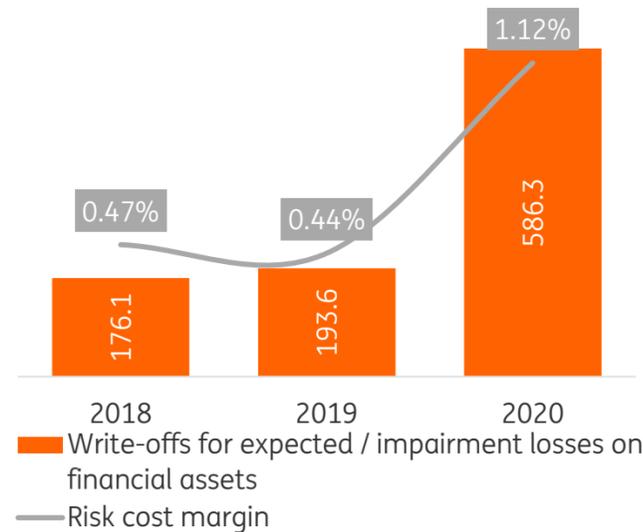


The total cost of risk (impairment for expected losses and costs of legal risk of foreign currency mortgage loans) in 2020 amounted to PLN 1,074.9 million. This amount includes PLN 242.5 million of the impact of changes in the assumptions of macroeconomic parameters in the models and PLN 270.3 million of provisions for the legal risk of FX mortgage loans. Excluding these two elements, the cost of risk in 2020 would be similar to 2019.

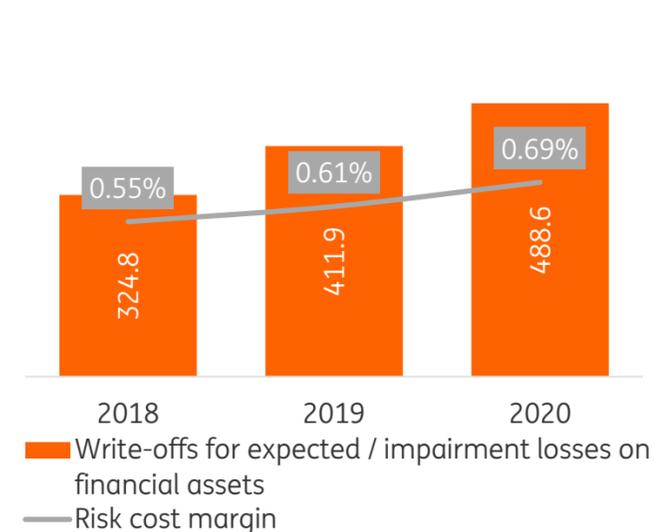
The cost of risk in the retail segment in 2020 amounted to PLN 586.3 million (compared to PLN 193.6 million in 2019, nearly 3.0 times higher) due to the legal risk of foreign currency mortgage loans (full amount allocated to this segment) and 51.9 PLN million of the impact of changes in macroeconomic parameters.

Risk costs in the corporate segment amounted to PLN 488.6 million (compared to PLN 411.9 million in 2019, an increase of 18.6% y/y), and the impact of changes in macroeconomic parameters in the models was PLN 190.6 million. In the first quarter of 2020, the bank sold stage 3 corporate receivables. The impact of this transaction on the cost of risk was relatively small (PLN 4.1 million). The bank regularly sells portfolios of receivables in stage 3 as part of its credit risk management policy.

### Impairment for expected losses/impairment losses on net financial assets in the retail segment, including legal risk costs of foreign currency mortgage loans (PLN million)



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



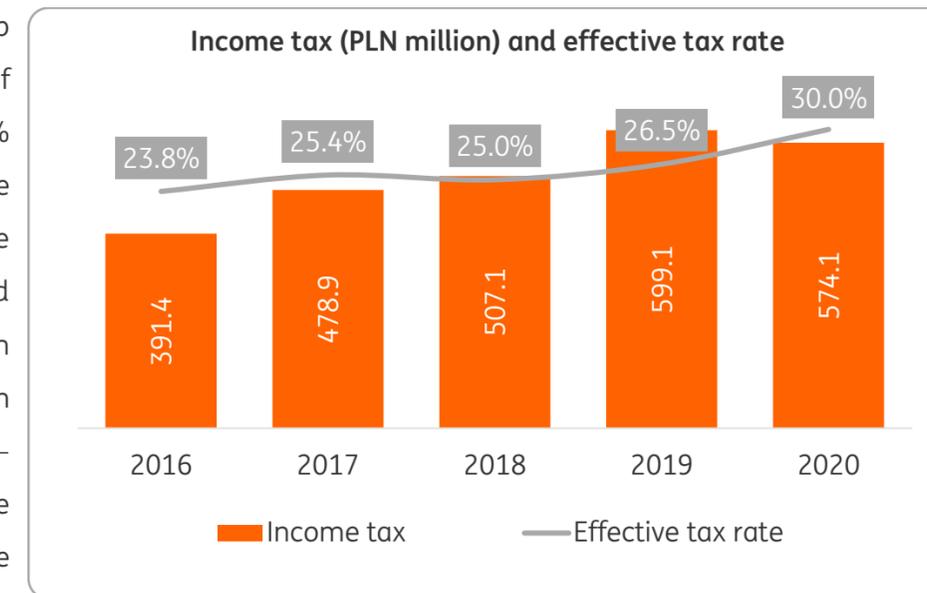
The quality of our loan portfolio is described in the chapter "Bank and client security" under "[Credit risk](#)".

#### Tax on certain financial institutions

In 2020, the ING Bank Śląski S.A. Group paid tax on certain financial institutions (the so-called bank levy) in the amount of PLN 481.6 million. The bank levy was up by PLN 45.9 million, i.e. by 10.5%, compared to 2019, was driven by a higher tax base, which is a consequence of higher business volumes.

#### Income tax

In 2020, the ING Bank Śląski S.A. Group recorded income tax in the amount of PLN 574.1 million. It decreased by 4.2% compared to the previous year, despite a lower y/y gross result. The effective tax rate in 2020 was 30.0%, compared to 26.5% in the previous year. Both in 2019 and 2020 – in accordance with Art. 16 sec. 1 point 71 of the CIT Act – contribution to the bank guarantee fund and contribution to the compulsory restructuring fund banks, were not income tax deductible. Bank levy is not a tax deductible cost either (pursuant to Article 16.1.70 of the CIT Act). Moreover, no provisions for the legal risk of FX mortgage loans are tax deductible.

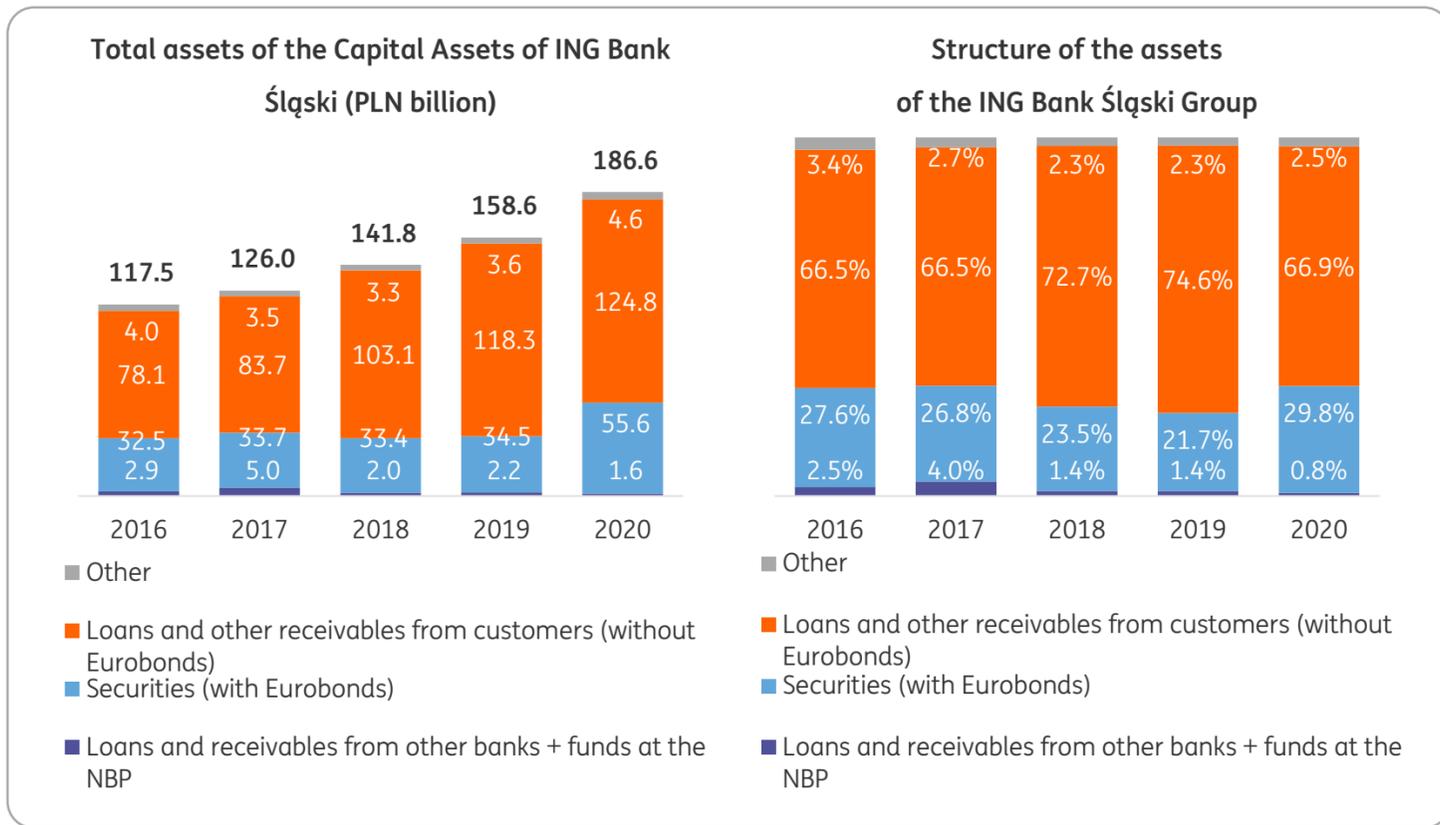


#### Statement of financial position

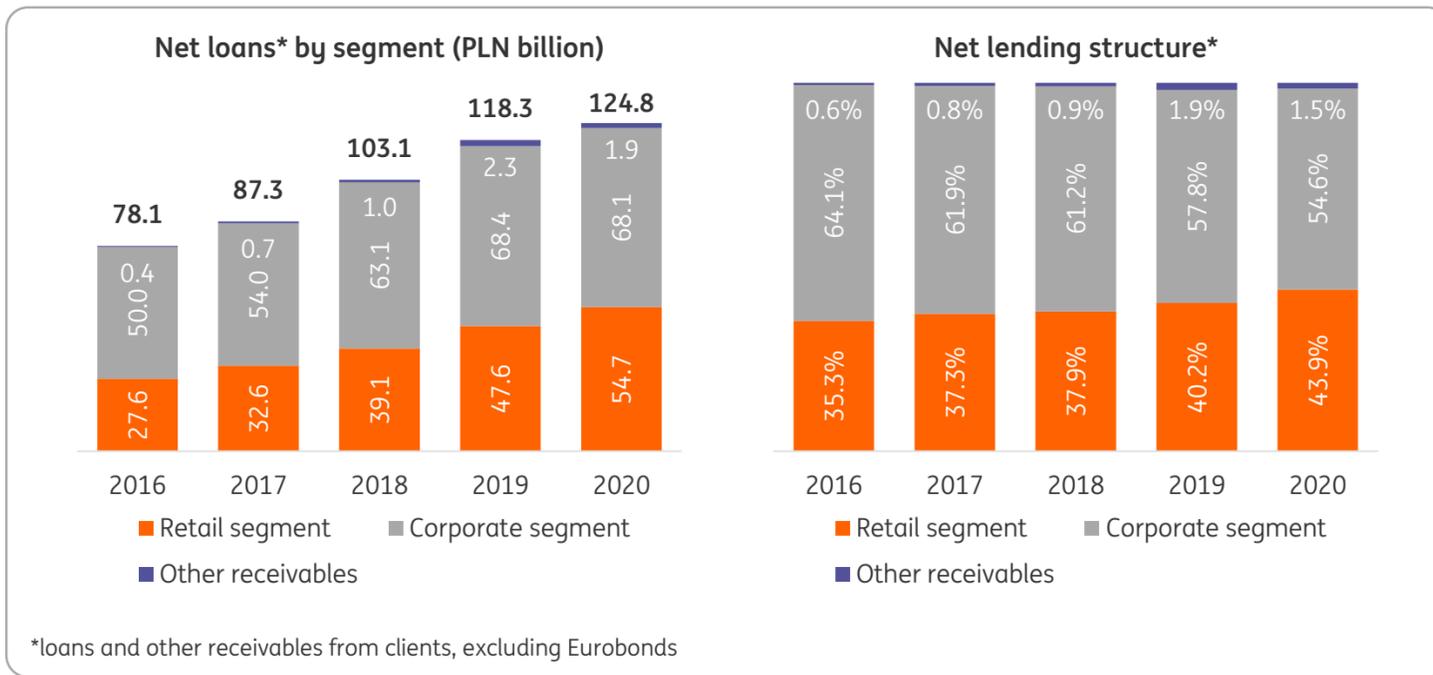
##### Assets

Total assets of the ING Bank Śląski S.A. Group amounted to PLN 186.6 billion at the end of 2020. It implies they were up by 17.6% against 2019. The main growth factor was the securities portfolio, which at the end of 2020 amounted to PLN 55.6 billion (+61.3% y/y). Due to the high dynamics in relation to other groups of assets, the share of the investment portfolio in the structure of the Group's assets increased to 29.8% from 21.7% a year earlier.

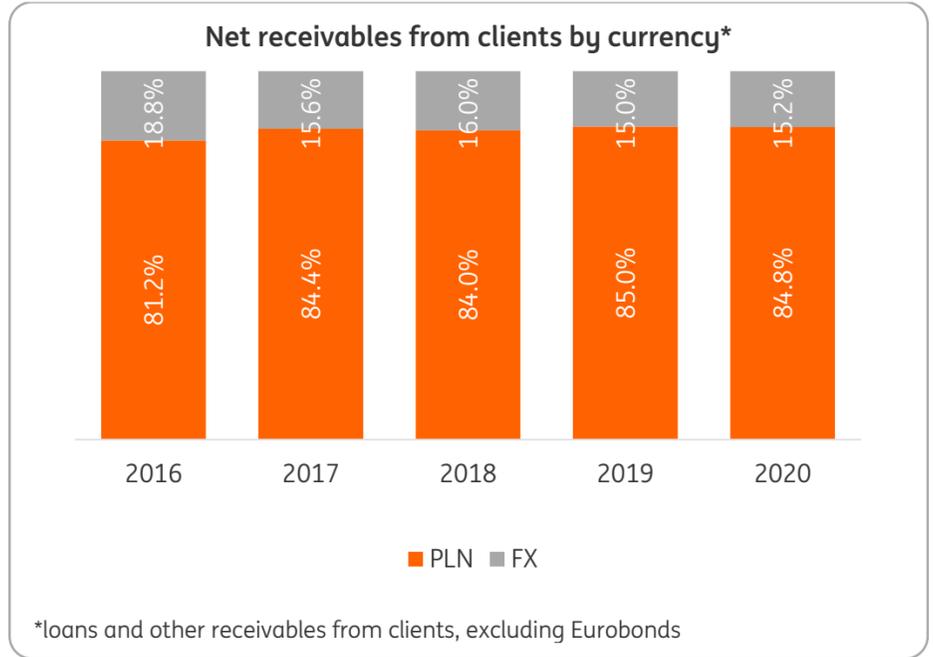
The portfolio of loans and other receivables from net clients (including loans carried at fair value) increased by PLN 6.5 billion (+5.5% y/y) compared to 2019 and amounted to PLN 124.8 billion at the end of 2020. At the end of 2020, loans and receivables from clients accounted for 66.9% of total assets (74.6% a year earlier).



In 2020, an increase in loans and other net receivables was recorded in the retail segment (+15.0% y/y to PLN 54.7 billion at the end of the year), while in the corporate segment there was a slight decrease (-0.5% y/y up to PLN 68.1 billion). Therefore, the share of the retail segment in the portfolio of loans and other net receivables increased to 43.9% from 40.2% a year earlier, and the share of the corporate segment decreased to 54.6% from 57.8% a year earlier.



Within the structure of the portfolio of amounts due from clients (net; excluding Eurobonds) broken down by currency, the share of exposures denominated in PLN decreased to 84.8%. This is a consequence of a slower increase in PLN-denominated receivables (by PLN 5.3 billion compared to 2019; +5.3%) than the increase in foreign currency-denominated exposures (by PLN 1.2 billion y/y; +6.6%), which also increased as a consequence of the depreciation of PLN versus EUR and CHF.



### Net client receivables portfolio (excluding Eurobonds)

PLN million	2016	2017	2018	2019	2020	Change 2020 to 2019 PLN million	%
<b>Portfolio of net amounts due from customers - total</b>							
measured at amortized cost	78,069.5	87,275.3	102,907.4	118,127.8	124,655.3	6,527.5	5.5%
measured at fair value through P&L account	-	-	218.4	160.3	106.2	-54.1	-33.7%
<b>Total</b>	<b>78,069.5</b>	<b>87,275.3</b>	<b>103,125.8</b>	<b>118,288.1</b>	<b>124,761.5</b>	<b>6,473.4</b>	<b>5.5%</b>
<b>Net customer receivables portfolio - measured at amortized cost</b>							
<b>Loan portfolio, of which:</b>	<b>77,633.6</b>	<b>86,556.3</b>	<b>101,956.8</b>	<b>115,831.0</b>	<b>122,722.1</b>	<b>6,891.1</b>	<b>5.9%</b>
households	32,865.4	38,840.4	47,525.7	57,284.9	63,345.0	6,060.1	10.6%
business entities	41,352.2	44,868.6	51,223.9	55,527.2	56,059.7	532.5	1.0%
general government sector	3,416.0	2,847.3	3,207.2	3,018.9	3,317.4	298.5	9.9%
<b>Total credit portfolio, including:</b>	<b>77,633.6</b>	<b>86,556.3</b>	<b>101,956.8</b>	<b>115,831.0</b>	<b>122,722.1</b>	<b>6,891.1</b>	<b>5.9%</b>
Corporate banking	50,042.1	53,997.8	62,861.1	68,230.7	67,976.7	-254.0	-0.4%
overdrafts in current account	7,895.9	9,599.6	10,982.5	10,999.5	8,982.1	-2,017.4	-18.3%
terms loans and borrowings	29,572.4	30,716.4	36,138.0	40,099.2	41,510.8	1,411.6	3.5%
lease receivables	5,710.6	6,560.1	8,093.6	9,334.7	9,697.6	362.9	3.9%
factoring receivables	4,350.4	4,589.6	4,837.7	5,293.3	4,794.5	-498.8	-9.4%
debt securities	2,512.8	2,532.1	2,809.3	2,504.0	2,991.7	487.7	19.5%
Retail banking	27,591.5	32,558.5	39,095.7	47,600.3	54,745.4	7,145.1	15.0%
mortgage loans and borrowings,	23,284.0	27,369.4	33,146.8	40,597.4	47,621.8	7,024.4	17.3%
overdrafts in current account	526.9	560.3	563.7	596.5	594.3	-2.2	-0.4%
other loans and borrowings	435.9	719.0	950.6	2,296.8	1,933.2	-363.6	-15.8%
<b>Other receivables, of which:</b>	<b>77,633.6</b>	<b>86,556.3</b>	<b>101,956.8</b>	<b>115,831.0</b>	<b>122,722.1</b>	<b>6,891.1</b>	<b>5.9%</b>
opened call deposits	329.0	540.1	733.0	1,598.6	1,272.2	-326.4	-20.4%
receivables from reverse repo transactions	0.0	19.8	0.0	0.0	0.0	0.0	-
other receivables	106.9	159.1	217.6	698.2	661.0	-37.2	-5.3%
<b>Total amounts due from clients</b>	<b>78,069.5</b>	<b>87,275.3</b>	<b>102,907.4</b>	<b>118,127.8</b>	<b>124,655.3</b>	<b>6,527.5</b>	<b>5.5%</b>

### Liabilities

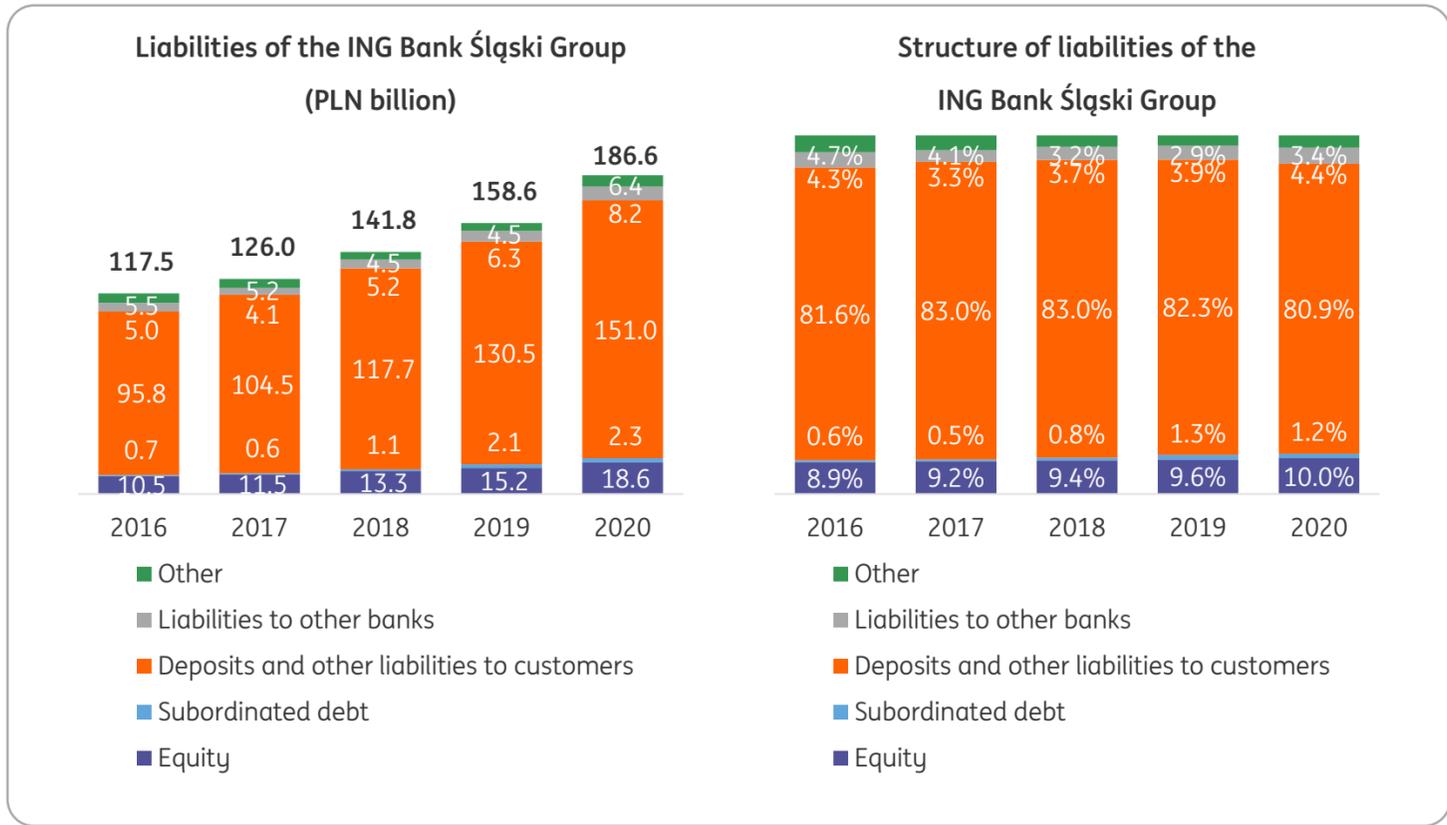
Client funds were the dominant source of financing for the operations of the ING Bank Śląski Group. At the end of 2020, liabilities to clients amounted to PLN 151.0 billion, or 80.9% of total liabilities. The large increase in deposits and amounts due to clients (+ PLN 20.6 billion, + 15.8% y/y) resulted, among others, from the funds of the Anti-Crisis Shield 1.0, which was transferred to the accounts of the corporate segment clients. Our bank's clients, through us, received a total of PLN 9.6 billion under this support program (16% of funds disbursed under the first target).

Deposits and other liabilities to the retail segment clients increased by PLN 11.6 billion (+ 14.6% y/y), and to the corporate segment by PLN 8.9 billion (+ 17.9% y/y). The share of the corporate segment in deposits and other amounts due to clients increased by 0.7 pp y/y to 38.9% (the share of the retail segment decreased by 0.6 pp y/y to 59.9%).

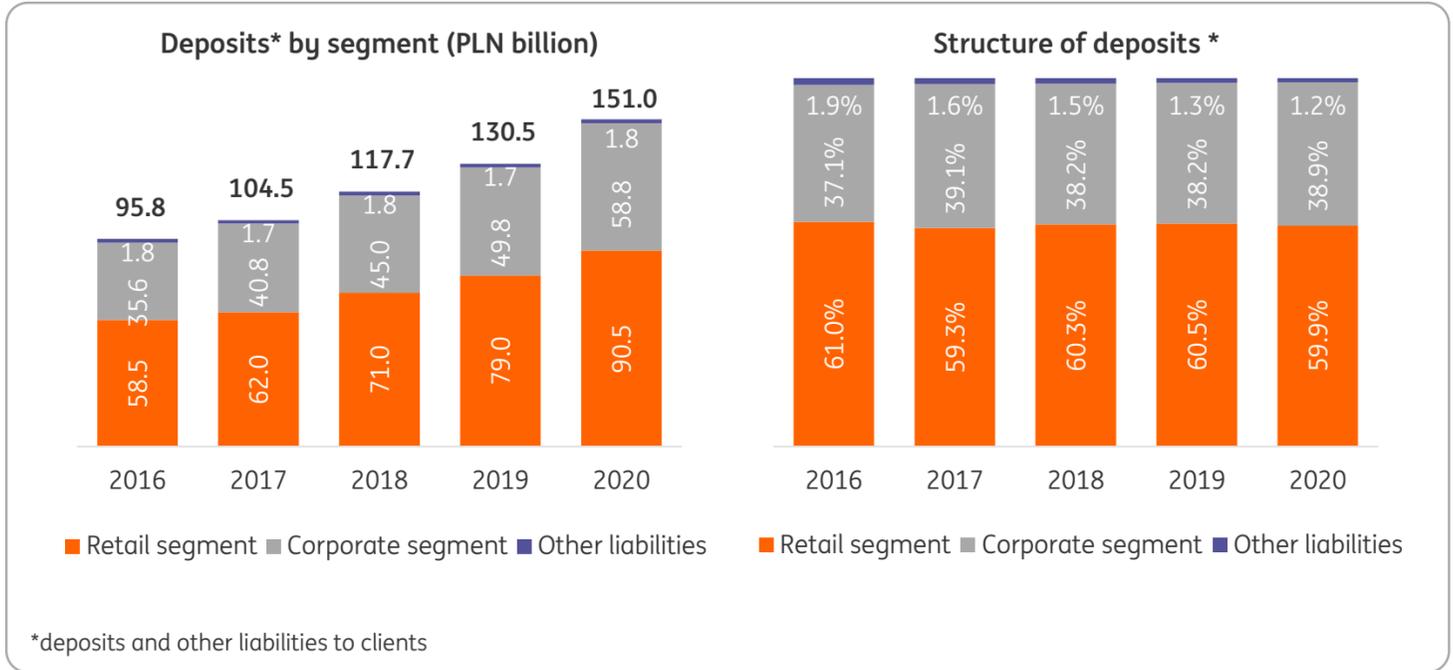
The next most important source of financing was equity, which at the end of 2020 amounted to PLN 18.6 billion and accounted for 10.0% of total liabilities.

At ING Lease (Poland), matched-funding sources for long-term leasing contracts in EUR are, among others, loans received from ING Bank NV. The contract was signed in 2003, and together with subsequent annexes, the financing limit is EUR 900 million in total. At the end of 2020, the debt balance was EUR 732 million and CHF 5.3 million. The disbursement of funds is carried out in the form of loan tranches, which are released in accordance with the demand resulting from disbursed lease agreements and loans. Repayment of the borrowings is carried out in a timely manner, in accordance with the repayment schedules of the disbursed loan tranches.

Additionally, ING Lease (Poland) signed a loan agreement with the European Investment Bank (EIB) in 2016. The purpose of the agreement is to finance lease contracts in EUR for medium and large companies with a financing period of up to 5 years. At the end of 2020, the debt balance was EUR 12.2 million. In 2020, ING Lease (Poland) did not incur any new financing, but only made timely repayments of its loan tranches. The loan agreement is secured by Polish Treasury bonds.



At the same time, the INGBH002 and INGBH03 series are covered by a bank guarantee granted by ING Bank Śląski (Guarantor), under which the Guarantor undertakes to redeem the bonds in the event that ING Bank Hipoteczny fails to fulfil its monetary obligations on the maturity date of the above-mentioned series of bonds. As at December 31, 2020, ING Bank Hipoteczny's liability under the bonds issued under the Bonds Issue Program in the nominal value amounted to PLN 975.0 million.



In 2020, ING Bank Hipoteczny did not issue mortgage bonds, but in order to increase the diversification of existing sources of financing, it established an own bond issue program, under which it issued PLN 975.0 million of short-term bonds (i.e. 1,950 bonds with a nominal value of PLN 500 thousand each).

In December 2020, the Bank issued under the above-mentioned of the program, three series of bonds, i.e.:

- Series 1 (INGBH001) with a value of PLN 675.0 million and maturity fixed at 3 months
- Series 2 (INGBH002) with a value of PLN 50.0 million and a maturity period fixed at 6 months,
- Series 3 (INGBH003) with a value of PLN 250.0 million and a maturity period fixed at 3 months.

The bonds were directed only to qualified investors and were registered with the National Depository for Securities in Warsaw.

The bond issues are regulated by the Bond Issue Program Agreement concluded with ING Bank Śląski S.A.. Under the agreement, the maximum nominal value of the issued and outstanding bonds is PLN 4.0 billion.

## Portfolio of liabilities to clients

PLN million	2016	2017	2018	2019	2020	Change 2020 to 2019	
						PLN million	%
<b>Deposits, of which:</b>	<b>94,048.4</b>	<b>102,849.1</b>	<b>115,908.0</b>	<b>128,800.1</b>	<b>149,269.9</b>	<b>20,469.8</b>	<b>15.9%</b>
households	63,548.0	67,918.6	78,255.5	87,643.7	102,920.0	15,276.3	17.4%
business entities	28,759.6	33,156.6	35,735.0	36,191.2	43,454.5	7,263.3	20.1%
general government sector	1,740.8	1,773.9	1,917.5	4,965.2	2,895.4	-2,069.8	-41.7%
<b>Total deposits, including:</b>	<b>94,048.4</b>	<b>102,849.1</b>	<b>115,908.0</b>	<b>128,800.1</b>	<b>149,269.9</b>	<b>20,469.8</b>	<b>15.9%</b>
Corporate banking	35,597.1	40,841.5	44,956.5	49,848.1	58,755.4	8,907.3	17.9%
current deposits	23,367.7	27,607.1	30,522.2	34,707.2	45,250.6	10,543.4	30.4%
saving deposits	10,439.1	10,504.1	12,212.7	13,513.1	12,920.5	-592.6	-4.4%
term deposits	1,790.3	2,730.3	2,221.6	1,627.8	584.3	-1,043.5	-64.1%
Retail banking	58,451.3	62,007.6	70,951.5	78,952.0	90,514.5	11,562.5	14.6%
current deposits	8,647.9	10,789.9	13,007.6	15,706.7	22,924.1	7,217.4	46.0%
saving deposits	46,041.5	47,984.7	55,704.7	60,812.0	65,896.2	5,084.2	8.4%
term deposits	3,761.9	3,233.0	2,239.2	2,433.3	1,694.2	-739.1	-30.4%
<b>Other liabilities, including:</b>	<b>1,777.0</b>	<b>1,654.2</b>	<b>1,774.5</b>	<b>1,673.4</b>	<b>1,758.6</b>	<b>85.2</b>	<b>5.1%</b>
liabilities under monetary hedges	311.2	274.0	329.5	400.1	547.1	147.0	36.7%
call deposits	64.8	1.4	8.6	11.6	20.7	9.1	78.4%
other liabilities	1,401.0	1,378.8	1,436.4	1,261.7	1,190.8	-70.9	-5.6%
<b>Total liabilities to clients</b>	<b>95,825.4</b>	<b>104,503.3</b>	<b>117,682.5</b>	<b>130,473.5</b>	<b>151,028.5</b>	<b>20,555.0</b>	<b>15.8%</b>

## Off-balance sheet items

## Off-balance sheet items of the ING Bank Śląski Group

PLN million	2016	2017	2018	2019	2020
Contingent liabilities granted, including:	27,954.5	29,953.3	34,284.1	36,547.7	43,587.5
unused credit lines	21,302.2	22,250.4	25,791.0	27,699.0	33,997.6
guarantees	3,989.1	4,897.7	5,575.6	5,837.2	6,058.6
unused overdraft facilities	1,273.7	1,336.1	1,371.2	1,425.6	1,580.5
credit card limits	997.7	1,078.9	1,251.2	1,389.9	1,520.5
letters of credit	391.8	390.2	295.1	196.0	430.3
Contingent liabilities received	4,992.5	5,074.4	7,109.7	8,645.7	11,586.1
<b>Total off-balance items</b>	<b>32,947.0</b>	<b>35,027.7</b>	<b>41,393.8</b>	<b>45,193.4</b>	<b>55,173.6</b>

Details of off-balance items are presented in the Annual Consolidated Financial Statements of ING Bank Śląski S.A. Group for 2020.

## Separate performance of ING Bank Śląski S.A.

### Key financial data

#### Abridged information on the financial performance of ING Bank Śląski S.A. in 2016-2020

PLN million	2016	2017	2018	2019	2020	Change 2020 to 2019
Revenues*	4,136.0	4,637.3	5,072.9	5,590.9	5,950.5	6.4%
Cost	2,009.7	2,048.6	2,212.9	2,369.8	2,616.2	10.4%
Cost of risk**	268.5	399.6	476.6	568.9	970.0	70.5%
Gross profit	1,577.6	1,859.0	2,009.6	2,216.5	1,882.7	-15.1%
Net profit***	1,208.7	1,403.1	1,523.8	1,658.7	1,337.6	-19.4%
Balance sheet total	113,529	122,339	137,935	153,917	181,117	17.7%
Liabilities to clients	95,168	104,076	117,294	130,037	150,737	15.9%
Loans and receivables to clients, net****	74,128	83,795	99,126	110,537	116,459	5.4%
Equity***	10,295	11,795	13,322	15,115	18,371	21.5%
Earnings per share (EPS) (PLN)	9.29	10.78	11.71	12.75	10.28	-19.4%
Dividend per 1 share (in PLN) for a given year	0.00	3.20	3.50	0.00	-	-

\* including the net profit of associates accounted for using the equity method; \*\* including the costs of legal risk of foreign currency mortgage loans; \*\*\* attributable to shareholders of the parent company; \*\*\*\* excluding Eurobonds

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

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

#### EUR/PLN exchange rate

	2016	2017	2018	2019	2020
For the items specified in the Statement of Financial Position	4.4240	4.1709	4.3000	4.2585	4.6148
For items posted in the income statement	4.3757	4.2447	4.2669	4.3018	4.4742

#### Abridged information on the financial performance of ING Bank Śląski S.A. in 2016-2020

EUR million	2016	2017	2018	2019	2020	Change 2020 to 2019
Revenues*	945	1,092	1,189	1,300	1,330	2.3%
Cost	459	483	519	551	585	6.1%
Cost of risk**	61	94	112	132	217	63.9%
Gross profit	361	438	471	515	421	-18.3%
Net profit***	276	331	357	386	299	-22.5%
Balance sheet total	25,662	29,332	32,078	36,144	39,247	8.6%
Liabilities to clients	21,512	24,953	27,278	30,536	32,664	7.0%
Loans and receivables to clients, net****	16,756	20,090	23,053	25,957	25,236	-2.8%
Equity***	2,327	2,828	3,098	3,549	3,981	12.2%
Earnings per share (EPS) (PLN)	2.12	2.54	2.74	2.96	2.30	-22.5%
Dividend per 1 share (in PLN) for a given year	0.00	0.75	0.82	0.00	-	-

\* including the net profit of associates accounted for using the equity method; \*\* including the costs of legal risk of foreign currency mortgage loans; \*\*\* attributable to shareholders of the parent company; \*\*\*\* excluding Eurobonds

## Key effectiveness ratios

### Key effectiveness ratios for ING Bank Śląski S.A. in 2016-2020

	2016	2017	2018	2019	2020	Change 2020 to 2019
C/I ratio	48.6%	44.2%	43.6%	42.4%	44.0%	+1.6 p.p.
ROA	1.09%	1.20%	1.19%	1.13%	0.78%	-0.35 p.p.
ROE	11.5%	12.6%	12.4%	11.7%	7.7%	-4.0 p.p.
LTD ratio	77.9%	80.5%	84.5%	85.0%	77.3%	-7.7 p.p.
LCR	160%	151%	138%	135%	214%	+79 p.p.
NSFR	122%	119%	127%	126%	140%	+14 p.p.
LR according to transitional definition	7.65%	8.47%	8.19%	8.13%	7.49%	-0.64 p.p.
Total capital ratio	16.60%	18.39%	17.17%	18.30%	20.00%	+1.70 p.p.
Tier 1 capital ratio	15.43%	17.34%	16.24%	15.63%	17.17%	+1.54 p.p.

## Income statement

Basic income statement figures of the ING Bank Śląski S.A. for 2020 and changes vis-à-vis 2019 are presented in the table below.

### Basic figures in income statement in analytical terms

PLN million	2016	2017	2018	2019	2020	Change 2020 to 2019	
						PLN million	%
Net interest income	2,825.0	3,254.3	3,619.1	4,089.8	4,276.7	186.9	4.6%
Net commission income	1,015.1	1,145.9	1,236.6	1,295.8	1,472.1	176.3	13.6%
Other revenues*	106.3	225.2	217.2	205.3	201.7	-3.6	-1.8%
<b>Total income</b>	<b>4,136.0</b>	<b>4,637.3</b>	<b>5,072.9</b>	<b>5,590.9</b>	<b>5,950.5</b>	<b>359.6</b>	<b>6.4%</b>
<b>Operating expenses</b>	<b>2,009.7</b>	<b>2,048.6</b>	<b>2,212.9</b>	<b>2,369.8</b>	<b>2,616.2</b>	<b>246.4</b>	<b>10.4%</b>
Impairment losses and provisions**	268.5	399.6	476.6	568.9	970.0	401.1	70.5%
Bank levy	280.2	330.1	373.8	435.7	481.6	45.9	10.5%
<b>Gross profit</b>	<b>1,577.6</b>	<b>1,859.0</b>	<b>2,009.6</b>	<b>2,216.5</b>	<b>1,882.7</b>	<b>-333.8</b>	<b>-15.1%</b>
Income tax	368.9	455.9	485.8	557.8	545.1	-12.7	-2.3%
<b>Net profit</b>	<b>1,208.7</b>	<b>1,403.1</b>	<b>1,523.8</b>	<b>1,658.7</b>	<b>1 337.6</b>	<b>-321.1</b>	<b>-19.4%</b>

\*together with the share in the net profit of associates valued using the equity method; \*\*including costs of legal risk of foreign currency mortgage loans.

### Profit before tax and net profit

In 2020, ING Bank Śląski S.A. generated a net profit of PLN 1,337.6 million. This means that the net result deteriorated by 19.4% compared to 2019.

The gross result amounted to PLN 1,882.7 million and decreased by 15.1% compared to 2019.

The decrease in gross profit for 2020 by PLN 333.8 million compared to 2019 was mainly due to:

- increase in risk costs (including the costs of legal risk of foreign currency mortgage loans) by 70.5% y/y (+PLN 401.1 million),
- increase in operating expenses by 10.4% y/y (+PLN 246.4 million),
- increase in banking tax by 10.5% y/y (+PLN 45.9 million).

On the other hand, the factors that had a positive impact on the level of the gross result compared to 2019 were:

- increase in net interest income by 4.6% y/y (+PLN 186.9 million),
- increase in net commission income by 13.6% y/y (+PLN 176.3 million).

In 2020 total income of ING Bank Śląski S.A. (including, apart from net profit, also other income and cost items included in equity) amounted to PLN 3,255.7 million compared to PLN 2,248.4 million in 2019.

## Revenues

### Net interest income

In 2020, the net interest income of ING Bank Śląski S.A. improved by PLN 186.9 million compared to 2019 (+ 4.6% y/y) to PLN 4,276.7 million. The increase in loan volumes and investment portfolio, combined with the optimization of the financing cost and the impact of hedge accounting, made it possible to compensate for a threefold reduction in interest rates in 2020.

### Net commission income

In 2020, the Bank's net commission income increased by PLN 176.3 million (+ 13.6% y/y) compared to 2019 to PLN 1,472.1 million.

The most significant increase in commission income occurred in the following categories:

- maintaining client accounts – an increase by PLN 65.8 million (+ 22.2% y/y),
- margin on currency exchange transactions – an increase by PLN 45.3 million (+ 11.6% y/y),
- brokerage activities – an increase by PLN 43.0 million (+ 213.9% y/y).

## Operating expenses

In 2020, the operating expenses of ING Bank Śląski S.A. increased by 10.4% y/y to the level of PLN 2,616.2 million.

Within the main cost categories, the dynamics were as follows:

- staff costs increased by PLN 104.7 million (+ 9.3% y/y),
- marketing and promotion costs increased by PLN 3.2 million (+ 2.7% y/y),
- depreciation costs increased by PLN 14.5 million (+ 5.4% y/y),
- other operating expenses increased by PLN 124.0 million (+ 14.4% y/y), of which BGF expenses increased by PLN 85.4 million (+ 42.2% y/y).

Employment at ING Bank Śląski was relatively stable (8,013 FTEs at the end of 2020 compared to 7,641 FTEs at the end of 2019).

## Impairment losses and provisions

In 2020, the value of write-offs due to expected credit losses (including the costs of legal risk of foreign currency mortgage loans) amounted to PLN 970.0 million compared to PLN 568.9 million a year earlier (+ 70.5% y/y). The increase in risk costs resulted, among others, from changes in macroeconomic parameters in models and with the cost of legal risk of foreign currency mortgage loans (inflow of PLN 270.3 million).

## Tax on certain financial institutions

In 2020, ING Bank Śląski S.A. paid a tax on certain financial institutions (the so-called Bank levy) in the amount of PLN 481.6 million. The increase by PLN 45.9 million (+ 10.5%) compared to 2019 results from the higher tax base, which is a consequence of the increase in business volumes.

## Income tax

In 2020, ING Bank Śląski S.A. recorded income tax in the amount of PLN 545.1 million. It is 2.3% lower than in the previous year. The effective tax rate in 2020 was 29.0%, compared to 25.2% in the previous year. Both in 2019 and 2020 – pursuant to Art. 16.1.71 of the CIT Act – a contribution to the guarantee fund of banks, as well as a contribution to the forced bank restructuring fund, were not tax deductible. Bank levy is not a tax deductible cost either (pursuant to Article 16.1.70 of the CIT Act). Additionally, write-offs for the legal risk of FX mortgage loans are not tax deductible either.

## Statement of financial position

### Assets

Total assets of ING Bank Śląski S.A. amounted to PLN 181.1 billion at the end of 2020. It implies they were up by 17.7% against 2019. The main factor behind the increase was the securities portfolio (by 63.3% y/y). They already accounted for 31.4% of total assets. The portfolio of net client receivables remained the most important asset – it accounted for 64.3% of the balance sheet total at the end of 2020. This portfolio increased by 5.4% y/y in 2020, with the increase due to the retail segment (+ PLN 6.4 billion, + 14.3% y/y). The result of the corporate segment was stable (PLN -0.1 billion, -0.1% y/y).

### Net client receivables portfolio (excluding Eurobonds)

	2016	2017	2018	2019	2020	Change 2020 to 2019	
PLN million						PLN million	%
measured at amortized cost	74,128.0	83,794.6	98,907.4	102,524.0	105,725.5	3,201.5	3.1%
measured at fair value through other comprehensive income,	-	-	0.0	7,852.0	10,626.8	2,774.8	35.3%
measured at fair value through P&L account	-	-	218.4	160.3	106.2	-54.1	-33.7%
<b>Total</b>	<b>74,128.0</b>	<b>83,794.6</b>	<b>99,125.8</b>	<b>110,536.3</b>	<b>116,458.5</b>	<b>5,922.2</b>	<b>5.4%</b>

ING Bank Śląski also provides financing to its subsidiaries (corporate segment) for a total of PLN 11.4 billion at the end of 2020. All transactions are carried out on an arm's length basis. All financing for subsidiaries was granted in previous years. In 2020, only the renewals of this financing took place.

### Loan portfolio for subsidiaries of ING Bank Śląski S.A.

2020 PLN million	ING Commercial Finance S.A.	ING Bank Hipoteczny S.A.	ING Lease (Polska) Sp. z o. o.*	Total
<b>Breakdown by maturity</b>				
Up to 1 year	3,150.2	-	262.0	<b>3,412.3</b>
Over a year	-	1,969.6	6,061.8	<b>8,031.4</b>
<b>Total</b>	<b>3,150.2</b>	<b>1,969.6</b>	<b>6,323.9</b>	<b>11,443.7</b>
<b>The division into currencies</b>				
PLN	2,522.7	1,969.6	6,236.8	<b>10,729.1</b>
EUR	570.4	-	87.1	<b>657.5</b>
Other	57.1	-	-	<b>57.1</b>
<b>Total</b>	<b>3,150.2</b>	<b>1,969.6</b>	<b>6,323.9</b>	<b>11,443.7</b>

\* including subsidiaries

### Loan portfolio for subsidiaries of ING Bank Śląski S.A.

2019 PLN million	ING Commercial Finance S.A.	ING Bank Hipoteczny S.A.	ING Lease (Polska) Sp. z o. o.*	Total
<b>Breakdown by maturity</b>				
Up to 1 year	3,230.8	132.8	281.4	<b>3,644.9</b>
Over a year	-	2,353.9	5,735.1	<b>8,089.0</b>
<b>Total</b>	<b>3,230.8</b>	<b>2,486.7</b>	<b>6,016.5</b>	<b>11,733.9</b>
<b>The division into currencies</b>				
PLN	2,614.1	2,486.7	5,934.3	<b>11,035.1</b>
EUR	556.0	-	79.1	<b>635.1</b>
Other	60.6	-	3.1	<b>12.0</b>
<b>Total</b>	<b>3,230.8</b>	<b>2,486.7</b>	<b>6,016.5</b>	<b>11,733.9</b>

\*including subsidiaries

### Liabilities

The dominant source of financing of the ING Bank Śląski's operations was clients' funds. At the end of 2020, amounts due to clients amounted to PLN 150.7 billion and accounted for 83.2% of all liabilities.

Another important source of financing was equity, which at the end of December 2020 amounted to PLN 18.4 billion and accounted for 10.1% of total liabilities.

In 2020, deposits and other liabilities to clients increased by PLN 20.7 billion y/y, or 15.9%, mainly due to retail segment deposits (+PLN 11.6 billion, +14.6% y/y) and in the smaller corporate segment (+PLN 8.9 billion, +17.8% y/y).

## Off-balance sheet items

### Off-balance sheet items of ING Bank Śląski

PLN million	2016	2017	2018	2019	2020
Contingent liabilities granted, including:	26,994.5	28,844.2	31,958.8	37,583.1	47,544.0
unused credit lines	21,135.2	21,598.6	24,097.0	29,314.1	38,165.3
guarantees	3,195.5	4,439.9	4,943.8	5,257.0	5,847.1
unused overdraft facilities	1,273.7	1,336.1	1,371.2	1,425.6	1,580.5
credit card limits	998.3	1,079.4	1,251.7	1,390.4	1,520.8
letters of credit	391.8	390.2	295.1	196.0	430.3
Contingent liabilities received	3,579.3	4,046.6	6,374.9	8,285.7	11,727.3
<b>Total off-balance items</b>	<b>30,573.8</b>	<b>32,890.8</b>	<b>38,333.7</b>	<b>45,868.8</b>	<b>59,271.3</b>

Details of off-balance items were presented in the Annual Financial Statements of ING Bank Śląski S.A. for the year 2020.

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

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

ING Bank Śląski S.A. Management Board presents the Statement on the application of corporate governance rules in 2020, pursuant to Art. 70.6.5) of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the law of a non-member state (Journal of Laws, item 757).

### Ethics, values and compliance

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

#### Organizational culture

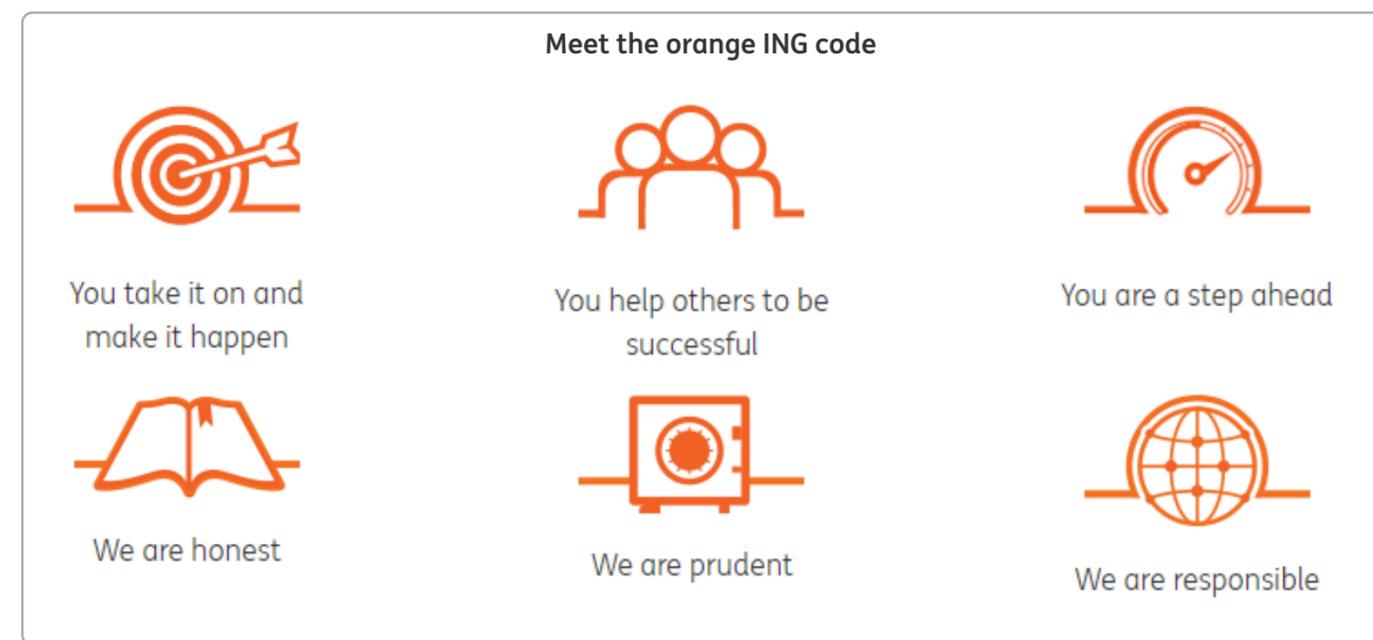
Our organizational culture is based on clearly defined ethical principles. In determining them, we followed the requirements specified by the Polish Financial Supervision Authority, the Banking Code of Ethics, and the ING Group's Global Code of Conduct. We make sure that employees know the ethical principles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

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

The Orange Code consists of ING Values (we are honest, we are prudent / we follow common sense, we are responsible) and ING Behaviours (you take the initiative and act effectively, you help others achieve success, you are always one step ahead).

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

Orange Code. Since the beginning of the application (June 2016), we have granted a total of approx. 110 thousand kudos.



### Anti-corruption policies

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

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

- gifts or invitations to events,
- cash or its equivalents,
- trip or accommodation funding,
- hiring a given person by the Bank or offering him or her a traineeship or internship,
- sponsoring or charity donations by the Bank,
- participation in business meals.

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

Should an employee accept or give gifts or benefits due to the participation in events – such an action always needs to be rationalised in business terms and the value of such benefits must be proportional to the specific nature of a business relationship. There must be always a legally compliant purpose of accepting or giving benefits. No such action can entail a conflict of interest, or even imply that such a conflict has occurred. The Bank disapproves giving benefits being political donations on its behalf. Staff decisions concerning employee hiring and secondment have to be substantiated with professional and objective criteria and they cannot serve illegal exertion of influence. The *Policy* provides for the amount thresholds on the benefits being gifts and participation in events which can be given or accepted by our employees.

Furthermore, the Group maintains a Register of Benefits. Accepted or given gifts, participation in events or business meals – in contacts with clients, business partners, and public servants – may need to be reported depending on their value.

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

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

Compliance with policies is also ensured at the level of subsidiaries.

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

## We prevent corruption

### GRI [205-2] [205-3]

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

We apply several straightforward rules:

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

We also require our vendors and business partners to comply with those rules. We encourage them to adopt the ING Bank Śląski S.A. Anti-Bribery Declaration.

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

As part of the internal control system in place at the Bank, elements related to counteracting corruption are verified by:

- current verification, in particular regarding notifications entered into the Benefits Register,
- independent compliance tests,
- annual key control tests (KCT).

In 2020, no cases of bribery or corruption were identified.

## We combat conflicts of interest

### GRI [102-17]

We introduced internal procedures and controls to combat conflicts of interest. *The Conflicts of Interest Policy*, updated in 2020, provides for the registration of conflicts of interest: structural and incidental (divided into organizational and personal conflicts).

The policy specifies the requirements:

- concerning conflicts of interest in the scope of the organization's operation and the methods of managing conflicts of interest at the organizational level used at the Bank,
- methodology of managing a conflict of interest in the field of employee behaviour, which may arise between the interest of the Bank or the client and the private interest of employees, including the Bank's management.

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

- the segregation of duties in the Bank's organisational structure and relations between different management levels as well as personal links between employees,
- the employees that want to start or have started additional professional activity are required to consult and inform the Bank about this fact,
- private account dealings by employees having access to confidential, information subject to protection or professional secrecy.

## We report instances of breach of law and Business Ethics Standards

### GRI [102-17]

Employees can report suspicions of crimes and violation of Business Ethics Standards anonymously using a dedicated form. The employees may also report the same by name and we ensure confidentiality and discretion as well as protection against repressive actions. If a report is confirmed, appropriate corrective and preventing measures are taken for the future. Reports are received by the Director of the Compliance Department, who will inform the President of the Management Board and agree with the President actions to be taken.

In 2020, 16 applications eligible for consideration under the Whistle procedure were submitted. After analysis and explanatory proceedings, irregularities were confirmed in 5 cases and corrective measures were applied.

In order to remind the rules for reporting illegal, improper or unethical behaviour, in the third quarter of 2020, a communication was carried out to the Bank's employees indicating appropriate channels for reporting violations ensuring confidentiality and anonymity.

Alternatively, the Bank's employees may also use the ethical breach reporting channel provided by the ING Group: telephone line, website or e-mail address where reports can be sent.

## Principles and scope of application of corporate governance

### Best Practice of WSE Listed Companies 2016

The set of corporate governance rules to which the Bank was subject in 2020 is contained in the document "Best Practice of WSE Listed Companies 2016" introduced by Resolution No. 26/413/2015 of the Supervisory Board of the Warsaw Stock Exchange of 13 October 2015. The text of this document is available on the Bank's website at [this address](#).

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

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

Bank's comment on how to apply the above principle:

The Bank has adopted and applies the *Variable Remuneration Policy for the Identified Staff of ING Bank Śląski S.A.* ("Policy"), which regulates the period between the granting and the possibility of exercising financial instruments as part of variable remuneration in accordance with the applicable regulations and guidelines on variable remuneration for financial institutions in Poland (Regulation of the Minister of Development and Finance of March 6, 2017, CRD III Directive, CRD IV Directive, CEBS / EBA Guidelines). Pursuant to the Policy, a minimum of 40% of variable remuneration of management personnel is deferred for a period of four years (and in the case of the President of the Bank's Management Board, minimum 50%, the deferral period is six years, and the bonus is divided

into five equal parts), and this remuneration is paid during deferral period in four consecutive years in equal parts, unless there are grounds for reducing or not paying a part of the remuneration. In the case of a significant part of the variable remuneration (minimum 50%) awarded in phantom shares for which the underlying instrument is the Bank's shares, a holding period of one year applies respectively to each tranche. The above provisions are intended to link the level of remuneration of the management staff with the long-term strategic goals of the Bank. The intention of the Bank is to apply the above-mentioned rule to the extent resulting from the above-mentioned regulations.

In 2020, for the first time in history, the Bank fully applied Recommendation IV.R.2 of Best Practice for WSE Listed Companies 2016, conducting the General Meeting using electronic means of communication, i.e. by transmitting the General Meeting in real time, two-way real-time communication, enabling the shareholders to express themselves in the course of the General Meeting, as well as exercising their voting rights in person or through a proxy.

## Principles of corporate governance for supervised institutions

The Bank applies the "Principles of Corporate Governance for Supervised Institutions" introduced by Resolution No. 218/2014 of the Polish Financial Supervision Authority of 22 July 2014 (Journal of Laws of the Polish Financial Supervision Authority, item 17) (hereinafter: "Principles of corporate governance"). The Principles of corporate governance were accepted in the scope specified in the Statement of the Bank's Management Board of 30 December 2014, posted on the Bank's website at [this address](#).

Due to the changes in the Bank's Articles of Association introduced by Resolution No. 26 of the Annual General Meeting of the Bank of 31 March 2015 – the Bank applies all the principles specified in the Principles of corporate governance. At the same time, by Resolution No. 25 of 31 March 2015, the Annual General Meeting of the Bank approved the Statement of the Management Board of the Bank of 30 December 2014 and declared its readiness to use the Principles of corporate governance in the part relating to shareholders and the relationship of the Bank as a supervised institution with its shareholders, on the terms set out in this resolution. The text of the resolution is available on the Bank's website at [this address](#).

In 2020, in connection with the conduct of the General Meeting with the possibility of electronic participation, for the first time the rule resulting from Art. 8.4 of the Principles of corporate governance.

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

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

**ING Bank Śląski S.A. Management Board declares that the Bank complied in 2020 with the corporate governance principles set out in the "Best Practice of WSE Listed Companies 2016" and "Principles of Corporate Governance for supervised institutions", to the extent approved by the Bank.**

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

## Code of Banking Ethics

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

## Rules of professional ethics of the employees of ING Bank Śląski S.A.

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

## Information policy of ING Bank Śląski

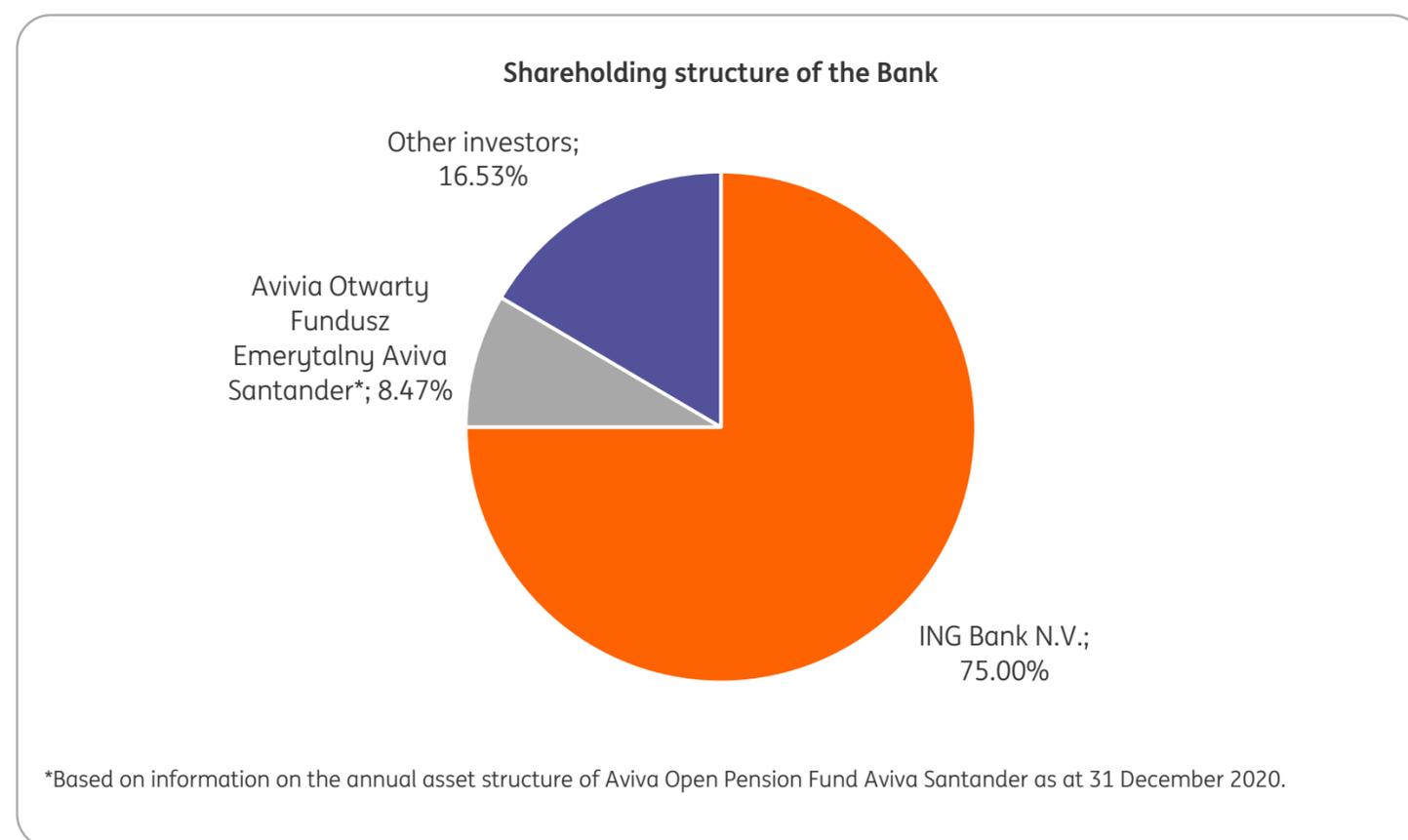
The Bank, as an institution of public trust, conducts an information policy based on open and transparent communication towards shareholders, investors, the media and all interested parties. In implementing the information policy, the Bank complies with the legal requirements relating to confidentiality and information security

incumbent on the Bank as a public company and supervised institution. In implementing the information policy, the Bank follows the principles of corporate governance, in particular by providing shareholders, investors, media and all interested parties with proper access to the Bank's information. The full content of the Information Policy is available on [this website](#).

## Shares and shareholders of ING Bank Śląski S.A.

### Shareholding structure

GRI [102-5]



ING Bank Śląski S.A. is a subsidiary company of ING Bank N.V., which as at 31 December 2020, held a 75% shareholding in the share capital of ING Bank Śląski S.A. and 75% of the total number of votes at the General Meeting – the figures that have not changed since March 2005. The remaining shares of the Bank (25.0%) are in free float. They are held

by institutions investors, especially Polish pension funds and national and foreign investment funds, and also individual investors. as at 2020 yearend, the largest of them was Avivia Otwarty Fundusz Emerytalny Aviva Santander, which, according to the annual information on the structure of assets of Avivia Open Pension Fund Aviva Santander, as at 31 December 2020 held 8.47% of the share capital and the total number of votes at the General Meeting. As of the date hereof, according to the information available to the Bank no other shareholder has exceeded the 5% threshold in the company's capital.

In 2020, the value of the share capital of ING Bank Śląski SA and the share of the main shareholder in the capital did not change.

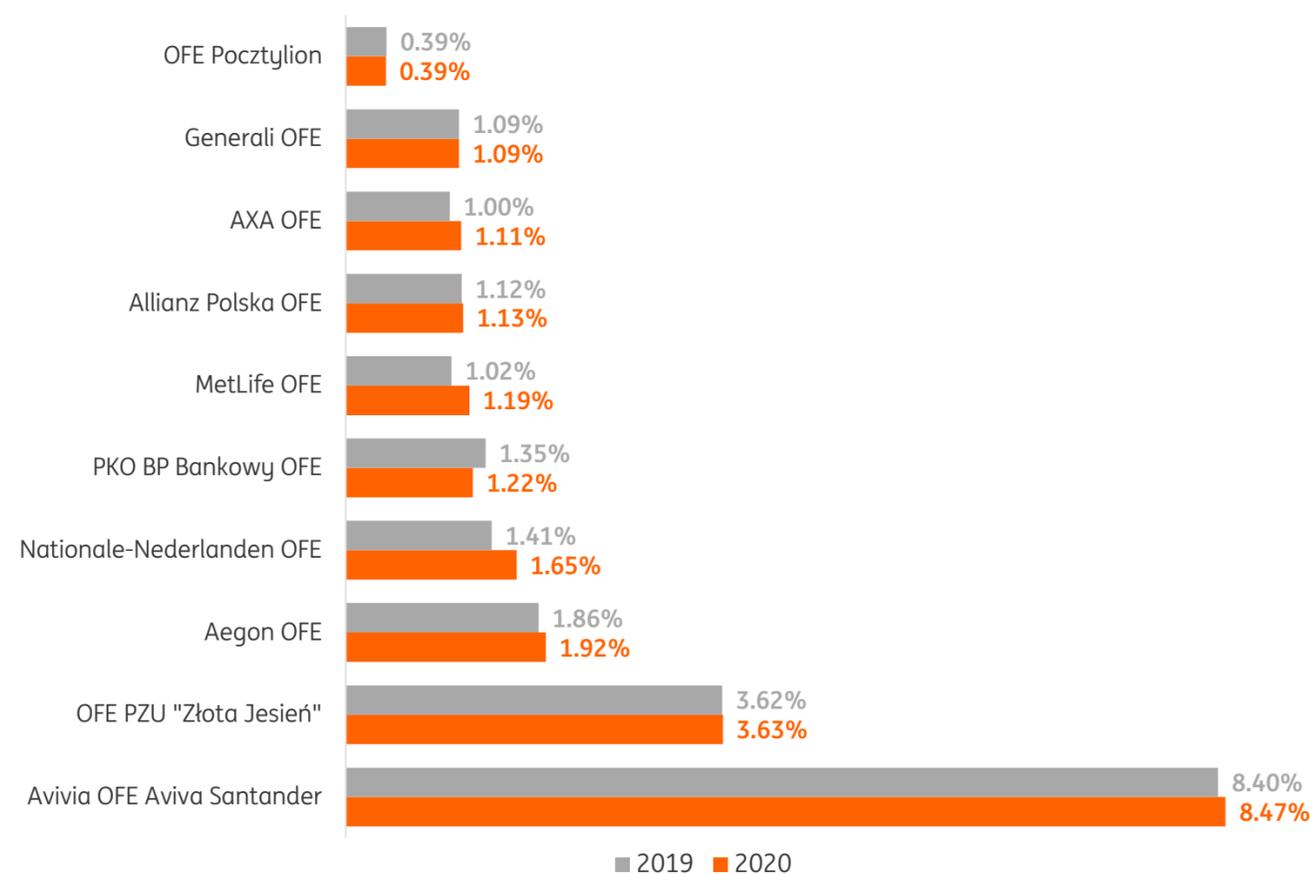
#### Shareholding structure of ING Bank Śląski S.A.

Shareholder's name	Number of shares/Number of votes at GM		Share in the share capital and the total number of votes at the General Meeting	
	31.12.2019	31.12.2020	31.12.2019	31.12.2020
ING Bank N.V. (a subsidiary of ING Groep N.V.)	97,575,000	97,575,000	75.00%	75.00%
Avivia Open Pension Fund Aviva Santander*	10,923,351	11,018,205	8.40%	8.47%
Others	21,601,649	21,506,795	16.60%	16.53%
<b>Total</b>	<b>130,100,000</b>	<b>130,100,000</b>	<b>100.00%</b>	<b>100.00%</b>

\*based on the annual information on the assets structure of Avivia Open Pension Fund Aviva Santander as at 31 December 2019 and 31 December 2020.

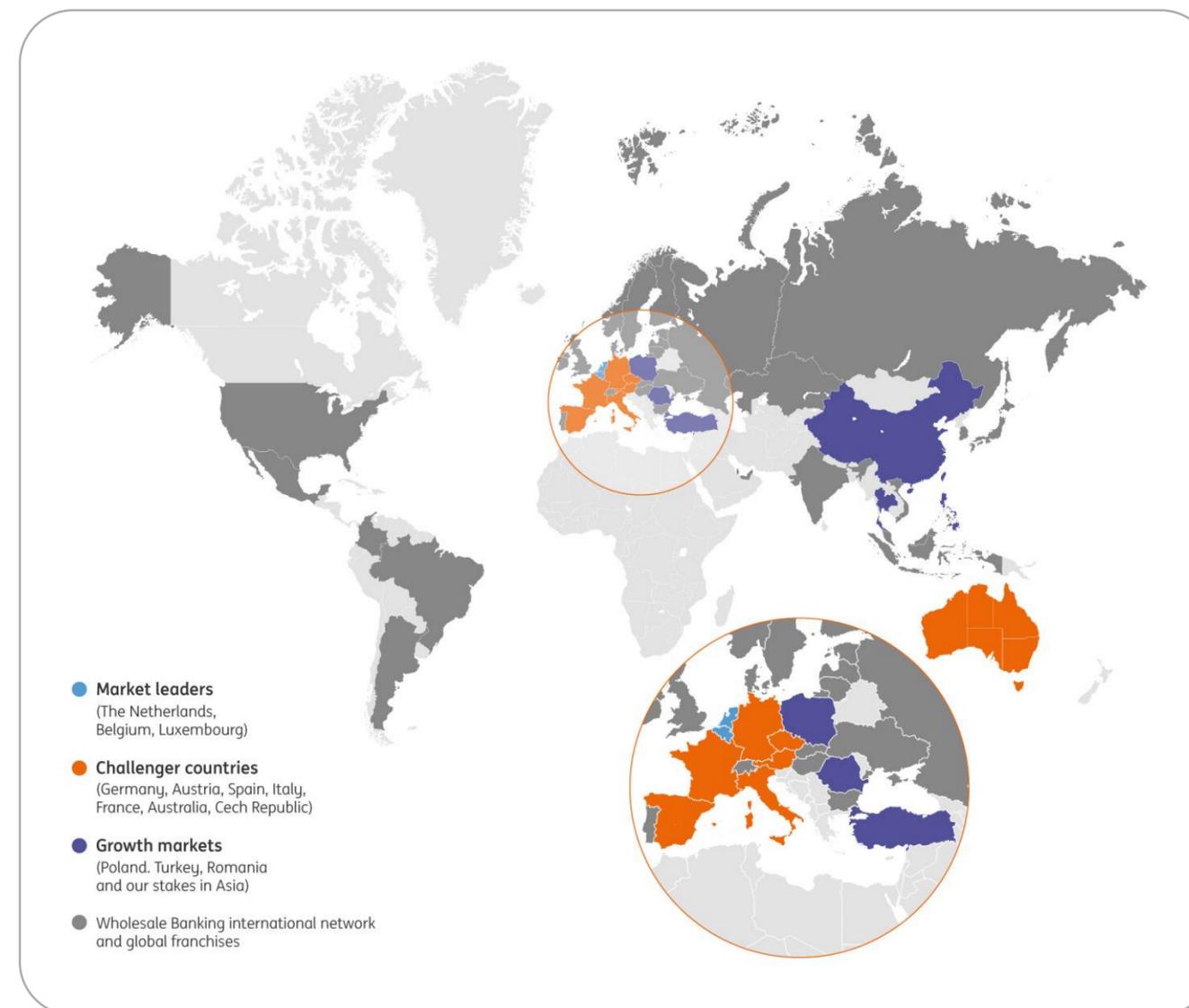
The structure of the exposure of individual open-ended pension funds (based on their reports on the structure of assets as at the end of the last three years) in the shares of our bank is as shown in the chart below. The share of all open pension funds in our bank's shareholding as at 2020 yearend was 21.80% (compared to 21.26% and 21.25% as at yearend 2018 and 2019, respectively).

The share of OFE in the shareholding structure of ING Bank Śląski SA at the end of individual years



## Characteristics of the dominating shareholder

ING Bank NV belongs to the ING Group – a group of financial institutions with a global reach, offering retail and corporate banking services to over 39 million clients. ING Group entities employ over 57,000 people, operating in over 40 countries in Europe, North and South America, the Middle East, Asia and Australia. The ING Group operates in four areas: Market Leaders, composed of operations in the Netherlands, Belgium and Luxembourg; Challengers, composed of operations in Germany, Austria, Spain, Italy, France, Australia and Czechia; Growth Markets, composed of operations in Poland, Romania, Turkey and in Asia; and a global network of corporate banking for strategic clients (Wholesale Banking).



ING Groep N.V., the Netherlands, is the dominating entity of the ING Group. It was set up in 1991 as a result of a merger of the Dutch insurance company – Nationale-Nederlanden and the Dutch bank – NMB Postbank Groep. For years, the ING Group kept developing both organically as well as with mergers and acquisitions. As a result of the 2008-2009 crisis, the Group was provided with government support (repaid in 2009-2014) subject to restructuring. Inter alia, the restructuring provided for a split of banking activity from insurance and investment activity which was to be sold. The restructuring of the ING Group was finalised in April 2016.

ING Groep NV is a public company listed on the stock exchange in Amsterdam (INGA NA, INGA.AS), Brussels and New York (ADR: ING US, ING.N). ING Groep N.V. has a fragmented shareholding structure. As at yearend 2020 only one shareholder held a share in the company's capital in excess of 3%. It was BlackRock Inc. (5.07%). In 2020 the ING Group generated net profit of EUR 2,485 million versus EUR 4,781 million in 2019. Total assets amounted to EUR 937 billion. Assets of the ING Bank Śląski S.A. Group accounted for 4.3% of total assets of the ING Group as at yearend 2020. Our net profit accounted for 12.0% of the net profit of the ING Group.

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

## Shares and share capital

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

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

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

## The Articles of Association and the rules for its amendment

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

## Rules for changing the Articles of Association

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

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

## Changes made to the Articles of Association in 2020

The changes to the Bank's Articles of Association registered in 2020 include:

- replacing the existing provision on issuing electronic money instrument with a provision providing for the possibility of issuing electronic money,
- introducing intermediation in the services provided by investment fund companies, referred to in Art. 45.2.2 of the Act of 27 May 2004 on investment funds and management of alternative investment funds,
- extension of the authorization for the Management Board to issue shares within the authorized capital for the next three years (i.e. until 21 April 2023),
- adjustment changes related to the amendment to the *act on public offering and conditions for introducing financial instruments to the organized trading system and on public companies*, including the consent of the Supervisory Board to significant transactions with related entities,
- principles of the Bank's organization, including division into Client Segment Divisions and Support Divisions.

## General Meeting

### Principles of convening and powers of the General Meeting

The General Meeting is convened by an announcement on the Bank's website and in the manner specified for the provision of current information by public companies. The General Meeting works in compliance with the principles

specified in the Commercial Companies Code and these Articles of Association as an Annual General Meeting or Extraordinary General Meeting.

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

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

- review and approval of annual financial statements, as well as Management Board reports on the activities of the Bank's Group, including reports on the Bank's activities, including Statements on the application of corporate governance principles, and consideration and approval of reports on non-financial information of the Bank's Group, including non-financial information,
- accepting reports of the Supervisory Board and assessing the Bank's remuneration policy,
- acknowledging the fulfilment of duties by members of the Bank's Management Board and Supervisory Board,
- profit distribution and coverage of losses from previous years,
- dividend payment, determining the dividend record date and dividend payment date,
- amendments to the Bank's Articles of Association,
- changes in the composition of the Supervisory Board,
- assessment of compliance by Members of the Supervisory Board with the requirements referred to in Art. 22aa of the Banking Law (adequacy assessment),
- remuneration of the Management Board and the Supervisory Board members
- increasing or decreasing the Bank's share capital.

## Shareholders' rights

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

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

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

## Operation of the General Meeting

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

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

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

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

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

Shareholders have the right to:

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

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

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

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

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

- voted against the resolution and, after its adoption, demanded that the objection be recorded in the minutes,
- was unreasonably prevented from participating in the General Meeting,
- was not present at the General Meeting in the event of a defective convocation of the General Meeting or adoption of a resolution on a matter not included in the agenda.

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

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

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

Amendments to the Regulations – in accordance with the Best Practice of WSE Listed Companies 2016 adopted by the Bank – come into force starting from the next General Meeting.

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

## Supervisory Board

### GRI [102-18]

## Composition of the Supervisory Board

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

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

The Supervisory Board is composed of independent members, pursuant to the corporate governance principles adopted by the Bank and legal requirements. Pursuant to the Articles of Association, at least two members of the Supervisory Board should be free from any relations with the Bank, its shareholders or employees, if such relations could significantly affect the member's ability to make impartial decisions (Independent Members). The minimum number of independent members of the Supervisory Board and the detailed criteria of independence result from the provisions of law and the *Best Practice of WSE Listed Companies* adopted by the Bank and are specified in detail in the *Regulations of the Supervisory Board*.

In 2020, the following changes to the composition of the Supervisory Board took place:

- On 27 February 2020, Mr Ad Kas resigned from the position of a member of the Supervisory Board of ING Bank Śląski S.A., effective from the date of the General Meeting approving the financial statements for 2019, in connection with the appointment of the acting Vice-President of the Management Board responsible for the Risk

Division for ING France. The resignation of Mr Ad Kas also resulted in a change in the composition of the Risk Committee of which he was a member.

- On 3 March 2020, Mr Norman Tambach resigned from the position of a member of the Supervisory Board of ING Bank Śląski S.A., effective the date of the General Meeting approving the financial statements for 2019. Mr Norman Tambach did not give reasons for his resignation. The resignation of Mr Norman Tambach also resulted in a change in the composition of the Audit Committee of which he was a member.
- On 2 April 2020, the General Meeting appointed Ms Susan Poot and Mr Remco Nieland to the Supervisory Board, effective from 1 May 2020. The newly appointed members are related to the ING Group.

#### Composition of the Supervisory Board as at 31 December 2020

	Function in the Supervisory Board	Audit Committee	Remuneration and Appointment Committee	Risk Committee
Mr Antoni F. Reczek	Chairperson, Independent Member	●		●
Ms Małgorzata Kołakowska	Deputy Chairperson	●	●	
Mr Aleksander Galos	Secretary, Independent Member	●	●	●
Mr Aleksander Kutela	Independent Member	●	●	●
Mr Remco Nieland	Member	●		
Ms Susan Poot	Member			●
Mr Michał Szczurek	Member			●

● – Chairperson      ● – Member

## Competency profiles of Supervisory Board members

People with high qualifications are appointed to the Supervisory Board of the Bank. All members demonstrate appropriate experience and knowledge enabling them to supervise the Bank. Five out of seven members of the Council have Polish citizenship and are fluent in Polish. New members of the Supervisory Board, appointed in 2020, were introduced in accordance with the provisions of the Policy of introducing into the duties and training of Members of the Supervisory Board and the Management Board and persons holding key functions at ING Bank Śląski S.A. adopted by the Supervisory Board.

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

### Mr Antoni F. Reczek

#### Chairperson of the Supervisory Board, Chairperson of the Audit Committee, Member of the Risk Committee

He has a Masters in Economics from the University of Strathclyde, Glasgow, Scotland. He has been a certified auditor of the Institute of Chartered Accountants of Scotland since 1983. Since 1993, he has been a certified auditor of the Republic of Poland, which confirms that he has knowledge and skills in the field of auditing financial statements, in accordance with Art. 129.1 of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision. For almost twenty years of his professional life he was associated with PricewaterhouseCoopers Sp. z o. o In 2008-2011 he was a member of the National Council of Statutory Auditors. Since 2014, he has been a member of the Supervisory Board of ING Bank Śląski S.A. as the Chairperson of the Supervisory Board.

### Ms Małgorzata Kołakowska

#### Vice-President of the Supervisory Board, Member of the Remuneration and Appointment Committee, Member of the Audit Committee

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

### Mr Aleksander Galos

#### Secretary of the Supervisory Board, Chairperson of the Risk Committee, Member of the Remuneration and Appointment Committee, Member of the Audit Committee

He is a master of law. In 1984, he graduated from the Faculty of Law and Administration at the Jagiellonian University in Krakow. Since 1994, he has been licensed as a legal advisor. In 2009, he completed postgraduate management studies at the Warsaw School of Economics with a diploma. In 2009-2010, he studied postgraduate studies in accounting at the Warsaw School of Economics (he graduated without a diploma). He was a member of the

Supervisory Board of Bank PKO BP SA and Bank Zachodni WBK SA Since 2014, he has been a member of the Supervisory Board of ING Bank Śląski S.A. as the Secretary of the Supervisory Board. Currently associated with the law firm Kocharński Zięba i Partnerzy Sp. k.

### Mr Aleksander Kutela

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

He has a master's degree in economics obtained after graduating from the Faculty of International Economic and Political Relations at the University of Economics in Krakow. In 2005, he completed The General Management Program at Harvard Business School. In the years 2002-2015 he was the President of the Management Board of HBO Polska, and in the years 2015-2018 the President of the Management Board of Grupa Onet.pl SA Currently associated with Ringier Axel Springer Polska.

### Mr Remco Nieland

**Member of the Supervisory Board, Member of the Audit Committee**

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

### Ms Susan Poot

**Member of the Supervisory Board, Member of the Risk Committee**

She graduated in Economics from the University of Amsterdam. In 2007, she completed the Executive Banking Program at Insead, Fontainebleau. She has been associated with the ING Group since the beginning of her professional career. She has served, inter alia, as Global Director for Credit for Financial Institutions and Global Director for Credit Restructuring. Currently, he is the Vice-President of ING Group Risk for Challengers & Growth Markets countries.

### Mr Michał Szczurek

**Member of the Supervisory Board, Member of the Risk Committee**

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

The information presented above is summarized in the table below.

### Criterion of independence and possessed competences

	Meets the independence criterion in accordance with the Act on statutory auditors, audit firms and public oversight	Knowledge and skills in the field of accounting or auditing of financial statements, certified by an expert witness		Has knowledge and skills in the field of banking
		Meets the criterion	Acquisition method	
Mr Antoni F. Reczek	yes	yes	the powers of the Statutory Auditor in Scotland and Poland	yes
Ms Małgorzata Kołakowska	no	no		yes
Mr Aleksander Galos	yes	no		yes
Mr Aleksander Kutela	yes	no		yes
Mr Remco Nieland	no	yes	Qualifications of the Certified Auditor in the Netherlands	yes
Ms Susan Poot	no	no		yes
Mr Michał Szczurek	no	no		yes

In accordance with the Bank's *Policy of Assessing the Suitability of Supervisory Board Members, Management Board Members and Key Functions at ING Bank Śląski S.A., a Suitability Assessment of Supervisory Board Members* and candidates for *Supervisory Board Members* was performed. The said Assessment was carried out by an independent external entity, i.e. a company EY Doradztwo Podatkowe Krupa Sp.k. The assessment confirmed that all persons have the knowledge, skills and experience appropriate to perform the function of a Member of the Supervisory Board of ING Bank Śląski S.A., guarantee the proper performance of duties related to the performance of this function and fulfil other requirements specified in Art. 22aa of the Banking Law, and thus meet the adequacy criteria specified in the *Policy*. At the same time, the Remuneration and Appointment Committee stated that the individual competences of individual members of the Supervisory Board complement each other in such a way as to enable the exercise of an appropriate level of collective supervision over all areas of the Bank.

## Competences, rights and obligations of the Supervisory Board

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

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

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

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

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

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

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

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

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

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

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

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

## Attendance and topics of the Supervisory Board meetings in 2020

In 2020, Members of the Bank's Supervisory Board devoted the necessary amount of time to perform their duties. In the period from 1 January to 31 December 2020, the Supervisory Board held nine stationary meetings on the following dates: 30 January, 6 March, 2 April, 15 May, 5 June, 30 June, 25 September, 20 November, and 18 December. Due to the outbreak of the coronavirus pandemic in the first quarter of 2020, meetings were held in the videoconference /

online mode starting in April. In total, the Supervisory Board adopted 121 resolutions, of which 24 were adopted by circulation. All meetings were held in the composition and manner that allowed for the adoption of binding resolutions, with a very high attendance.

#### Attendance in 2020 \*

Antoni F. Reczek	Małgorzata Kołakowska	Alexander Galos	Alexander Kutela	Remco Nieland	Susan Poot	Michał Szczurek
9/9	6/9	9/9	7/9	6/6**	6/6**	8/9

\* Attendance at meetings / number of meetings during the term of office.

\*\* Newly appointed members of the Supervisory Board participated in all six meetings of the Supervisory Board that took place since their appointment to the Supervisory Board on 1 May 2020.

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

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

In the course of the work carried out in Q1 2020, the Supervisory Board prepared and presented to the Annual General Meeting: the required assessment of the company's situation, including the assessment of internal control systems, risk management, compliance and internal audit functions, as well as a report on the activities of the Supervisory Board. Moreover, the Supervisory Board presented the Annual General Meeting with an assessment of the manner in which the Bank fulfils its disclosure obligations, which relate to the application of corporate governance rules, as well as an assessment of the rationality of the Bank's sponsorship and charity policy. In 2020, the Supervisory Board considered and gave a positive opinion to the draft resolutions of the Annual General Meeting convened for April 2, 2020, presented to the General Meeting.

In addition, due to the expiry of the term of office of the Bank's Management Board, on 2 April 2020, the Supervisory Board appointed the Management Board of the Bank for another term.

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

## Remuneration and Appointment Committee

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

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

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

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

In 2020, there were no changes in the composition of the Remuneration and Appointment Committee. In the period from 1 January 2020 to 31 December 2020, the Remuneration and Appointment Committee worked in the following composition:

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

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

### Competences, powers and tasks of the Remuneration and Appointment Committee

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

- selecting and assessing the suitability of Management Board members, including analysing candidates for Management Board members and presenting recommendations to the Supervisory Board in this regard and determining the scope of duties for a candidate to the Bank's Management Board,
- presenting proposals regarding the content of contracts for the performance of the functions of a Management Board member, taking into account the amount of remuneration, including variable remuneration,
- overseeing the policy regarding the selection and appointment of persons holding managerial positions at the Bank,
- monitoring succession plans, employee rotation processes and employee satisfaction surveys of the Bank,
- supervising the policy of the remuneration system in place at the Bank, including monitoring of the remuneration and bonus policy,
- supervising the Variable Remuneration Policy for the Identified Staff of ING Bank Śląski S.A.,
- monitoring the control mechanisms for the level of remuneration of employees of the Internal Audit Department and the Centre of Expertise – Compliance and protection of employees of these units against unjustified termination of employment,
- supervising the remuneration package for persons responsible for control functions reporting directly to the Management Board of ING Bank Śląski S.A.
- submitting recommendations to the Supervisory Board regarding the approval of the Policy of assessing the adequacy of members of the Supervisory Board, Management Board and persons performing key functions at ING Bank Śląski S.A. and changes to its content
- determining the target value of the representation of the underrepresented gender in the Bank's Management Board and Supervisory Board,
- developing a diversity policy in the composition of the Bank's Management Board and Supervisory Board,
- periodic assessment of the structure, size, composition and effectiveness of the Management Board,
- periodic analysis of the knowledge, competences and experience of the Management Board as a whole and of individual members of the Management Board,
- analysis of succession and employee development plans, in particular of managerial staff,

- monitoring the fluctuation process of the Bank's employees based on periodic reports presented by the Management Board,
- monitoring the processes of testing the satisfaction of the Bank's employees, in particular with regard to methodology, research results and actions taken on their basis.
- developing proposals for the remuneration of members of the Supervisory Board and presenting them to the Supervisory Board in order to submit a motion to the General Meeting,
- analysis of the remuneration and bonus policy, with particular emphasis on remuneration of senior management,
- presenting the Supervisory Board with recommendations on the results of the review carried out by the heads of units of the Internal Audit Department and the Centre of Expertise – Compliance in cooperation with HR regarding the level and structure of employment and remuneration
- presenting the Supervisory Board with recommendations regarding information on the implementation of the remuneration policy in relation to the manager and employees of the Internal Audit Department, as well as the manager and employees of the Centre of Expertise – Compliance, taking into account possible changes and the remuneration budget.

### Attendance and topics of the Remuneration and Appointment Committee meetings in 2020

In the period from 1 January to 31 December 2020, the Remuneration and Appointment Committee held ten meetings. Meetings of the Remuneration and Appointment Committee were held on the following dates: 30 January, 6 March, 27 March, 2 April, 15 May, 5 June, 25 September, 13 November, 20 November, and 18 December.

In total, the Committee issued 41 recommendations (including 2 by circulation) and 4 opinions for the Supervisory Board, including 1 by circulation. In addition, the Committee issued 1 review and 2 decisions.

#### Attendance in 2020 \*

Alexander Kutela	Alexander Galos	Małgorzata Kołakowska
9/10	10/10	9/10

\* Attendance at meetings / number of meetings during the term of office.

In 2020, the work of the Committee focused primarily on the following areas:

- active supervision over the process of suitability assessment of members of the Supervisory Board, Management Board and persons performing key functions at the Bank,

- monitoring the adequacy and effectiveness of the Bank's employment policy,
- supervising the recruitment process for a Member of the Bank's Management Board in connection with changes in the Bank's Management Board,
- issuing opinions on the recruitment process for a Member of the Bank's Management Board,
- defining the target value of the representation of the underrepresented gender in the Management Board of the Bank in accordance with the Diversity Policy for Members of the Management Board and Supervisory Board of ING Bank Śląski S.A.,
- review of succession for the positions of members of the Bank's Management Board,
- monitoring the adequacy and effectiveness of the Bank's remuneration policy,
- analysis of information on the assumptions of the payroll policy / practice for 2020,
- assessment of the level of achievement of goals for 2019 by members of the Bank's Management Board and setting bonus tasks for 2020,
- development and presentation of recommendations to the Supervisory Board in the scope of the Report on the implementation of the remuneration policy in relation to employees and the Director of the Internal Audit Department,
- development and presentation of recommendations to the Supervisory Board regarding the Report on the implementation of the remuneration policy in relation to employees and the Lead 2 Centre of Expertise – Compliance,
- analysis of the proposed remuneration packages for persons performing control functions at the Bank submitted by the Management Board,
- analysis of the results of the remuneration review based on the Hay Group report.

Due to the end of the term of office of the Bank's Management Board, the Committee assessed the suitability of individual members of the Bank's Management Board and a collective assessment of the suitability of members of the Bank's Management Board based on the results of the suitability assessment carried out by an external entity. Consequently, on 2 April 2020, the Committee decided to recommend to the Supervisory Board that the Management Board be appointed for a new term.

In addition, due to changes in the composition of the Management Board during the year, the Committee also carried out suitability assessments of candidates for new members of the Bank's Management Board, based on the results of an adequacy assessment carried out by an external entity. As a consequence, the Committee decided to recommend to the Supervisory Board the appointment of a new member of the Management Board – Vice-President of the Management Board of the Bank responsible for the Wholesale Banking Division and a new member of the Management Board – Vice-President of the Management Board of the Bank responsible for the Business Client Division. In response to the need, the Committee also made a collective assessment of the Management Board in the composition of the newly appointed members of the Management Board.

Pursuant to the applicable regulations and in connection with changes in the Supervisory Board, the Committee also assessed the adequacy of the current members of the Supervisory Board and candidates for new members of the Supervisory Board based on the results of an adequacy assessment carried out by an external entity. Consequently, the Committee decided to recommend to the General Meeting the appointment of two new members of the Supervisory Board: Ms Susan Poot and Mr Remco Nieland from 1 May 2020.

## Risk Committee

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

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

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

The Risk Committee meets at least once a quarter.

In 2020, the following changes to the composition of the Risk Committee took place:

- On 27 February 2020, Mr Ad Kas resigned from the position of a member of the Supervisory Board and also a member of the Risk Committee, effective as of the date of the General Meeting approving the financial statements for 2019, in connection with the appointment of the acting Vice-President of the Management Board responsible for the Risk Division for ING France.

- On 2 April 2020, the Supervisory Board appointed Ms Susan Poot associated with the ING Group from 1 May 2020 to the Committee.

Thus, on 31 December 2020, the composition of the Risk Committee was as follows:

- Aleksander Galos – Chairperson (independent member),
- Aleksander Kutela – Member (independent member),
- Susan Poot – Member,
- Antoni F. Reczek – Chairperson, Independent Member,
- Michał Szczurek – Member.

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

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

### Competences, powers and tasks of the Risk Committee

The competences of the Risk Committee include inter alia:

- determining the Bank's current and future risk appetite;
- giving opinions on the risk management strategy in the Bank's operations developed by the Bank's Management Board and the information submitted by the Management Board regarding the implementation of this strategy,
- supporting the Supervisory Board in supervising the implementation of the risk management strategy in the Bank's operations by senior management, estimating internal capital and reviewing strategies and procedures for estimating internal capital and maintaining internal capital on a permanent basis,
- verification whether the prices of liabilities and assets offered to clients fully reflect the Bank's business model and its risk strategy,
- giving opinions on the appointment of external experts by the Supervisory Board,
- presenting the Supervisory Board with recommendations regarding changes in the position of: Bank Director – Transaction Credit Risk, Bank Director – Policy, Modelling and Credit Risk Systems, Director of the Market Risk Management Department and Director of the Operational Risk Management Department,

- presenting the Supervisory Board with recommendations on granting a cash loan, bank guarantee, surety or other off-balance sheet obligations to members of the Management Board, Supervisory Board and other persons indicated in Art. 79-79c of the Banking Law, to the extent that the consent of the Council is required.

### Attendance and topics of the Risk Committee meetings in 2020

In the period from 1 January to 31 December 2020, the Risk Committee held four meetings. The meetings of the Committee were held on the following dates: 6 March, 5 June, 25 September and 20 November.

In total, the Committee issued 23 recommendations (including 14 by circulation). All the meetings were held in the composition and manner enabling the issuance of binding recommendations, with a very high attendance.

The participation of members of the Risk Committee in Committee meetings in 2020 is shown in the table below.

Attendance in 2020 *				
Alexander Galos	Alexander Kutela	Antoni F. Reczek	Susan Poot	Michael Rat
4/4	3/4	4/4	3/3**	4/4

\*Attendance at meetings / number of meetings during the term of office.

\*\*The newly appointed member of the Risk Committee participated in all four meetings of the Committee that have taken place since its appointment to the Committee on 1 May 2020.

As part of the risk level monitoring process at the Bank, a permanent item on the agenda of the Risk Committee in 2020 was a risk report, the components of which are reports on credit, market, operational (non-financial) and model risk. Information on the risk of the coronavirus pandemic and credit vacation instruments constituted an important element of the report under discussion.

In 2020, the work of the Committee was also focused, inter alia, in the following areas:

- development and presentation of recommendations to the Supervisory Board in the field of documents relating to the risk management area, including the Risk Management Strategy for 2020-2022,
- development and presentation of recommendations to the Supervisory Board in the scope of key risk appetite limits for the retail and corporate credit risk area and the declaration of appetite for non-financial risk,
- developing and presenting recommendations to the Supervisory Board in the area of concluding agreements by the Bank, which should be classified as likely to have a significant impact on the financial or legal situation of the Bank,

- analysis of the Report on the Capital Management and Capital Adequacy Process (ICAAP) at ING Bank Śląski S.A. for 2019,
- analysis of the Report on the review of the internal liquidity adequacy assessment process (ILAAP) at ING Bank Śląski S.A. for 2019.

## Audit Committee

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

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

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

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

In 2020, the following changes to the composition of the Audit Committee took place:

- On 3 March 2020, Mr Norman Tambach resigned from the position of a member of the Supervisory Board and also a member of the Audit Committee, effective the date of the General Meeting approving the financial statements for 2019. Mr Norman Tambach did not give reasons for his resignation.
- On 2 April, 2020, the Supervisory Board appointed Mr Remco Nieland associated with the ING Group from 1 May 2020 to the Committee .

Thus, as at 31 December 2020, the composition of the Audit Committee was as follows:

- Antoni F. Reczek – Chairperson, Independent Member,

- Małgorzata Kołakowska – Member,
- Aleksander Galos – Member (independent member),
- Aleksander Kutela – Member (independent member),
- Remco Nieland – Member.

Mr Antoni F. Reczek has knowledge and skills in terms of accounting or auditing financial statements. He obtained the qualifications of the Chartered Auditor of the Republic of Poland in 1993. Also Mr Remco Nieland, who after completing postgraduate studies at Vrije Universiteit in Amsterdam since 1992 holds the qualifications of a chartered controller, has knowledge and skills in this field. All Members of the Audit Committee have knowledge and skills in the area of finance.

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

## Competences, powers and tasks of the Audit Committee

The competences of the Audit Committee include inter alia:

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

The tasks of the Audit Committee also include:

- supervising the Bank's relations with related entities by monitoring the agreements concluded by the Bank with these entities,
- performing other supervisory activities in the areas specified separately by the Supervisory Board or resulting from internal regulations approved by the Supervisory Board,
- assessment and presentation of recommendations in the field of dividend policy,

- development and presentation of recommendations to the Supervisory Board regarding the implementation of the policy of selecting an audit firm to conduct the audit and the policy of providing permitted non-audit services by the audit company conducting the audit, by entities related to this audit company and by a member of the audit company's network,
- defining and adopting the procedure for selecting an audit firm.

### Attendance and topics of the Audit Committee meetings in 2020

In accordance with the approved work plan, in the period from 1 January to 31 December 2020, the Audit Committee held six meetings on the following dates: 30 January, 5 February, 6 March, 5 June, 25 September and 20 November. In accordance with the requirements of the Audit Committee Regulations, on 20 November 2020, the Committee held a closed meeting with representatives of the internal auditor and the external auditor.

In total, the Audit Committee issued 23 recommendations to the Supervisory Board (including 1 by circulation), 1 opinion by circulation and 2 decisions. All the meetings were held in the composition and manner enabling the issuance of binding recommendations, with a very high attendance. The participation of Audit Committee members in the Committee meetings in 2020 is shown in the table below.

Attendance in 2020 *				
Antoni F. Reczek	Małgorzata Kołakowska	Alexander Galos	Alexander Kutela	Remco Nieland
7/7	7/7	6/7	5/7	4/4**

\* Attendance at meetings / number of meetings during the term of office.

\*\* The newly appointed member of the Audit Committee participated in all four meetings of the Committee that have taken place since its appointment to the Committee on 1 May 2020.

In 2020, the work of the Committee focused primarily on the following areas:

- monitoring the adequacy and effectiveness of the internal control system and the risk management system, including compliance risk,
- development and presentation of recommendations to the Supervisory Board regarding the implementation of changes to the policy of selecting an audit firm to conduct an audit and the policy of providing permitted non-audit

services by the audit company conducting the audit, by entities associated with this audit company and by a member of the audit company's network,

- change of the audit firm auditing the reports of the Bank and its Capital Group,
- approval of the scope of work of the entity authorized to audit the financial statements of ING Bank Śląski S.A. and the consolidated financial statements of the ING Bank Śląski S.A. Group after selecting the entity authorized by the Supervisory Board,
- supervision over the relationship between the Bank and the entity performing the audit of the Bank's financial statements, including the analysis of the work performed by the entity authorized to audit the statements and results of the audit, together with the assumptions for the Letter to the Management Board,
- assessment of the annual financial statements of ING Bank Śląski S.A. and ING Bank Śląski S.A. Group,
- analysis of information and materials provided periodically by the external auditor and the external auditor's presentations presented to the members of the Audit Committee directly during the Committee meetings,
- constant analysis of periodic reports provided by the Director of the Internal Audit Department regarding the status of implementation of the audit plan of the Internal Audit Department for 2020 and the status and changes in the deadline for implementation of post-audit recommendations,
- development and presentation of recommendations to the Supervisory Board regarding changes to the Policy – Audit Charter.

Other areas of work of the Audit Committee in 2020 include:

- assessment and presentation of recommendations in the field of dividend policy,
- monitoring of the Bank's relations with related entities, including the analysis of periodic information on agreements with related entities,
- supervision over the compliance area at the Bank, including the development and presentation of recommendations to the Supervisory Board regarding changes to the Compliance Policy of ING Bank Śląski S.A. and the introduction of new Regulations of the Centre of Expertise – Compliance,
- constant analysis of periodic reports quarterly report of compliance risk,
- analysis of the list of critical and high-risk recommendations,

- information analysis in the field of financial and regulatory reporting and the reporting control environment.

## Co-operation with external auditor

In 2020, the audit firm auditing the financial statements (KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k.) provided the following non-audit services:

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

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

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

- The Audit Committee decides on consenting to the involvement of a statutory auditor (the audit company conducting the audit, an entity related to that audit firm and by a member of the audit firm's network) to provide permitted non-audit services,
- the provision of permitted services is possible only to the extent unrelated to the Bank's tax policy, after the Audit Committee assesses the threats and safeguards to the independence of the statutory auditor and the audit firm,
- verification and monitoring of the independence of a statutory auditor or audit firm are performed at every stage of the process of selecting an audit firm to audit financial statements,
- When making the final selection, the Supervisory Board, and the Audit Committee at the stage of preparing recommendations, are guided by the following transparent and non-discriminatory selection criteria, which are used by the Bank to evaluate offers submitted by audit firms:
  - assessment of the independence of the audit firm to conduct the audit already at the stage of the selection procedure,
  - the ability to provide the full range of services specified by the Bank (audit of individual statements, audits of consolidated statements, reviews, etc.),

- the company's experience to date in auditing reports of entities with a profile of activity similar to that of the Bank,
- the company's experience to date in auditing reports of public interest entities from the banking sector,
- professional qualifications, experience relevant to the activities performed as part of the audit and the number of people directly involved in the study conducted at the Bank,
- proposed price conditions by the auditing company to conduct the audit.

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

## Selection of an entity authorized to audit financial statements

The selection of the audit firm to audit the separate and consolidated financial statements for 2020 was made in accordance with the applicable regulations, including the provisions on the selection and selection procedure of an audit firm.

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

The Bank complies with the applicable regulations on the rotation of the audit firm and the key statutory auditor as well as mandatory grace periods. Pursuant to the law currently in force, the maximum, uninterrupted period of employment for the same audit firm may not exceed 10 years. The maximum 5-year duration of the order (which was valid until 31 March 2020) granted by the Bank to the current audit company (KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k.) ended with the audit of the 2017 report. On 28 May 2018, by a decision of the Polish Financial Supervision Authority (which was amended on 29 July 2019), the Bank obtained permission to extend the maximum duration of the engagement with the current audit firm for a period of 2 years pursuant to Art. 17.6 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on detailed requirements for statutory audits of financial statements of public-interest entities.

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

On 13 November 2019, the bank signed an agreement with the auditing company Mazars Audyt Sp. z o.o. covering a semi-annual review and statutory audit of separate and consolidated financial statements of ING Bank Śląski S.A. and the Capital Group of ING Bank Śląski S.A. for the years 2020-2021, which was terminated on 17 June 2020 (details on the termination of the contract are included in the [current report 30/2020 of 17 June 2020](#); [attachment to the current report](#)).

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

## Auditor's remuneration

Auditor's remuneration										
PLN thousand	2016		2017		2018		2019		2020	
	KPMG	Another auditor	KPMG	Another auditor	KPMG	Another auditor	KPMG	Another auditor	KPMG	Another auditor
Financial statement auditing services	741.0*	38.5	1 071.0*	38.5	700.0*	83.5	790.0*	128.5	567.6	129.0
Other attestation services	279.0	-	462.0	-	372.0	-	392.0	66.5	234.0	30.0

\*Additionally, reimbursement of documented expenses

## Risk control and management system in the process of preparing financial statements

The process of preparing financial statements is carried out within the CFO Division as one of the key elements of compliance with the standards. The basic elements enabling the implementation of the process are the Accounting Policy adopted by the Management Board of the Bank and the organization of accounting in the Bank, defining the

main principles of recording the Bank's economic events. As a consequence of recording events, the Bank's books are created, which are the basis for the preparation of financial statements.

In the process of preparing financial statements, the Bank identified the following types of risk:

- risk of incorrect input data,
- the risk of incorrect data presentation in financial statements,
- the risk of using incorrect estimates,
- risk of lack of integration of IT systems and operational and reporting applications.

In order to mitigate this risk, the Bank defined the structure of the process of preparing financial statements in two layers: application and content.

The application part of the process consists of the data flow from the Bank's basic operating systems through a series of interfaces to the reporting database on which reporting applications are embedded. The application layer is controlled in line with the IT systems security policy adopted by the Bank. Controls include user management, development environment management, integrity of data transfer systems, including the correct operation of interfaces in terms of completeness of data transfer from operating systems to the reporting environment.

The Bank prepared a description of the process according to the principles adopted at the Bank for the purposes of correct management of the process of preparing financial statements. The description includes all activities occurring in the process, their contractors, "if ... then ..." situations. In addition, the description includes an indication of key control points. The key controls embedded in the process of preparing financial statements include the following:

- quality control of input data for financial statements, supported by data control applications; a number of data correctness rules have been defined in the applications, the error correction path and strict monitoring of the data quality level,
- control of data mapping from source systems to financial statements, which ensures correct data presentation,
- an analytical review based on the knowledge of specialists, the main goal of which is to confront the knowledge of business with financial data and to detect possible signals of incorrect data presentation, or incorrect input data.

The description of the estimates adopted by the Bank, in accordance with IAS / IFRS, is included in the accounting policy. To avoid the risk of incorrect estimates, the Bank adopted, inter alia, the following solutions:

- for the assessment of loan impairment – the Bank has implemented specific models and applications as well as internal regulations for credit risk assessment,
- for the valuation of debt financial instruments quoted on active markets or for which the valuation is based on these quotations – the Bank has implemented the required functionality of the basic systems, and also introduced controls to be exercised by market risk management units,
- for the estimation of provisions for legal risk related to mortgage loans indexed to the Swiss franc exchange rate – the Bank estimated the expected losses based on a scenario analysis assuming the expected number of court cases and possible court judgments,
- to estimate the impact of a change in the interpretation of the provisions on commission reimbursements on consumer loans – assumptions were made regarding the expected outflows from complaints and prepayment profiles based on historical data,
- for the valuation of financial instruments not quoted on active markets – the Bank implemented valuation models that were subject to prior verification before their application,
- to estimate the provision for retirement and disability benefits – the Bank commissioned an independent actuary to make the estimate,
- to estimate the provision for employee and managerial bonuses – the Bank uses calculations in accordance with the bonus regulations adopted by the Bank, using the forecast of the Bank's results,
- for the valuation of its own real estate – the Bank adopted as a rule obtaining a valuation from independent experts with a frequency of 3-5 years.

A detailed description of the accounting principles is included in the Annual Consolidated Financial Statements of ING Bank Śląski S.A. for 2020, in the section "Accounting policy and additional notes" and "Significant accounting principles".

The introduced organizational structure of the Bank allows for the separation of duties between the Front-office, Back-office, Risk and Finance. Additionally, the introduction of an appropriate internal control system enforces the implementation of control of transactions and financial data in back-office units and support units. This area is subject to an independent and objective assessment by the Internal Audit Department, both in terms of the adequacy of the internal control system, risk management and corporate governance.

## Bank Management Board

### Composition of the Management Board

Pursuant to the provisions of the Bank's Articles of Association, the Management Board of the Bank consists of 3 to 8 members appointed by the Supervisory Board. The number of members of the Management Board in a given term of office is determined by the Supervisory Board. Members of the Management Board are appointed for a joint term of office, which begins on the date of their appointment and covers four consecutive full financial years. Appointment takes place after conducting the qualification procedure, the purpose of which is to check and evaluate the qualifications of the candidates. The suitability assessment process is carried out with the involvement of an external entity in order to increase the objectivity of the work related to the verification of documents and preliminary suitability assessment. As part of this procedure, the Supervisory Board, based on the recommendations of the Remuneration and Appointment Committee, assesses the individual suitability of candidates for functions in the Management Board (in particular, meeting the requirements of Art. 22aa of the Banking Law), as well as the collective suitability of the Management Board as a whole.

Minimum one half of members of the Management Board shall be Polish citizens. Two members of the Management Board, including the President and the Vice-President of the Management Board, supervising the management of risks relevant to the Bank's operations, are appointed with the approval of the Polish Financial Supervision Authority. Members of the Management Board may be dismissed at any time by the Supervisory Board. The dismissal of the Vice-President of the Management Board takes place after obtaining the opinion of the President of the Management Board by the Supervisory Board.

### Changes in the composition of the Management Board in 2020

On 20 September 2019, Mr Patrick Roesink resigned from the position of the Vice-President of the Management Board of ING Bank Śląski S.A., effective at the end of 31 March 2020. Due to the expiry of the four-year term of office of the Management Board, at the meeting on 2 April 2020, the Supervisory Board appointed the Management Board of the Bank for another joint term of office, which began on the day of appointment and covers four full consecutive financial years, and approved the division of powers adopted by the Management Board, in accordance with the following:

- **Mr Brunon Bartkiewicz** – President of the Bank Management Board, supervising the CEO Division and temporarily supervising the Credit Risk Inspection Department;
- **Mr Michał Bolesławski** – Vice-President of the Bank Management Board, supervising the Business Client Division;
- **Ms Joanna Erdman** – Vice-President of the Bank Management Board, supervising the Wholesale Banking Division;
- **Mr Marcin Giżycki** – Vice-President of the Bank Management Board, supervising the Retail Client Division;
- **Ms Bożena Graczyk** – Vice-President of the Bank Management Board, supervising the CFO Division and temporarily supervising the CRO Division;
- **Mr Sławomir Soszyński** – Vice-President of the Bank Management Board, supervising the CIO Division;
- **Mr Lorenzo Tassan-Bassut** – Vice-President of the Bank Management Board, supervising the COO Division.

Additionally, at its meeting of 15 May 2020, the Supervisory Board appointed Mr Michał H. Mrozek as Vice-President of the Bank Management Board effective on 1 July 2020.

Additionally, in connection with the above nomination, the Supervisory Board approved a new split of responsibilities of Members of the Management Board, approved by the Management Board; as a result, Mr Michał H. Mrozek was assigned supervision over the Wholesale Banking Division while Vice-President Ms Joanna Erdman was entrusted with the duties of supervision over the CRO Division until a decision is issued by PFSA accepting her supervision over material risks inherent in the Bank business. [By a decision of 7 September 2020, the](#) PFSA refused to give this consent, however, the Bank applied for the case to be reconsidered. As at the date of the report, the administrative procedure has not been completed.

On 12 November 2020, Mr Michał Bolesławski resigned from the position of the Vice-President of the Management Board of ING Bank Śląski S.A., effective at the end of 31 December 2020. Also on 30 November 2020, Mr Lorenzo Tassan-Bassut resigned from the position of the Vice-President of the Management Board of ING Bank Śląski S.A., effective at the end of 31 January 2021. At the meeting on 18 December 2020, after hearing the opinion of the President of the Management Board and the recommendation of the Remuneration and Appointment Committee, on 1 January 2021, the Supervisory Board appointed Ms Ewa Łuniewska to the position of Vice-President of the Management Board of the Bank.

The composition of the Bank Management Board from 1 January 2021 were as follows:

- **Mr Brunon Bartkiewicz** – President of the Bank Management Board, supervising the CEO Division;

- **Ms Joanna Erdman** – Vice-President of the Bank's Management Board, temporarily performing duties in the field of organizational supervision over the CRO Division, subject to the supervision of collegially significant risk management by the Bank's Management Board;
- **Mr Marcin Giżycki** – Vice-President of the Bank Management Board, supervising the Retail Client Division;
- **Ms Bożena Graczyk** – Vice-President of the Bank Management Board, supervising the CFO Division;
- **Ms Ewa Łuniewska** – Vice-President of the Bank Management Board, supervising the Business Client Division;
- **Mr Michał H. Mrozek** – Vice-President of the Bank Management Board, supervising the Wholesale Banking Division;
- **Mr Sławomir Soszyński** – Vice-President of the Bank Management Board, supervising the CIO Division;
- **Mr Lorenzo Tassan-Bassut** – Vice-President of the Bank Management Board, supervising the COO Division.



## Brunon Bartkiewicz - Bank Management Board President

Mr Brunon Bartkiewicz meets all the requirements specified in the provisions of Art. 22aa of the Act of 29 August 1997 - Banking Law.

### Education

- **2011** - Graduate School of Business Stanford University, Standard Executive Program;
- **1986** - The Main School of Planning and Statistics in Warsaw (now the Warsaw School of Economics), Faculty of Foreign Trade, Master of Economics.

### Work experience

- **March 2018 - still** - ING Bank Hipoteczny S.A., Chairperson of the Supervisory Board (April 2018 - still), Member of the Supervisory Board (March - April 2018);
- **April 2016 - still** - ING Bank Śląski S.A., President of the Management Board;
- **2014 - April 2016** - ING Bank NV, Chief Innovation Officer;
- **2012 - 2014** - ING Bank NV; Managing the ING International Retail Banking Division. Other European countries: France, Italy, Spain, Poland, Turkey, Romania;
- **2010 - 2012** - ING Direct, General Director;
- **May - December 2009** - ING Securities S.A., Chairperson of the Supervisory Board (June - December 2009), Member of the Supervisory Board (May - June 2009);
- **2004 - 2009** - ING Bank Śląski S.A., President of the Bank's Management Board;
- **January 2004 - December 2009** - ING Towarzystwo Ubezpieczeń na Życie S.A., Member of the Supervisory Board. **2000 - 2004** - ING Direct NV HQ in Amsterdam, CEO of ING Direct, Member of the Management Board of ING Direct NV;
- **1991 - 2000** - Bank Śląski S.A. :
  - **May 1995 - June 2000** - President of the Management Board,
  - **March 1994 - May 1995** - First Vice-President, acting President,
  - **April 1992 - March 1994** - Member of the Management Board,
  - **April 1991 - April 1992** - Bank Director,
  - **Member of Supervisory Boards** : CERA, Dom Maklerski BSK, ING BSK Asset Management, NN-P;
- **1990 - 1991** - Penetrator S.A. Kraków, Vice-President of the Management Board;
- **1986 - 1990** - Digital Laboratories International S.A. Warsaw-Krakow;
- **1986 - 1989** - Main School of Planning and Statistics in Warsaw.

### Other areas of activity

- **June 2020 - still** - Polish Bank Association, Chairperson of the Association Council
- **April 2019 - December 2020** - University Council of the Cracow University of Economics, Member of the Council.



## Michał Bolesławski - Bank Management Board Vice-President

(until 31 December 2020)

Mr Michał Bolesławski meets all the requirements set out in the provisions of Art. 22aa of the Act of 29 August 1997 - Banking Law.

### Education

- **2000** - Warsaw School of Economics, Finance and Banking;
- **1999** - Harvard University and Kennedy School of Government, USA.

### Work experience

- **December 2018 - February 2021** - ING Investment Holding (Polska) S.A., Chairperson of the Supervisory Board;
- **November 2008 - February 2021** - ING Commercial Finance Polska S.A., Chairperson of the Supervisory Board (January 2012 - February 2021); Member of the Supervisory Board (November 2008 - January 2012)
- **May 2014 - August 2015** - Nowe Usługi S.A., Chairperson of the Supervisory Board;
- **January 2012 - February 2021** - ING Usługi dla Biznesu S.A., Chairperson of the Supervisory Board;
- **June 2009 - February 2021** - ING Lease (Polska) Sp. z o. o., Chairperson of the Supervisory Board (January 2012 - February 2021); Member of the Supervisory Board (June 2009 - January 2012)
- **July 2008 - December 2020** - ING Bank Śląski S.A., Vice-President of the Management Board;
- **2006 - 2008** - ING Bank Śląski S.A., Corporate Banking Division, area of Corporate Clients, Bank Director;
- **December 2004 - October 2011** - ING Bank Hipoteczny S.A., Member of the Supervisory Board;
- **2003 - 2005** - ING Bank Śląski S.A., Department of Corporate Client Service, Department Director, Deputy Department Director;
- **2001 - 2003** - ING Bank Śląski S.A., Strategic Client Service Department, Business Manager;
- **2001** - ING Bank NV, Project Manager;
- **2000 - 2001** - ING Nationale-Nederlanden Polska S.A., Project Officer;
- **2000** - National Bank of Poland, Analyst.

### Other areas of activity

- **October 2018 - still** - ING Polish Art Foundation, Chairperson of the Foundation Council;
- **September 2016 - September 2020** - Council of the Silesian Museum, Member of the Council.



## Joanna Erdman - Bank Management Board Vice-President

Ms Joanna Erdman meets all the requirements set out in the provisions of Art. 22aa of the Act of August 29, 1997 - Banking Law.

### Education

- **1995** - **Warsaw School of Economics**, Finance and Statistics.

### Work experience

- **June 2020 - still** - **ING Commercial Finance Polska S.A.**, Member of the Supervisory Board;
- **June 2020 - still** - **ING Lease (Polska) Sp. z o. o.**, Member of the Supervisory Board;
- **December 2018 - now** - **ING Investment Holding (Polska) S.A.**, Vice-president of the Supervisory Board;
- **March 2018 - still** - **ING Bank Hipoteczny S.A.**, Member of the Supervisory Board;
- **August 2015 - still** - **Nowe Usługi S.A.**, Member of the Supervisory Board (June 2020 - still); Chairwoman of the Supervisory Board (August 2015 - June 2020)
- **April 2013 - still** - **ING Bank Śląski S.A.**, Vice-President of the Management Board;
- **2010 - 2013** - **ING Bank Śląski S.A.**, Strategic Clients Division, Bank Director;
- **2007 - 2010** - **ING Bank Śląski S.A.**, Strategic Clients Division, Director of the Strategic Clients Department,
- **2001 - 2007** - **ING Bank Śląski S.A.**, Corporate Banking Division Strategic Clients Area, Director of the Strategic Clients Centre;
- **1996 - 2001** - **ING Bank NV**, Corporate Banking, Officer, Senior Officer;
- **1995 - 1996** - **Bank Pekao S.A.**, Marketing Department, Inspector.

### Other areas of activity

- **June 2020 - still** - **Biuro Informacji Kredytowej S.A.**, Member of the Supervisory Board,
- **June 2020 - still** - **Responsible Business Forum**, Member of the Management Board,
- **June 2016 - still** - **ING for Children Foundation**, Chairwoman of the Foundation Council (June 2019 - still), Member of the Foundation Council (June 2016 - June 2019).



## Marcin Giżycki - Bank Management Board Vice-President

Mr Marcin Giżycki meets all the requirements set out in the provisions of Art. 22aa of the Act of 29 August 1997 - Banking Law.

### Education

- **2001** - **University of Economics in Katowice**, Faculty of Banking and Finance - Master's degree;
- **1998** - **WSB University in Poznań**, Faculty of Banking and Finance - Bachelor's degree.

### Work experience

- **August 2016 - still** - **ING Bank Śląski S.A.**, Vice-President of the Management Board;
- **June 2016 - July 2016** - **ING Bank Śląski S.A.**, Biuro Maklerskie Division, Bank Director;
- **January 2013 - July 2016** - **ING Bank Śląski S.A.**, Retail Banking Division - Loans and Insurance Business Line, Bank Director;
- **August 2006 - December 2012** - **ING Bank Śląski S.A.**, Retail Banking Division - Products and Processes, Bank Director;
- **1996 - 2006** - **ING Bank Śląski S.A.**, Partner Network Development Program Director, Deputy Director for Retail Network Management, Director of the Sales Network Department, Head of the Sales and Cost Standards Monitoring Department, Manager of the Budgeting and Monitoring of the Branch Network, Procedures Specialist, Position for Organization and Marketing, Inspector for small and medium-sized enterprises, Inspector for Cash Management at the I / Branch in Bielsko-Biała;
- **June 2020 - still** - **Nowe Usługi S.A.**, Chairperson of the Supervisory Board;
- **December 2018 - now** - **ING Investment Holding (Polska) S.A.**, Member of the Supervisory Board;
- **March 2018 - now** - **ING Bank Hipoteczny S.A.**, Deputy Chairperson of the Supervisory Board (April 2018 - still), Member of the Supervisory Board (March - April 2018);
- **August 2015 - June 2020** - **Nowe Usługi S.A.**, Member of the Supervisory Board;
- **January 2015 - May 2016** - **ING Securities S.A.**, President of the Management Board; (August 2015 - May 2016), Member of the Management Board (January 2015 - July 2015).

### Other areas of activity

- **May 2017 - June 2020** - **Biuro Informacji Kredytowej S.A.**, Member of the Supervisory Board (August 2019 - June 2020, May 2017 - September 2017); Chairperson of the Supervisory Board (August 2018 - August 2019); Deputy Chairperson of the Supervisory Board (September 2017 - August 2018).



## Bożena Graczyk - Bank Management Board Vice-President

Ms Bożena Graczyk meets all the requirements set out in the provisions of Art. 22aa of the Act of 29 August 1997 - Banking Law.

### Education

- **2011** - **University of Navarre**, Spain, Advanced Management Program, IESE Business School;
- **2005** - Diploma of **the Accountants Association in Poland**, qualifications of a statutory auditor;
- **1997** - **University of Bristol** in Great Britain and **École Nationale des Ponts et Chaussées** in France, Executive MBA in International Business Program;
- **1992** - **University of Limburg**, as part of the Tempus program;
- **1993** - **University of Łódź**, Centre for European Studies;
- **1994** - **University of Łódź**, Faculty of Foreign Trade, Master of Economics.

### Work experience

- **December 2018 - now** - **ING Investment Holding (Polska) S.A.**, Member of the Supervisory Board;
- **April 2018 - still** - **Solver Sp. z o. o.**, Chairwoman of the Supervisory Board (June 2020 - to date), Member of the Supervisory Board (April 2018 - June 2020);
- **March 2018 - still** - **ING Bank Hipoteczny S.A.**, Member of the Supervisory Board;
- **June 2017 - still** - **ING Commercial Finance Polska S.A.**, Member of the Supervisory Board;
- **June 2017 - still** - **ING Lease (Polska) Sp. z o. o.**, Member of the Supervisory Board;
- **June 2017 - still** - **ING Bank Śląski S.A.**, Vice-President of the Management Board;
- **1994 - May 2017** - **KPMG**, Partner in the area of financial services (since 2001), Director of the Financial Risk Management Team and Director of the Team for Accounting Consulting Services;
- **1996 - 1997** - **KPMG Spain**, Participation in the audit of financial statements of financial institutions.



## Ewa Łuniewska - Vice-President of the Bank's Management Board

(from 1 January 2021)

Ms Ewa Łuniewska meets all the requirements set out in the provisions of Art. 22aa of the Act of 29 August 1997 - Banking Law.

### Education

- **1991** - **Warsaw School of Economics**, Faculty of Foreign Trade.

### Work experience

- **January 2021 - still** - **ING Bank Śląski S.A.**, Vice-President of the Management Board;
- **January 2016 - December 2020** - **ING Lease (Polska) Sp. z o. o.**, President of the Management Board;
- **January 2016 - December 2020** - Member of the Management Board ( **ING Finance Sp. z oo**, **ING Akliwia Sp. z oo**, **Rel Fokstrot Sp. z oo**, **Rel Jota Sp. z oo**, **Rel Project 1 Sp. z oo** ); Likwidator (**Rel Delta Sp. Z oo** in liquidation, **Rel Echo Sp. Z oo** in liquidation, **Rel Hektor Sp. z o. o.** in liquidation, **Rel Project 2 Sp. z o. o.** in liquidation );
- **May 2014 - August 2015** - **Nowe Usługi S.A.**, Member of the Supervisory Board;
- **January 2012 - December 2015** - **Usługi dla Biznesu S.A.**, Member of the Supervisory Board;
- **2006 - 2015** - **ING Bank Śląski S.A.**, Corporate Sales Network Division, Bank Director;
- **September 2001 - 2005** - **ING Bank Śląski S.A.**, Strategic Clients Division, Director of the Strategic Clients Department;
- **2000 - 2001** - **ING Bank NV**, Department of Corporate Banking, Department of Cash Management, Department of Structured Finance, Managing Director, Member of the Executive Committee;
- **April 1997 - 1999** - **ING Bank NV**, Department of Capital Markets and Structured Finance, Deputy Director, Director;
- **1991 - 1996** - **ING Bank NV**, Corporate Banking Department Officer, Senior Officer, Team Head.

### Other areas of activity

- **July - December 2020** - **Polish Leasing Association**, Chairwoman of the Executive Committee;
- **June 2016 - still** - **ING Polish Art Foundation**, Member of the Foundation Council.



## Michał H. Mrozek - Bank Management Board Vice-President

(from 1 July 2020)

Mr Michał H. Mrozek meets all the requirements specified in the provisions of Art. 22aa of the Act of 29 August 1997 - Banking Law.

### Education

- **1989** - **Georgetown University School of Foreign Service**, Washington, DC, Graduated from Georgetown University in Washington, BA and MA in International Trade and Finance with honors.

### Work experience

- **July 2020 - still** - **ING Bank Śląski S.A.**, Vice-President of the Management Board;
- **2019 - June 2020** - **HSBC France HFR**, Branch in Poland, General Director and Head of Wholesale Banking;
- **2015 - 2019** - **HSBC Bank Polska S.A.**, Warsaw, Poland CEO, President of the Management Board;
- **2011 - 2014** - **Citibank NA** (National Association), New York, NY (United States), Managing Director - Strategy and International Cooperation;
- **2004 - 2011** - **Citibank Handlowy**, Warsaw (Poland), Deputy CEO of the Management Board - Corporate and Commercial Banking Clients;
- **2002 - 2004** - **Citibank Handlowy**, Warsaw (Poland), Strategic Planning and Corporate Development Director;
- **1998 - 2002** - **Citibank Handlowy**, Warsaw (Poland), Deputy Director for Corporate Banking - Sector Director;
- **1995 - 1998** - **Bank Handlowy w Warszawie S.A.**, Warsaw (Poland), Director of the Corporate Banking Department;
- **1992 - 1995** - **Price Waterhouse** (International Privatization Group), Washington, DC (United States), Department Director;
- **1991 - 1992** - **Price Waterhouse** (International Privatization Group), Washington, DC (USA), Manager;
- **1989 - 1991** - **Bank Austria**, New York, NY (United States), Credit Analyst.

### Other areas of activity

- **2018 - 2019** - **Council of the Polish Bank Association in Warsaw**, Chairperson of the Council;
- **2019 - 2020** - **LEWIATAN Employers' Union of Banks and Financial Institutions in Warsaw**, Vice-President;
- **2013 - still** - **Member of the Board of the Kościuszko Foundation**, New York;
- **2013 - still** - **Member of the Board of the Jan Karski Educational Foundation**, New York and Warsaw. In 2013, awarded by the Minister of Foreign Affairs with the Badge of Honor "Bene Merito" for his contribution to promoting and strengthening the role of Poland in the international arena;
- **2011** - Decorated with the Bronze Cross of Merit by the President of the Republic of Poland for his contribution to the development of the Polish banking market.



## Sławomir Soszyński - Bank Management Board Vice-President

Mr Sławomir Soszyński meets all the requirements set out in the provisions of Art. 22aa of the Act of 29 August 1997 - Banking Law.

### Education

- **2014** - **Kozminski University in Warsaw**, MBA;
- **2002** - **Nicolaus Copernicus University in Toruń**, MA, theoretical and computational physics.

### Work experience

- **October 2019 - still** - **ING Bank Śląski S.A.**, Vice-President of the Management Board;
- **2017 - September 2019** - **JP Morgan Poland Services Spółka z o.o.**, Warsaw (Poland), Member of the Management Board supervising the Global Corporate Centre in Warsaw;
- **2015 - 2017** - **JP Morgan**, London (UK), Executive Director of Architecture for the Enterprise Technology and Technological Infrastructure Sector;
- **2014 - 2015** - **OSTC Group**, Warsaw (Poland), Global Head of the Technology Department;
- **2008 - 2013** - **Citi**, London (UK), Singapore, Warsaw (Poland), Head of Retail Technology and Head of the Department of Architecture for the EMEA region;
- **2005 - 2008** - **Citi**, London (UK), New York (USA), Technology Director in the Global Audit Division;
- **2003 - 2005** - **Citi Handlowy S.A.**, Warsaw (Poland), IT Security Officer in the Bank's Security Department.

### Other areas of activity

- **February 2020 - still** - **Presidium of the Electronic Banking Council of the Polish Bank Association**, Member of the Presidium of the Council.



## Lorenzo Tassan-Bassut - Bank Management Board Vice-President

(until 31 January 2021)

Mr Lorenzo Tassan-Bassut meets all the requirements set out in the provisions of art. 22aa of the Act of 29 August 1997 - Banking Law.

### Education

- **2017** - **Stanford University**, Centre for Professional Development Program Leading a Disruption World;
- **2009** - **INSEAD / CEDEP**, General Management Program;
- **1992** - **Hogeschool Enschede**, the Netherlands, Master of Science, Computer Engineering.

### Work experience

- **April 2020 - still** - **ING Bank Hipoteczny S.A.**, Member of the Supervisory Board
- **January 2019 - January 2021** - **ING Bank Śląski S.A.**, Vice-President of the Management Board;
- **September 2013 - 2018** - **TMB Bank Public Company Limited**, Bangkok (Thailand), Vice-President of the Management Board supervising the Operations area;
- **2010 - 2013** - **ING Bank (EurAsia)**, ZAO, Moscow (Russia), Vice-President of the Management Board supervising the Operations area, Managing Director;
- **2007 - 2010** - **ING Bank NV**, Branch in Hungary (Budapest), Vice-President of the Management Board supervising the Operations area, Deputy Managing Director;
- **2004 - 2007** - **ING Bank NV**, Hong Kong Branch, Wholesale Banking Asia, Vice-President of the Management Board supervising the Operations area;
- **2000 - 2004** - **ING Bank NV**, Hong Kong Branch, Wholesale Banking Asia, Regional Director for IT infrastructure in Asia, Vice-President of the Management Board overseeing the Operations area;
- **1998 - 2000** - **ING Bank NV**, Curaçao Branch (Netherlands Antilles), IT Director (South America), Deputy Director of Operations;
- **1992 - 1998** - **ABN AMRO Bank NV**, Curaçao (Netherlands Antilles), Infrastructure and Communications Director.

## Competencies of the Management Board

The Management Board shall manage and represent the Bank. All the matters not otherwise reserved by law or these Articles of Association to the competence of the other Bank's governing bodies shall be within the scope of the Management Board's responsibilities. The Management Board operates collectively, subject to the matters which, pursuant to the provisions of the Bank's internal regulations, were entrusted to individual members of the Management Board. As a rule, the Bank has two-person representation – in the following configurations:

- two Members of the Bank's Management Board,
- one Member of the Bank's Management Board with a proxy,
- two proxies.

Proxies acting independently or jointly with the persons indicated above or with another representative may be appointed to perform specific activities or perform certain types of activities.

The Management Board of the Bank formulates the Bank's operating strategy as part of the rolling three-year action plan, which requires approval by the Supervisory Board.

The Management Board may approve valid resolution if the meeting is attended by more than one half of its members and all the members of the Management Board have been correctly invited. Resolutions of the Management Board shall be adopted by an absolute majority of votes. In the event of equal votes, the President of the Management Board shall have a casting vote.

In 2020, 75 meetings of the Bank's Management Board were held. A total of 289 resolutions were adopted unanimously.

### Number of resolutions in which individual Members of the Bank's Management Board participated

Brunon Bartkiewicz	Michał Bolesławski	Joanna Erdman	Marcin Giżycki	Bożena Graczyk	Michał H. Mrozek (from 1 July)	Patrick Roesink (until March 31)	Sławomir Soszyński	Lorenzo Tassan-Bassut
241	251	259	283	283	127	51	278	283

Members of the Bank's Management Board supervise individual divisions and organizational units, in accordance with the division of powers established by the Management Board and approved by the Supervisory Board, being responsible for the implementation of their mission and basic tasks.

The organisation of work of the Management Board, matters requiring resolutions of the Management Board and its mode of functioning are set forth in the Regulations of the Management Board resolved by the Management Board and approved by the Supervisory Board.

Resolutions of the Management Board, apart from the matters listed in the Articles of Association or the Organizational Regulations, require – subject to the powers of the Supervisory Board – in particular the following matters:

- all matters which, in accordance with generally applicable laws and the provisions of the Bank's Articles of Association, require decisions of other statutory bodies of the Bank,
- defining the Bank's policies, including in particular the credit policy, risk management policy and remuneration policy,
- determining the rules for acquiring funds from other financial institutions and the rules for their use, and setting the rules for investing own funds in other banks,
- defining the rules for determining the interest rate on products offered by the Bank, including, in particular, the interest rate on loans and advances, funds on term accounts and payable on demand, and penalty interest,
- considering applications for recognition of extraordinary losses and the creation of provisions in excess of the amounts determined by the Bank's Management Board separately,
- adopting investment plans and determining the principles of investment implementation,
- decisions on matters related to the purchase, encumbrance, sale and lease of real estate and other property rights, to the extent exceeding the amounts separately determined by the Management Board,
- decisions on the purchase and sale by the Bank shares or stocks of other legal persons with a value exceeding the amounts separately determined by the Management Board,
- establishing rules for granting and revoking powers of attorney to perform specific activities or activities of a specific type,
- matters beyond the scope of day-to-day management, including in particular matters falling outside the competences of individual members of the Management Board and Committees appointed by the Management Board,

- other matters where the decisions have been reserved for the competence of the Management Board in separate regulations adopted by the Management Board and other matters brought by the President of the Management Board or another Member of the Management Board,
- matters where legal or other regulations require an opinion by the Management Board.

In matters other than those listed above, decisions are made in accordance with the following principles:

- decisions in matters where no collective action is required by the Management Board and that have been delegated to the competencies of individual members of the Management Board, are to be made in the form of decisions of such member of the Management Board; however, the Management Board by way of a resolution may identify matters that require a decision of minimum two members of the Management Board,
- decisions in matters that have been delegated by the Management Board to the competencies of the competent committee established by the Management Board, are made in the form of resolutions of such committee,
- decisions in matters not reserved for the competences of the Management Board, a member of the Management Board or the appropriate Committee shall be made in the form of decisions managing the organizational unit at the appropriate level, within the scope of the competences entrusted to him/her.

The competences of individual members of the Management Board are specified in the Organizational Regulations and the regulations concerning the functioning of their areas introduced by the Management Board.

Additionally, the Management Board is authorised to increase the share capital but maximum PLN 26 million (or issues of maximum 26 million shares) by 21 April 2023 (authorised capital) and to waive pre-emption rights at share issues of the authorised capital. The decisions taken by the Management Board on the share issue price and waiver of pre-emption rights require approval by the Supervisory Board.

The following standing committees operate at the Bank, which are appointed by the Bank's Management Board, approving their composition, tasks and regulations:

- Assets and Liabilities Committee (ALCO),
- Credit Policy Committee,
- Credit Committees:
  - ING Bank Śląski S.A.,

- for Restructuring,
- Retail Product Committee,
- Corporate Products and Financial Markets Committee,
- Model Validation Policy at ING Bank Śląski S.A.,
- Valuation Committee,
- Product Parameterization Committee of the Financial Markets Division and the Treasury Department,
- Committee for Client Protection and Product Approval,
- Evaluation Team (SOX) Committee,
- Donation Committee,
- Operational Risk in a Trading Environment (ORiate) Committee,
- IT Architecture Committee,
- Retail Price Committee,
- Reference Rates Committee,
- Client Risk Management Committee (CIRC) at ING Bank Śląski S.A.
- Know Your Customer Committee (KYC) at ING Bank Śląski S.A.

The committees issue opinions and recommendations and take decisions on matters specified by the Management Board.

## Responsibilities of the members of the Bank's Management Board

As at 31 December 2020

From 1 January 2021

Mr Brunon Bartkiewicz	<b>President of the Bank Management Board</b> , supervising the CEO Division	Mr Brunon Bartkiewicz	<b>President of the Bank Management Board</b> , supervising the CEO Division
Mr Michał Bolesławski	<b>Vice-President of the Management Board of the Bank</b> supervising the Business Clients Division and the following subsidiaries: ING Usługi dla Biznesu S.A., ING Investment Holding (Polska) S.A. (ING Lease (Polska) Sp. z o.o. and ING Commercial Finance Polska S.A.)	Ms Joanna Erdman	<b>Vice-President of the Bank's Management Board</b> temporarily responsible for organizational supervision over the CRO Division, subject to the supervision of collegially significant risk management by the Bank's Management Board
Ms Joanna Erdman	<b>Vice-President of the Bank's Management Board</b> temporarily responsible for organizational supervision over the CRO Division, subject to the supervision of collegially significant risk management by the Bank's Management Board	Mr Marcin Giżycki	<b>Vice-President of the Bank's Management Board</b> supervising the Retail Client Division and a subsidiary – Nowe Usługi S.A.
Mr Marcin Giżycki	<b>Vice-President of the Bank's Management Board</b> supervising the Retail Client Division and a subsidiary – Nowe Usługi S.A.	Ms. Bożena Graczyk	<b>Vice-President of the Bank's Management Board</b> supervising the CFO Division and the following subsidiaries: Solver Sp. z o. o., ING Bank Hipoteczny S.A.
Ms Bożena Graczyk	<b>Vice-President of the Bank's Management Board</b> supervising the CFO Division and the following subsidiaries: Solver Sp. z o. o., ING Bank Hipoteczny S.A.	Ms Ewa Łuniewska	<b>Vice-President of the Management Board of the Bank</b> supervising the Business Client Division and the following subsidiaries: ING Usługi dla Biznesu S.A., ING Investment Holding (Polska) S.A. (ING Lease (Polska) Sp. z o.o. and ING Commercial Finance Polska S.A.)
Mr Michał H. Mrozek	<b>Vice-President of the Bank Management Board</b> , supervising the Wholesale Banking Division	Mr Michał H. Mrozek	<b>Vice-President of the Bank Management Board</b> , supervising the Wholesale Banking Division
Mr Sławomir Soszyński	<b>Vice-President of the Bank Management Board</b> , supervising the CIO Division	Mr Sławomir Soszyński	<b>Vice-President of the Bank Management Board</b> , supervising the CIO Division
Mr Lorenzo Tassan-Bassut	<b>Vice-President of the Bank Management Board</b> , supervising the COO Division	Mr Lorenzo Tassan-Bassut	<b>Vice-President of the Bank Management Board</b> , supervising the COO Division

## Remuneration of the Management Board and the Supervisory Board members

In 2020, the Ordinary General Meeting of ING Bank Śląski SA adopted the [Remuneration Policy for Members of the Supervisory Board and the Management Board of ING Bank Śląski SA](#) According to the requirements:

- The Banking Law,
- Principles of corporate governance for supervised institutions,
- The Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies.

The policy sets out the rules for remunerating members of our bank's governing bodies.

### The rules of the Management Board Members remuneration

Remuneration of a member of the Bank's Management Board – in accordance with the *Remuneration Regulations for Members of the Management Board of ING Bank Śląski SA*, which clarifies the *Remuneration Policy for Members of the Supervisory Board and Management Board of ING Bank Śląski SA* and at the same time implements the *Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A.* – consists of:

- fixed remuneration comprising basic remuneration and fringe benefits, and
- variable remuneration, i.e. an annual bonus.

The base remuneration is determined by benchmarking it to the market, in accordance with the salary grade under the Hay job valuation methodology.

The Bank provides its Management Board members with the following fringe benefits:

- Life and accident insurance with a guaranteed insured sum in the amount of gross annual basic remuneration, another type of protection and investment insurance or an investment fund, with the same premium,
- payments towards an investment fund in the amount of 15% of the monthly basic remuneration of a Management Board member,
- medical care (Golden Family Card Package).

Furthermore, the Supervisory Board may decide on granting other benefits, e.g. covering private school tuition for children, rent and fittings of an apartment or a house or payment of a rent allowance, covering membership fees in clubs and associations in Poland and abroad, provided this is justified by interest of the Bank.

In November 2020, we introduced changes to *the Remuneration Policy in the ING Bank Śląski SA Capital Group*, which relate to linking the remuneration rules at all levels with the sustainable development strategy. Pursuant to the new provisions, the Bank identifies social and environmental risks diagnosed as part of the sustainable development strategy. The remuneration policy is consistent with the strategy adopted at the Bank for a given period and supports corporate social responsibility, which is reflected in the goals set for employees for a given year. At the same time, the Policy does not support activities incompatible with sustainable development. The provisions enter into force from the beginning of 2021.

A member of the Management Board may receive a bonus of up to 100% of the annual base salary for the performance of bonus tasks set by the Supervisory Board. The bonus tasks support the creation of the Bank's long-term value and take into account the Bank's cost of risk, cost of capital and liquidity risk. The goals are:

- financial, including the Bank's gross profit, financial risk cost and tasks within a Management Board member's responsibility, and
- non-financial.

Non-financial criteria account for at least 50% of all objectives, excluding Management Board members responsible for control functions. The objectives of the member of the Management Board in charge of control functions include only non-financial tasks. The weights for financial and non-financial purposes are determined annually by the Supervisory Board. Additionally, financial tasks cannot be related to the results obtained in the areas controlled by this member of the Management Board.

A right to an annual bonus depends on the attainment by the Bank in a financial year representing an assessment period of at least 80% of a gross profit forecast in a plan for the given year. Should such profit not be achieved, a Management Board member shall not have the right to an annual bonus and a base value thereof shall not be computed. In compliance with the *Capital Management Policy at ING Bank Śląski S.A.*, ING Bank Śląski S.A. tests capital to ensure that a total bonus pool for all the employees does not limit the Bank's ability to maintain an adequate capital base. In case of such limitation, a decision may be taken not to activate the bonus pool. 40% of the bonus is deferred, 60% – if a threshold defined by the Bylaw is exceeded. The outcome of assessment of the objectives

attainment is verified in a deferral period, i.e. for four subsequent years, so as to evaluate the impact of an employee's actions on the Bank's long-term results. For the President of the Bank's Management Board, at least 50% of the variable remuneration is deferred, with a deferral period lasting six years and the bonus being divided into five equal portions.

The bonus is divided into two parts (rounding up to the integer of a financial instrument):

- at least 50% as phantom stocks making its beneficiaries eligible for cash in an amount depending on the Bank's stock price,
- remainder in cash.

No bonus shall be due should an employment contract be terminated under Article 52 of the Labour Code. The Supervisory Board may also decide to reduce the annual bonus or not to pay it out in a given bonus award period based on the verification of assessment of the execution of the bonus tasks, taking the ex post risk into account.

## Remuneration of Management Board members

In the year the total amount of benefits due and paid by the Bank to members of the Management Board was PLN 18,662.9 thousand, while in 2019 it was PLN 16,812.4 thousand.

### Emoluments due and paid to members of the Management Board of ING Bank Śląski S.A. in 2020

PLN thousand	From – to	Remuneration	Awards*	Other benefits**	Total
Brunon Bartkiewicz	01.01.2020 – 31.12.2020	2 514.0	1 076.6	444.7	4 035.2
Michał Bolesławski	01.01.2020 – 31.12.2020	1 348.8	1 035.4	260.3	2 644.4
Joanna Erdman	01.01.2020 – 31.12.2020	1 348.8	912.1	234.7	2 495.6
Patrick Roesink	01.01.2020 – 31.03.2020	297.2	405.1	421.5	1 123.8
Marcin Giżycki	01.01.2020 – 31.12.2020	1 308.5	***707.6	246.6	***2 262.6
Bożena Graczyk	01.01.2020 – 31.12.2020	1 320.0	664.0	243.0	2 226.9
Lorenzo Tassan-Bassut	01.01.2020 – 31.12.2020	1 226.4	175.8	428.3	1 830.5
Soszynski Sławomir	01.01.2020 – 31.12.2020	1 080.0	64.7	192.9	1 337.6
Michał Mrozek	01.07.2020 – 31.12.2020	600.0	0.0	106.1	706.1
<b>Total</b>		<b>11 043.6</b>	<b>5 041.1</b>	<b>2 578.1</b>	<b>18 662.9</b>

\* The awards encompass: 1) a bonus under the Variable Remuneration Programme: for 2019 non-deferred cash, for 2017 the 1st tranche of deferred cash and for 2016 the 3rd tranche of deferred cash; and 2) phantom stocks under the Variable Remuneration Programme: for 2018 retained, for 2016 the 2nd tranche deferred, for 2015 the 3rd tranche deferred.

\*\* Other benefits include insurance, payments towards an investment fund, medical care, health insurance and other benefits awarded by the Bank's Supervisory Board.

\*\*\* Including the amount of PLN 53.5 thousand as a bonus paid by ING Securities S.A. under the Variable Remuneration Programme: for 2016 deferred cash the 3rd tranche and phantom stocks under the Variable Remuneration Programme: for 2016 the 2nd tranche deferred, for 2015 the 3rd tranche deferred.

Emoluments due to the members of ING Bank Śląski S.A.'s Management Board for 2020 under the Variable Remuneration Programme have not been awarded yet. In keeping with the Bank's remuneration system, the Bank's Management Board members may be entitled to a 2020 bonus to be paid out in 2021–2028. Accordingly, a provision was set up for the payment of the 2020 bonus for the Management Board members, which as at 31 December 2020 stood at PLN 9.6 million. The Bank's Supervisory Board will take a final decision on the amount of the bonus.

Employment contracts provide for benefits for all Bank Management Board Members being sixfold of their monthly base remuneration calculated for the last six months prior to the employment contract termination, if their term of office expires and they are not appointed for the next term of office or they are dismissed.

- an employment relationship be terminated under Article 52 of the Labour Code,
- an employment contract is terminated following the resignation of a Management Board member
- if a Management Board member or the entire Management Board has been suspended by the Polish Financial Supervision Authority under the Banking Law.

Furthermore, the Bank's Management Board members conclude non-competition agreements with the Bank to govern the rights and obligations of the parties to the agreement with regard to competitive activities during and after the expiry of the employment contract, during 12 months from the date of termination of the employment contract, with an option of the payment of non-competition compensation being twelvefold of the gross basic remuneration received by a Management Board member during the last year of the agreement term.

Should a Management Board member be dismissed for reasons substantiating the termination of an employment relationship without termination notice (pursuant to Article 52 of the Labour Code) or should a Management Board member or the entire Management Board of the Bank be suspended by the Polish Financial Supervision Authority

under the Banking Law, the non-competition compensation shall amount to 25% of the 12-month gross basic remuneration received in the last year of the agreement term.

If an employment relationship is terminated due to the resignation of a Management Board member, the non-competition compensation shall amount to 50% of the 12-month gross basic remuneration received in the last year of the agreement term, where the Supervisory Body authorises the Chairperson to increase the compensation over the above threshold.

The Management Board members and other individuals employed by ING Bank Śląski S.A. receive neither compensation nor awards for holding functions in the governing bodies of subsidiaries or affiliates of the ING Bank Śląski S.A. Group.

## Remuneration of Supervisory Board members

The fixed remuneration of members of the Supervisory Board consists of:

- basic salary,
- monthly fixed bonus for each additional function in the Supervisory Board or its committees by Members of the Supervisory Board. The bonus is fixed as a percentage of the basic salary.

In 2020, the total amount of remuneration (defined as in the case of the remuneration of the Bank's Management Board) due and paid by the Bank to the Supervisory Board members was PLN 852.1 thousand. PLN, while in 2019 it was PLN 840.0 thousand.

### Emoluments due and paid to members of the Supervisory Board of ING Bank Śląski S.A. in 2020

PLN thousand	From – to	Salaries and awards *	Other benefits	Total
Alexander Galos	01.01.2020 – 31.12.2020	263.8	0.0	263.8
Alexander Kutela	01.01.2020 – 31.12.2020	233.4	0.0	233.4
Antoni Reczek	01.01.2020 – 31.12.2020	354.9	0.0	354.9
Małgorzata Kołakowska	01.01.2020 – 31.12.2020	0.0	0.0	0.0
Michał Szczurek	01.01.2020 – 31.12.2020	0.0	0.0	0.0
Ad Kas	01.01.2020 – 02.04.2020	0.0	0.0	0.0
Norman Tambach	01.01.2020 – 02.04.2020	0.0	0.0	0.0
Susan Poot	01.05.2020 – 31.12.2020	0.0	0.0	0.0
Remco Nieland	01.05.2020 – 31.12.2020	0.0	0.0	0.0
<b>Total</b>		<b>852.1</b>	<b>0.0</b>	<b>852.1</b>

\* The remuneration and awards include the return of contributions to the Social Insurance Institution due to exceeding the annual basis of contributions for retirement and disability pension insurance in keeping with a decision by the Social Insurance Institution.

As at 2020 yearend, no member of the Bank's Management Board or Supervisory Board held any shares in ING Bank Śląski S.A. or in any associated company.

## Diversity Policy

Our Diversity Policy:

- defines diversity management focus areas at the Bank;
- lays down the way of diversity management at our Bank;
- integrates all actions, including processes, procedures and other documents, that are associated with diversity management at our Bank;
- ensures equal treatment and friendly work environment for all employees and candidates for employees;
- supports the organisation in building the awareness of the principles of equal treatment at work, which means no discrimination in any manner whatsoever, both direct and indirect, because of: gender, age, disability, health condition, race, nationality, ethnic origin, religion, denomination, irreligion, political convictions, trade union membership, sexual orientation, gender identity, family status, lifestyle, form, scope and basis of employment, other cooperation types and other triggers of discriminatory behaviours;

- pertains to all employees and candidates, regardless of the positions they hold, and especially to the Bank's authorities and key managers;
- is regularly monitored, every six months.

## Diversity policy for supervisory, managing and administrative bodies

ING Bank Śląski S.A. has a *Diversity Policy for ING Bank Śląski S.A. Management Board and Supervisory Board Members* in place. The Policy seeks to:

- reach a broad spectrum of competence when appointing Supervisory Board and Management Board members so as to have diverse points of view and experience and to facilitate independent opinions and reasonable decisions to be issued by a given body;
- ensure the high quality of tasks performed by managing bodies by way of selecting competent individuals to the Supervisory Board and Management Board, primarily applying objective business-related criteria and taking into account benefits stemming from diversity.

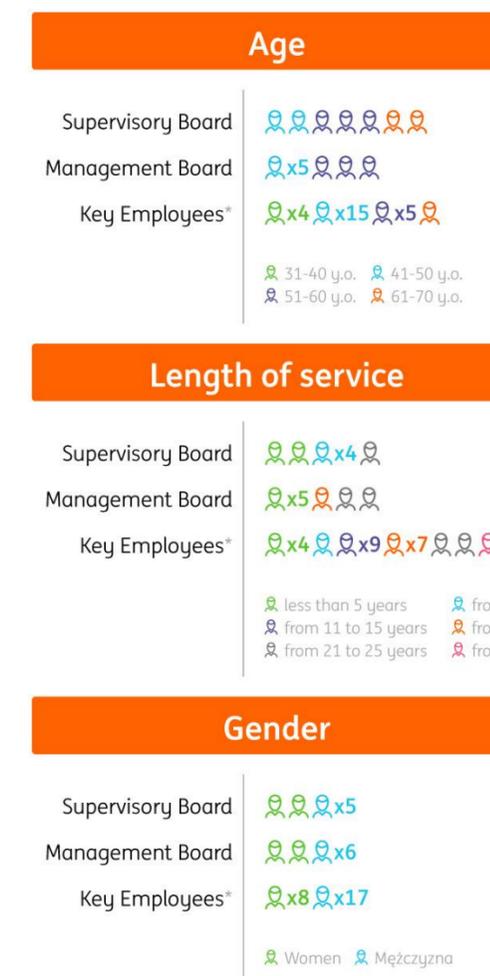
As regards business-related criteria, the diversity strategy ensures selection of persons with diverse knowledge, skills and experience, suitable for positions held by them and duties entrusted to them, who complement each other at the level of the Management Board and Supervisory Board. The criteria are verified in the suitability assessment process described in the *Policy for the assessment of the suitability of the members of the Supervisory Board, Management Board and key function holders at ING Bank Śląski S.A.* Moreover, apart from knowledge, competences and professional experience, the diversity policy covers gender- and age-related differences, and applies them to arrive at the best outcome.

The policy assumes aiming at ensuring representation of both genders in the processes of selection and succession plans, keeping in mind the laws on fair treatment while establishing employment relationship. The Remuneration and Appointment Committee of the Supervisory Board of ING Bank Śląski SA defines the target value of the representation of the underrepresented gender in the Bank's Management Board and Supervisory Board and adopts a plan aimed at

achieving the target value. The target value is determined according to the term of office of the Supervisory Board and the Management Board of the Bank, i.e. once every four consecutive full financial years counted from the beginning of the term of office of a given body.

Since the implementation of the Policy in 20219, the target value of the under-represented gender has been set at 30% of women and 70% of men (with a deviation of +/- 2%). The means to achieve the target value is to verify and update the database of successors. The target value is verified annually on the basis of reports prepared by HR units and presented to the Remuneration and Appointment Committee of the Supervisory Board of ING Bank Śląski SA. Where the target value is not met, the Bank will document the reasons, the measures that will be taken and the timing of such measures to ensure that the target is achieved.

As at 2020 yearend, the Management Board consisted of 2 women (25% of the number of Management Board members), and the Supervisory Board also comprised 2 women (29% of the number of Supervisory Board members).



\* Key functions at ING Bank Śląski S.A. are defined in accordance with the definition from item 15 of the EBA Guidelines and the Policy for the Assessment of the Suitability of the members of the Supervisory Board, Management Board and key function holders at ING Bank Śląski S.A.

## Bank and client safety

In recent years, we have proven that our bank's rapid organic growth does not come at the expense of deteriorating the quality of our assets. The speed and consistency of credit decisions made can be a competitive advantage. This is due to the entire organization as well as the experience and motivation of our employees. Due to the increasing use of modern technologies, the area of IT and data security of our clients is becoming more and more important.

### Risk and capital management system

GRI [103-1] [103-2] [103-3] [102-15]

#### Risk management system

The risk management system is an integrated set of rules, mechanisms and tools (including policies and procedures) relating to risk-related processes. The role of the risk management system is to constantly identify, measure or estimate and monitor the level of risk incurred by the ING Bank Śląski Group and to secure possible losses through appropriate control mechanisms, a system of limits and an adequate level of provisions (write-offs), as well as liquidity capitals and buffers.

As part of the risk management system, the ING Bank Śląski Group:

- applies formalised rules that are used to determine the size of undertaken risks and rules governing risk management,
- applies formalised procedures aimed at risk identification, measurement, or estimation that also includes a predictable risk level in the future,
- applies formalised limits that mitigate the risk and the rules of procedure if the limits have been exceeded,
- applies the adopted management reporting system that allows monitoring of the risk level,
- holds an organisational structure that is adapted to the risk scope and profile.

The risk and control structure in the ING Bank Śląski Group is based on the three lines of defence model. The model is to ensure a stable and effective framework for risk management by defining and implementing three levels of “risk management” with various roles, duties and responsibilities related to supervision.

- **First line of defence** – is responsible for risk analysis in its area of supervision, identification of risks and gaps, as well as development, implementation and execution of risk mitigation controls. These are business and organizational units of the bank that support business operationally and technologically.
  - **Second line of defence** – responsible for issuing regulations and providing risk management methods and tools, including defining and maintaining the risk management process and supporting the first line of defence during this process. As part of control activities, the Second Line of Defence makes its own independent assessment of the effectiveness of operations of the First Line of Defence by applying the following methods: inspections, tests, reviews, and other forms of control. It also supports the first line of risk assessment. The second line of defence consists of units from the area of:
    - operational risk,
    - compliance risk,
    - legal risk,
    - credit and market risk,
    - finances,
    - human resource management, and
    - Credit Risk Inspection Department and Model Validation Department (model risk).
  - **Third line of defence** – provides an independent assessment of the internal control system in relation to risks identified in the processes and the management of these risks by the first and second lines of defence.
- A special role in the risk management process is performed by the Bank's Management Board and Supervisory Board. The Bank operates a number of committees that are active in the management of specific risk types.

## Principles of risk management

ING Bank Śląski S.A. manages credit, market and operational risks in compliance with Polish law, regulations of the Polish Financial Supervision Authority and other authorised authorities as well as in compliance with the standards set by the ING Group to the extent that does not breach the regulations referred to above and best practice documents.

Irrespective of the need to assure regulatory and legal compliance, the Group treats credit, market and operational risk management as a fundamental and integral part of overall management of the Group.

## Internal Capital Adequacy Assessment Process

In the ING Bank Śląski S.A. Group, the process of identifying significant types of risk, the basic elements of their quantification and the principles of capital adequacy management are regulated by the Capital Management Policy at ING Bank Śląski S.A..

Relying on the document, the Group identifies the following risk types:

- permanently material risks – due to the nature of the Group's business they are and will remain material in the future. The nature of the Group's operations is understood as activities in the field of deposit and credit services and related to this activity: liquidity management, functioning in the macroeconomic environment, as well as risk management in terms of inadequate or unreliability of internal processes, people and technical systems or external events,
- material risks – which may generate potential losses with a frequency of occurrence of values qualifying them as material in compliance with the following table:

Risk classification as material					
Frequency	At least every year	immaterial	material	material	material
	At least once every 5 years	immaterial	immaterial	material	material
	Less than once in five years	immaterial	immaterial	immaterial	material
	Potential loss (PLN)	up to 0.2% of equity	0.2% to 1% of equity	1% to 5% of equity	in excess of 5% of equity

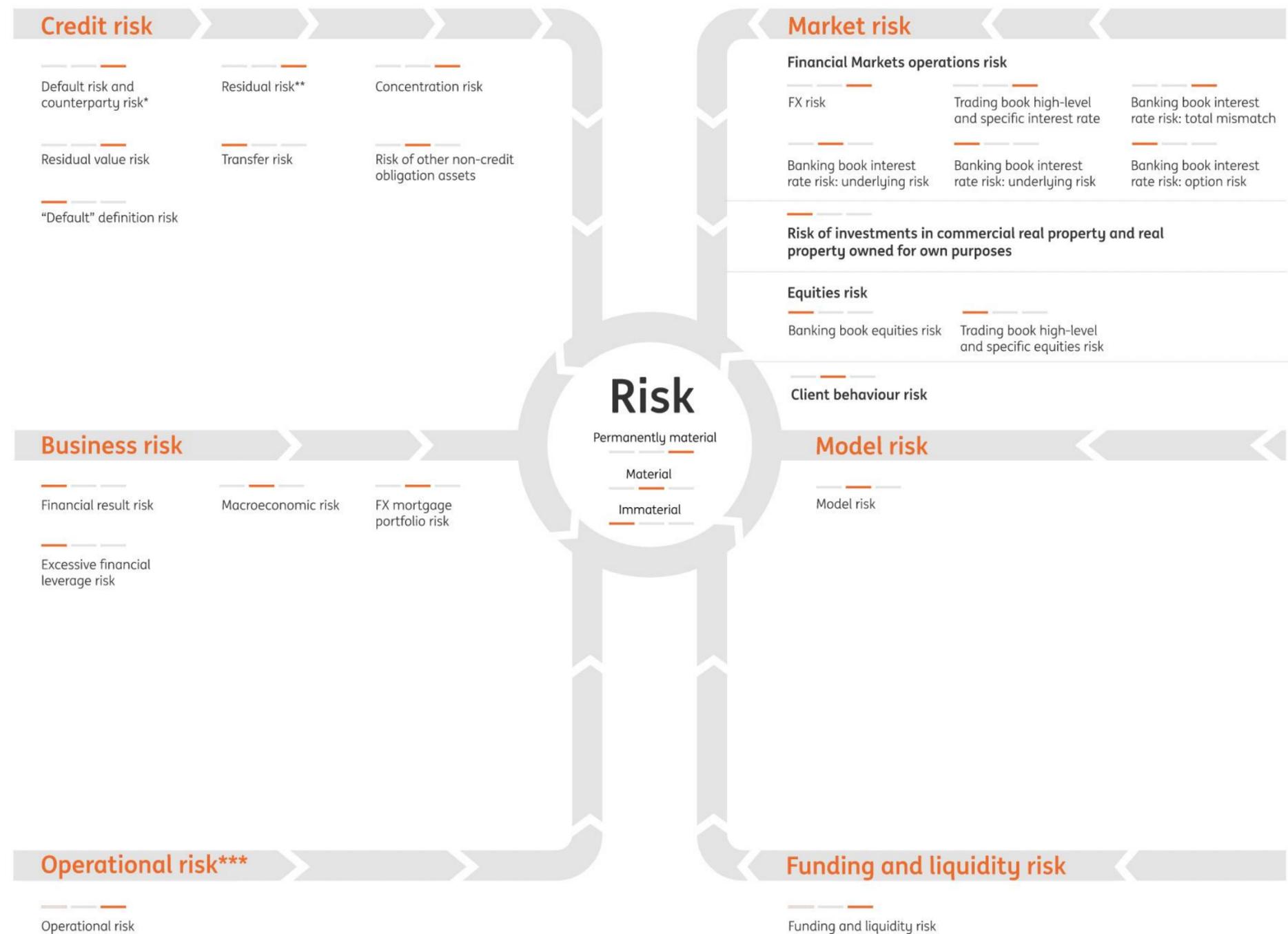
Each month the Group prepares standalone and consolidated reports containing accomplished and planned capital requirements related to all material risk types. The related information is provided the Asset and Liabilities Committee

(ALCO) and the Bank's Management Board. On a quarterly basis, the Supervisory Board is informed of the Bank's and Group's capital adequacy, including the adequacy of internal capital.

Once a year, a review of the internal capital adequacy assessment process (ICAAP) is performed and a review report is submitted to the Management Board and Supervisory Board of ING Bank Śląski S.A. Additionally, the internal audit unit performs an independent audit of ICAAP.

## Risk categories

In its ICAAP process, in Q1 2020 the Group held a workshop on risk materiality assessment. As a result, the Group assessed the significance of risks in accordance with the structure below.



\*The risk definition covers the delivery settlement risk;

\*\*Capital requirement quantified in the approach for the default risk and counterparty risk;

\*\*\*It includes, inter alia, the compliance risk and legal risk as well as the IT risk managed within that risk.

## Risk appetite

Risk appetite determines the maximum risk volume which the Group is ready to accept thus supporting stability and further development. As part of risk and capital management, the Group determines risk appetite parameters (the so-called RAS – Risk Appetite Statement) in the following basic areas:

- RAS covering capital adequacy,
- RAS covering liquidity and funding risk and market risk,
- RAS covering credit risk,
- RAS covering operational risk.

The Group's capital adequacy RAS was established in 2020 for the following capital ratios:

- core capital ratio Tier 1 (CET1) at the minimum level of 10.5%,
- Tier 1 (T1) at the minimum level of 12%, and
- total capital ratio (TCR) at the minimum level of 14%.

RAS concerning capital adequacy results from the duty to maintain minimum levels of capital ratios resulting from the following external regulations:

- Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (4.5% for CET1, 6% for T1 and 8% for TCR),
- Act of 5 August 2015 on macro-prudential supervision over the financial system and crisis management in the financial system sanctioning additional equity buffers, including:
  - the conservation buffer, which in 2020 (similarly to 2019) amounted to 2.5%,
  - the buffer of another systemic institution of 0.5% imposed by the decision of PFSA of 19 December 2017 and reiterated in PFSA's letters of 2 August 2018 and 19 August 2019, remaining at the same level also on 2020,
  - a countercyclical buffer to be applied to exposures to which that buffer has been imposed by competent authorities. The countercyclical buffer varies over time depending on the structure of the relevant exposures and the levels of the countercyclical buffer rates imposed on the relevant exposures (at the end of December 2020 the countercyclical buffer was effectively 0.002%, compared to 0.002% at the end of December 2019),

- Regulation of the Minister of Development and Finance of 1 September 2017 on the systemic risk buffer introducing a systemic risk buffer in the amount of 3% of the total risk exposure amount, applicable to all exposures located in the territory of the Republic of Poland (on 18 March 2020, the Regulation of the Minister of Finance was published, repealing the regulation on the systemic risk buffer, however, following a prudent approach, the Group did not lower the RAS limits by the amount of the systemic risk buffer).

As part of the RAS on capital adequacy, capital limits are also established for individual types of risk.

## Economic capital, equity and capital requirement

### Economic capital

The ING Bank Śląski S.A. Group currently estimates capital for the following types of risk:

- default and counterparty risk and residual risk,
- risk of remaining non-credit assets,
- concentration risk,
- residual value risk,
- currency risk,
- general and specific risk of interest rates in the trading book,
- interest rate risk in the banking book: residual convexity risk,
- interest rate risk in the banking book: complete mismatch,
- client behaviour risk,
- macroeconomic risk,
- FX mortgage portfolio risk,
- liquidity and funding risk,
- model risk,
- operational risk.

The definitions of these risks are presented in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for 2020.

In 2019 and 2020, the level of equity was above the level of internal capital.

## Equity

The own funds of the ING Bank Śląski Group consist of:

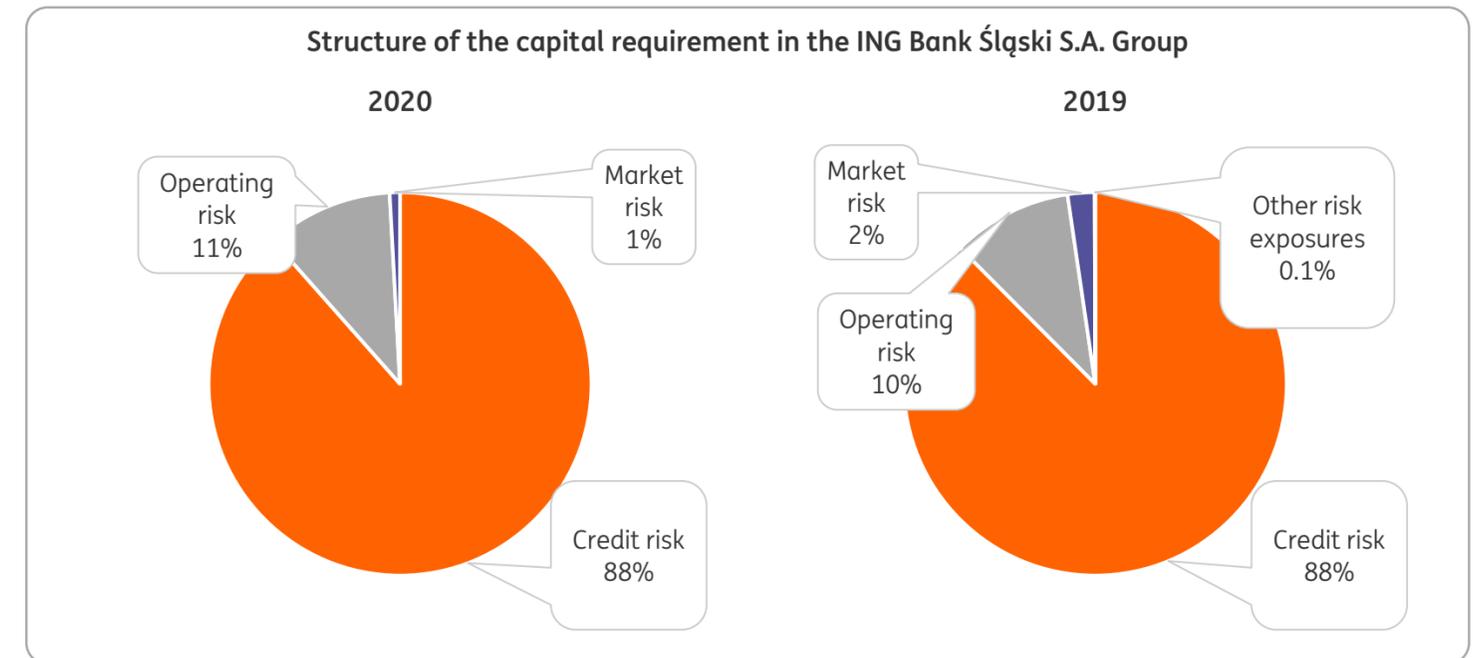
- Common Equity Tier 1 capital, which at the end of 2020 amounted to PLN 14,086.5 million,
- Tier 2 capital, which at the end of 2020 amounted to PLN 2,307.4 million.

As at 31 December 2020, the Group does not identify additional Tier 1 capital (AT1).

## Capital requirement

For reporting purposes in 2020 and 2019, the Group used the advanced internal ratings method and the standardized method to calculate the capital requirement for credit risk. The Group obtained consent of the Polish Financial Supervision Authority and of the Dutch National Bank to apply the advanced internal rating method (AIRB) for the following exposure classes: corporates and credit institutions for the Bank and ING Lease Sp. z o.o. In the area of operational risk, from June 2020, the Group uses the standardized approach (TSA). In the area of market risk, the Group uses the basic method and the updated average payback method (depending on the type of risk). Additionally, the Group determines capital requirements relating to concentration risk, settlement risk and adjustment risk or credit valuation (CVA). In all the cases, the requirements are determined in compliance with the

The total capital requirement is dominated with the requirement relating to credit risk. At the end of 2020 and 2019, it accounted for as much as 88% of the total requirement.

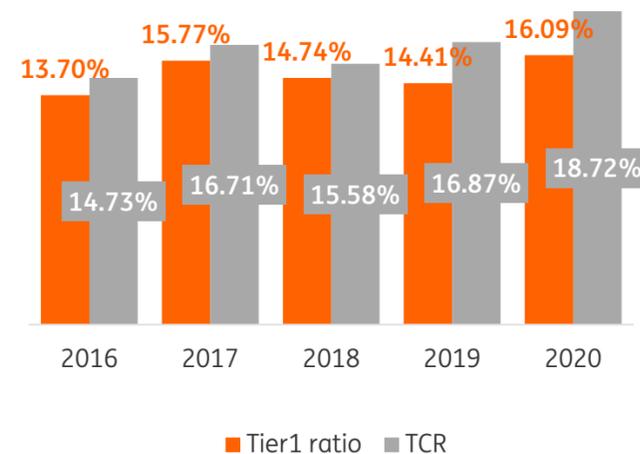


## Capital adequacy

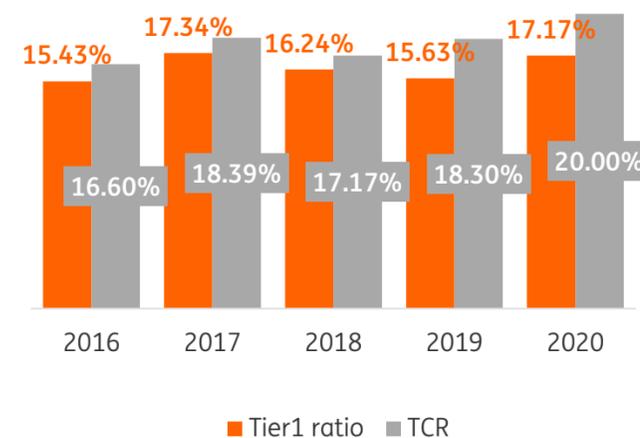
On 31 December 2020, the TCR value for the ING Bank Śląski Group was 18.72% compared to 16.87% at the end of 2019, and the Tier 1 ratio was 16.09% compared to 14.41% at the end of December 2019. The changes to the capital ratios is due to the following factors:

- incorporation in equity of net profit generated in 2019 after the General Meeting has approved a resolution on 2019 profit distribution net of the amount classified by the Bank to equity during 2019 (PLN 809.4 million) and a part of the Bank's profit for the first 6 months of 2020 (PLN 465.4 million),
- taking into account the impact of IFRS 9,
- taking into account additional amenities in connection with the so-called CRR2 quick-fix,
- increase in business volumes and operating activities.

Capital ratios for the ING Bank Śląski S.A. Group



Capital ratios for ING Bank Śląski S.A.



In its calculations of capital ratios, the Group was applying interim regulations mitigating the implementation effects of IFRS 9 on equity. If the impact of the implementation of IFRS 9 is fully recognized at the end of 2020:

- at the consolidated level, the total capital ratio would be 18.48%, and the Tier 1 capital ratio at the level of 15.69% (compared to 16.64% and 14.18% respectively in 2019),
- at the unit level, the total capital ratio would be 19.74%, and the Tier 1 capital ratio at 16.75% (compared to 18.05% and 15.38% respectively in 2019).

## Stress tests

In accordance with the Policy of conducting stress tests at ING Bank Śląski S.A., the Group conducts stress tests for economic capital and capital requirement. The results of the stress tests are submitted to ALCO, the Bank's Management Board and the Bank's Supervisory Board.

As at 30 June 2020, the Bank held stress tests on a consolidated basis relying on assumptions developed by the Chief Economist. The stress tests covered:

- scenario tests: mild recession scenario and long-term recession scenario,
- sensitivity tests (an increase in the interest rate by 400 bp and 200 bp; a decline in real estate prices by 30%; a weakening of the zloty exchange rate by 30% and 50%; a decline in GDP growth

- down to -8%; increase in the unemployment level to 20%; drop in wages by 10%; drop in demand to -10%),
- concentration tests,
- tests of financial leverage ratio.

As a result of the completed stress tests, the Group receives information on changes to capital requirements, economic capital and equity in case of occurrence of the assumed macroeconomic parameters.

## Dividend policy

The Bank's dividend policy provides for the following:

- stable dividend payouts over a long time horizon subject to the principle of prudent management and compliance with all regulatory requirements applicable to the Bank,
- possibility of dividend payouts from capital surplus over the minimum capital adequacy ratios and above the minimum levels of capital ratios determined by the Polish Financial Supervision Authority ("PFSA") for dividend payouts.

Determining the proposed amount of dividend, the Management Board takes the following into account in particular:

- the current economic and financial condition of the Bank and the Bank's Group, including limitations when financial losses are generated or in case of low profitability (low return on assets/equity),
- assumptions underlying the management strategy of the Bank and the Bank's Group, including risk management strategy,
- PFSA's position on banks' dividend policies,
- limitations resulting from art. 56 of the Act of 5 August 2015 on macroprudential supervision over the financial system and crisis management in the financial system.

### PFSA's guidelines with respect to dividend for 2020

On 16 December 2020, the Polish Financial Supervision Authority approved its position on dividend policies of banks in 2021 (dividend for 2020). With a view to:

- significant uncertainty as to the further development of the COVID-19 pandemic,
- the transitional nature of solutions used by banks to improve their capital position during a pandemic,

- cautious approach by European regulators to dividends and other forms of reducing capital resources,
- amendment of the EBA guidelines extending moratoria,

The Polish Financial Supervision Authority considered it necessary to suspend the payment of dividends in the first half of 2021.

The full text of the PFSA's position on the dividend in 2021 (for 2020) is available on the PFSA website at [this link](#).

The position of the Polish Financial Supervision Authority regarding the possibility of paying dividends in the second half of 2021 will be presented at a later date.

### Declared dividends

In accordance with the [current report of 15 January 2021](#), the Management Board of our bank adopted a resolution in which it declared that it would take action to apply the individual recommendation of the Polish Financial Supervision Authority regarding the Bank's dividend policy in the first half of 2021. This resolution was adopted in connection with the recommendations of the Polish Financial Supervision Authority, which were formulated in the letter received by the Bank on 14 January 2021. In this letter, the PFSA recommends:

- the Bank suspends the payment of dividends in the first half of 2021 (including retained earnings from previous years),
- the Bank's failure to undertake, in the first half of 2021, without prior consultation with the supervisory authority, other activities beyond the scope of current business and operating activities, which may result in a reduction in the capital base, including buyouts of own shares.

As part of this letter, the PFSA also informed that its position on the dividend policy of commercial banks in the second half of 2021 will be presented separately after analysing the situation of the banking sector in the first half of the year.

On 18 January 2021, the Supervisory Board gave a positive opinion on the position of the Management Board expressed in the Resolution of 15 January 2021.

### History of paid dividends

In 2020, ING Bank Śląski did not pay dividends from the profit for 2019.

Originally, according to the [current report of 6 February 2020](#), the Management Board announced its intention to recommend to the General Meeting to allocate 30% of the Bank's unit profit to dividend payment. Then, [according to](#)

[the current report of 5 March 2020](#), the Management Board presented a proposal for a resolution to the General Meeting to allocate PLN 494.38 million from the profit for 2019 to dividends (30% of net profit; dividend per share is PLN 3.80 gross).

On 26 March 2020, according to the information contained in the [current report of 27 March 2020](#), the Bank received a letter from the Polish Financial Supervision Authority regarding the payment of dividends by banks. In this letter, the Polish Financial Supervision Authority expresses the expectations that – regardless of all decisions already made – banks will retain the entire profit generated in previous years, in connection with the announcement of the epidemic in Poland and possible further negative economic consequences of this state. In view of the above, the Bank's Management Board decided to change the motion regarding the distribution of profit for 2019 and the draft resolution submitted to the General Meeting on the distribution of the profit for 2019 in such a way that the amount previously allocated to dividend, i.e. PLN 494.38 million, will be left undivided. As a consequence of the above, the Management Board of the Bank also decided to withdraw the draft resolution of the General Meeting regarding the payment of dividends. [The resolution of the General Meeting](#) in the above scope – leaving the amount of PLN 494.38 million from the net profit for 2019 as undivided – was adopted by the General Meeting on 2 April 2020.

The history of dividends paid in the last five years is shown in the table below. The full story is available on [our website](#).

#### Brief history of dividend payment by ING Bank Śląski S.A.

	2015	2016	2017	2018	2019
Dividend amount in a given year (PLN million)	559.4	0	416.3	455.4	0
Dividend amount per share (PLN)	4.30	0	3.20	3.50	0
Dividend payment rate (to consolidated profit)	49.6%	0%	29.7%	29.8%	0%
Dividend payment rate (to the share price on the dividend rights acquisition day)	3.5%	0%	1.7%	1.8%	0%

### Remedy plan and enforced restructuring

On 29 July 2020, the Group submitted to the Polish Financial Supervision Authority an updated Repair Plan document for the ING Bank Śląski S.A. Group. In the process of issuing the administrative decision on its approval by the Polish Financial Supervision Authority the Bank Guarantee Fund participated and provided its opinion. The recovery plan complies with the provisions of Polish law transposing the requirements of the BRR Directive, i.e. the Act on the Banking Guarantee Fund of 10 June 2016 and the implementing provisions to this act.

Parallel to works by the Bank on the Remedy Plan, BGF – in line with the Act – is obliged to develop, update and review the feasibility of Enforced Restructuring Plans for domestic entities. BFG in its letter of 12 March 2020 informed that in cooperation with the Single Resolution Board (SRB) adopted a joint decision specifying the minimum requirement for own funds and eligible liabilities (MREL) at the consolidated level for ING Bank NV and at the sub-consolidated level for ING Bank Śląski S.A. For the ING Group, a restructuring strategy was adopted with a Single Point of Entry (SPE), according to which the restructuring entity is ING Bank NV. The preferred resolution tool, according to the group plan, is debt write-off or bail-in.

BFG in cooperation with SRB set the target MREL requirement for the Bank at the level of 21.28% of risk-weighted assets (11.679% of total equity and liabilities). The MREL requirement, according to the current BFG methodology for the bail-in strategy for risk-weighted assets, can be estimated using the formula:

$$(CRR_{TCR} + BFX + OSII) + [1 - (CRR_{TCR} + BFX + OSII)] * (CRR_{TCR} + BFX + OSII + BZ + BRS + BA)$$

- $CRR_{TCR}$  – The minimum required by CRR with respect to the total capital ratio,
- BFX – Pillar 2 or add-on for exposures under FX mortgage loans,
- OSII – Buffer of another systemically-important institution,
- BZ – Capital conservation buffer,
- BRS – Systemic risk buffer,
- BA – Countercyclical buffer.

The restructuring strategy and the MREL requirement may be subject to changes, in particular in connection with the work within supervisory colleges, including the update of joint supervisory decisions, as well as the introduction of the so-called Banking package (CRR2, BRRD2 and CRD V).

## Credit risk

### Introduction

Credit risk is understood as:

- the risk of the Group incurring a financial loss as a result of the debtor's failure to meet its credit obligations towards the Group in full and on time, or

- a risk of reduced economic value of credit exposures or groups of credit exposures as a result of impaired ability of debtors to service their debt at the agreed time.

The Group's policy regarding the risk of the portfolio of credit exposures takes into account the fact that the activities generating credit risk may also be associated with other types of risk, i.e. liquidity, market, operational, environmental, social, legal and reputational risk, which may be mutually reinforcing.

The Group optimises and mitigates losses relating to risk exposure by:

- setting internal limits,
- an adequate structure of credit products,
- applying collateral,
- applying functional controls,
- effective monitoring, restructuring and collection,
- monitoring of changes to the clients' credit worthiness and reliability,
- regular monitoring and validation of models used to identify and measure credit risk,
- performing analyses of trends and the values of key risk indicators.

The Group's core objective in the process of credit risk management is to support effective accomplishment of business goals by active risk management and efforts supporting organic growth while:

- maintaining a secure level of solvency and liquidity and an adequate level of provisions,
- ensuring compliance with the law and supervisory requirements.

The Group manages credit risk in an integrated manner on the basis of:

- strategic planning,
- a coherent system of limits, policies and procedures, and
- tools for risk management, including those to identify, measure and control risks.

This integrated system consists of all processes in the Group carried out in connection with lending activities.

Detailed credit risk management objectives are as follows:

- support to business initiatives,

- maintenance of credit losses at a pre-determined level,
- ongoing verification, review of adequacy and development of the applied procedures, models and other elements of the risk management system,
- adaptation of activities to the changing external conditions,
- maintenance of an adequate level of capital requirements related to credit risk and provisions,
- ensuring compliance with the regulator's requirements.

## Credit risk management strategy

The credit risk management strategy supports the implementation of business goals while maintaining a safe level of the bank's solvency and liquidity and an adequate level of provisions. The strategy is determined in order to ensure an optimum development of the credit portfolio while maintaining an adequate quality and profitability of credit operations and capital allocation. The main objective of defining the credit risk management strategy is to optimize the relationship between risk and return on equity, taking into account information about the current and future macroeconomic environment, the bank's portfolio and the level of RAS limits implementation.

The credit risk management strategy takes into account the "look to the future", including the need to remain competitive, attractive and develop the bank's offer.

### Risk Appetite Statement (RAS)

RAS is the bank's risk appetite, which is defined by setting key and detailed limits. Determining and monitoring the level of risk appetite (RAS parameters) is an integral part of the bank's planning process and the bank's management of concentration risk.

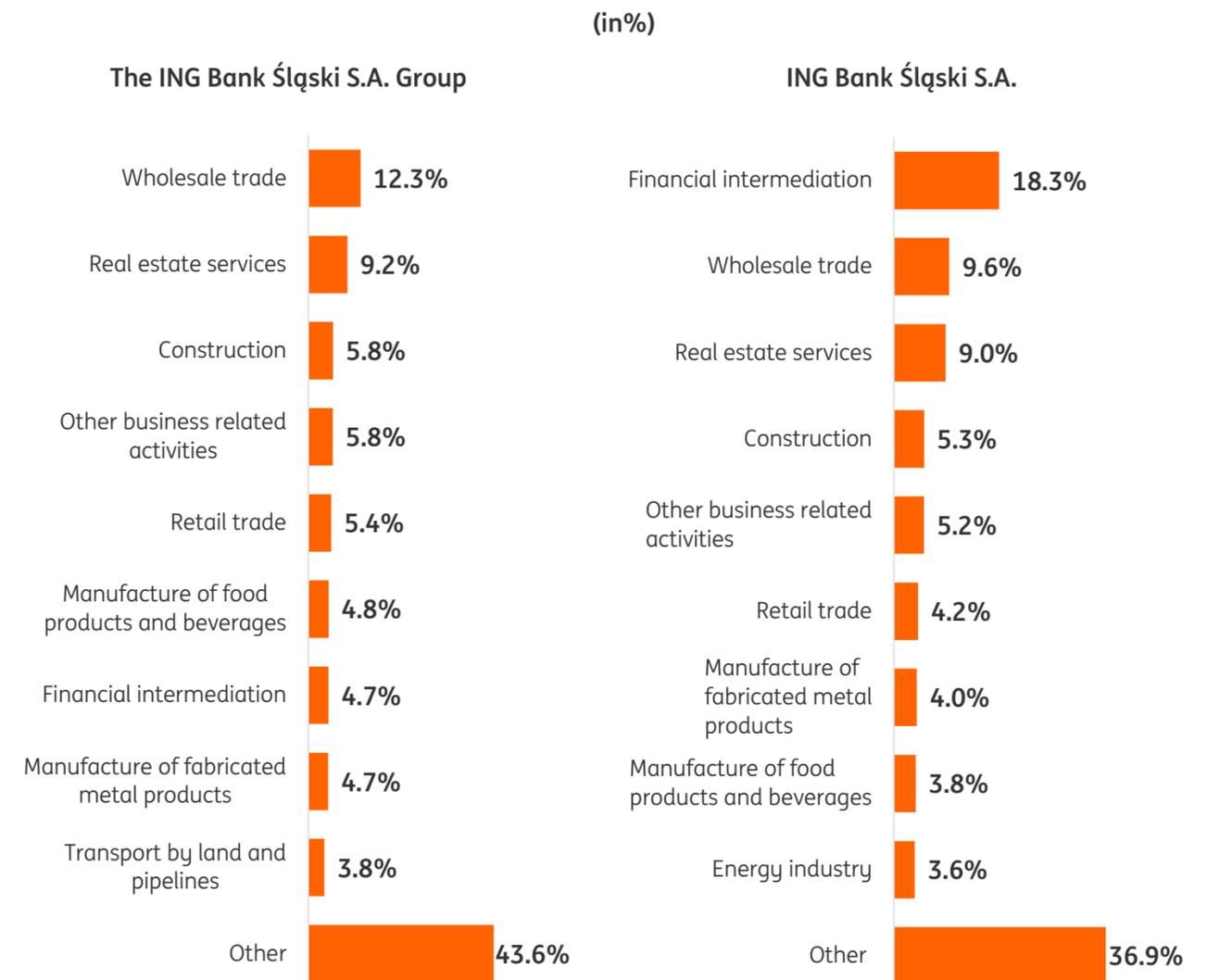
Types of RAS limits for credit risk:

- limits of portfolio volume,
- limits for the risk parameters of the portfolio and new sales,
- concentration limits, including limits for the portfolio of mortgage-secured credit exposures resulting from the requirements of the "Recommendation S" of the Polish Financial Supervision Authority.

In addition to RAS limits, the bank sets credit risk limits for individual areas, business lines, products and transaction limits, which are accepted by the relevant credit decision maker. Additionally, internal concentration limits are set

with regard to sectors of the economy, accepted forms of collateral, regions and mortgage-secured credit exposures. The ongoing execution of RAS limits is monitored and reported during the year on a monthly basis.

### Structure of the non-banking portfolio of corporate clients – balance sheet and off-balance sheet exposure



## Credit risk management process

Credit risk management is an ongoing process which includes all the bank's activities related to its lending activities.

All units and persons that perform tasks in the credit process closely cooperate in order to:

- improve the effectiveness of risk management, and
- maintaining the risk at a level consistent with the strategy, risk appetite and financial plans of the bank as well as the approved RAS level.

The credit risk management process is carried out in the bank within three organizationally and functionally independent lines of defence.

The Bank applies organisational solutions providing for separation of the sales functions of banking products from the risk underwriting functions at all levels of the organisational structure, including the Bank's Management Board. The separation of the monitoring functions and risk control of credit exposures (including concentration risk) from the sales functions of banking products and the risk underwriting functions is maintained below the level of the Bank's Management Board; for retail credit exposures – also at the level of the Management Board.

In case of simplified, automatic credit process paths, the separation of the sales functions of banking products from the risk underwriting functions of credit exposures relies on the independence of the development and validation process of tools supporting the process of risk underwriting from the sales and operational functions. Competences with respect to credit decisions relating to individual credit transactions are separated from decision authority on the development of credit policies and credit risk management principles.

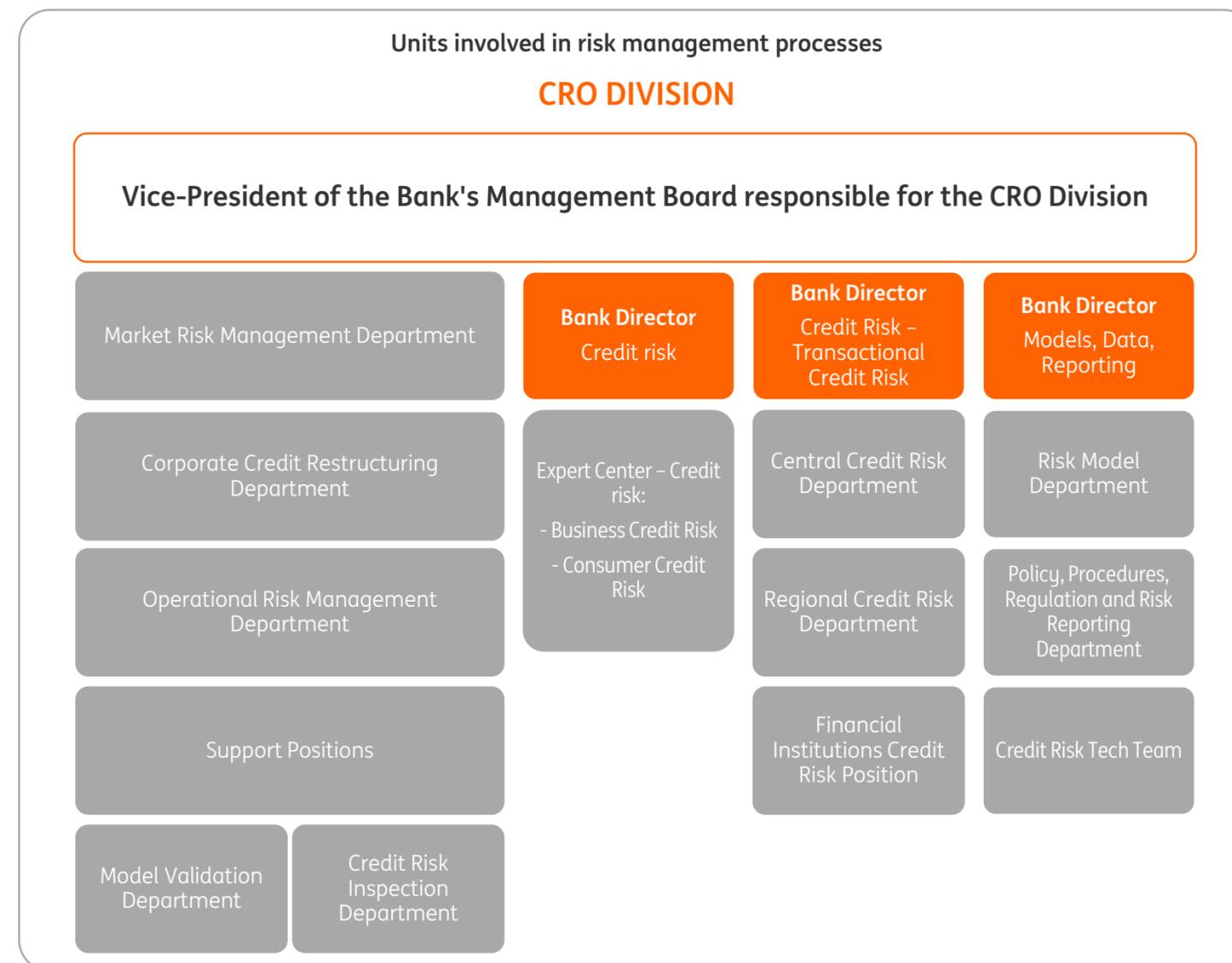
## Risk management organisational structure

Within the CRO Division (Chief Risk Officer, Vice-President of the Management Board Responsible for Risk), three areas of credit risk have been distinguished, reporting to the Directors of the Bank:

- Transactional Credit Risk, including:
  - Central Credit Risk Department,
  - Credit Risk Department in the Regions,
  - Financial Institutions Credit Risk Position.
- Expert Centre – Credit Risk, including:
  - Consumer Credit Risk
  - Business Credit Risk
- Models, Data and Reporting, including:

- Risk Model Department,
- Policy, Procedures, Regulation and Risk Reporting Department,
- Credit Risk Tech Team.

Each of these areas exercises control and supervision over the scope of the bank's activities entrusted to it and the risk management process.



More detailed information on the principles of lending activities, credit risk management and the risk management system can be found in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for 2020.

## The quality of the loan portfolio

### Share of receivables at stage 3 and POCI

In 2020, the quality of our loan portfolio slightly deteriorated compared to 2019. The share of Stage 3 loans and POCI in our Bank's Group rose from 3.0% at the end of 2019 to 3.3% at the end of 2020. The value of Stage 3 loans and POCI in the Group amounted to PLN 4,149.0 million compared to PLN 3,528.8 million

at the end of 2019 (increase by 17.6%).

Invariably for many years, the quality of our Bank's loan portfolios is significantly higher than the average in the entire banking sector. The share of Stage 3 receivables in the sector at the end of the year was 6.5%.

Importantly, both our retail and corporate loans are of a higher credit quality than the respective averages for the entire banking sector. At the end of 2020, the share of loans in stage 3 and POCI in the retail segment in the ING Bank Śląski Group amounted to 1.9% compared to 4.9% for the sector. The corresponding ratios for the corporate segment are, respectively, 4.4% for the ING Bank Śląski Group and 8.4% for the sector.

Share of impaired loans/Stage 3 loans and POCI at ING Bank Śląski

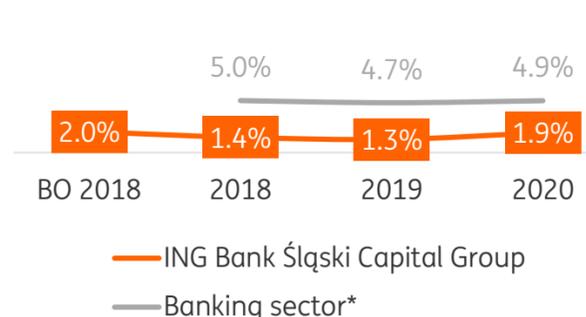
Group against sector average\*



\* PFSA data-based estimates

Share of Stage 3 loans and POCI

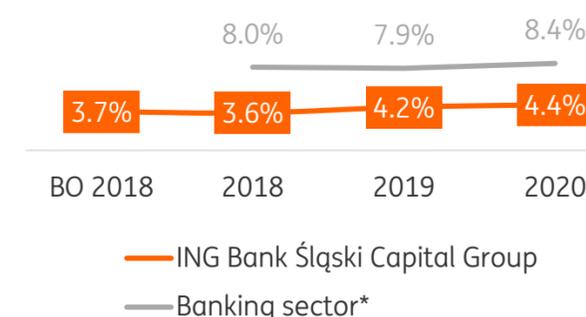
in retail portfolio



\* estimate based on PFSA data

Share of Stage 3 loans and POCI

in corporate portfolio



In 2020, the quality of our loan portfolio, in addition to the increase in business volumes and prudent lending policy, was also affected by the sale of receivables classified as loans in stage 3 (within the corporate segment). The total amount of receivables sold (principal, interest, other costs as of the contract date) was PLN 8.9 million, of which PLN 8.3 million concerned receivables representing credit commitment.

**Quality of the portfolio of receivables granted to clients\* of the ING Bank Śląski Group**

	2018	2019	2020	Change 2020 / 2019 PLN million	%
<b>PLN million</b>					
<b>Total commitment</b>	<b>104,226.8</b>	<b>118,277.0</b>	<b>125,992.4</b>	<b>7,715.4</b>	<b>+6.5%</b>
Stage 1 and 2	101,321.8	114,746.7	121,839.9	7,093.2	+6.2%
Stage 3 and POCI	2,905.0	3,530.3	4,152.5	622.2	+17.6%
Impairment charges and provisions	2,270.0	2,446.0	3,270.3	824.3	+33.7%
Extract for stage 1 and 2	539.0	537.0	751.8	214.8	+40.0%
Extract for stage 3 and POCI	1,731.0	1,909.0	2,518.5	609.5	+31.9%
Portfolio share in stage 3 and POCI	2.8%	3.0%	3.3%	-	+0.3 p.p.
Portfolio coverage ratio in stage 3 and POCI	59.6%	54.1%	60.7%	-	+6.6 p.p.
<b>Commitment – corporate banking</b>	<b>64,385.5</b>	<b>69,916.7</b>	<b>70,159.9</b>	<b>243.2</b>	<b>+0.3%</b>
Stage 1 and 2	62,057.5	66,995.0	67,064.3	69.3	+0.1%
Stage 3 and POCI	2,328.0	2,921.7	3,095.6	173.9	+6.0%
Impairment charges and provisions	1,524.4	1,686.0	2,183.2	497.2	+29.5%
Extract for stage 1 and 2	218.0	211.9	419.8	207.9	+98.1%
Extract for stage 3 and POCI	1,306.4	1,474.1	1,763.4	289.3	+19.6%
Portfolio share in stage 3 and POCI	3.6%	4.2%	4.4%	-	+0.2 p.p.
Portfolio coverage ratio in stage 3 and POCI	56.1%	50.5%	57.0%	-	+6.5 p.p.
<b>Commitment – Retail Banking</b>	<b>39,841.3</b>	<b>48,360.3</b>	<b>55,832.5</b>	<b>7,472.2</b>	<b>+15.5%</b>
Stage 1 and 2	39,264.3	47,751.7	54,775.6	7,023.9	+14.7%
Stage 3 and POCI	577.0	608.6	1,056.9	448.3	+73.7%
Impairment charges and provisions	745.6	760.0	1,087.1	327.1	+43.0%
Extract for stage 1 and 2	321.0	325.1	332.0	6.9	+2.1%
Extract for stage 3 and POCI	424.6	434.9	755.1	320.2	+73.6%
Portfolio share in stage 3 and POCI	1.4%	1.3%	1.9%	-	+0.6 p.p.
Portfolio coverage ratio in stage 3 and POCI	73.6%	71.5%	71.4%	-	-0.1 p.p.

\*excluding other receivables

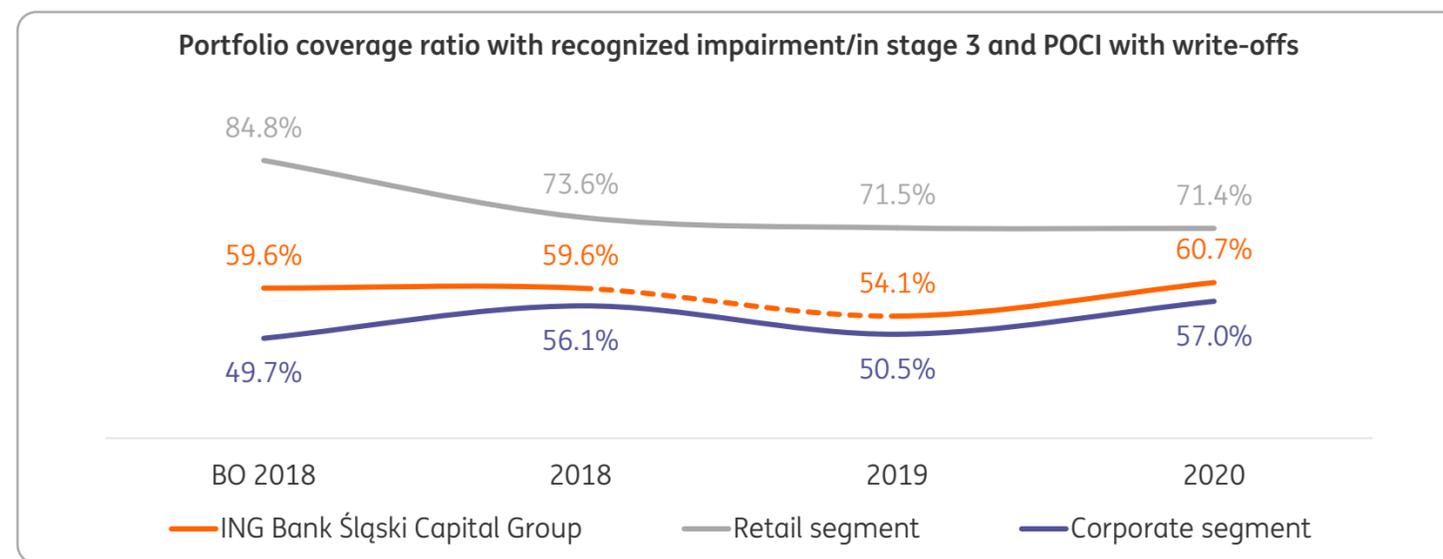
**Quality of the portfolio of receivables granted to clients\* of ING Bank Śląski**

	2018	2019	2020	Change 2020 / 2019 PLN million	%
<b>PLN million</b>					
<b>Total commitment</b>	<b>100,067.6</b>	<b>102,488.0</b>	<b>106,779.9</b>	<b>4,291.9</b>	<b>+4.2%</b>
Stage 1 and 2	97,600.6	99,619.1	103,322.2	3,703.1	+3.7%
Stage 3 and POCI	2,467.0	2,868.9	3,457.7	588.8	+20.5%
Impairment charges and provisions	2,110.8	2,260.6	2,987.7	727.1	+32.2%
Extract for stage 1 and 2	520.3	522.5	690.4	167.9	+32.1%
Extract for stage 3 and POCI	1,590.5	1,738.1	2,297.3	559.2	+32.2%
Portfolio share in stage 3 and POCI	2.5%	2.8%	3.2%	-	+0.4 p.p.
Portfolio coverage ratio in stage 3 and POCI	64.5%	60.6%	66.4%	-	+5.8 p.p.
<b>Commitment – corporate banking</b>	<b>60,226.3</b>	<b>65,193.1</b>	<b>65,586.4</b>	<b>393.3</b>	<b>+0.6%</b>
Stage 1 and 2	58,336.3	62,932.2	63,170.5	238.3	+0.4%
Stage 3 and POCI	1,890.0	2,260.9	2,415.9	155.0	+6.9%
Impairment charges and provisions	1,365.2	1,504.7	1,922.5	417.8	+27.8%
Extract for stage 1 and 2	199.4	201.4	372.4	171.0	+84.9%
Extract for stage 3 and POCI	1,165.8	1,303.3	1,550.1	246.8	+18.9%
Portfolio share in stage 3 and POCI	3.1%	3.5%	3.7%	-	+5.7 p.p.
Portfolio coverage ratio in stage 3 and POCI	61.7%	57.6%	64.2%	-	+11.5 p.p.
<b>Commitment – Retail Banking</b>	<b>39,841.3</b>	<b>37,294.9</b>	<b>41,193.5</b>	<b>3,898.6</b>	<b>+10.2%</b>
Stage 1 and 2	39,264.3	36,686.9	40,151.7	3,464.8	+9.4%
Stage 3 and POCI	577.0	608.0	1,041.8	433.8	+71.4%
Impairment charges and provisions	745.6	755.9	1,065.2	309.3	+40.9%
Extract for stage 1 and 2	320.9	321.1	318.0	-3.1	-1.0%
Extract for stage 3 and POCI	424.7	434.8	747.2	312.4	+71.9%
Portfolio share in stage 3 and POCI	1.4%	1.6%	2.5%	-	+56.3 p.p.
Portfolio coverage ratio in stage 3 and POCI	73.6%	71.5%	71.7%	-	+0.3 p.p.

\*excluding other receivables

## Coverage of stage 3 portfolio with allowances

At the end of December 2020, the ING Bank Śląski Group had provisions for the loan portfolio in stage 3 and POCI in the amount of PLN 2,518.5 million. The coverage of the stage 3 and POCI loan portfolio with allowances was 60.7%.



## Risk cost

In 2020, there was a significant y/y increase in the risk cost margin ratio (ratio of the write-off for net loan provisions and provisions for legal risk of FX mortgage loans to the gross loan portfolio). More information on the cost of risk is provided in the section [Our financial results](#).

## Types of applied credit risk collaterals

In order to secure the risk related to lending activities, the bank accepts personal and material security in various forms, e.g. a bank guarantee, surety under civil law, blank promissory note, promissory note surety, assignment of receivables, mortgage, registered pledge, ordinary pledge, transfer of title. as security, transferring a specific amount to a bank account, blocking funds on a bank account.

At the end of 2020, the value of Basel2 collaterals on the accounts or assets of the borrowers amounted to PLN 155,518.3 million (of which 68.7% were mortgages) for the ING Bank Śląski S.A. Group and PLN 126,150.7 million (of which 78.8 % are mortgages) for ING Bank Śląski S.A.

## Main changes in the lending policy in 2020

The changes introduced in 2020 to the bank's lending policy were aimed at ensuring the correct and stable functioning of the credit risk management system in the changing legal, economic and business environment, and at its continuous improvement. Additionally, another objective was to ensure compliance of the policy with the approved credit risk appetite. The modifications provided inter alia for the overall economic situation in Poland and the financial condition of each borrower group.

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

Currently, the new definition of default is used in all credit and management processes at ING Group, in line with supervisory expectations. The new requirements apply in particular to the method of counting the number of days past due, materiality thresholds initiating the calculation of days past due and premises underlying default and criteria to exit default. Its comprehensive implementation in the Capital Group included the adaptation of systems and applications, reporting and regulation rules, building a local "Default Engine" to calculate arrears in accordance with the EBA Guidelines.

## Objectives of the modifications

- Further improvement of the effectiveness of credit processes while ensuring adequate mechanisms to identify, measure and control credit risk.
- Increasing the attractiveness of the loan offer for the bank's clients, assuming that the level of credit risk is kept at an acceptable level.
- Adjusting the bank's internal regulations to changes in the legal environment.
- Further development of credit risk reporting and monitoring systems to support quick and effective risk identification and measurement.
- Further reinforcement of active management of sectoral policies by:

- quarterly reviews of the situation in individual economic sectors, and
- differentiating the principles of lending policy on the basis of qualifying clients to specific sector risk groups (preferred, neutral, watch and non-preferred sectors),
- Counteracting the effects of the COVID-19 pandemic.

### Main changes in the lending policy in the retail client segment

- Introducing the possibility of accepting documents with a qualified electronic signature in the credit process.
- Conducting periodic updates of creditworthiness assessment parameters in all retail segments.
- With reference to consumer loans:
  - rules were changed to the application of a simplified offer, including: higher amounts available to clients with a good risk profile and limitation of the entire debt within the offer,
  - introducing new limits for applicants running a business, including taking into account the rating from the entrepreneurs segment,
  - introduction of a new pre-approved model,
  - modification of the method of assigning loans to the group of exposures with increased credit risk (SICR according to IFRS 9),
  - the following tests were continued: simplified consolidation of loans from other banks, applying preferences to ultra-low risk clients, an enhanced e-cash process for new clients of the Bank (temporarily suspended due to COVID-19).
- With reference to mortgage loans:
  - automation of subsequent steps in the credit process, incl. implementation of Dream Process in own channel and separation of real property evaluation from client's financial evaluation.

### Main changes in the lending policy in the corporate client segment

- Introducing changes in policies in connection with the simplification of processes and digitization of the flow of loan applications for letters of credit and guarantees and in the field of one-off transactions secured with funds in advance (letters of credit).

- Adaptation of internal regulations to the new Default Definition.
- Adjustment of internal regulations in the field of Local Government Units in connection with statutory changes on the Long-term Financial Forecast of a Local Government Unit and the Public Finance Act.
- Introducing changes in policies related to the real estate appraisal process by clarifying the guidelines for property appraisers and preparing appraisal reports.
- Introduction of the principle of processing joint One Financing credit applications for ING Bank Śląski, ING Lease Polska and ING Commercial Finance.
- Adjustment of internal regulations to the requirements of the European Central Bank contained in the document "ECB Guidelines for Leveraged Transactions".
- Updating internal regulations in the field of income real estate, including in connection with the implementation of international programs offered by IFC and EBRD.
- With reference to loans to enterprises:
  - implementation of a credit line secured by a de minimis BGK guarantee (maximum amount of PLN 200 thousand),
  - lowering the limits of unsecured exposure,
  - periodic update of assessment parameters of creditworthiness.

### Easy Lending (EL) path activities

- Adjustment of provisions in the Risk Regulations for the EL process to the requirements of the new definition of Default.
- Further automation of the Easy Lending path.
- Implementation of the pre-approved (prescoring) path for ING Lease products as part of the One Financing initiative.

### Credit risk during COVID-19

#### Retail segment

- Introducing temporary changes limiting the bank's credit risk in connection with the COVID-19 pandemic, including:
  - restrictions were applied to income sources acceptable to the bank,
  - in the field of mortgage loans: reduction of the maximum LTV level from 80% to 70% between April and September 2020,
  - in the field of consumer loans: lowering the maximum limit for unsecured exposures,
  - introducing measures to support the Bank's regular clients in the event of the COVID-19 pandemic, including the possibility of suspending the repayment of loan instalments for a period of 3 or 6 months (capital or principal and interest).

#### Corporate segment

##### Entrepreneurs

- Introducing temporary changes limiting the Bank's credit risk in connection with the COVID-19 pandemic, including:
  - shortening of maximum crediting period,
  - introducing measures to support the Bank's regular clients in the event of the COVID-19 pandemic, including the possibility of suspending the repayment of loan instalments (capital or principal and interest).

##### Small, medium and large companies

- Introduction of temporary changes in the credit policy in connection with the COVID-19 epidemic for business clients from the segment of medium and large companies and strategic clients, including:
  - adjusting client financing conditions,
  - a procedure was introduced to extend the validity of revolving loans,
  - introducing credit holidays and related reporting,
  - postponement of the deadlines for the provision of financial data and settlement of related conditions for 2019 and the first quarter of 2020.

### Core activities in the modelling area

- Adjusting the parameters of IFRS 9 models to more precisely estimate the impairment for expected credit losses, based on the consideration of the macroeconomic environment on the expected loss in the SME portfolio.
- Completion of the process of building a new generation of PD, LGD and EAD capital models for SME clients according to the AIRB method, developed in accordance with the new regulatory requirements. Completion of the pre-validation of the new PD model for SME clients.
- Ensure the progress of work on the development of a pre-application application to the consolidated supervisor regarding the implementation of new capital models for the SME rating system.
- Approval of a new generation of group capital models PD, LGD and EAD for clients from the CPF segment (commercial real property financing) according to the AIRB method, developed in accordance with the new regulatory requirements.
- Development of a schedule for the reconstruction of LGD and EAD capital models for leasing transactions for SME clients in ING Lease Polska according to the AIRB method.

## Market risk

### Introduction

The main objectives of market risk management at ING Bank Śląski S.A. are to ensure that there is awareness and understanding of the bank's exposure to market risk, and that the exposure is properly managed and, where applicable, within the accepted limits. Market risk is defined as the potential loss that the bank may incur in connection with unfavourable changes in market prices (such as yield curves, exchange rates, capital market prices), market parameters (volatility of market prices, correlation between price movements) and client behaviour. (e.g. early loan repayments).

### Policy of market risk management

The market risk management process at the bank includes risk identification, measurement, monitoring and reporting. The Market Risk Management Department (DZRR) provides managers of the Financial Market Division and the Group Treasury, selected members of the Management Board and ALCO with regular risk reports. Additionally,

ALCO, the Bank's Management Board and Supervisory Board are provided with periodic reports with the major measures of market risk. The approval of individual market risk limits is carried out at the level of the ALCO committee, the Bank's Management Board or the Supervisory Board, in accordance with the division of responsibilities in determining the levels of limits defined in the Policy for determining and monitoring risk appetite in the area of market risk, liquidity and capital adequacy. Employees of the Market Risk Management Department are qualified specialists and the independence of the department is assured by its separation from the risk generating units.

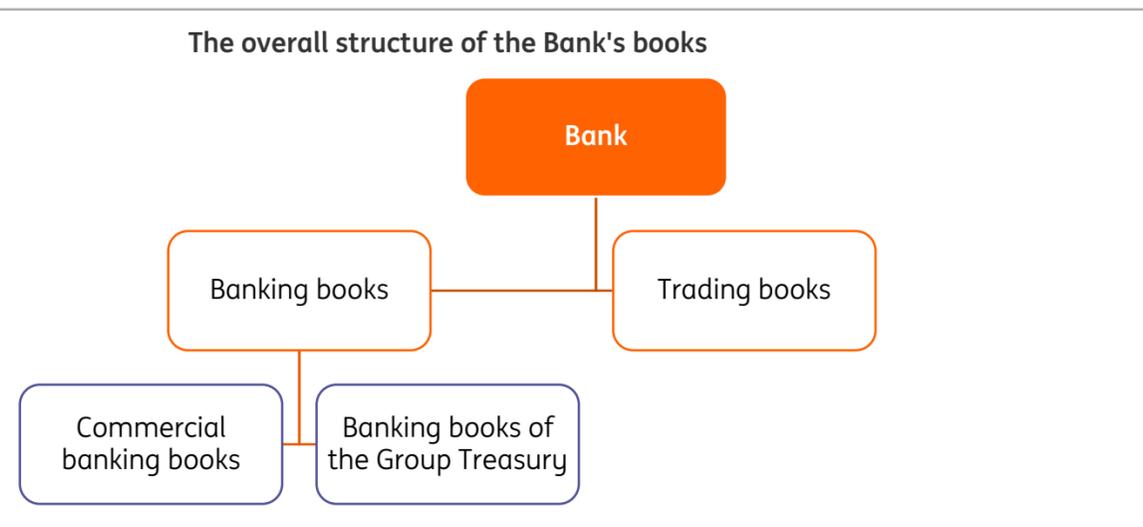
The bank's market risk management also includes the Product Control function, which ensures the correctness of the valuation of Financial Markets and the Treasury Department products by monitoring the correctness of valuation models and quality control of market data used for valuation and calculation of the financial result. Decisions related to the pricing process such as: sources of market data used for valuation, calculation of provisions concerning market pricing models, are taken by the Parametrisation Committee.

In the period under report, the market risk profile and the risk management methods were not materially changed.

## Structure of books and methods of risk measurement

The Bank maintains the structure of its books relying on intentions which is translated into multiple processes, including market risk management. The book structure reflects the types of market risk that are anticipated and accepted in the Bank's areas and of the fact that market risk should be internally transferred/mitigated. The books are grouped by an intention to maintain positions split into:

- “trading” (positions taken in order to generate benefits in a short period of time due to market price fluctuations), and
- “banking” (all other positions).



The Banking Books are split into Banking Commercial Books and Banking Books of the Group Treasury. The Banking Commercial Books include books of the retail and corporate divisions containing deposits and commercial loans. The risks relating to those positions are transferred to:

- banking books of the Group Treasury (for interest rate risk, base and liquidity risk), and
- commercial books of the Financial Markets Area (for FX risk) via internal transactions.

The process ensures that the banking commercial books do not retain any material economic market risk. However, as described in more detail further below, the short-term financial result in those books is sensitive to changes of market rates. The commercial activity of the subsidiary companies are included in the Bank's commercial books.

The Banking books of the Group Treasury are the books used to manage:

- liquidity risk of the bank as a whole, and
- interest rate risk in the banking book.

Maintaining open positions is allowed within the accepted market risk limits.

The trading books are the books of the Financial Markets area: currency and interest rate. The books embrace positions maintained for a short time in order:

- to be resold, or
- obtaining financial benefits on current or expected in the short term price changes, or

- items included for arbitration purposes.

Open positions in the trading books are limited.

More information on risk measurement methods is available in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for 2020.

## Measurement of interest rate risk in the banking book

In measuring the interest rate risk of the banking book, the bank uses measures required by the regulations of the European Banking Supervision (EBA/GL/2018/02).

More information on the measurement of the interest rate risk in the banking book can be found in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for 2020.

## Measurement of market risk in the trading book

In the measurement of the market risk of the trading book, VaR is used by the bank in accordance with the best market practices. When calculating VaR, the bank uses the following assumptions:

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

More information on the measurement of market risk in the trading book can be found in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for 2020.

## Sensitivity of profit and equity to interest rate risk

The tables below present an overview of the bank's consolidated sensitivity to interest rate risk:

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

- market value of debt instruments classified as HTC & S (held to receive contractual cash flows or sales) in the Group Treasury's portfolio:

- slight changes were observed to the sensitivity of the HTC&S portfolio versus the previous year. The portfolio BPV measure (short BPV position) has decreased from PLN 1.13 million to PLN 0.98 million.

### Sensitivity of consolidated results to interest rate changes resulting from the banking book

PLN million	Changes to economic results with an amended curve		Changes to the reported financial results with an amended curve	
	-2%	2%	-2% gradual	2% gradual
2020	558.2	-721.1	-474.5	125.9
2019	503.9	-1,433.7	-115.5	15.8

### The sensitivity of own funds to changes in interest rates resulting from HTC & S debt securities

PLN million	Approximate change in the regulatory capital base with a curve shift			
	-2%	-1%	+1%	+2%
2020	196.7	98.4	-98.4	-196.7
2019	225.5	112.7	-112.7	-225.5

Information on hedge accounting can be found in the section "Market risk – Hedge accounting" in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for 2020.

## Liquidity and funding risk

### Introduction

ING Bank Śląski S.A. considers the process of stable liquidity and funding risk management to be one of the most important processes in the bank.

The risk of liquidity and financing is understood by the bank as the risk consisting in the inability to meet, at a reasonable price, monetary obligations resulting from the balance sheet and off-balance sheet items. The bank maintains liquidity in such a way that the bank's monetary obligations can always be met with the available funds,

the proceeds from maturing transactions, available financing at market prices and/or the liquidation of marketable assets.

## Liquidity and funding risk management process

In order to optimise the liquidity and funding risk management process, the Bank has developed the Management policy of liquidity and funding risk at ING Bank Śląski S.A. which sets forth the principles ensuring adequate funding sources and mitigation of risks and costs related to funding. The Policy describes a general approach to the liquidity and funding risk management process in the Bank. The core objective of the liquidity and funding risk management process is to maintain an adequate liquidity level to ensure secure and stable operation of the Bank in normal market conditions and in crisis.

The policy results from the risk management strategy of the business (including the liquidity and funding risk management strategy), approved by the Supervisory Board. In particular, it reflects the risk appetite defined in the strategy and approved by the Supervisory Board.

Additionally, the Bank prepares a report on the ILAAP process. In a comprehensive and consistent manner, it presents the core indicators and numbers relating to the Bank's liquidity risk profile. It provides for the strategy, funding plan and risk tolerance by the Bank. The results of the report are approved by the Management Board which informs the Supervisory Board of the results.

The general approach to liquidity and funding risk management is composed of five recurring activities: 1) risk identification, 2) risk assessment, 3) risk control, 4) monitoring, and 5) reporting.

- Risk identification and assessment. Risk identification is performed on an annual basis by organising risk identification workshops. Each identified risk is assessed in order to determine its materiality for the Bank. Risk identification is also performed when new products are launched. Risk valuation and its materiality are assessed in terms of likelihood of risk occurrence and the financial effects should such risk materialise.
- Control. Risks are controlled with actions that mitigate the likelihood or risk occurrence or with actions that mitigate the effects should such risk materialise. Important elements of risk management include ongoing verification if the implemented controls are performed. Definition of acceptable risk levels is an element of risk control. Regular inspection should evidence that risk control actions are effective. Adequate reporting is a major element of the

liquidity and funding risk management process which provides the managers with information required for risk management.

- Monitoring and reporting. Risk monitoring serves three important objectives: ongoing verification if the implemented risk control is performed; if risk control actions are effective. The third reason for performing regular inspections is the ability to show shareholders and partners outside ING Bank Śląski that the Bank controls the risk. Such actions support their confidence which is a major element in banking. Well-organized and designed regular inspections or monitoring, known as risk management, are essential for good risk management. Adequate reporting provides information to managers as is indispensable for risk management.

In accordance with PFSA's resolution No. 386/2008 and Recommendation S, the Bank makes a detailed analysis of long-term liquidity with focus on mortgage loans. The above liquidity analysis shows risk levels related to long-term funding of mortgage loans.

The Bank pursues an active policy of liquidity management with reference to core currencies. For these currencies, liquidity risk is measured and mitigated per currency, and operational liquidity is managed separately for each currency and is included in the risk transfer system.

Intraday liquidity is actively managed by the Group Treasury. This process manages the position and the short-term (overnight and intraday) liquidity risk. The objective is to comply with payment and settlement duties in a timely manner in regular operations and in extraordinary/stress situations.

The Bank operates a risk transfer system within which market risks, including liquidity risk, are transferred to the Group Treasury. Applying adequate tools, it manages the risks in a centralised manner within the limit system applied by the Bank.

## Risk types

The Bank splits liquidity risk into two groups:

- liquidity risk resulting from external factors, and
- risk of internal factors relating to the specific bank.

The Bank's objective is to apply a conservative approach to liquidity risk management to support safe survival of events that are specified to ING Bank Śląski S.A. and the entire banking sector.

In terms of time horizon, the Bank splits liquidity risk into:

- operational – focused on current funding of the Bank’s position and on managing intraday liquidity,
- strategic – focused on ensuring that the Bank’s structural liquidity positions are at an acceptable level.

Taking into account the timing and behaviour of clients (two aspects affecting the Bank’s liquidity), the Bank distinguishes three types of liquidity and funding risk:

- structural,
- related to client behaviour,
- related to stress.

More information on the structure and organization of the liquidity and funding risk management process can be found in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for 2020.

## Framework risk management principles

The liquidity and funding risk management framework contains all relevant methods for daily, short-term, medium-term and long-term liquidity and funding risk management. They include the following key elements:

- limit system and liquidity risk measurement,
- monitoring of funding sources and concentration risk,
- liquidity reserve management,
- management of intraday liquidity,
- management of hedging items,
- stress tests and contingency plans.

More about the framework rules for liquidity and funding risk management can be found in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for 2020.

## Non-financial risks

### Introduction

Non-financial risks cover management functions of operational and compliance risk based on a common framework, setting forth clear principles and standards of risk identification, assessment, monitoring, mitigation and reporting. The Bank manages non-financial risks in compliance with the Strategy and Risk Appetite Statement for Non-financial Risks approved by the Bank’s Management Board that set forth risk limits and tolerance. Compliance with the declared risk appetite is monitored with the use of the periodic Report on the status of non-financial risk (NFRD). Moreover, the Bank has a Non-financial Risk Committee appointed by the Management Board of the Bank, which performs advisory functions for the Management Board of the Bank in the area of non-financial risk management. The Supervisory Board supervises the management of operational risk by the Management Board and minimum on a yearly basis reviews the effectiveness of the related activities.

A common non-financial risk management framework allows the bank to proactively identify the main threats and gaps and the related risks that may result in undesirable events. The framework supports such processes as self-assessment of risks and controls, scenario analyses, monitoring of key risk indicators or testing of key controls. The results of analyses of internal and external events constantly improve the adequacy and effectiveness of the bank’s internal control system.

We believe that an effective control environment is essential to building and maintaining a sustainable business, and preserves and enhances the trust of clients, employees and shareholders.

### Operational risk

#### Introduction

The Bank defines operational risk as the possibility of a direct or indirect loss resulting from maladjustment or failure of internal processes, people and systems or from external events. The Bank identifies legal risk as an element of operational risk.

The definition of operational risk is broad and covers the following areas:

- risk of control errors,
- risk of unauthorized activities,

- the risk of processing errors,
- risk of improper HR practices and workplace safety,
- the risk of breaching the security of people and resources,
- IT risk,
- business continuity risk,
- the risk of internal and external fraud.

The definitions of these risks can be found in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for 2020.

### Operational risk management process

The Bank's objective in operational risk management is to ensure regular improvement of the safety of the Bank and its clients, reduction of operating expenses and improvement of operating effectiveness.

The Bank's Management Board – subject to approval of the Supervisory Board – has developed a strategy of operational risk management. The Bank has implemented a consistent package of internal normative documents. The documents regulate the scope, principles and duties of organisational units and employees to mitigate the effects and likelihood of financial and reputational losses in that respect. The Bank's management strategy of operational risk provides for legal and regulatory requirements and relies on good practices of the ING Group.

Additionally, the Management Board – also in agreement with the Supervisory Board – in its risk appetite statement defined the maximum acceptable loss limits, capital limits and risk scope that it is willing to accept in the pursuance of the planned business objectives – subject to full compliance with the law and regulations. The level of limit utilisation is monitored and periodically submitted to the Management Board, Risk Committee and the Supervisory Board.

The operational risk management system applies to all spheres of the Bank's operations and the operations of the Group, as well as cooperation with clients, suppliers and partners. It is a cohesive, regular practice that covers the following elements:

- risk identification and assessment,
- mitigation or risks and monitoring of mitigation activities,
- performance of inspections,

- quality monitoring and assurance.

The management of operational risks in the Bank relies on the following general principles:

- maintains a complete, coherent and transparent structure of operational risk management with clearly assigned scope of tasks and responsibilities,
- recognises the nature of the internal and external environment – including limitations and weaknesses – draws conclusions from external and internal events to identify root reasons and to identify potential irregularities in the control environment or identify unrecognised risk exposures,
- identifies the causes, types and levels of risk that he is ready to take; sets standards for control and mitigation activities, taking into account risk transfer to the insurance market,
- has an efficient and consistent identification and control or risks for all products, activities, processes and systems functioning in the Bank,
- monitors and reports the amount of capital required, risk profile and risk exposure,
- constantly pays attention to raising the awareness of employees and managers; ensures that employees have appropriate qualifications to perform activities related to non-financial risk management and are equipped with appropriate tools.

Our priorities include the effectiveness of risk management processes and high quality of the used data.

The Bank recognises the following as core factors affecting risk levels:

- staff expertise and qualifications,
- working conditions,
- an adequate split of duties and supervision over compliance therewith,
- information security level,
- integrity of business processes and IT and technical systems,
- outsourcing,
- quality of internal and external documentation,
- external events related to changes in the business environment,

- natural calamities, failures and catastrophes.

#### Business continuity in the COVID-19 pandemic

An event that we have never faced before is the COVID-19 pandemic. We had to introduce a number of restrictions related to the declared state of pandemic and there were the indispensable changes to our clients' behaviour, needs and economic situations. Our response consisted in defining a new strategy of functioning, implementing and adapting to changes beyond our existing contingency plans and development of a crisis structure adequate for the scale of the challenge.

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

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

The assumption of the changes was to limit direct contacts between people, both in the workplace and on the way to it. To this end, the central units started working in a remote mode. In the sales network, reduced opening hours of branches (retail network) or employees have been reorganized into rotating groups in which they work remotely or from the office (corporate network). In selected meeting points of the retail sales network, we have implemented the possibility of remote service by employees of clients using telephone contact with the bank.

#### Core modifications that occurred in 2020

In 2020 the Bank continued the enhancement of the operational risk management system while focusing on ensuring compliance with new regulatory requirements, including inter alia:

- strengthened control mechanisms and the scope of monitoring in the area of counteracting internal and external fraud,
- keeps extending the use of stress tests in compliance with the EBA Stress tests guidelines,

- implemented the standard method of calculating the capital requirement for operational risk instead of the baseline ratio method,
- optimizing the Internal Control System through the appropriate selection of control mechanisms for key processes on the basis of periodic assessment of its effectiveness and implementation of quantitative measures used to perform this assessment,
- has reviewed risk management processes for optimisation of the first and second lines of defence and the use of the designed data management tools,
- has implemented an integrated calculation method of business continuity risk level;
- introduced a risk analysis for third party applications used by the Bank,
- adjusted outsourcing processes to EBA requirements,
- has continued work of the security of the Bank's functioning after implementation of the PSD2 directive;
- has enhanced the methods of crisis communication;
- cooperated with business for the safe adaptation of banking processes to the new reality related to the COVID-19 pandemic,
- introduced new or updated existing regulations, incl. operational risk management policy, information security policy, internal control system policy, business continuity management policy, anti-fraud policy, outsourcing policy, data management procedures, risk assessment and key control testing,
- conducted activities in the field of compliance with the regulator's requirements regarding cloud computing.

The Bank constantly cares about the quality of the data used, improving qualifications and expanding the possibilities of using advanced methods of data analysis in the processes of identification and monitoring of threats. The Bank also has been automating operations related to risk management with the use of RPA (Robotics Process Automation) tools.

The Bank raises the awareness of its employees and its clients indicating current hazards and appropriate conduct. The Bank learns lessons from the events that have occurred, explains their causes and introduces solutions that minimize the possibility of their occurrence in the future.

## Compliance risk

### Introduction

The Bank's compliance mission is to build a corporate culture based on knowledge of and compliance with laws, internal regulations, market standards and ING Values and Behaviour, as defined in the Orange Code.

### Compliance risk management process

The Bank Supervisory Board oversees the compliance risk management, and the Bank Management Board is responsible for effective compliance risk management, including: implementation of organizational solutions, regulations and procedures enabling effective compliance risk management and ensuring adequate resources and funds required for the implementation of tasks.

The Compliance Unit is an organisationally separate, independent unit responsible for the organization and functioning of the compliance risk management process. The aim of the Compliance unit is to develop solutions for the identification, assessment, control and monitoring of the risk of non-compliance of the Bank's activities with the provisions of law, internal regulations and market standards and to present reports in this regard. Compliance activities are aimed at the active participation of the Bank's employees in the compliance risk management by shaping a risk culture based on knowledge and compliance with the law, internal regulations and market standards. In the last year, the Compliance unit continued organizational changes in order to adapt to the changing external environment. The changes are to further increase the effectiveness of compliance risk management and effectively reduce the risk in this area. With this in mind, the Compliance unit:

- developed the required procedures and methodologies on the basis of which it carried out independent inspections, training programs, issued recommendations and recommendations in banking processes, including the process of giving opinions on product and legislative changes as well as marketing materials,
- strengthen the competences of subordinate employees,
- implemented an automation plan in the area of compliance risk.

### Major initiatives in 2020

In 2020, the Bank continued work to improve the compliance risk management system, including the following elements:

- counteracting money laundering and terrorist financing, as well as regulations on counteracting the use of the financial sector for fiscal fraud,
- the requirements of the MIFID II Directive and Polish implementing regulations,
- reporting of tax schemes and tax avoidance (MDR).

Additionally, new or updated regulations have been introduced, incl. compliance policy, "know your client" policy, anti-bribery and anti-corruption policy, competition law compliance policy, policy of counteracting conflicts of interest.

## Transaction security and stability of IT systems

### Introduction



The security of the funds and data of clients and partners is a key issue to which the Bank pays special attention in its day-to-day operations. It observes threats on an ongoing basis and analyses their impact on the ICT infrastructure (applications, systems, networks), as well as business processes, processes of its partners and their potential impact on clients. On that basis, it designs and implements appropriate organisational and technical solutions in the areas of prevention, detection and response.

The Bank's ICT systems protect multi-layered cyber security mechanisms and systems.

An extremely important aspect of the Bank's efforts to ensure the appropriate level of banking services for clients is ensuring the stability of systems operation.

To attain this goal, various measures are taken such as:

- ensuring an appropriate process of change management in IT systems, which guarantees adequate tests of the impact of changes on the operation of systems,
- ensuring the proper architecture of critical systems that guarantees full redundancy of components and resistance to failures,
- implementation of a mechanism for monitoring the correct operation of systems, allowing for early detection of symptoms of component malfunction and quick error diagnostics,

- implementation of the process of managing the increase in demand for resources ensuring that hardware and software resources are adapted to changes in business volumes and changes in the way clients operate.

### IT security management process

Ensuring security for IT systems and the data processed in them is a priority for the Bank, therefore its aspects are embedded in every process or area of the Bank's operations. Processes, to ensure safety, are subject to continuous effectiveness control, which allows for continuous improvement of procedures related to: counteracting, detecting and responding to threats and taking actions to eliminate their potential effects (e.g. unavailability of banking services).

The Bank's approach to security management in the IT area is systemic and continuous, identifying threats regularly, strengthening protection mechanisms, and implementing a long-term cybersecurity strategy. IT security processes and roles are organized in accordance with the best and recognized international standards.

Activities in the area of IT security are supervised by the Bank's Management Board and by the dedicated ICT Environment Security Council appointed by it. It consists of, *inter alia*, management staff of the following units: business, IT, cyber security, operational risk, data security, fraud prevention. The Board regularly assesses the Bank's resistance to known threats and issues directional technological and procedural decisions in the scope ensuring an adequate level of the Bank's cybersecurity.

A dedicated unit is responsible for cyber security tasks, including continuous security monitoring. Nevertheless, the Bank adopts the principle that each employee is responsible for ensuring the security of data and ICT systems to the extent adequate to their functions, tasks performed and their powers. Raising the awareness and competence of employees in the field of protection against threats is a permanent element of training and awareness-raising campaigns.

The Bank constantly improves security solutions and systems used to protect its clients, as well as the Bank itself, constantly testing their real effectiveness through, among others, penetration tests of banking infrastructure and applications, advanced APT tests (Advanced Persistent Threat), tests of immunity to DDoS (Distributed Denial of Service) and many others.

The Bank designs and updates the security standards and architectures applicable at the Bank on an ongoing basis. Based on the requirements contained therein, ICT systems are designed, built and implemented in accordance with the principle to ensure a high level of security at the earliest stages of their life. During development, before

implementation and periodically after implementation, the systems are subjected to various tests, verifying the resistance of systems and applications to attempts to breach their integrity and to bypass the applied security measures.

Components of the ICT system are subject to a continuous scanning process aimed at detecting any vulnerabilities and eliminating them immediately. In addition, banking systems (network, infrastructure and applications) have security monitoring implemented, which allows for an ongoing detection of anomalies, side effects and attempts to breach security. Multi-layered protection against malware (such as ransomware) is also implemented.

As part of the activities increasing the level of security, mechanisms of multi-factor authentication of users' access to ICT systems and data and monitoring of their activity are implemented.

For each ICT technology and specific application solution, the Bank develops standard security requirements, and their effectiveness and correct implementation are regularly verified as part of security tests and reviews, as well as internal and external audits. Such audits and tests are performed by reputable expert companies.

The Bank has maintained and updated existing and implement new tools for early detection of all types of fraud and abuse, advanced targeted attacks, including preventing information leakage or execution of unauthorized transfer of large amounts of money from the banking system.

The Bank uses solutions of leading providers of tools and services in the area of cyber security and unique solutions developed in-house by specialists. At the same time, the Bank constantly cooperates with entities of the ING Group and other companies and organizations in Poland (banks, internet service providers, industry associations). This allows it to observe trends, detect new vulnerabilities and counteract IT security threats in advance.

The Bank actively cooperates with governmental and financial supervision institutions, complying with all recommendations and recommendations of these institutions, including the requirements for the operator of the key service, which the Bank has been designated pursuant to the Act on the National Cybersecurity System.

In activities related to ensuring the security of client data, the Bank is not limited to the Bank's infrastructure, but also requires an equally high level of security from its partners, both by means of appropriate contractual provisions specifying IT security requirements and verification of their compliance with cyclically performed audits.

In internet banking applications, the Bank uses the following solutions to increase client security:

- Authorisation of operations (transactions, logging, data change) with a one-off code – this method enables the authorisation of instructions in the Internet banking system by means of an authorisation code. The user receives

the code via SMS. The code is generated for one particular disposal and has a limited validity period. Along with the code, the client receives information about the details of the transaction, which allows for additional verification of the order.

- Hard daily limit – an amount limit up to which transfers can be made on a given day in online banking.
- Encrypted Internet connection – access to banking systems is possible only after entering an ID and password. Communication between clients' computers and the Bank's server is encrypted with the TLS protocol. The ing.pl website and the internet banking system are protected by digital certificates with a high level of trust, which secure the connection via the encrypted HTTPS protocol. This guarantees fully secure data transfer in an encrypted form, protects it from external changes and authenticates computers communicating with each other.
- 3D Secure (standard for on-line card payments) – when our clients pay with a card in an on-line shop that supports 3D Secure, they additionally confirm the payment with a one-time SMS code. In order to use 3D Secure payments in our Bank, you don't need to run or activate anything – just a card that supports on-line payments.
- Masked password – logging into the internet banking system is done without entering the whole password – the system automatically draws only selected characters.
- Automatic logout in the event of user inactivity.
- Behavioural biometrics – analysis of user interactions with a computer in order to detect possible interference by undesirable persons. During this verification, it is not checked what a given user does, but how he/she does it. The Bank collects and analyses, *inter alia*, information on how fast and often the user clicks on individual keys on the keyboard, how to scroll the screen, how fast and often the user clicks the computer mouse. The user profile is built only after logging into the Moje ING internet banking system and the user's behaviour is compared after each login.
- Transaction monitoring – the Bank monitors the use of internet banking in real time, both in the detection and prevention modes.
- Malware detection – a tool has been implemented to detect malware at the client's station when using online banking.

With regard to mobile banking, the Bank applies the following security solutions:

- Authorization of transactions in the mobile application – this method is available to clients who use the Moje ING online banking system, make a transfer on a computer and have the Moje ING mobile application installed; it is used interchangeably with the SMS code.
- Fingerprint logging – this option is available for phones with a fingerprint reader. Activation of this login method is available after logging into the application.
- Hard daily limit – the amount limit to which transfers can be made on a given day via mobile banking application.
- Automatic logout in the event of user inactivity.

In the event of a justified suspicion of a threat of cybercrime or fraud against clients, the Bank takes preventive measures, e.g. rejects transactions, blocks services, protecting clients against taking over their data or funds by unauthorized persons.

## Personal data security

### Introduction



The stability of IT systems also means the protection of personal data of clients, business partners and employees. However, apart from IT security, the Bank also cares about the physical security of the data and information stored in the Bank and constantly improves its approach to personal data protection. The Bank's internal regulations strictly define the presence of outsiders in offices and exclude the connection of unverified devices to the bank's ICT network.

Physical security features are tested on a regular basis and the conclusions of the inspection inspire change. Physical security testing has become an inalienable element of APTs testing the Bank's cyber security resistance.

### Management of personal data security

In 2020, the Bank did not find any justified complaints regarding breach of client privacy, although administrative proceedings are pending in one of the cases.

The Bank cares about the high level of awareness of its employees on the protection of personal, financial and business data by obliging them to undergo a mandatory training cycle.

In the last year, the training was updated and all employees did it again. Programs aimed at continuous improvement of employees' competences in the field of data protection are constantly implemented, indicating how important it is to protect the privacy of clients, business partners and employees themselves. In this regard, the bank uses meetings, workshops, and cyclical communication with employees.

The Bank has adapted the technical and procedural safeguards required by law, internal regulations and good practice in order to better protect its clients' data.

The security of using banking services also depends on clients, so the Bank shares with them information about potential threats and recommends security solutions on devices supporting Internet banking transactions made by the clients. The bank provides each client with a set of rules for the correct use of online banking:

- suggesting how to create a secure password,
- keeping you informed about the risks in Internet banking,
- reminding you of the rules of safe banking,
- explaining how to protect against data theft on the Internet,
- teaching you how to protect your clients' devices,
- blocks services in justified cases, protecting clients against taking over their data by unauthorized persons,
- making you aware of the dangers during conversations with clients who visit us at the facility,
- attending workshops for academic circles aimed at raising awareness.

The Bank cares for both the safety of retail clients and the safety of corporate clients. As in previous years, conferences for corporate and strategic clients are continued, during which the Bank presents threats related to cybercrime as well as the mechanisms of banking applications and solutions that allow to counteract fraud.

The bank not only implemented the requirements related to the introduction of the European Union Regulation on the protection of personal data, but also analyses changes and implements them without undue delay in internal procedures and regulations. As in previous years, as part of the Polish Bank Association, the Bank cooperates with other banks in order to develop a common code of conduct and to develop coherent solutions related to the protection of personal data.

## Environmental and social risk

As a Bank, we have an influence on the financing and lending of projects that may have a significant negative impact on the society and the environment. Respect for human rights, environmental protection and sustainable development are an important element of our long-term value-building strategy. We are aware of the perils arising from irresponsible use of natural resources. We support clients in conducting their business in a sustainable manner and encourage them to constantly improve themselves in this area. We require that our clients to run their businesses in compliance with the regulations governing social and environmental issues and that they should have all permits and licences required under the law. Therefore, in order to avoid the risks associated with financing projects that have a negative impact on the environment, we apply an environmental and social risk assessment as well as an exclusion policy.

The most important socio-environmental risks include:

- violation of human rights as a result of forced labour, child labour, inadequate working conditions, the use of violence; the risk occurs primarily in forestry and plantations as well as industrial processing,
- threat to the health of employees and local communities as a result of environmental contamination, contact with harmful chemical materials, transmission of animal diseases to people, non-compliance with labour law; the risk is primarily related to the chemical industry, energy, mining, metal production and animal husbandry,
- risk to the health and life of consumers as a result of consuming products harmful to health; the risk is primarily in the tobacco industry,
- a controversial trade policy consisting in contracting extremely low prices for products manufactured in economically underdeveloped countries; the risk is mainly related to industrial processing,
- inhumane treatment of animals in the process of breeding, transport, slaughter or conducting medical experiments (animal welfare),
- loss of biodiversity and uncontrolled spread of invasive species, including genetically modified species; soil erosion and degradation; the risk is mainly related to forestry and plantations,
- contamination of soil and water with heavy metals, waste, sewage and the increase in water consumption in areas with poor water resources; the risk is mainly related to animal husbandry, forestry and plantations, industrial processing, chemical industry, energy, mining and metal production.

## Environmental and social risk management

### GRI [102-11]

The environmental and social risk assessment covers the client and the transaction. We make judgments to the best of our knowledge. At the client's level, we assess whether the business is conducted with respect for human rights, environmental protection principles and is not covered by the exclusion policy. At the transaction level, we assess whether it complies with the requirements of the detailed policies.

The exclusion policy applies to activities with a particularly high risk of violation of human rights and the risk of a negative impact on the environment and the principles of sustainable development. We do not establish relations with clients whose core business activity is covered by the policy of exclusions.

We identify and properly manage relationships with clients who operate in areas more susceptible to social or environmental threats. We apply detailed policies to support environmental protection and minimize risks in exposed areas.

Detailed policies concern the following areas:

- Well-being of animals,
- Forestry and plantations,
- Industrial processing,
- Chemical industry and utilisation of chemicals,
- Defence and the arms industry,
- Hard coal mining, coal-fired power industry, and related businesses,
- Other mining and power industry, petrochemical industry and metal manufacturing.

In order to better manage risk, we have created *General Principles of Environmental and Social Risk* for our employees. It supports the identification and proper management of relationships with clients who operate in areas that significantly affect the environment in which we live.

## Model risk

### Introduction

Model risk management is carried out in accordance with the Model Risk Management Policy at ING Bank Śląski S.A.

The Policy provides for:

- model life cycle,
- assessment principles of the model materiality,
- functioning principles of the model register,
- capital calculation rules for model risk
- validation principles.

### Model risk management process

The Model Validation Department maintains a model register, which is a repository of information on risk models and valuation models operating in the bank's capital group. The registry and model logs contain, among others information on the significance of models, the results of their monitoring and the results of model validation and their risk levels

The bank's capital group regularly assesses the risks of individual models and estimates the related economic capital in accordance with the principles adopted in internal regulations. The calculation method of capital if material and medium material models are identified with an increased or high risk is set in the economic capital calculation methodology for model risk.

The quality of model functioning is subject to verification within model monitoring and validation when an assessment is made of the extent of their exposure to model risk. Model validation is performed in compliance with the Model Validation Policy at ING Bank Śląski S.A. and validation instructions.

Management reporting to Committees, the Management Board and the Supervisory Board of the status of actions related to model management and validation covers inter alia: results of model validation and risk assessment, assessment of the aggregated model risk level in the context of the approved risk tolerance as well as the capital assigned to model risk.

## Business risk

### Introduction

As part of business risk, in 2020 the bank's capital group distinguishes the following significant risks:

- macroeconomic risk,
- risk of FX mortgage portfolio.

### Macroeconomic risk

Macroeconomic risk is the risk due to macroeconomic factors and their impact on the levels of minimum capital requirements. The Bank manages the risk by regular holding of internal stress tests to support ongoing monitoring of sensitivity or minimum capital requirements to macroeconomic factors.

In 2020, the Bank conducted full capital tests twice: as at the end of the fourth quarter of 2019 and at the end of the second quarter of 2020.

Based on the results of internal stress tests for a mild recession scenario, the bank's group estimates an additional capital requirement to hedge against the materialisation of the scenario. The results of the stress tests show that should a mild recession materialise, the Bank's capital adequacy will not drop below the required level.

### Risk of FX mortgage portfolio

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

In risk management, the Group relies on the recent legislative proposals with respect to currency conversion of mortgage FX loans. As at the end of 2019 and the end of 2020, the Group maintained additional economic capital for the above-mentioned Pillar II risk.

At the end of 2020, the Bank had PLN 311.8 million of a portfolio reserve for CHF mortgage loans, which accounted for 33.6% of this gross portfolio (including PLN 11.8 million as a provision for disputes for repaid exposures and PLN 300.0 million as an adjustment to the gross carrying amount for active exposures). Moreover, the Bank had a PLN 14.8 million write-off due to losses expected in stage 2 and PLN 11.6 million write-off in stage 3.

At the end of 2020, the value of the bank's foreign currency mortgage loan portfolio was PLN 600.7 million net.

## Cyber security

### GRI [103-1] [103-2] [103-3]

Due to the events in the country and in the world, 2020 was very special, also in terms of cybersecurity. The number of activities carried out remotely with the use of modern technologies and solutions based on Internet access has increased. As a result of the introduced restrictions and recommendations resulting from counteracting the pandemic, the number of bank employees working remotely, especially in the IT area, increased significantly. The possibility of remote work has been used in the bank for many years, fitting well with the applicable procedures and methods of operation. The bank's IT system, thanks to the investments made in previous years, was prepared for an increase in burdens in this area. The change in the method of access (from stationary to remote) to banking systems had no impact on ensuring cybersecurity in the bank. All implemented security mechanisms and the required activities in the area of cybersecurity were fully implemented.

The specific situation caused by the so-called general *lockdown* has increased the frequency of attacks by cybercriminals significantly. Although most of the attack methods used against clients remained unchanged compared to previous years, new scenarios emerged that could be used on a much larger scale. The scenarios of these attacks were very similar around the world, we can distinguish the following:

- Phishing campaigns concerning an ongoing pandemic or related topics, in particular distributed via SMS, i.e. smishing. This year was particularly visible in the scenario of an additional payment for a parcel that is waiting, for example, for disinfection, or which has exceeded the permitted weight. Criminals used new payment methods, mainly BLIK, but also HCE cards, to withdraw and steal funds from customer accounts.
- Due to the introduction of new types of payments with digitized cards, such as Apple Pay, phishing attacks in which payment card details from customers were phased out have also become popular.
- The most popular attack using social engineering were attempts to extort funds under the pretext of high returns after investing their funds on cryptocurrency exchanges.
- The number of attacks using telephone connections (spoofing) has increased. Fraudsters using it pretend to be the bank's hotline or security department, using appropriate techniques so that the customer's phone displays the real

bank number when they call. Criminals tricking customers into installing additional software that allowed them to take control of the customer's device has become a very common problem.

- Malware attacks also used the theme of the pandemic and, inter alia, context of the courier delivery, however, the sheer number of attacks was smaller than the other scenarios.
- Attempts have been made to attack / compromise external suppliers in order to access the infrastructure of cooperating companies.

The degree of advancement of targeted attacks on enterprises and institutions (mainly financial) carried out by organized groups of cybercriminals was similar to the previous years.

As in previous years, the environment in which we live and function is changing dynamically. New technologies and the methods of their use are rapidly developing, which not only affects the convenience, efficiency and effectiveness, but also carries many risks.



With this in mind, we are constantly strengthening and developing our own cybersecurity system at the local level and the entire ING Group in order to prevent cybercrime acts against customers, employees and our bank's ICT system.

Due to the activities undertaken in the area of cybersecurity, the bank did not record any significant incidents or frauds resulting from the weakness of the banking security system.

Cybercrime resistance is one of the basic principles of building customer interaction channels by our bank. Due to the continuous development of new, advanced attack methods, the bank's security teams are constantly improving existing systems and building new, more effective detection and prevention mechanisms. An important element of our development strategy is the constant improvement of the competences of security specialists as well as testing systems, processes and people as part of numerous exercises and tests. All these activities are aimed at protecting the bank's resources from threats from inside and outside and thus protecting our clients and the funds entrusted to us.

Since mid-2020, we have been actively using behavioural verification methods to identify potential attempts at criminal activity in the area of electronic banking channels. Thanks to this solution, we can prevent the impersonation of third parties as Moje ING users. Behavioural verification allows for a better adjustment of protective mechanisms to the user of electronic banking by creating a dedicated behavioural profile of the client. These methods are used

after obtaining the consent of the client. In order to encourage customers to use this type of solution, we launched appropriate information campaigns.

We have also introduced an anomaly detection mechanism in the bank's transaction system, which is designed to provide early warning against unauthorized interference in transactions performed by clients. Detecting any inconsistencies in transactions between those initiated by the client and the final ones recorded in the system, allow us to increase the security of using our bank, reducing the occurrence of the so-called internal frauds.

We are constantly developing tools, algorithms and rules to detect various types of fraud and abuse, including preventing data leakage. We execute many of these tasks together with other ING Group member companies, as well as in cooperation with financial institutions, state bodies and law enforcement agencies. We establish cooperation with suppliers of modern technologies in order to introduce new authorization methods based, for example, on biometrics or customer behaviour.

Last year, our bank carried out many activities aimed at raising the level of awareness of bank employees in the field of cybersecurity threats and implemented programs aimed at improving the skills of IT employees and teams responsible for ensuring an appropriate level of cybersecurity of the bank.

We also launched many information campaigns for our bank's clients warning of current threats. On current basis we keep our customers informed about existing threats through our websites, educate them and show them how to behave in order to use online and mobile banking safely. Such activities are visible in our e-banking system for each user, and up-to-date information is systematically placed on the basis of the currently detected threat targeting each electronic banking user. Last year, for the first time, we also conducted such campaigns in social media, not only as articles, but also as short spots. As part of customer awareness, we conducted a number of dedicated training courses for selected corporate and strategic clients.

## ING for clients

Invariably, our mission is to support and inspire people to be one step ahead in life and business. We want to be with our clients at every stage of their lives, offering them banking services as well as non-banking solutions that can help them manage their budget and the company. Thanks to this, when they do not have to worry about finances, they will be able to focus on pursuing their passions and developing businesses. We support them in everyday functioning in the banking world, simplifying the language and adapting to changing and new needs.

## Technological development

GRI [103-1] [103-2] [103-3]

In this part of the chapter, we present the implementations that were significant in our opinion, which we carried out in 2020. These are products and functionalities that have been implemented on two of our platforms: Moje ING for individual clients and entrepreneurs and ING Business for corporate clients.

### Moje ING

#### Open banking ●

2020 is the next stage of work in the area of Open banking. The PSD2 directive allowed us to directly respond to the needs of customers who have accounts and cards at various banks, the so-called multi-bankers. Thanks to PSD2, we had the opportunity to offer them new, interesting services, thus introducing the dimension of many banks in one application – in Moje ING.

#### Aggregation of accounts ● ●

In 2020, we continued working on the development of the *Add account from another bank service*, which we were the first bank in Poland to implement in 2019. We started the year with extending the service by 3 more banks: BNP Paribas, Alior Bank and Santander Bank Polska. As a result, in the first quarter, customers could add accounts from as many as 7 banks – BNP Paribas, PKO BP, Pekao, Millennium, mBank, Santander Bank Polska, Alior Bank.

Facilitations in submitting loan applications were also waiting for the customers of these banks. If the remuneration was transferred to the account at these banks and the client gave additional consent, he no longer had to provide documents confirming the income – we verified them ourselves based on the account history of these banks.

#### Spending analysis ●

The time of the pandemic meant that Poles began to watch their spending more and analyse what and how much money they spend. At this difficult time, we wanted our services to actively support clients in managing their daily finances, regardless of what account and bank they pay from, and regardless of where their remuneration affects.



In the first days of September 2020, we added a categorization of revenues and expenses for PLN accounts and cards added to Moje ING from other banks. We also gave clients the ability to analyse and monitor these expenses, including those from ING accounts, in all financial management tools at Moje ING, such as transaction history, expense analysis, and budget. Thanks to this, multi-bankers were given the opportunity to analyse all expenses from the perspective of "me – client", and not as before "me – bank".

#### Payment initiation ● ●

In the fourth quarter of 2020, we offered our clients another service introduced by PSD2: payment initiation from an account in another bank. Thanks to this service, customers could easily and easily order transfers from accounts in 5 other banks that they had previously added to Moje ING (mBank, PKO BP, Santander Bank Polska, Millennium and BNP Paribas).

It was another milestone in the development of the *Open banking* area and the entire area of managing everyday finances in Moje ING for all clients who had PLN accounts or cards in various banks.

#### Open banking at Moje ING ● ●

Our Open banking services enable an immediate assessment of the client's financial situation in four dimensions (from information about the account balance, transaction history and expenditure analysis, to the global limit of

these expenses), and also give him the option of ordering transfers from added accounts and reducing formalities in credit processes – all in one application, in Moje ING.

### Transfer request ● ●

Last year, we took another step in simplifying settlements between clients (the so-called *peer-to-peer*). In addition to transfers to the BLIK telephone, our offer also includes a *Request for transfer*. The implementation was a challenge for us, as no bank had offered such a solution before. We finally implemented the transfer request at the beginning of February 2020.

Thanks to the new service, the customer can send and receive a *transfer request* as part of BLIK mobile payments. When you receive such a request, you can accept it, decline it, or do nothing. After 72 hours, *the transfer request will expire*. Accepting the request transfers the customer to a ready "Transfer on Request". By confirming it, the funds will be sent to the sender of the request immediately.

As part of *the Transfer Request*, we have also provided the account split function, which facilitates the process of settling joint expenses. By dividing the bill, entering the amount to be divided, the application itself calculates the amounts for one person. The calculations can also include yourself and assign any amounts to individual recipients. We are currently one of the three banks that offer a *Transfer Request* and already have good results. The average monthly increase in *On-Request Transfers* is 9%, which proves that the service is becoming more and more popular and adds value to our clients. In order to fully utilize the potential of *the Transfer Request*, additional banks must introduce the service.

### Payment card digitization ●

As a large financial institution, we are aware that today offering the best products and services is no longer enough. In the new digital era, it is important to effectively anticipate customer expectations and deliver new solutions quickly. People live fast and want to benefit from purchased products here and now. For a long time, the *Voice of the Customer* has been expecting that the card to the account ordered after the customer relationship will be delivered faster than it is provided for in the standard delivery process. The payment card is delivered to customers within 8 business days of ordering, while customers expect that they will be able to use the card up to 2-3 days after ordering the card. We were looking for various ways to meet customer expectations – from changing contracts with card manufacturers to the so-called *instant issuing* in bank branches. Customers also asked for an improvement in the way the card is

displayed in Moje ING after ordering the card. The solution was brought about by the process of *card digitization*, i.e. *the possibility of starting card payments in the phone after ordering it*.

After ordering a contactless Visa debit card, the customer can immediately activate card payments on the phone. In addition, the card is immediately visible in the Moje ING online banking system after ordering, so that the customer can immediately assign it to payment by phone.

The solution is available on Android phones, where the customer orders a contactless Visa card on the phone. In the case of devices with iOS (e.g. iPhone), the customer goes directly from the Moje ING application to Apple Wallet, where he finishes the process of adding the card.

The functionality is very popular among customers. In the second half of 2020, around 18% of customers digitized the newly ordered cards.

### Autopay ●

After launching the Autopay application and confirming that it enjoys growing interest, Blue Media – our long-term business partner – offered the possibility of cooperation and adding Autopay to Moje ING. In addition to saving time when paying for rides, the client was also to gain a sense of security when using Autopay from the banking level. Due to the fact that the supplier took care of connections with individual motorway operators, we could only focus on integrating our system with Autopay. This allowed for efficient implementation and making the service available to customers in a relatively short time.

From the beginning, we worked very closely with the supplier, together we developed a business model and formal and legal issues. At the moment when our work entered its most active stage, we were surprised by the pandemic. However, we quickly switched to remote mode and continued our project under new conditions.

Together with UX experts, we have developed a process that is easy and fun. At each stage of functional development, we tested the operation with users, and with active cooperation with the Autopay team, we were able to quickly introduce the necessary corrections, which resulted in a useful product.

At the beginning of August 2020, we made available to our clients the possibility of using the Highway service from the level of Moje ING. Customers no longer have to install an additional application and enter their payment card details there. In Moje ING, clients have the option to turn on the service, add their vehicles, define the invoice from which trips are to be paid, and have access to the history of journeys with the option of downloading invoices.

Thanks to Autopay, customers in a safe environment can set up payments and then move freely on the highways, saving time in the first place.

The most important goal of Autopay – Autostrada was to solve the problem of queues at the gates on motorways, but during the pandemic we noticed another advantage of it. Thanks to Autopay, customers do not have to take out cash or hold their phone or card to the terminal. What's more, they don't even have to stop at the window and avoid contact with the staff.

After 5 months of launch, despite the pandemic-related mobility restrictions, we obtained the following results:

- number of registered customers with added vehicles: over 20 thousand,
- number of journeys: over 50 thousand

We believe that along with the stabilization of the COVID-19 situation and the elimination of restrictions, the service will be even more popular among our customers.

## ING Business ●

### The new ING Business mobile application

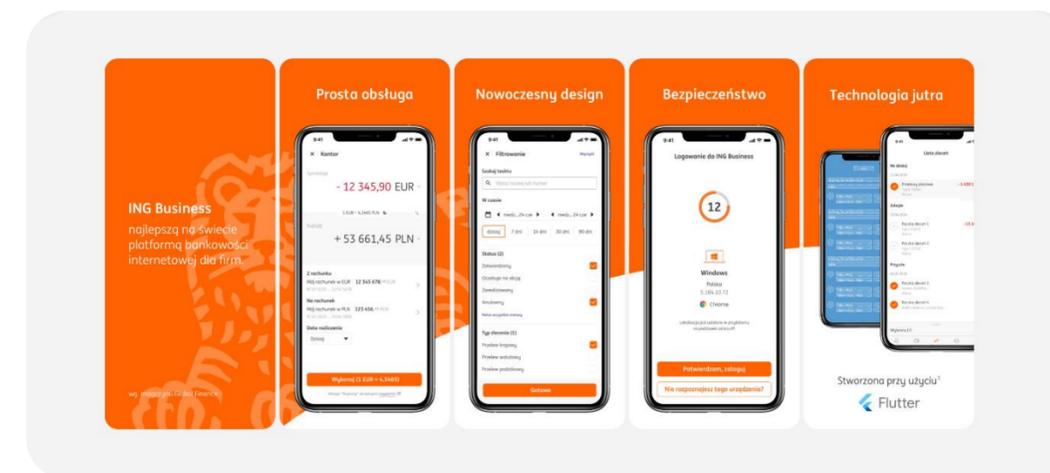
In May 2020, we made available to corporate and institutional clients a completely new version of the ING Business mobile application, which replaced the previous version of the tool, which had been available on the market since 2012.

When creating a new application, we focused on the modern Flutter by Google technology, thanks to which we can dynamically expand the application's functions. Compared to native technologies, Flutter allows you to maintain one application code that works the same way on Android and iOS. Compared to hybrid solutions – Flutter provides an advantage in terms of speed and efficiency, which was one of our priorities. You can read more on this topic in [our article](#) (available in English).

The new technology is also an opportunity to provide customers with a consistent experience of using the application, regardless of the mobile platform on which it will be installed. The ING Business mobile application is the world's first such large banking application created with the use of Flutter technology.

Not only the technology used to create the application is modern – the entire application has been designed from scratch, with a large participation of the UX team – thanks to this, we have provided our clients with a well-thought-

out tool, intuitive, with a modern graphic design and in line with the current trends in mobile application design. You can read more about this in [our article](#) (available in English).



### Development of a new application

By implementing the new mobile application, we have declared that we will constantly improve it and enrich it with new functions. In 2020, we expanded the capabilities of the mobile ING Business, including about:

- approving login to the ING Business browser system using the mobile application,
- video verification process that enables fully remote opening of an account for a completely new customer,
- domestic transfer to any recipient,
- a new tax transfer that can be entered using a convenient wizard,
- duplication of transfers.

### Perception of the new ING Business

The new application was well received by customers – the app rating in Google Play increased by 1.3 to 3.4, while in the AppStore it remained at a high level of 4.5. The number of users of the ING Business application increased by 29% in 2020 compared to the previous year.

ING Business Mobile received the Global Finance magazine award in the Best Mobile Banking App for Corporate/Institutional Clients category in the Central and Eastern Europe region.

## Moje ING and ING Business

### A new method of identity verification

In recent years, we have seen a rapid digitization of society and a steady increase in the number of customers for whom mobile banking is the primary form of contact with the bank. Hence our decision to implement videoverification. It is also a response to customer expectations that the processes in remote channels are fast, safe, accessible from smartphones and ensure the highest level of *Customer Experience*.

### Moje ING

In mid-March 2020, we launched the customer identification service using a smartphone in our bank (photos of the OCR proof and biometric verification of a selfie photo of a face). In March, it was launched on the iOS platform as part of the account opening process, and in April on the Android platform.

At the same time, we started working on a module that allows customers to update the evidence in the Moje ING application by using the OCR mechanisms from the described solution – and so on 21 May 2020 such functionality was launched.

Work is currently underway on further processes in which this solution will be used.

As part of Moje ING, our clients:

- they made 12.3 thousand. applications for opening an account (out of 77.8 thousand created by the website of our bank as part of all available methods of identity confirmation, i.e. branch, courier, transfer, video),
- updated 50.6 thousand. identity cards.

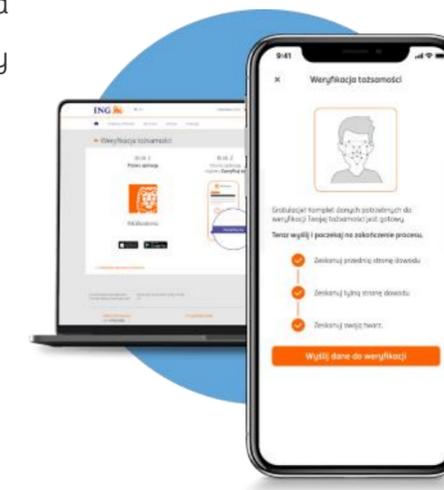
### ING Business

In April 2020, at the key moment of the pandemic, over 50% of companies opened an account online or during a telephone conversation with a consultant. From July 28, we made it possible for companies to set up an account completely online, thanks to identity verification with a selfie. We were the first bank to give such an opportunity to companies. This is the first full-book account on the market that can be opened with a selfie.

The solution via ING Business mobile banking is available to users of iOS and Android smartphones. To set up a selfie account for a company, you only need to take three steps:

- the client completes the application on the bank's website,
- signs a contract in the system – login details are sent to the e-mail address and telephone number provided in the application. Users who already have ING Business, e.g. in another company, log into the system as before,
- download the ING Business mobile application and confirm your identity – our application will guide you through the process step by step.

As part of ING Business, our clients conducted 474 verifications (out of 665 in total).



## Responsible business activity

At ING Bank Śląski, we are guided by responsibility in our business and non-business activities. In addition to following the Orange Code and the principles of the Code of Banking Ethics in our daily work, we pay a lot of attention to ensuring the highest quality of services and products and their safety.

### KYC – Know Your Customer

The priority of ING Bank Śląski is to protect clients, society and financial systems against financial and economic crimes. A key role in this is played by the Know Your Customer (KYC) process, which covers the areas of financial crime prevention (FEC), as well as FATCA, CRS and ESR. The Bank has implemented the KYC Policy, which specifies the requirements and internal controls to ensure compliance with the bank-wide regulations in terms of getting to know the client and business partners and limiting the risk of financial, economic, tax and environmental crimes, as well as violations of social standards by our employees, as well as clients and partners business.

The KYC policy describes the Bank's approach to laws and regulations in the field of:

- The Act on counteracting money laundering and financing of terrorism.
- Counteracting financial and economic crimes (hereinafter: FEC, Financial Economic Crime).

- The Act on the Execution of the Agreement between the Government of the Republic of Poland and the Government of the United States of America on the Improvement of Compliance with International Tax Obligations and the Implementation of FATCA Legislation.
- Agreements between the Government of the Republic of Poland and the Government of the United States of America to Improve International Tax Compliance and Implementation of FATCA Legislation, and accompanying Final Arrangements.
- The Act on the exchange of tax information with other countries (CRS, the Common Reporting Standard).
- Environmental and social risk (ESR).

That the bank may in good faith comply with the laws and regulations governing customer recognition, always respect the following principles:

- The Bank complies with the laws and regulations related to FEC, FATCA / CRS and ESR. Therefore, it does not participate, enable or in any other way engage in any activities prohibited by Polish law, EU, Dutch and US regulations.
- The Bank's employees do not support or advise clients on the law and regulations, in particular on the possibility of circumventing the law and regulations.
- The Bank accepts and maintains relationships only with customers and business partners after conducting a CDD study.
- The Bank does not establish new relationships with customers from extremely high-risk countries (UHRC) and leaves the already existing such relationships.
- The Bank is transparent towards customers as regards information and reporting requirements.

As part of AML (Money Laundering Prevention) activities, the bank constantly assesses and verifies customer relationships and controls transactions. Potentially suspicious transactions are investigated and reported to the relevant authorities.

The fight against financial crime can be effective if it is possible to join forces and exchange information - banks, authorities, the judiciary, as well as public institutions and market participants - at national and international levels. That is why we strongly support initiatives aimed at joint fight against financial crimes.

## Strong authentication

In 2020, we introduced strong authentication in e-commerce credit transactions. As a result, online payments are even safer. Performing transactions on the Internet currently requires two security factors, such as an SMS code and PIN, or an SMS code and authorization in the mobile application.

## Retail clients

In 2020, we made it possible for clients at My ING to purchase a one-off report from the Credit Information Bureau or to enable notifications about submitted inquiries for 12 months. This allows customers to feel safe and respond quickly to unauthorized inquiries.

Private Banking and Wealth Management clients were covered by an in-depth KYC survey in 2020. By the end of June, 98.3% of the required declarations about the source of funds and assets were completed based on the knowledge of the client and the relationships built as well as contacting clients.

Thanks to modern tools integrated with banking systems, all Private Banking and Wealth Management Clients who have an active electronic banking system called Moje ING can benefit from fully remote investment consulting. The tool eliminates many key risks in the process: it verifies whether the client has a current contract and investment survey, checks whether the recommendation does not exceed the maximum risk level assigned to the client, archives the recommendations in electronic form, creating a history that is easily accessible to the client. Professional investment advice enables even better adjustment of the presented solutions to the possibilities and expectations of the client, thus contributing to increasing our responsibility in business activities.

## Breakdown at the Brokerage House of ING Bank Śląski

In December 2020, we had a serious failure in our Brokerage House. Clients were deprived of access to the market for two days (December 3-4). The operations of ING Makler were restored on December 5 at 23:45. Until the failure was resolved, our clients did not have access to the brokerage system and could not perform any operations and transactions in all channels:

- Brokers in the Moje ING online banking,
- Mobile brokers,
- Via the hotline of the Brokerage House.

The cause of the failure was a bug in the database software provided to our system supplier by a third party. Its direct cause was the incompatibility between successive versions of this database software. The failure did not affect the accounting balances of clients' accounts, however, it resulted in a lack of access to them.

In accordance with the policies and standards in force at the bank, the Makler system is regularly updated to newer versions of the software. The update includes both new functionalities of the Makler system, software components provided by third parties, and the infrastructure. Despite the acceptance and regression tests performed, during the update of the database software provided by a third party, indicating the correct operation of this software, the above-mentioned lack of compatibility between the versions of the libraries resulted in a blockade of saving processed client orders in the database and the memory of the Makler system, at the same time causing an inconsistency between the base system and spare.

Due to the complexity of the problem, the repair work took much longer than expected.

Due to the risk of further escalation of the failure, the bank decided to continue the repair work, despite the ongoing trading sessions and the need to supplement the trading days not recorded in the Makler system.

Due to the failure, we made a decision to:

- reimbursement of brokerage account fees from October this year and suspension of their collection until the end of March 2021,
- suspension of commission for transferring assets to another brokerage house until the end of March 2021,
- suspension of commission for stock exchange transactions until the end of December this year,
- reimbursement of commission for exchange transactions from November 1 to December 6 this year at the client's request, which can be submitted in the Makler system.

In the Brokerage Office, we have appointed a special team for efficient complaint handling.

## Retail clients and Enterprises

### Information on the costs of currency transfers



We also introduced information on the costs of currency transfers. Clients can now see a clear and transparent summary of the estimated costs and the amount that we will send to the recipient of the transfer in the currency of the account they use, before ordering the transfer.

We also provided a card payment calculator. Thanks to the calculator, the client can see, before making a card payment in a different currency, how we will convert the payment, get to know the rate and the margin to rate ratio of the European Central Bank

## Client voice

We act for our clients and we constantly strive to ensure that our products and services are the best for them. Therefore, the voice of the client is very important to us, thanks to which we can better respond to expectations and needs.

### Retail clients

In 2020, our clients needed to contact us even more in these unexpected circumstances, which was reflected in the number of votes. We recorded over 1 million votes of our clients in the Voice Lake application. These were complaints, e-mails, instructions, messages from My ING, questions from My Assistant, opinions in Social Media and comments from NPS. We care about a holistic approach to the client, which is why we plan to implement chat voices and the hotline. The client's voice is already a way of working for us, which consists in: collecting votes, analyzing and selecting priorities for implementation, communicating the introduced changes, monitoring and observing the impact on improving the experience of our clients in banking with us.

We ended the year with 47 improvements, 55 are in progress and 39 are still undergoing detailed analysis.

In 2020, we conducted a periodic NPS survey - asking customers a question: how likely is it that they would recommend our bank to their friends and family. We asked about this recommendation through the prism of several points of contact between the client and the bank, e.g. opening an account, visiting the meeting point, contacting the hotline, using internet or mobile banking, complaints. Clients willingly filled in the questionnaires and shared their opinions with us. As a result, we collected over 120,000 questionnaires.

Additionally, every quarter we also tracked the results of ING and the competition in NPS relational - a study that verifies the entire relationship between the client and the bank. In each of Q4 2020, we were the bank most often recommended by clients.

## Complaints

In 2020, we closed 41% of complaints on the same day they were submitted by customers. Additionally, taking advantage of the possibilities offered by the fast track, 13% of complaints were dealt with immediately by the client, during the first contact in meeting places, on the chat or on the hotline. In 2020, we introduced a solution for the recognition of conditional complaints at the first contact with the client.

In the area of complaints, we also build self-service solutions. In November 2020, we provided MING customers with the option of self-reporting an unauthorized card transaction. On the other hand, the self-service solution for the "transfer return order", implemented in 2019, was more and more popular last year.

In 2020, we also implemented a number of improvements to the backoffice of the ECHO application, which is used to consider complaints. These improvements increase the comfort of analysts' work and, as a result, affect faster customer service.

## Enterprises

In response to the voice of clients – entrepreneurs, when the terms of the granted loan have changed in relation to the requested ones, we present in Moje ING all the necessary information before signing the loan agreement so that the client can see what amount and conditions have been finally granted. We have implemented the immediate disburse the loan. As a result, the client has the money at its disposal immediately on its company account.

We have made available a credit line offer with a BGK guarantee. We expanded the bank's loan offer in response to the voice of clients. The client can apply for a credit line with a BGK guarantee at Moje ING. The guarantee is a form of loan security in the event that the client fails to repay the loan on time. In 2020, we granted 137 lines with a BGK guarantee for a total amount of 16.5 million.

## Corporate clients

We are in constant contact with corporate clients. Relationship Managers gather clients' suggestions as regards our products and services on a regular basis. We constantly listen to the voice of our clients also in the form of NPS surveys. In 2020, we gathered almost 18 thousand questionnaires with assessments and opinions of our clients for 5 points of contact with the bank in the corporate banking segment. We analyse the results of questionnaires, interviews and read comments on an ongoing basis. We do everything to improve our products, services and processes. The clients

assessed the business account opening procedure at 8.6 points out of 10, the quality of telephone services at Business Centre at 9, and internet banking at 8.3.

## Simple and understandable banking

We want the language we use to be understandable to everyone. We know that it makes it easier to make informed financial decisions.

## Actions of Po prostu team

Last year was special for us – from the point of view of simplifying our communication. The team's efforts were simply supported by the Prostomat application, which automatically simplifies 1-2 thousand messages monthly. Interestingly, thanks to machine learning, the application evaluates our texts in the way a qualified language specialist would do.

We also paid particular attention to direct communication with clients. We supported our advisors, simplified important messages, templates and a lot of current answers with them.

In June, as part of the Polish Bank Association, we joined the working group working on simple language. The group includes all the largest Polish banks. The work resulted in common standards, but also a sector declaration for simplification.

In the fall, we conducted another campaign – emphasizing the simplicity of our application. We also organized the second, this time remote, edition of the plain language conference, attended by almost 400 people.

Thanks to these activities, the internal study Among us shows that already 36% of our communication meets all ING plain language standards (in 2019 it was 19%). Additionally, we are still number 1 in Poland in the financial industry in terms of plain language.

## Availability at any time and any place

In the era of digitization, we care about the availability of our products and services both online and stationary at meeting places. We want everyone to be able to use banking at any time and in any form.

## Retail clients

In 2020, full of challenges in the field of customer service, guided by the mission of supporting clients in achieving financial goals at every stage of their lives, at the Expert Centre, I Help to Care for the Financial Future, we focused on providing dedicated service, in line with client expectations.

In May 2020, we implemented a new version of the investment advisory service for Private Banking and Wealth Management clients. Based on the technology that allowed combining the client's activity in Moje ING and the activity of the advisor in the Wealth Management System (WMS) application, both the client and the advisor have full knowledge of the recommendations and arrangements. The web application allows you to log in from anywhere, thus quickly reacting on the advisor-client line. In Q1 2021, the application will be expanded with additional modules, including comprehensive overview and analysis of the client's investment portfolio.

We have also implemented solutions enabling remote customer service using a company recorded mobile phone. This allowed for the transition from the previously necessary model of work of an advisor with a face to face client to a fully remote model. By identifying and verifying the client's identity during a telephone conversation, Private Banking/Wealth Management advisers are able to ensure continuity of investment service, remotely prepare recommendations as part of the investment advisory service.

In May 2020, we also implemented a remote process of handling requests for redemption of certificates of closed-end investment funds, using the Moje ING functionalities.

## Contact Centre

We support our clients through remote contact with a specialist - service hotline, operating 24 hours a day, 7 days a week and specialized sales teams. In terms of service, our priorities were to ensure accessibility for customers and assist in dealing with Moje ING in order to educate and encourage customers to self-service solutions. Sales team specialists responded to the purchasing needs of customers, using modern tools and processes, such as Remote Advisory. A specialized team also answered customer questions asked in writing - through a chat on the website, social media and a contact form.

## Entrepreneurs and corporate clients

### Changes in signing loan agreements

In 2020, we introduced changes to the signing of loan agreements in Moje ING. Thanks to this, clients can sign a loan agreement remotely and independently at Moje ING (so far, a joint visit with a spouse at the branch was required to sign a loan agreement). The spouse agrees to take out a loan at the stage of applying at Moje ING.

We have introduced the possibility of changes to the existing loan agreement in Moje ING in terms of increasing the line and credit card, ordering an additional credit card and changing the date of payment of the loan instalment. As a result, clients with a loan agreement can remotely apply for an increase in the loan amount, order an additional credit card and make other changes.

### ING Business

Accessibility of the application during the whole year was 99.96%. We constantly improve the mechanisms and algorithms inside the application to make it as good as possible. Performance is extremely important to our users and to us

In 2020, we have implemented many important improvements, including: optimization in the field of marketing campaigns, own guarantee modules and own letter of credit, or import of transfer packages through the Webservice service. We have also implemented a BotSense solution that detects in real time account takeover attempts and unauthorized transactions to which online banking users are exposed.

We are constantly working on applications and forms to make them as client-friendly as possible. In 2020, we started work on the new ING Business system, which will be adapted to the needs of the blind and partially sighted. The new system is created based on the latest technologies available on the market, in line with the Cloud Native approach and microservice architecture. The applied approach and system architecture allow for quick and flexible implementation of subsequent modules of the ING Business platform. All modules are created with an emphasis on safety, availability and performance.

The internet banking platform for companies - ING Business - is received positively by customers. User satisfaction measured by the NPS indicator for the entire 2020 is regularly over 40 points, with a high level of satisfaction with the operation of the platform (8.3 / 10).

The ING Business ecosystem consists of a browser version, an application for smartphones and the H2H channel - ING Webservice.

## Payment cards ●

In the area of payment cards, we have launched a new process for ordering and personalizing prepaid cards.

As part of the introduced changes:

- We have introduced the option of indicating the card user immediately in the application for ordering prepaid cards.
- We have released a completely new module for managing the personalization of prepaid cards.
- We have simplified the process of personalizing prepaid cards – after providing the PESEL number or ID document number, we will automatically personalize the card.
- We have introduced a new method of distributing prepaid cards with the card user's details printed on to any address indicated on the application or in the personalization process. Additionally, such cards can be ordered with courier delivery.
- In the case of Maestro cards with individual visualization during the order, we made it possible to choose graphics previously approved by the bank.

The implemented changes simplified, accelerated and fully automated the process of ordering and personalizing prepaid cards

## Google Pay for business cards

Google Pay is an electronic wallet from Google that enables safe and easy phone payments. In 2020, we implemented Google Pay for debit cards. Entrepreneurs can add their debit cards to the Google Pay electronic wallet, thanks to which, even if they forget the wallet, they can pay by phone – in a simple and contactless way.

You can add all corporate contactless cards to the Google wallet, as well as charge and credit cards without the proximity antenna on a plastic card. After adding the card, you can pay by phone in stationary stores, pay in applications or on websites, and withdraw cash from ATMs by contactless phone.

## New system for online transactions confirmed with 3D Secure

We have changed the system for the authorization of online card transactions (3D Secure). All our payment cards were changed. The change will allow us to adapt the system to the latest technological standards and enable the use of additional security measures for online payments.

## Remote credit process

For many years, we have been investing in remote and simple solutions in the area of financing SME/MC companies. Thanks to this, our credit process can be carried out completely remotely – from submitting an application, through concluding a loan agreement, to releasing funds. Similarly, loan service during the financing period – it is fully available in the internet banking system.

During the pandemic, we have implemented, in addition to the functionality of concluding contracts in internet banking, which has been in existence for many years, the option of signing documents with a qualified electronic signature. For several years, we have been invariably promoting e-guarantees issued to clients remotely. In 2020, we recorded a rapid increase in their share in issued bank guarantees. It is now 54%, while in the previous year it was 29%.

All the above-mentioned solutions proved to be perfect during the isolation period and allowed our clients to run their banking affairs without interruption, without having to visit a branch.

## Bookkeeping

We are also open to clients from outside ING. Every entrepreneur needs a multifunctional and simple tool to run its finances. Our solution, in which more than 90 thousand clients of ING Bank Śląski have already registered, is very well rated and recommended. So we decided to open the application to all Polish entrepreneurs, without restrictions. From 1 July they can use the invoicing service and simplified accounting. It does not matter whether the entrepreneur has a business account with ING. Although we hope that the additional benefits of connecting daily business with the world of banking and financial services will encourage you to open a bank account over time. Openness to clients from outside ING has been combined with the promotion of 2 years of using the application for free invoices, which fits in with active help for entrepreneurs in a difficult economic period.

The habits of clients – entrepreneurs – are changing. ING Accounting clients not only use the application on the phone in their everyday life and contact us via chat, but since July last year they also have a chatbot at their disposal. Thanks

to this, communication with ING Accounting is possible 7 days a week, also outside the hours of the hotline. Chatbot efficiently handles most client inquiries and learns diligently. Nearly 80% of inquiries end without switching to an operator working in client support.

### White list

In 2020, we implemented a functionality that allows you to verify the contractor's account against the list of VAT taxpayers (the so-called white list). The tool is available for domestic transfers and split payment. Verification is possible from the level of importing a package of domestic orders and the list of orders. In order to check whether the contractor's account is on the white list, the NIP and the contractor's account number are required. We are constantly working on the development of the tool. In the next step, we plan to introduce verification directly on the domestic transfer form.

### ING Office

The smartphone plays a key role in business now, which is why the ING Office mobile application allows not only managing sales and purchase invoices – but also the possibility of self-accounting and accounting for taxes 100% only on the phone. This is the first such comprehensive mobile solution offered by the Bank in Poland and one of the few commercial solutions on the market. Thanks to the application on the phone, the client can also conveniently cooperate with its accountant, and biometric login facilitates the daily use of the solution. The ING Office mobile application is a comprehensive solution that allows the client to settle both forms of simplified accounting – KPiR or registered lump sum – and generate and send tax declarations over the phone. The application itself was written in the modern Flutter by Google technology, in which ING previously created the ING Business application.

### Housing escrow account ●

Clients who have opened housing trust accounts can use three new applications in the ING Business system:

- an application for opening a housing escrow account,
- application for the closure of a housing escrow account. Online application is the primary way to close residential escrow accounts for corporate and strategic clients. Accounts will be closed automatically upon request,
- application for the release of funds from completed stages. The application is used by developers to report the completion of the investment stage and the release of funds from the completed stage.

## ING Commercial Finance

Our factoring services are delivered using web applications, allowing clients to manage the company's liquidity from anywhere in the world.

As part of the ING Finance Invoices service, [www.finansowaniefaktur.pl](http://www.finansowaniefaktur.pl), provided by ING Commercial Finance, we expanded the popular solution that allows for dynamic raising of financing limits using JPK files. At the same time, using the previous experience in this remote product, we have prepared a modern risk model based on a wide range of data about clients, contractors, transactions and behavioural factors. Such activities allow us to safely and automatically support our clients' liquidity needs.

## ING Lease

When developing their business, entrepreneurs look for the best forms to support their activities and at the same time reduce costs. They need easy-to-reach and non-absorbing solutions. Convenience, availability and tax benefits make leasing very popular and an attractive alternative to a car loan. The leasing company, through its know-how and many years of experience in cooperation with a very large group of clients from various industries, professions and professions, makes every effort to ensure that the financing of investments is simple and convenient for clients.

### ONLINE applications for leasing of vehicles and machines in Moje ING and ING Business

Regardless of the Segment, the client may apply for the leasing of vehicles or machines in the Moje ING and ING Business online banking systems. At any time, when and wherever he wants. Choosing individual parameters, the client himself/herself calculates the instalment, adjusted to its financial capabilities.

In June, ING Lease introduced the possibility of signing a leasing contract using a qualified electronic signature. Thanks to this, entrepreneurs and business owners could start completing formalities completely remotely.

Our processes are based on technology. We use robots in Operations. Last year, 20 robots worked over 600 hours. For several years, ING Lease has been using decision-making machines to evaluate transactions. Recently, we have implemented a mechanism of full decision automation for transactions up to PLN 50 thousand. This step allows us to devote more attention to large and demanding topics.

## Remote leasing service in the field of invoices, schedules, insurance policies, new applications in internet banking systems

In the ING Business and Moje ING internet and mobile banking systems, as well as through the ING Lease Client Portal, clients can quickly and conveniently:

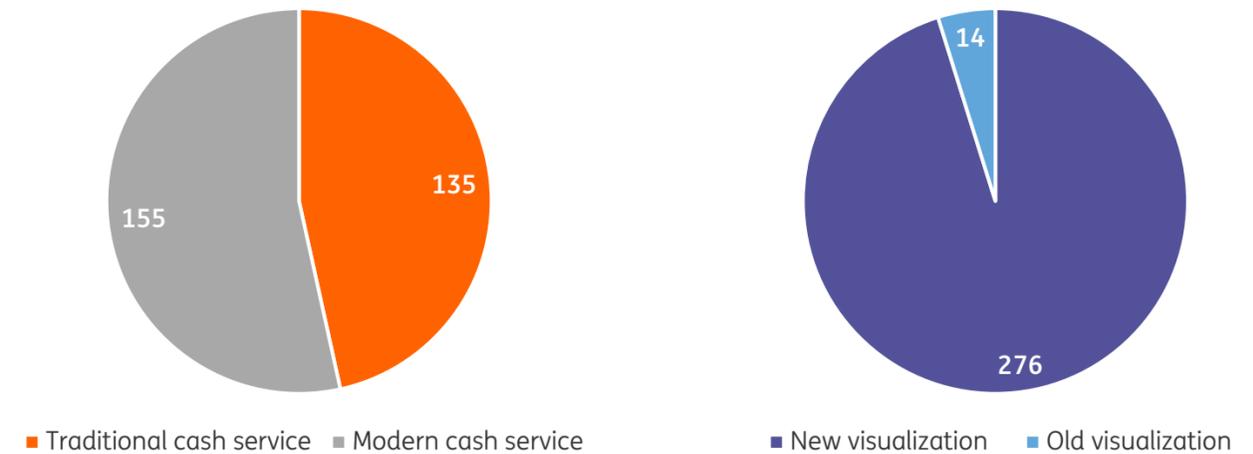
- check detailed information on leasing contracts;
- check invoices with information about their status (paid/unpaid/overdue);
- check the settlement of your payments to ING Lease;
- download the schedule for each contract;
- check the insurance policy numbers for each contract;
- submit a request for changes to the contract;
- submit an application for the leased asset, e.g. related to the installation of a hook or gas installation in the vehicle;
- order a duplicate invoice in the Client Portal.

And if there is a need for new financing, clients can apply for new financing in the Moje ING and ING Business systems.

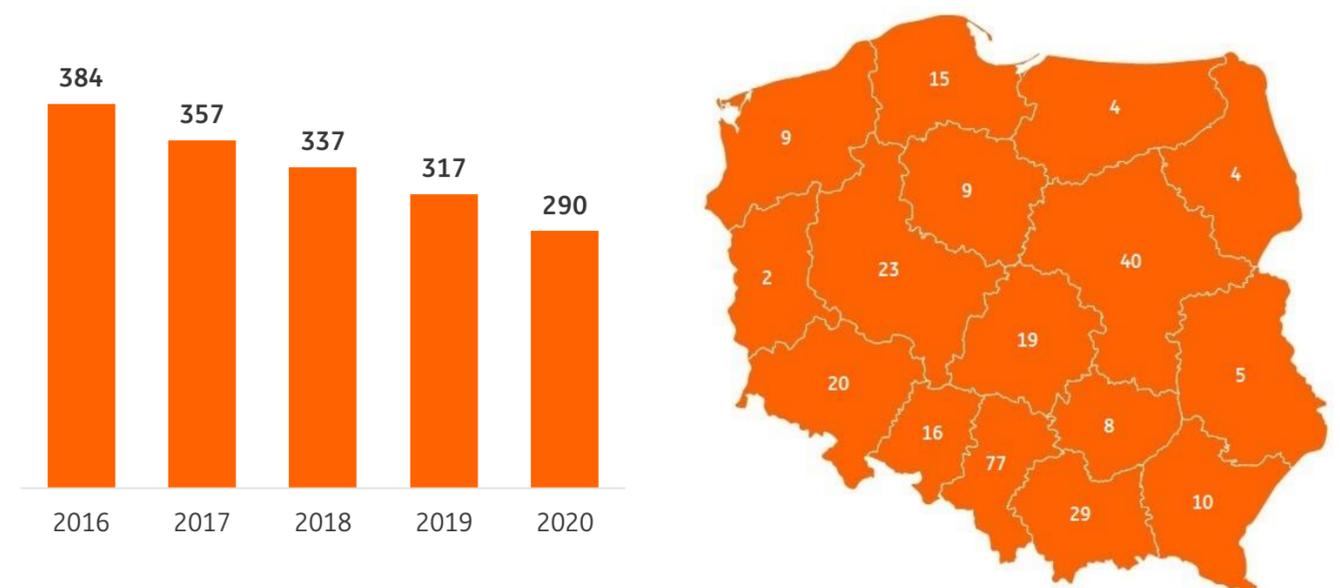
## Our venues

As at 2020 yearend, we had 290 retail branches – meeting places, including 155 with modern cash service (cash only in ATMs, CDMs and dual devices). We have equipped all our meeting places with self-service zones where customers can deposit and withdraw money themselves. We are continuing the process of modernization of retail outlets, which consists in changing the equipment and decor, and introducing new functional solutions.

290 venues in 184 cities (including 153 – “1 in the city”)



Number and geographical structure of branches



Our service network also includes 63 ING Express points.

As at 2020 yearend, our 276 meeting places were of a new standard. Currently, we are continuing optimization activities by relocating and consolidating outlets to the most attractive business locations in individual cities and regions.

As at 2020 yearend, the bank also had 63 ING Express sales points located in the largest shopping centres throughout Poland. The ING Express network is a response to our clients' expectations who look for a bank available at any place and at any time.

In 2020, we made available on the bank's website a list of branches for entrepreneurs, indicating in which location of the bank clients will settle their company's affairs. The client knows in which branch of the bank will be comprehensively served by a specialist for entrepreneurs.

### The process of self-arranging meetings by clients

In 2020, a solution was implemented that allows clients to remotely schedule a visit to a selected Meeting Point at a time defined by the client – SpotING. It is a tool that allows you to make an appointment with a specialist at the meeting place. The client can make an appointment at any time from any place, on selected specialist topics, where he expects physical support from a bank employee. The solution was made available on the website [www.ing.pl](http://www.ing.pl), in the internet banking system and in the mobile application. The tool is a response to client expectations and the current market situation. Further development of the tool is planned in 2021. In terms of investment and savings, 226 such meetings were arranged with specialists from the Expert Centre, I Help to Care for the Financial Future.

### Accessibility of meeting places for people with disabilities

We are striving to make our branches accessible to everyone, including those with disabilities or those who visit us with prams. We design the interior to suit their needs and we eliminate barriers. The initiative to remove barriers was completed in 2019 – we achieved the target, i.e. 98% of our branches have no architectural barriers at the entrance or they have facilities that allow clients to enter the branch with the help of an employee. In 2020, we continued to work on removing barriers. As a result, 93% of branches have no architectural barriers, and 5% of branches have reduced barriers through the delivered foldable inrun rails and the installation of paging bells (access to the department for disabled people requires the assistance of an ING employee).

In all our branches clients have access to a sign language interpreter using the Migam application that is available on the telephones of our professionals.

Additionally, specialists assist everybody who may need it to open an account over the Internet, file a loan application or make a transfer. They also teach clients how to navigate in electronic Banking and step by step show various operations that clients can execute at home.

## Supporting clients in development

### Retail clients

Ensuring the implementation of the goal of educating clients in the scope of the savings and investment offer and sharing knowledge about the current market environment and the functioning of the financial market, we organized a series of webinars for Private Banking and Wealth Management clients on the most important current topics:

- "Where to look for value in the new financial reality of negative real interest rates";
- "Responsible Investing – ESG Strategies";
- "How to protect savings against inflation";
- "Looking for market opportunities: how to rationally build an investment portfolio in June 2020";
- "Investments and the situation on the debt market in the context of COVID19".

We have invited experts from NN IP TFI, Investors TFI, Generali Investments TFI to cooperate with us.

### Experience of customer 13+

As the first bank in Poland, we have made it possible for customers aged 13-18 to define their preferences in terms of offer contact for such products as: Mobi Account for young people 13-18 and a prepaid Mastercard card. For both new and existing customers.

## Entrepreneurs and corporate clients

### Tax transfer

We have introduced improvements in tax transfers. Clients are easier to pay taxes in Moje ING. In the "Tax transfer" section, we explain individual fields, tell you where to find your tax micro-account, and let you save the micro-account for the future, thus building security and the feeling that the client can do everything in one place – at Moje ING.

## Biznesmax

A constant element of our bank's strategy is to support the client in running its business. We consistently implement this strategy by implementing new product, process and IT solutions and constantly improving them. At the beginning of August, we signed an agreement with Bank Gospodarstwa Krajowego (BGK) implementing the Biznesmax guarantee program, granted under the Guarantee Fund to support innovative enterprises of the Smart Growth Operational Program (FG POIR). The guarantee can be used by companies implementing an innovative investment project or a project with a specific environmental effect.

## EU and technology loans

ING Bank, apart from the standard loan offer, has an offer for companies with high development potential: EU loans and technology loans. The EU offer implemented with state institutions (PARP, BGK), which uses funds mainly from the European Regional Development Fund, allows companies to implement large development investments, in which some of the expenditure is reimbursed. As a result, companies can make significant investments in a short time and improve their competitive position on the world markets. For our bank, supporting such development is one of the main goals in shaping a strong portfolio of healthy enterprises. The support of ING Bank is appreciated by clients, therefore we are invariably the leader in statistics covering the number of submitted applications for subsidies for development investments and obtained subsidies. The market share – in terms of the number and volume of technology loan agreements – exceeds 30%.

## Payment terminals

In 2020, we launched payment terminals from the new Verifone Engage platform. It is a family of versatile and modern terminals, and their implementation – as the basic sales model – places ING Bank in one of the first places on the market.

New devices:

- meet the latest security requirements of payment organizations (PCI 5.0);
- they run faster thanks to a powerful processor and more memory;
- they are easy to use – they have a large 3.5" touch screen with high resolution;

- they are more durable – Corning® Gorilla® Glass 3 technology minimizes scratches and prevents the display from cracking.

All devices can be ordered via an application from ING Business (Terminal). As part of the offer of payment terminals, we have launched three new functionalities: pre-authorization, completion of pre-authorization and sale without the physical presence of the card, which we provide at the client's request, free of charge, in the form of an "unbreakable package" of additional functions.

In 2020, we helped companies to unfreeze their businesses and to adapt to the changing preferences of their clients, who are increasingly choosing cashless payments. We have made available to clients the "Payment terminal without monthly fee for 6 months" offer – addressed to all business clients who cannot join the Cashless Poland Program because they do not meet its rules and the promotion "Continue with the ING payment terminal without monthly fee" by the end of December 2020 which we launched for business clients from the SME/MC and SE/Micro segments who have terminated their participation in Cashless Poland and still use ING payment terminals.

## imoje

Online payments, thanks to their simplicity and wide applicability, are an ideal way to receive payments between companies and their clients without contact. This significantly facilitates the logistics process of purchases made online or, for example, by phone. We offer imoje payments for e-commerce since 2017. Last year, our clients needed this service even more.

In imoje payments, we have introduced several technological changes that allowed clients to improve their sales processes.

- We have provided a multi-payout service that allows – especially large clients – to automate billing processes.
- We have implemented mobile SDK libraries that allow you to install our payment gateway in mobile applications and thus significantly facilitate payments to buyers.
- We have provided euro payments that clients selling to foreign clients need. We are currently expanding our offer with new currencies.
- We have implemented the Polish-API payments, which, in accordance with the European Directive PSD2, has a significant impact on the future of the entire online payment market, including B2B payments.

In 2020, imoje focused on educating its current and future clients on e-commerce issues. Economic and social changes have changed our reality by moving most of our activity to the Internet. The imoje team conducted several webinars, also inviting companies that are experts in their field, taking care of their substantive value. The plan of the events assumed the gradual education of the audience, which perfectly matched the plan to increase general knowledge about e-commerce and awareness of our product.

## ING CMS2

In 2020, we conducted intensive development work on the implementation of ING CMS2 – a new system to support the financing process, in line with both the latest technological standards and the requirements of the ING Group. The application will ultimately cover the process from submitting an application to repayment for all financing products and all process paths for business and strategic clients.

The first production launch of the new system was the debt collection and restructuring module covering clients with credit exposure up to PLN 1.2 million. A modern solution implementing standard restructuring strategies has replaced the previously used Debt Manager application in the field of SME/MC customer service.

Another implementation is a new order for guarantees for SME/MC and Strategic clients. Placing the order directly in ING CMS 2 enables faster changes and better integration with the new credit process. The new order is more readable and intuitive, and has also addressed a number of client needs, including automatic completion of default values, validations, auxiliary questions, downloading beneficiary data directly from the National Court Register.

Then, in ING CMS2, we launched the financial data service and the Fast Track limits service. The financial data service has been prepared on the basis of the latest accounting standards and enables, among other things, automatic search and loading of financial e-statements from the National Court Register for potential and current clients of the SME/MC segment. The Fast Track limits service, in turn, calculates out-of-process simulated Fast Track limits to the bank's clients and potential clients. Until the entire credit process is launched in ING CMS2, this solution mainly supports Advisors in acquiring new clients for the bank.

In the last quarter of the year, we released a new, simplified online financing application form for external clients and a new module that helps the client choose the right product after identifying their needs. These solutions comply with the latest requirements of the ING group regarding the architecture of solutions, as well as the visual issue of the so-called Orange Juice. The new application is prepared for the future implementation of the online decision for the new client.

In the following quarters, we will continue building the ING CMS 2 system and successively implement new functionalities, striving to make the entire Fast Track credit process available in the new technology.

## Aleo.com

ALEO.com is a database of information on over 3.5 million Polish companies. On the company profiles presented on the website and available to all Internet users, we provide, among others:

- always up-to-date registration, address and contact data from the official KRS and CEIDG registers;
- electronic financial statements and financial indicators (including net sales revenues and gross/net profit/loss) that facilitate verification of the credibility of companies;
- information on people who sit in company boards and capital and personal connections between companies.

2020 is a time of dynamic development for ALEO.com. Month by month, the number of people who used the information presented on company profiles grew. The milestone of 1 million visits per month to the site was achieved in July. The upward trend continued in the second half of the year – finally, in October we recorded a record result of 1.36 million visits per month. The positive trends continue in 2021.

We enriched our company profiles with information on subsidies received by Polish companies from the European Union. We also supplemented the database with data on civil partnerships and local government units.

Finding information about enterprises is facilitated by a new search engine with which you can find not only any company, but also people in its authorities.

With entrepreneurs in mind, we have prepared numerous guidance content:

- thematic blog articles;
- reports, analyses and infographics (including about the situation of enterprises during the COVID-19 pandemic);
- two e-books – guides for entrepreneurs facilitating the transfer of business to the online world.

## ING Commercial Finance

ING Commercial Finance offers factoring in various variants tailored to the needs of clients. Our solutions support the liquidity of clients, allowing them to develop steadily. We constantly improve our offer in this area. In 2020, we conducted the first integration of the ING Finance Invoices service with an external accounting system. The solution was based on the previously successfully implemented integration with ING Accounting, which allows entrepreneurs

to manage the company's liquidity from the level of the accounting system. In one convenient application, our clients issue invoices and finance them immediately, obtaining funds for the company's development.

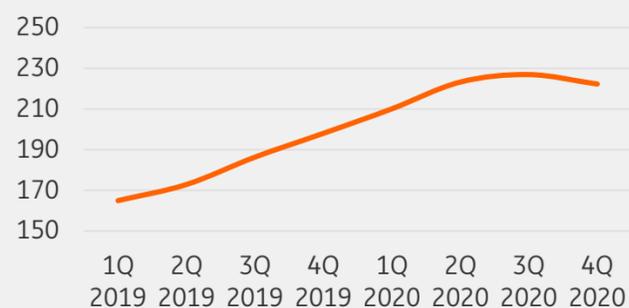
## COVID-19

2020 was special for the onset and ongoing of the Covid -19 pandemic. As a bank, we felt very responsible for our clients, which is why we introduced a number of activities to support them in this difficult time.

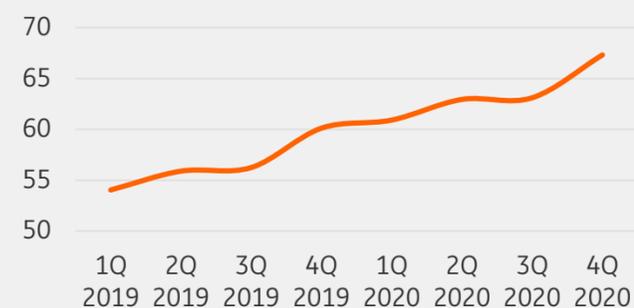
### Activity of retail clients during the COVID-19 pandemic

The COVID-19 pandemic forced clients to modify their behaviour, including the way they use banking services. Clients of our bank even more frequently use the Internet for banking and less frequently visit our branches. The number of visits in meeting points since 2020 is significantly lower than in 2019. Overall, in 2020 we recorded almost one third less visits to meeting points than in 2019. The biggest drop was in April (-56% y/y) and from that month the number of visits to meeting points has increased, but throughout 2020 it was lower than in 2019. The lower number of visits to branches translated into less cash transactions at branches. The pandemic did not change the clients' habits as to the devices they use for banking – an increasing number of clients use solely mobile devices or alternating between mobile devices and computers.

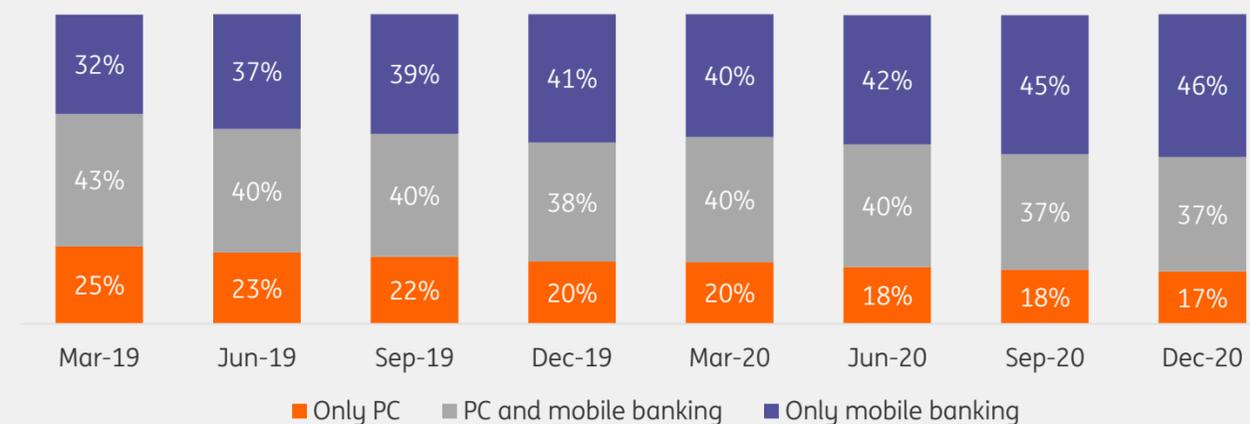
Number of logins to Moje ING (million)



Number of transfers in Moje ING (million)

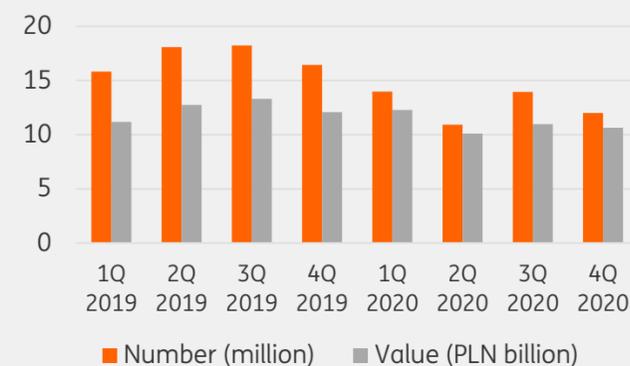


Use of online banking (number of users)

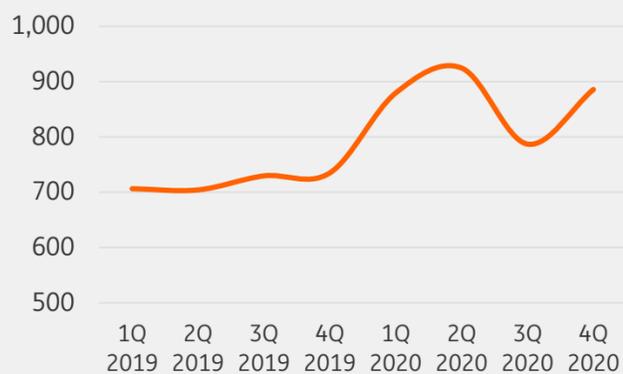


In the first weeks of March 2020 (beginning of the COVID-19 pandemic in Poland) we observed a significant growth of the number of transactions – both in payment terminals (increased shopping, hoarding of foodstuffs) and in non-cash transactions (ATMs, recyclers). The weeks afterwards – due to multiple government restrictions – showed a reduced number of cash withdrawals and transactions in stationary stores. Clients less frequently withdrew cash but the average amount of single withdrawal was higher. Afraid of being infected, clients shopped less frequently but for higher amounts. Additionally, clients more frequently did on-line shopping which resulted in an increased number of e-commerce transactions. Since May there has been a successive growth of amounts of transactions in payment terminals – current and deferred consumption. Nevertheless, the number of e-commerce transactions remained high. Overall, in 2020 our clients performed 57.2 million BLIK transactions (+86% y/y).

### Number and value of cash withdrawals – devices, branches, BLIK, cashback

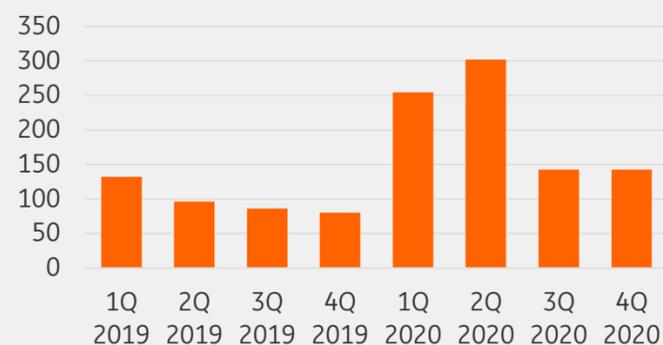


### Average amount of cash withdrawals – devices, branches, BLIK, cashback (PLN)

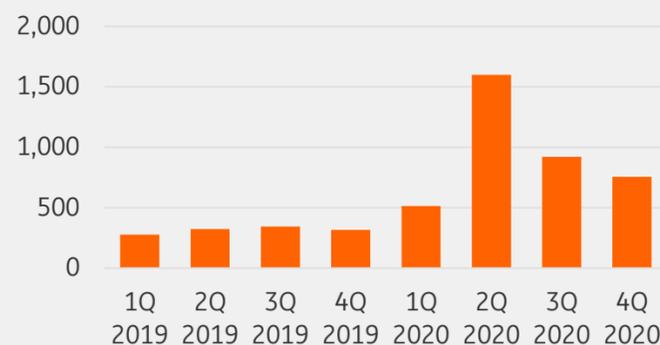


It was not only consumption of our clients that was transferred to the Internet – also communication with bodies of public administration moved towards remote channels. The use of trusted profiles was at record levels at our bank. In 2020 our clients signed totally 3.8 million documents with trusted profiles which was almost three times as many as in 2019.

### Number of new trusted profiles by quarters (thousand)



### Number of documents signed with trusted profiles by quarters (thousand)



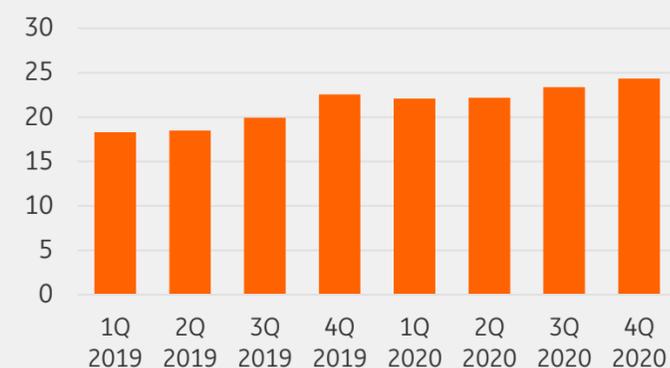
### Activity of corporate segment clients during the COVID-19 pandemic

Our corporate segment clients – similarly to the retail clients – have been moving towards remote banking (online and mobile). In 2020, we attracted 4.7 thousand medium-sized and large companies (+21% y/y) via remote processes.

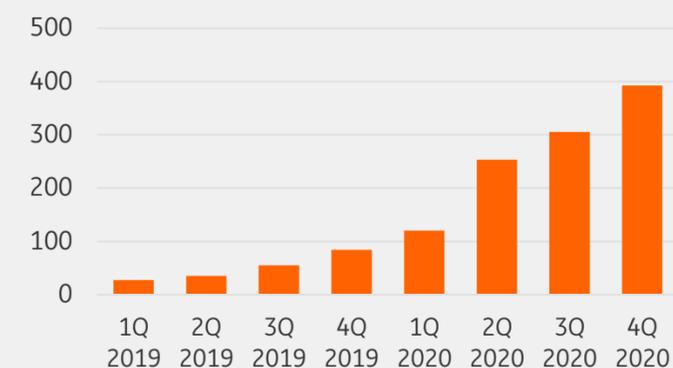
We have also been observing much less intensive activities of corporate clients in branches than a year earlier. In 2020 cash transactions at branches declined by 33.7% y/y while transactions in cash devices dropped by 8.0% y/y. Clients' activity has moved to online banking – we have processed jointly 92.0 million transfers of corporate clients in 2020 (+16.1% y/y).

The move of the activity of retail clients towards the Internet has also generated a similar move by corporate clients – they follow their own clients. The number of companies that implemented the imoje payment gate at the end of 2020 was 2.7 thousand (1.4 thousand more than a year earlier). In 2020, under imoje we processed transactions for PLN 1.1 billion (5x more y/y).

### Transfers made via ING Business (million)



### Transaction volume in imoje (PLN million)



### Safety of customers during a pandemic

During a pandemic, we pay special attention to the safety of all customers. We have taken a number of measures to ensure adequate protection against coronavirus infection. In the first period of the pandemic, we equipped all departments with hand disinfectants, and at a later stage with contactless disinfection stations. We have equipped

the cash desks and meeting rooms in each of the meeting places with plexiglass covers, which constitute a protective barrier between the employee and the client. Additionally, frequent contact surfaces are disinfected daily, such as:

- keyboards and screens at customer internet points.
- buttons for elevators inside and outside, handrails and mirrors,
- keypads of ATMs, cash deposit machines at branches,
- door handles in passageways,
- handrails in staircases,
- cash desks,
- tables in the customer service room and tables in meeting rooms,
- plexiglass partitions.

In the event of an epidemiological threat, we carry out additional disinfection in the form of ozonation or fogging.

## Retail clients

Due to the COVID-19 pandemic, we have noticed less customer interest in cash loans. In the case of mortgage loans, customers, especially during the first wave of illness, had two needs, ie extending the deadlines resulting from loan decisions and contracts and limiting visits to meeting places to the necessary minimum. In order to meet the expectations of our clients, we have introduced the option of remote submission of the tranche release instruction and extension of contractual terms. We have also prepared changes in the process of accepting loan applications in such a way that in 2021 customers can handle as many activities related to the loan application as possible by phone or e-mail.

### #remote to help

Collective restrictions announced in March particularly affected seniors. Most of them do not have online competences, which are crucial in the face of limiting public life on an unprecedented scale. Surprised by the situation, seniors isolated from their relatives were unable to pay their bills, buy drugs or make stationary purchases. In addition, not every senior using the Internet uses online banking. For young people - on the contrary, using the bank via the

Internet is a standard. Therefore, in order to help, as part of the campaign, we established the "Remote to help" team - a diverse, colorful group of well-known and popular YouTubers. Together and remotely, we recorded an appeal to young people, encouraging them to help their loved ones. In this way, we mobilized young people to act - to teach their parents and grandparents to go online: shopping, ordering medicines or paying bills this way. The campaign was not only a response to a real problem, but was also extremely popular among young people. It was the most engaging Facebook action in the history of ING. It caused a wave of discussions and positive comments, activating both the younger and the older group. It contributed to the acceleration of the digitization of seniors at ING compared to the period before the campaign.

### Bank from home

In March 2020, after the introduction of restrictions on social life during an epidemiological threat, most of the rules regarding the use of bank services in direct channels changed. In response to this problem, the team responsible for communication on the bank's own platforms analyzed the most important problems based on customer voices in various channels, designed, produced content and implemented a complete website available on the bank's website as well as in online banking and mobile application - "Bank from home".

The website's task was to educate customers about safe banking methods during an epidemic, demonstrate self-service capabilities, migrate to safe channels (internet and mobile banking, contactless payments), but also help overloaded helpline and branch employees exposed to an increased risk of contact with the infected. By the end of January 2021, these websites were visited by over a million customers who viewed over 200,000 answers to their questions. The websites function successfully to this day and are updated in the context of the current situation.

## Entrepreneurs and corporate clients

The year 2020 was a very special period, during which, along with standard development and maintenance activities, we introduced a number of initiatives to support our clients, while taking care of the bank's safety. From the beginning of the pandemic, we actively participated in the development of aid activities for companies at the PBA forum.

### PFR 1.0 Financial Shield for micro, small and medium-sized enterprises.

In order to help companies that suffered during the first wave of COVID-19, we started operating the PFR subsidy program for micro, small and medium-sized enterprises. The main objective of the Program was to provide financing,

largely non-returnable, on preferential terms to ensure liquidity and financial stability in times of serious economic disruptions due to the effects of the COVID-19 pandemic.

We started accepting applications on 29 April on the Shield 1.0 launch date. Until the end of July, support was offered to micro-enterprises employing from 1 to 9 employees with an annual turnover or balance sheet total of no more than EUR 2 million, and small and medium-sized enterprises employing up to 249 employees with an annual turnover of up to EUR 50 million or a balance sheet total not exceeding than EUR 43 million. Subsidies have been available to companies that have experienced a decrease in revenue of at least 25% in any month after 1 February 2020, compared to the previous month or the same month in 2019, as a result of COVID-19.

Through our agency, over 51 thousand companies received subsidies for a total amount of over PLN 9.5 billion.

Additionally, we prepared a series of webinars "How to use the PFR Financial Shield", in which we explained the rules for using subsidies and filling out the application. It was viewed by over 17 thousand users.

### Other forms of financial and non-financial support

During the pandemic, we implemented credit holidays. Thanks to this, we helped clients with loans to survive the difficult time – clients did not have to worry about instalment payments during this period. We honestly showed our clients the terms and conditions before taking advantage of the loan vacation offer – the client knew how much he would pay and could consciously decide whether to take the vacation. Remote, fast, easy process without additional documents in Moje ING online banking. As part of this offer, we have implemented deferred payments for 7.6 thousand loans.

For clients with no receipts on their accounts, we automatically extended the credit line when the date of its closing was approaching and we did not increase the margin. The client could support its liquidity during the pandemic. For the duration of the pandemic, we have provided a remote process for closing the credit line in Moje ING (so far, an entrepreneur could only settle it in a branch). As a result, in a pandemic, we extended 245 credit lines, and in the case of 2.8 thousand lines, we did not increase the margin.

We have also suspended the process of monitoring the economic and financial situation of clients. As a result, we did not terminate loans to clients whose financial results worsened due to the pandemic.

We resigned from checking the activity condition on the company account in the period May-July 2020. During this period, we did not charge clients for account maintenance and selected transfers, even if they did not meet the activity condition.

We have implemented the BGK Interest Subsidy program. As the first bank in Poland, we implemented the PLG-FGP liquidity guarantee and joined the government's interest rate subsidy program. We provided financial assistance together with BGK for clients with financial problems or forecasting such problems resulting from a pandemic – we easily supported companies with additional funds. 18 clients used the offer.

In the ranking of granting liquidity guarantees (PLG-FGP), we are invariably the first in terms of the number of guarantees granted, with a 25% market share and second in terms of the value of guarantees and loans secured with them. We are the leader in the distribution of the government's interest rate subsidy program.

In addition, in response to the needs of our clients, we introduced a number of changes to the existing BGK guarantee programs, including increasing the maximum guarantee amount from 60% to 80% of the loan amount, or the possibility of securing a Multi-Product Agreement with a de minimis guarantee.

At the same time, out of concern for the safety and stability of our bank, from 30 March we decided to introduce temporary restrictions in financing the SME/MC segment clients. In June, the economic situation allowed for a significant loosening of these restrictions, which positively translated into the loan volumes obtained by the bank.

We have also implemented a support program for small and micro retailers within the budget of Cashless Poland. Thanks to this, entrepreneurs who ended the 12-month period of free use of the terminal under the Cashless Poland Program between March and May 2020 received additional months without fees – up to 3 months.

We have waived the requirement to conduct on-site inspections and property inspections. We resigned from visiting the company's headquarters before granting a loan in order to limit contact with branch specialists and to ensure the safety of clients and employees during the pandemic

We increased the limit of contactless transactions with debit and credit cards from PLN 50 to PLN 100. We have also introduced a change in the terminal payment application. Thanks to this, the client does not have to enter the PIN for transactions for higher amounts. The change also applies to payment terminals offered by the bank.

As part of the Healthy#Cashless campaign, we encouraged clients to use safe cashless payments. As part of the campaign, we promoted:

- the possibility of making transactions without confirming with a PIN up to PLN 100;
- Apple Pay and Google Pay payments that do not require entering a PIN on the terminal at all;
- payment terminals to increase the acceptance of card transactions;

- ordering payment cards – we support the development of cashless transactions.

## ING Business

The Covid-19 pandemic demonstrated that as a result of consistent and long lasting development of ING Business and remote processes, we have been able to adapt to new circumstances within a short time. We have convinced to on-line banking even those companies that until then had been quite cautious about remote banking or did not feel the need.

In order to demonstrate secure banking on-line to our clients and fully present the potential of the system, we launched an educational campaign in ING Business under the slogan: “ING Business. More opportunities.”

### How did we operate?

- We have created a series of new guides. From the tutorials, the companies could learn, among others how to change user permissions yourself and how to send messages and forms to the bank. We showed users how fast banking matters can be handled without leaving home.
- as part of the series, we presented educational content in appropriate contexts with links to manuals on the most interesting functions.
- the content of the guides was assessed. Users rated the articles helpful, and we collected and analysed data to improve the quality of the content
- We have launched a new Online Help Centre

### Effects

We have recorded a growth of reactions to all communication activities in ING Business by 33% – as many as 53% of user clicks were originated from the campaign: “ING Business. More opportunities.”

Since we started the action, we have recorded a record growth in the Internet Online Help Centre and very good feedback on the advisory content (benchmarking period: 17.03-30.05.2020 vs. 02.01 – 16.03.2020):

- Growth of new users by 165% (up to 7.6 thousand);
- Growth of the number of active users (28 days) by 165% up to 3.5 thousand;
- Growth of the number of visits by 91% (up to 14.6 thousand);
- Growth of the number of sessions (up to 11 thousand) (by 136%)

- 74% readers who reviewed the guides would recommend the published content.

Also, many companies outside our clients were looking for fully remote banking services at that time in order to quickly adapt to the new reality. We communicated with them primarily on social media. We presented the possibilities of remote banking to meet the current needs of the company, including those resulting from the closure of the economy and the introduced restrictions.

### imoje

In the face of the economic closure and the rapid development of online sales, we introduced a special offer to provide companies with an easier start in e-commerce. We offered to set up an online store with the support of professionals from the beginning to the very end of the store creation process. All this time, we offer our new clients the opportunity to take advantage of the promotion of the first 3 months with 0% commission, on transactions made by our solution. The payment link generator function allows you to conveniently receive online payments without the need for an online store.

This gives great opportunities for companies providing, for example, services as an element of improving the process of finalizing the transaction.

### Online webinars and meetings

In 2020, the formula of online meetings was dominated by us, which we offered to business clients due to the inability to organize conferences in a traditional, stationary form. We organized a series of webinars to provide our clients with up-to-date and reliable knowledge about the economy in Poland and around the world, trends affecting business, as well as information about banking product solutions, especially those that were helpful during the constraints imposed on the economy by the pandemic.

The topics of these meetings, which were attended by over 20,000 people in total, were as follows:

Macroeconomic conferences:

- How Covid-19 affects the economic situation in the US, EURO zone and Poland,
- The economic situation and its prospects – what the world will look like after the pandemic,
- Diagnosis of the macroeconomic situation and forecasts of ING economists for 2021.

Conferences on solutions for the rapidly growing e-commerce sector during the pandemic:

- How to start selling on the Internet?
- New clients in the online store – how to keep them?
- How to effectively use e-mails and payments to increase sales in the online store?
- ABC of online store analytics

The main event for the e-commerce sector in 2020, once again organized by ING in cooperation with Twisto, was a webinar where we presented the ranking of Polish e-commerce market leaders "Basket of the Year".

Conferences on product solutions:

- Liquidity, relationships with suppliers, competitiveness. How can vendor financing help your business?
- Letter of credit for difficult times
- Car in the company. ABC of leasing
- Robots. Remote to help

Conferences about trends and current market topics:

- Trends, changes and transformations in the times of VUCA
- Energy price changes for companies. Impact of the power act on business competitiveness
- What you should know about JPK
- Responsibility of board members and managers for the company's activities.

A special place in the organized webinars was the series of 4 conferences on the Financial Shield of the Polish Development Fund, which were conducted immediately after the announcement of information on aid for companies by the government at the end of April 2020. Clients expected quick and reliable information about the program itself, but also about the rules for distributing funds in our bank. These were the following conferences:

- How to use PLN 100 billion, i.e. the PFR Financial Shield at ING.
- Frequently asked questions about the application and assumptions of the PFR Financial Shield.
- What to do to make the money from the PFR Financial Shield also go to your company?
- Do you have to return the entire grant from PFR? What should be taken care of before the end of 2020?

Once again, ING was a partner of the European Economic Congress in Katowice. This special year, the event was a hybrid event with the use of electronic communication tools and compliance with all safety standards. In the 2020 edition, we used the title: "Online Broadcast Primary Sponsor". The bank's representatives took part in a series of panel discussions.

### ING Commercial Finance

In response to the difficult market situation, we have implemented client convenience programs that allow us to extend the terms of financing repayment, contractual terms and renewal of factoring in a simplified manner. We have also enriched our offer with a product based on the BGK liquidity guarantee program.

### ING Lease

As part of ING Lease, we have introduced a number of initiatives:

- leasing holidays for clients – no additional fees for considering the application and annexing the contract, and without increasing the margin;
- remote meetings with clients, remote signing of leasing contracts;
- financing investments, supporting clients in the period of defrosting the economy, when companies had to adapt to the new reality (some of them had to change industries).

For some companies, the new reality has forced a rethink or a complete change of their business model. Sometimes it was just transferring your business to the Internet, sometimes changing the direction of deliveries or the recipient group of your goods, and sometimes even transforming your production lines. In each of these cases, it is worth thinking about corporate investments and external financing opportunities. A new machine that will enable the conversion of the production line, or a new car to be able to distribute goods more efficiently, may turn out to be the key to success. We understand this and we want to support entrepreneurs in this area as well.

### Deferring and suspending loan instalments – credit moratoria

On 19 May 2020, work was completed on the “Standpoints of banks on unification of rules of offering support tools for clients of the banking sector”. The standpoint developed by banks (in the Polish Bank Association) is a non-statutory moratorium, compliant with the guidelines of the European Banking Authority (EBA), concerning statutory and non-statutory moratoriums on loan repayment that banks apply in connection with the crisis generated by COVID-19. The standpoint was notified to EBA by PFSA. Originally the moratorium was in force by 30 June 2020 and it was extended until the end of September 2020.

In connection with the pandemic, we offered our clients a possibility to defer suspend repayment of instalments of consumer, company and mortgage loans for 3 or 6 months. The defer may cover repayment of principal or principal with interest. Our offer is compliant with the non-statutory moratorium or the rules developed by banks – members of the Polish Bank Association. At the end of 2020, a total of 44 thousand clients were granted a moratorium. The moratorium covered loans totalling PLN 8,503.2 million which accounts for 6.7% of the portfolio. This applies to PLN 2,725.8 billion of retail segment loans (4.9% of the portfolio) – of which PLN 1,906.7 million of mortgage loans (4.0% of the portfolio) and PLN 819.1 million of other retail loans (10.3% portfolio) – and the corporate segment with a value of PLN 5,777.4 million (8.2% of the portfolio).

Under the Shield 4.0 regulations, in June we offered a possibility to suspend the performance of loan agreements by individual clients for maximum 3 months (so-called government credit vacations). The suspension covers both principal and interest. Applications are available in Moje ING. They covered credit exposures for PLN 164.2 million at the end of 2020 (0.3% of the portfolio value).

In total, at the end of 2020, active credit moratoria comprised a loan portfolio with a gross value of PLN 241.2 million (0.2% of the total portfolio).

## ING for the climate

We observe the climate crisis shaping changes in social and economic life. We are aware that our approach to environmental protection is necessary and inevitable. This creates risks, but also opportunities. Therefore, we constantly implement the provisions of our Green Statement and operate in accordance with the Sustainable Development Strategy. We support sustainable financing while withdrawing from businesses that harm the environment. We are also limiting our negative impact on the planet.

### Green Statement and environmental and social risk

Towards the end of 2017, we announced the Green Statement in which, among others, we committed ourselves to support areas, such as:

- Projects on renewable energy sources executed by electric power groups,
- projects supporting development of modern energy transmission and distribution infrastructure,
- ESCO projects to offer financing for energy efficiency solutions, where the repayment comes from a stream of financial savings, from a reduction in energy consumption,
- projects supporting electromobility,
- other projects aimed at preventing pollution and increasing recycling possibilities.

In our business activities, our priority is to implement environment-friendly projects. Therefore, we are gradually reducing our product and credit exposure to carbon intensive activities. Since 2015 we have not financed coal-fired power plants under green field projects, excluding our previous contractual obligations to these entities.

Additionally, the Management Board of ING Bank Śląski S.A. has resolved:

- by the end of 2025 at the latest, the bank will have completed its cooperation with entities that do not meet the environmental policy criterion, in particular with respect to coal combustion;
- beyond 2025, the bank will not finance clients whose operations are dependent on thermal coal more than 5%. At the same time, the bank may support clients that implemented the plan to abandon coal firing in their energy transformation process;
- The bank permits the establishment of relations with clients whose business is dependent on thermal coal not more than 10%, provided that they have a strategy to reduce this share to a level close to zero in 2025.

The bank's policy on environmental and social risk indicates the activities in which the bank does not invest due to a particularly high risk of negative impact on the natural environment and the principles of sustainable development, as well as ethical or reputational issues (Exclusion Policy).

In addition, we require that our credit clients conduct their business in accordance with social and environmental regulations and have all permits and licenses required by law. Detailed policies related to the natural environment define our requirements towards customers and guidelines for bank employees regarding the approach to financing activities in areas that we consider particularly exposed to environmental and / or social risk. They concern the following areas:

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- hard coal mining, coal-fired power industry, and related businesses,
- other mining and power industry, petrochemical industry and metal manufacturing,
- chemical industry and utilisation of chemicals,
- industrial processing,
- forestry and plantations,
- well-being of animals.

In the near future, we plan to focus more heavily on the complementation of environmental / climate, social and management risks to the bank's risk management process, including customer and transaction risk assessment. We want to take into account gradually (and depending on the sector) additional risk measures, such as: the level of

greenhouse gas emissions, energy consumption and energy efficiency, water consumption management efficiency, waste management, water, air and soil pollution, pursuit / advancement in the development of low-emission technologies and others pro-environmental. We are aware, however, that the work already underway at the bank to implement a strategic, forward-looking and comprehensive approach to climate and environmental threats, as defined in the recently issued guidelines and consultation documents, will be a process spread over several years. Data sources remain the focus of our attention, although work at EU level on disclosure requirements related to environmental, ecological and climate issues has accelerated in recent years, it has not yet reached its full maturity. We will continue the approach to preferring the financing of "environmentally sustainable" activities, ie significantly contributing to the improvement of the environmental and climate situation, meeting the technical criteria / standards of such qualification, but also conducted in accordance with social and management standards.

## Sustainable financing

### GRI [203-1]

## Financing of Renewable Energy Sources

In 2020, we concluded renewable energy financing transactions for a total amount of PLN 920 million. The installed capacity of the onshore solar and wind farms covered by loans is as much as 490 MW.

The expected annual energy production from installations located all over Poland is to reach about 755 GWh, which corresponds to an average energy consumption of 354 thousand of four-person households and will avoid emissions as much as 572 thousand tonnes of CO2 per year. Transactions concluded by the Department of Energy are carried out in the project finance formula, based on the state-guaranteed support system for renewable energy sources in the form of a contract for difference, which ensures stability of the sales prices of electricity generated over a 15-year support period. The aforementioned transactions are an excellent foundation for building a long-term relationship with customers and further cooperation in financing projects not only in the area of onshore wind farms and photovoltaic farms, but also offshore wind farms and investments in energy storage and green hydrogen. We are observing the development of the renewable energy market in Poland and actively discussing the possibilities of cooperation with potential investors.

## Energy partnership with Siemens

We have been cooperating with Siemens in the field of energy efficiency since 2019. The offer is dedicated to companies that run production. Under the cooperation agreement, ING Bank Śląski provides an eco-guarantee for the energy efficiency improvement service offered by Siemens. Based on an energy analysis, Siemens implements, monitors and manages technical improvements to buildings and their infrastructure, thus guaranteeing and achieving a predetermined reduction level of energy consumption. The project is addressed to ING's clients running production activities with revenues exceeding PLN 100 million. A bank guarantee is subject to obtaining a positive credit decision from ING Bank Śląski. In 2020, Siemens signed a contract for an initial energy analysis with 6 ING clients. Unfortunately, due to the pandemic, there were delays in the implementation of projects, but they are ongoing.

## Cooperation with Innogy Go!

2020 was another year of supporting the electromobility area. Thanks to the cooperation with the electric car-sharing Innogy Go! approximately 500 fully electric BWM i3 with the ING logo were available for short-term rental and subscription in Warsaw and Zakopane. The bank has been supporting the project from the very beginning. By the end of 2020, over 100,000 unique users had registered in the application, who had driven over 7 million kilometers in shared cars. Thanks to eco-journeys, around 1,000 tons of CO2 emissions have been saved.

## Strategic partnership with VOOOM

ING Bank Śląski invested PLN 1 million in the company developing the Voom application and thus acquired a minority stake of 8%. Partners have been tightening cooperation on the development of Poland's first MaaS (Mobility-as-Service). An investment agreement and a marketing agreement between ING Bank Śląski and Voom were concluded on 15 January 2020. Additionally, from July 2020, mobility 3.0, i.e. the ALL-in-ONE city travel service, is available in one Voom mobile application. Thanks to innovative mobile solutions in the *Voom powered by ING application*, employees can not only optimize transport expenses, but also have access to alternative, ecological means of transport, which increases their sense of security. An additional advantage is the trip planner, which will show you how to get there, propose several alternative routes by various means of transport: by vehicles per minute and by public transport, including transfers, e.g. from a scooter to a bus, carsharing or scooter.

## We share our knowledge

### Circular economy

In 2020, we completed work on the report “Eight myths about the circular economy” and presented it at many events, also in partnership with the UN Global Compact Network Poland. The report was published in mid-May 2020 and made available on our [website](#).

In the report, we presented a list of arguments that the recovery of the economy after the pandemic should be based on the principles of the circular economy. This does not mean abandoning plastic altogether, but extending its life by standardizing materials and packaging, and more effective recycling. The design of everyday devices also requires changes, so as to facilitate their repair and processing. Apart from the benefits for the environment, this would allow the Polish and European economy to be partially independent of the supply of critical raw materials, e.g. fossil fuels and rare earth metals. The circular economy is an important part of the European Green Deal and the regulatory agenda of the European Commission.

We actively addressed the issues of the circular economy to a wider audience, e.g. during the panel at the Krakow Green Film Festival in August, and during large economic conferences such as the EEC in Katowice in September or sector conferences and debates among circular economy experts in the private and public sectors. We presented the conclusions of the report, among others during:

- a meeting organized by the UN Global Compact for experts on sustainable development in domestic and international companies,
- Circular Business Models conference, organized by the Embassy of the Netherlands, as part of Circular Week and the Mazovian Circular Week conference in October,
- online conference Circular economy – rational management of resources, organized by the Institute of Mineral and Energy Economy of the Polish Academy of Sciences.

The report was widely communicated on social media, including in the campaign organized by the UN Global Compact, in which the message about the chosen myth related to circular economy was confronted with a list of arguments or data.

### Sustainable development and regulatory changes in the energy sector

In addition to the topic of circular economy, in 2020 we actively shared our knowledge also in other areas of sustainable development:

- We have launched a new series of short publications on environmental issues in economic terms under the name GreenING Monitor, available on the pages of our economic [website](#). Two editions have been created so far. [The first](#), in March 2020, was devoted to the expansion of sustainable debt on global markets, including green bonds and green loans. While the [second](#), from September 2020, concerned the acceleration of the transition away from coal in the Polish power sector due to a pandemic
- in October, our presentation on the impact of the pandemic on the transformation of the energy system was a contribution to a wider public discussion. Debate on changes in energy prices for companies from 2021 in connection with the introduction of the so-called capacity fee, was organized by ING Bank Śląski in cooperation with Siemens and the Clifford Chase law firm.
- In November, we published a new regional [report](#) on the opportunities for a green transition in the post-COVID-19 world. The report presents a comparative analysis of energy and environmental challenges for Poland compared to other countries in the region: Czech Republic, Romania, Russia, Hungary and Turkey. Energy and environmental spending will be an important component of Europe's fiscal packages for the recovery of economies from the pandemic in the coming years.
- In November, we also participated in the debate on sustainable development and changes in non-financial reporting of enterprises during the online conference Open Eyes Economic Summit.

## The impact of operating activities on the natural environment and climate

[GRI \[103-1\]](#) [\[103-2\]](#) [\[103-3\]](#)

### Environmental programme

We know that our operating activities also affect the environment and climate. That is why we limit our negative impact, reduce CO2 emissions, use energy from renewable sources, replace cars with electric ones, and try to operate in accordance with the circular economy.

Our activities and goals concerning our environmental footprint are managed through ING Environmental Programme that has established the Environmental Management System (EMS). It provides for effective processes and continued improvement of our efficiency.

By adopting the 2020 targets for improving environmental performance, we committed ourselves to:

- reduce our total carbon footprint by 84% by 2020 compared to 2014. By 2020, we have reduced our total carbon footprint by 89%,
- reduce our water consumption by 20% by 2020 (compared to 2014). By 2020, we have reduced our water consumption by 9%. The goal could not be achieved due to numerous repairs and failures.
- use 100% energy from renewable sources. Since 2016, we have used 100% of green energy.
- recycle 100% of our waste. Currently, 100% of our waste is recycled.

In 2020, we set goals for further years of operation under the Environmental Programme:

- we will reduce our total CO2 emissions by 95% by the end of 2030 compared to 2014,
- we will reduce our electricity consumption by 50% by the end of 2030 compared to 2014 ,
- we will reduce our electricity consumption by 20% by the end of 2022 compared to 2014 ,
- we will continue to recycle 100% of our waste,
- we will continue to use 100% renewable energy.

## Electricity and carbon dioxide emissions

Since 2016, 100% of electrical energy consumed by our Bank comes from renewable sources. In the years 2016–2019, we relied on the purchase of certificates of guarantees of origin for electricity. From 1 January 2020, we signed a contract with our supplier for the purchase of energy derived only from renewable sources, in particular hydro and wind power plants. The entire process is supervised by the Polish Society for Energy Certification. The use of green energy has a significant impact on our carbon footprint, reducing it by 70%.

[GRI \[302-4\]](#)

New energy-saving measures implemented in 2020:

- we have signed another contract for the purchase of renewable electricity for 2021.
- We have started another project related to the production of our own green energy – installation of 114 photovoltaic panels with a production capacity of 49.6 kWp. The installation will be launched in the first half of 2021 and will supply the building in Ruda Śląska. In earlier years, we installed 50 178 photovoltaic panels on the roof of the Chorzowska Head Office.
- we started the modernization of the ING Ruda Śląska building. We have already carried out the thermal modernization of the facade, we have replaced the light fittings with LED ones, using automatic switches.
- We have modernized the ventilation and air-conditioning system in the buildings of the Sokolska 34 Head Office – the new units are more efficient and at the same time energy-saving because they have heat recovery.
- Around the ING Roździeńska building in Katowice we placed green benches – they use solar energy to charge phones or other devices. The benches are provided with USB sockets and induction charging option. Additionally, for our four-legged companions we provided water bowls by the benches. In previous years, we have installed such benches around the Head Office buildings in Katowice.

## Carbon dioxide emissions

Emissions				
tony CO <sub>2</sub>	2017	2018	2019	2020
Scope 1	462	385	271	203
Scope 2	2,097	1,681	1,656	1,155
Scope 3	3,906	3,955	1,341	828
Total	6,465	6,021	3,268	2,186

Reported emissions have been calculated according to the GHG Protocol standard.

### GRI [302-1]

## Our electric energy consumption

Electric energy consumption				
kWh	2017	2018	2019	2020
Electric energy	31,530,936	30,558,890	31,920,924	27,666,453
The electricity we produce (photovoltaic panels)	-	-	-	43,270

The decrease in energy consumption was mainly due to the remote work of most employees due to the coronavirus epidemic.

## Other types of energy (except for electric energy)

Other types of energy				
	2017	2018	2019	2020
Natural gas (m <sup>3</sup> )	202,705	188,968	105,356	86,389
Heating oil (l)	17,000	13,012	20,511	10,500

## Car eco-policy

At the beginning of 2019, the Management Board approved the implementation of a long-term eco-strategy for the car fleet and changes in car policy. By 2022, ING Bank Śląski will have a full ecological fleet, and by 2023 we will reduce our CO<sub>2</sub> emissions by as much as 30%. At the moment, our fleet consists of 54% green cars.

We are also expanding our fleet of electric cars step by step. We currently have 11 electric cars and 15 bank charging stations located min. in Katowice, Łódź, Kraków, Warsaw, Gdańsk and Wrocław.

## We manage waste wisely

- We mandatorily sort waste at our branches. On top of this, we collect and safely destroy data carriers (either the paper or magnetic ones).
- At each branch, we gather office waste like toners, furniture or electronic waste and have them recycled by an authorised company.
- We extended the waste segregation with the collection of dead batteries. The containers are located in rooms with printers and kitchenettes in all buildings of the Bank's Head Office.
- All employees of the Head Office in Warsaw and Katowice use the so-called follower printout. This solution allows you to print the document only after we put our ID card to the printer, so we do not waste paper and toner.

### GRI [306-2]

Total weight of hazardous waste, broken down by the following disposal methods				
kg	2017	2018	2019	2020
Recycling	17,894	4,130	1,487	1,162

Total weight of non-hazardous waste, broken down by the following disposal methods				
kg	2017	2018	2019	2020
Recycling	571,028	536,836	507,543	261,159

The waste disposal method is determined by the company responsible for the recycling of the waste supplied by the Bank. The decrease is largely caused by the epidemiological situation, and as a result of it, remote work and the change of safe containers for shredders - shredders are sent to municipalities that do not keep quantitative records per producer of this waste.

### Total weight of waste

kg	2017	2018	2019	2020
Waste paper	554,052	523,040	486,125	243,100
Screens	14,094	570	1,487	1,162
Electronic equipment and bulk waste	16,976	13,796	18,154	15,510
Toners	3,800	3,560	3,264	2,549
<b>Total waste</b>	<b>588,922</b>	<b>540,966</b>	<b>509,030</b>	<b>262,321</b>
Waste to be recycled	585,390	540,966	509,030	262,321
Waste not to be recycled	3,532	0	0	0

### We educate employees

As part of the ING for the environment campaign. Make responsible decisions in 2020 in kitchenettes and bathrooms in all buildings of the Head Office, there are stickers for cisterns encouraging rational water management and stickers for dispensers, encouraging to reduce the consumption of paper towels – that is, to make rational and responsible choices for the sake of the environment. This action was guided by the following slogans: "Little button – little thing. That's 3 litres of water; Big button – big deal. As much as 6 litres of water!" and "One towel is enough for sure."

### Activities according to the less waste principle

#### Used hardware and furniture

We provide used equipment in the form of laptops, PCs, monitors or printers and furniture that can be used in the form of in-kind donations to schools, hospitals or public benefit institutions. Consequently hardware worth PLN 174,680.37 and furniture worth PLN 3658 went to those in need instead of disposal in 2020.

#### Furniture platform

In 2020, we launched a furniture platform that is used to buy back furniture (desks, chairs, cabinets) from liquidation, relocation or modernization. Each employee has the option to buy back furniture at preferential prices. Thanks to this, we give them a second life.

### Water consumption

We systematically collect data and analyse water consumption for all locations. As a result, we have developed new standards for the modernization of the buildings of the Bank's Head Office and branches. Using modern dual flush

toilets, dishwashers or aerators is a standard with each modernization, thanks to which we can reduce water consumption.

In 2020, we started the grey water recovery project in the ING Ruda Śląska building – the project is to be completed in the first quarter of 2021. After collecting and proper treatment of previously used water, it will be possible to reuse it.

#### GRI [303-3]

### Water consumption

m <sup>3</sup>	2017	2018	2019	2020
Water (the source of intake is municipal water supply system)	55,541	57,130	58,284	65,693

The reason for the increase in water consumption were numerous failures and modernizations: renovation of the fire protection tank, repeated filling and checking, modernization of the sprinkler installation in Chorzowska, required multiple refilling, we built a rainwater tank in Sokolska in the summer, required tightness tests, failure of the sprinkler installation on Sokolska, pump failure hydrants on Sokolska, replacement of utility water risers on Sokolska, replacement of main valves chilled water on Sokolska street, renovation of the ice water collector on Sokolska street, modernization of the technological heat collector on Sokolska street, failure at the meeting point in Kielce, repairs in the headquarters and meeting places.

#### From the rain to the office

In order to reduce water consumption, in 2020 we installed a rainwater collection tank with a capacity of 15.5 m<sup>3</sup>. This water is used to water the green areas with an area of 400 m<sup>2</sup>. Thanks to the collection and use of rainwater, we can use approx. 364 thousand of litres of water, which we have so far obtained from the water supply. In 2021, we intend to develop this project further. The automation, pumps and infrastructure of this installation use electricity. The next stage of the project is the installation of photovoltaic panels to power the entire irrigation system.

### Business travels

One of the key elements when choosing a service provider is concern for the environment. That is why we have started cooperation with the FreeNow taxi company, whose goal is to achieve zero emissions by 2030 – which is important for us, thanks to this approach, we can already use a fleet of hybrid cars, and for shorter distances – electric cars.

## Business travel data

### Business travels

km	2017	2018	2019	2020
Business travels by company cars	23,608,516	22,827,141	24,684,714	17,735,640
Air travels	2,246,272	3,837,237	2,203,133	301,642

The reduced number of business travels in 2020 was mainly due to the remote work of most employees due to the coronavirus epidemic.

## ING for the community

ING Bank Śląski S.A. conducts social and charity activities in priority areas, in line with the sustainable development strategy. We carry out our activities independently, but also in cooperation with social partners and with the support of two corporate foundations – the ING for Children Foundation and the ING Polish Arts Foundation. In 2020, in addition to standard activities, part of our commitment was related to the coronavirus epidemic.

### Social involvement

#### Counteracting the effects of the COVID-19 pandemic

ING Bank Śląski donated PLN 4 million during the first wave of the pandemic to help medical services. The bank provided support where the highest increase in the number of patients was observed. Financial aid was provided to 5 medical facilities throughout Poland. The bank also joined the Coalition of Companies that support the fight against SARS – CoV – 2 in Poland. As part of this initiative Warsaw Genomics carried out tests to confirm or rule out infection with the virus. The bank has made a donation for the implementation of 1000 such tests. In addition, thanks to donations from clients, employees and the ING Group, which supports the fight against the pandemic in many countries, over PLN 2 million was collected in the health care fundraiser. ING Bank Śląski, ING Tech Poland and the ING Foundation for Children transferred the funds to selected medical institutions.

In the second wave of the epidemic, ING Bank Śląski provided support in the amount of PLN 1 million, donations went to 10 hospitals. In addition, the bank allocated several dozen used laptops for the purposes of remote learning for organizations and schools, and the Wrocław Region made a donation for the purchase of new laptops for the Wrocław Hospice for Children Foundation in Wrocław. The Tech Division ran an educational program for high school teachers on the use of distance learning tools. The bank, together with the Regional Volunteer Centre in Katowice, became involved in the #maskforsenior campaign, consisting in free delivery of masks to the elderly in Katowice and neighbouring cities. Employees of the Audit Department became involved in the action to fight the coronavirus in the poorest countries, "UNITE TO FIGHT CORONA", donating PLN 10,000 for this purpose for UNICEF POLSKA.

#### Cooperation with partners

##### Exempt from Theory

Exempt from Theory is the largest Competition of social projects in Poland. During the Competition, high school students organize their own community projects. In 2020, most of the projects were implemented on-line. ING Bank Śląski, as a partner of the Competition, prepared the ING Challenge for young people. In the first half of the year (2019/2020 school year) it concerned #entrepreneurship, while in the 2020/2021 school year, as a response to the needs of developing digital skills, the challenge was related to the #remotehelp (#zdałnidopomocy) campaign. The implementation of the program in the first half of the year ended with an on-line final gala during which Sławomir Soszyński – Vice-President of the Bank Management Board approached the youth. Barbara Pasterczyk – Director of the Brand & Experience Expert Centre invited to implement projects under the 2nd challenge #remotehelp (#zdałnidopomocy). Additionally, participants of the ING Challenge benefited from mentoring of bank employees. 36 teams and 60 mentors from all over Poland applied to implement the ING Challenge. In addition, due to the need to support young people with knowledge in the field of cybersecurity, the bank together with the Exempt from Theory organized an online lesson for 380 students. It was led by Maciej Ogórkiewicz, Chief Information Security Officer and Director of the IT Security Department.

##### The Road to Harvard

ING Bank Śląski continued cooperation with the Harvard Club of Poland Association as part of a competition for middle school, high school and university students interested in studying abroad – The Road to Harvard. In 2020, the bank promoted a competition for talented youth among employees. On 5 June the on-line Road to Harvard Awards Gala was held. During the Gala, the winners of the 10th edition of this program were announced. On behalf of ING Bank Śląski, the main prize was presented to one of the four winners by Joanna Dymna-Oszek, Director of the Bank Management Board Office.

## Not irresponsible

In 2020, the 8th Not Irresponsible Conference was held, with ING Bank Śląski as a partner. The event was held in 3 parts online, and on 27 October Brunon Bartkiewicz took part in the Oxford-style Warsaw debate "Social inequalities fuel the development of the world". This year the theme of the meetings was JEALOUSY.

## NOSPR AI

The Polish National Radio Symphony Orchestra in Katowice in cooperation with IBM, ING Bank Śląski, Fujitsu Technology Solutions, Katowice City Hall, as well as several secondary schools in Katowice announced the launch of the NOSPR AI virtual chatbot. This tool allows Internet users to have a live chat with AI about classical music. The launch of NOSPR AI was preceded by quality tests carried out by IBM and NOSPR project teams. In the initial training, 8 860 questions were collected in less than 3 weeks. ING Bank Śląski employees asked a total of nearly 600 questions. On the platform, you can ask questions by voice and in writing, listening to the interpretation of the songs "Fire Bird" by Igor Stravinsky and "Carnival of Animals" by Camille Saint-Saëns performed by the NOSPR in Katowice.

## Responsible Business Forum

In 2020, ING Bank Śląski continued its partnership in the Responsible Business Forum as an institution that engages in activities for social responsibility and sustainable development. Joanna Erdman, Vice-President of the Management Board of ING Bank Śląski, responsible for the implementation of the Sustainable Development Strategy, joined the Board of the Responsible Business Forum.

As part of the cooperation, ING Bank Śląski took part in the largest event on corporate social responsibility in Poland – 8 CSR Fairs, this time in the online formula. Participation in this event was an opportunity to learn about the latest good practices and CSR initiatives and to observe trends in responsible business and sustainable development. In September, Joanna Warmuz, an expert on Sustainable Development and CSR, was a speaker at the webinar "How to create and update a responsible company's strategy", organized by the Responsible Business Forum for partner companies. The group of Strategic Partners of the Responsible Business Forum includes almost 60 companies – CSR leaders from all over Poland.

## Global Compact Network Poland

As part of cooperation with the UN Global Compact in 2020, ING Bank Śląski was a partner of the "Standard of Ethics in Poland – Equal Business Opportunities" and "Sustainable Cities" (Climate Positive in 2021), the aim of which is to

improve the quality of life in cities and minimize the negative impact on the environment. In the "Sustainable cities" program, UNGC became a partner of the report "Eight myths about the circular economy", prepared and published by a team of economists at ING Bank Śląski. In September, a bank representative – Leszek Kąsek, a senior economist from the Macroeconomic Analysis Bureau, attended the Steering Committee meeting and presented the conclusions of the report "Eight myths about the circular economy". The report initiated a discussion on environmental activities and good practices in various production companies in Poland, represented by experts in sustainable development. As part of the "Standard of Ethics in Poland – Equal Business Opportunities", the bank's representatives were members of the Steering Committee and the working group. Good practices in the field of equal opportunities in organizations were presented at the meetings. Additionally, the Bank took part in the WEPs Gender Gap Analysis Tool study in the area of gender equality management. The Bank's representatives took the floor in discussion panels organized by the UN Global Compact and because of their virtual participation in the United Nations General Assembly.

## Education and knowledge sharing

### Warsaw Banking Institute – BAKCYL Programme

In 2020, despite the pandemic, the bank continued its involvement in BAKCYL – a joint project of the banking sector for the financial education of youth from primary (6-8 grade) and secondary schools, led by the Warsaw Banking Institute.

Bank employees and volunteers conducted 23 online finance lessons attended by 550 students. The topic of the lessons was: Your money, From saving to investing, and in grades 1-4 of secondary schools, a series of topics: Financial market – trust in business, My finances – I think entrepreneurial, Wise investing. The most active volunteers from the bank in the school year 2020/2021 are: Barbara Fajkis, Artur Waraksa, Katarzyna Kwiatkowska, Dariusz Drenda.

Additionally, as part of the cooperation, ING Bank Śląski and the Warsaw Banking Institute jointly conducted a financial knowledge quiz as part of the ING Global Money Week program (March 23-29) for children of employees aged 13-16. Due to the necessity to conduct on-line lessons and classes, WIB asked for support in organizing a meeting with school youth on cybersecurity. The lesson, attended by 950 participants, was led by an expert – Maciej Ogórkiewicz, Chief Information Security Officer and Director of the IT Security Department.

## CoderDojo Foundation

CoderDojo is a nationwide community of enthusiasts of new technologies and a place for the development of technological talents (programming, modelling, graphics, 3D printing) for children and teenagers. Classes are held outside the school, often in classrooms provided by companies. Attendance is free, and anyone who wishes to become a CoderDojo student or mentor can join the community.

ING CoderDojo continued on-line activities for children in the robotics, Minecraft and mobile applications groups (ING Tech Polska group). Additionally, in response to remote learning, the CoderDojo Foundation conducted workshops for children of employees and parents, entitled eduHackers from a variety of applications to make this form of school lessons more attractive. In November and December, 3 workshops were held, attended by approx. 100 employees with children.

## Lesław Paga Foundation

In 2020, ING Bank Śląski was a partner of two Foundation projects: Young Innovators (YI) on 12 September 2020 – 9 November 2020 and the Academy of Capital Market Leaders (ALRK) on between 6 – 19 July 2020 – an educational project on the capital market, educating modern management staff.

## Entrepreneurial Youth

Entrepreneurial Youth is an educational program in which young people aged 14-17, students of grades 7 and 8 of primary school and secondary schools, including industry schools, gained knowledge in the field of economics and entrepreneurship, and participated in practical tasks. The students learned how to manage various resources, researched the market together, analysed risk and created their own business ideas. They also learned about the value of social involvement and employee volunteering. The program was created by the Centre for Civic Education. From 2017 to 2020, it was carried out in cooperation with ING Bank Śląski and the ING for Children Foundation. 90 student teams applied for the 2019/2020 edition of the Programme, 73 of which completed the full course.

## Donations and sponsoring

### Charitable donations

In 2020, ING Bank Śląski made 49 financial charity donations, 16 of which were directly related to the fight against the coronavirus pandemic as part of additional assistance addressed to medical services, and hospitals all over Poland

received them to purchase medical supplies and equipment. ING Bank Śląski also made 2 donations for employees struggling with cancer.

Donations were made pursuant to the Donation Policy of ING Bank Śląski S.A. The Donation Policy defines the objectives that the bank supports as part of its donations, in selected areas of social investment:

- activities for children and adolescents, including recreation for children and adolescents,
- science, higher education, education, education and upbringing (especially in the area of financial education),
- health protection and prevention,
- financial support in the event of special events in which the employee or his family member (s) suffered.

Among the other donations made there were, among others donations for activities in the field of financial education and social involvement of young people for the Exempt from Theory Foundation, the Warsaw Banking Institute for the Bakcyl programme, the CoderDojo Foundation for the development of ING CoderDojo (on-line activities). In the area of health care, additional donations were given to foundations that have been carrying out socially valuable activities for the improvement of health for years, including for the Foundation for the Development of Cardiac Surgery prof. Zbigniew Religa in Zabrze and Polish Foundation of Gastroenterology. ING Bank Śląski continued its support for regional and local charities, including supported the Dr Piotr Janaszek PODAJ DALEJ Foundation, the Pomeranian Hospice for Children Foundation, the "Nowy Dom" Children's Home in Przybysławice, the "Pomóż im" Foundation for Children with Cancer.

### In-kind donations

In 2020, the bank also made in-kind donations in the form of IT equipment withdrawn from use (in good technical condition) and office furniture, mainly related to the needs of remote learning at home for children and adolescents. The value of IT equipment donated to the foundation, associations and care facilities amounted to PLN 174,680.37. In-kind donations were made on the basis of the Procedure for resale / donation / disposal of assets at ING Bank Śląski. In-kind donations were mostly received by charity organizations, schools, care centres and the ING for Children Foundation.

## Sponsorship

In 2020, ING Bank Śląski S.A. continued to be involved in sponsorship activities targeted at entrepreneurs and young people, green and electro mobility activities as well as the activities for SME and mid-corporate owners and managers. They were designed to empower people to stay a step ahead in life and in business.

The most important sponsored events were:

- European Economic Congress in Katowice,
- European Tech & Start-Up Days in Katowice,
- Open Eyes Economy in Krakow, and
- Run Warsaw event.

As the Main Sponsor of the online broadcasting, ING Bank Śląski S.A. supported the European Economic Congress in Katowice and the European Tech & Startup Days. These were one of the largest business meetings in Central Europe. This year, due to the pandemic, the meetings were held in two rounds (in May online only, and in September it was held in a hybrid formula). ING experts shared their knowledge and experience by participating in the discussion panels. Once again ING Bank Śląski sponsored the Open Eyes Economy Summit in Krakow - the International Congress of the Economy of Values. The main topic was sustainability and the approach to climate problems. This time all the lectures and debates were held online. Also, the exhibitors made virtual stands and had online chats with event participants. OEES became the largest remote event in Poland. It was attended by as many as 3000 people from 27 countries, of which 160 were speakers, the experts from ING Bank Śląski included.

In this very special pandemic year 2020, ING Bank Śląski S.A. once again worked with the organisers of the Run Warsaw event, taking on the role of General Partner of the Virtual Run Warsaw and Virtual Marching and Cheering events. 2,962 employees and their family members ran the distances of 10 kilometres (for runners) or 5 kilometres (for marchers) in locations of their choice. The run through the streets of Warsaw was symbolic and our employees did not take part in it.

## Our corporate foundations

### The ING for Children Foundation

The ING for Children Foundation is one of the oldest corporate foundations in Poland. It implements the social mission of ING, supporting the development, education and independence of children and youth. Through its proprietary programs, it strives to equalize the life chances of young people whose start into adulthood is difficult for various reasons. In connection with the COVID-19 pandemic, in 2020 the foundation's activities focused on helping children in distance learning and hospitals in their fight against the pandemic.

#### Support for health protection in the fight against coronavirus

The ING for Children Foundation donated PLN 2,052,846 to 20 hospitals all over Poland. These funds were collected in a fundraiser among ING employees and clients from April to June. The ING Group and ING Tech Poland also joined the action.

List of recipients:

- Białystok – University Children's Clinical Hospital Ludwik Zamenhof – PLN 102,617
- Bydgoszcz – Dr. E. Warmiński Multispecialist City Hospital Dr. – PLN 102,617
- Chorzów – SP ZOZ Municipal Hospital Complex – PLN 102,617
- Cieszyn – Silesian Hospital in Cieszyn – Complex of Healthcare Institutions – PLN 102,617
- Gdańsk – Maciej Płażyński Polanki Children's Hospital – PLN 102,617
- Gliwice – Upper Silesian Oncological Foundation for the Gliwice Branch of the Maria Skłodowska Curie National Institute of Oncology – PLN 102,645
- Kalisz – Ludwik Perzyna Provincial Complex Hospital – PLN 102,617
- Katowice – Leszek Giec Upper Silesian Medical Centre of the Medical University of Silesia – PLN 103,095
- Kraków – SP ZOZ University Hospital – PLN 102,617
- Lublin – University Children's Hospital – PLN 102,617
- Łódź – Maria Konopnicka University Centre of Paediatrics – PLN 102,617

- Nysa – Healthcare Complex – PLN 102,617
- Radom – Tytus Chałubiński Radom Specialist Hospital – PLN 102,617
- Szczecin – Prof. Tadeusz Sokołowski Independent Public Clinical Hospital No. 1 of the Pomeranian Medical University – PLN 102,617
- Tychy – Provincial Specialist Hospital – PLN 102,617
- Warsaw – Józef Polikarp Brudziński University Clinical Centre of the Medical University of Warsaw – Children's Clinical Hospital – PLN 102,617
- Warsaw – Krysia Niżyńska "Zakurzona" Independent Public Health Care Centre, Specialist Hospital "Inflancka" – PLN 102,617
- Warsaw – University Centre for Women and Newborns at the Medical University of Warsaw – PLN 102,617
- Wrocław – Jan Mikulicz-Radecki University Clinical Hospital – PLN 102,617
- Zielona Góra – Karol Marcinkowski University Hospital – PLN 102,617

In addition, the employees of the Foundation's centre sewed 2,130 masks, which were donated to 18 orphanages, organizations and a hospice.

### Remote learning

Providing education, therapy for children with various disabilities, and supporting those who do not have adequate care in their homes, have become very difficult at a distance. Therefore, in the spring of 2020, the ING for Children Foundation donated 21 laptops and 11 printers and PLN 330,000 mainly for the purchase of computers, but also for the work of psychologists. This aid went to 51 schools and non-governmental organizations, thanks to which children could participate in online lessons and obtain psychological support and safely go through the difficult time of the first wave of the pandemic.

### Employee volunteering

Since 2006, ING employees have participated in the Good Idea volunteering competition, and they can also submit ad hoc initiatives. In 2020, the ING for Children Foundation granted funding for 74 projects for local communities, associations, foundations and schools for a total amount of PLN 416,945. Not all projects were completed in 2020 due to the constraints of the pandemic. When face-to-face meetings with the children were not possible, ING volunteers

went online. Volunteering is individual tutoring and thematic meetings for groups. Children together with volunteers, for example, learned to cook or participated in environmental competitions. In total, in 2020, volunteers conducted various activities for 1,822 children. In January, July and August, the foundation organized training courses for volunteers, attended by 52 ING employees. These trainings concerned, inter alia, work with children online.

### Orange Power

The lack of varied sports activities for young people with disabilities is a serious problem that has many sources: in some institutions, the barrier is infrastructure and equipment shortages, or the lack of proper preparation of teachers, but most often it is fear of injury. The attention of children with disabilities and their parents is focused on the rehabilitation aspect of sport. Together with the Orange Power Ambassadors, in 2020 the foundation organized a sporting event, showing various disciplines in which everyone can try their hand. The Olympic edition of the program was largely held remotely through competitions, joint training with athletes and videos encouraging activity. In this formula, 225 students from 22 institutions joined the program received 410 balls, 264 rackets, 220 resistance bands, 88 jump ropes.

### Smiling Holidays

Before the pandemic, in the summer and early autumn, the foundation organized a total of 10 Smiling Holidays for 391 people at the foundation's centre in Wista. The purpose of the camps is to relax, discover new places by children, but also to develop their social competences. Children come in organized groups, with their teachers and tutors who implement the educational or therapeutic program. Each stay is tailored to the needs of a given group.

### Art and literature

In June, the ING for Children Foundation and the ING Polish Arts Foundation announced an art competition entitled KORONTANNA, in which children were to present their everyday life during a pandemic or dream about the future. There were 207 competition entries made using different techniques. These works are a document of exceptional times and show how children survived the pandemic, which was important to them during the period of isolation. The ING for Children Foundation also encouraged children to read, donating 3,003 copies of the books "Alien", "Lucjan Lew, which never existed" and "Snowman in the fridge" (a book published by the ING Polish Arts Foundation) to libraries, schools and various organizations.

## Virtual Run Warsaw

In October, ING employees along with their relatives ran and marched for the ING for Children Foundation. This time the charity run took place virtually all over Poland. 744 ING employees took part in it, and 2 218 in the march. Their commitment translated into the amount of PLN 185,300, which ING Bank Śląski donated to the foundation for activities in 2021.

### Involvement of the ING running team / Orange Power Competition

Year	Number of runners	Funds for ING for Children Foundation	Projects implemented from the transferred amount
2020	744 runners and 2,218 marchers	PLN 185,300	The Foundation will allocate funds for its additional activities in 2021.
2019	706 runners and 1,500 marchers	PLN 145,600	In 2020, the funds raised by ING employees who ran and marched in various sports events, will be allocated to sports equipment for children and the youth taking part in the Olympic edition of the Orange Power Programme. It is targeted at the primary schools, sports clubs and organisations caring for children with motor, hearing or visual disabilities.
2018	708 runners and 585 marchers	PLN 100,050	In 2018, the Foundation announced a competition, Orange Power for the children and youth activating projects. The competition was attended by 51 social organisations recommended by the ING employees. The 10 projects selected in a vote were implemented in 2019.

## ING employee support to children

In December, for the second time, employees could allocate unused points in the Cafeteria to the ING for Children Foundation. This option was used by 489 employees of the Bank and of the companies served by the Bank, which translated into PLN 9,404.30. The Foundation will allocate these funds to attractions for children participating in Smiling Holidays in 2021.

## ING Polish Arts Foundation

The ING Polish Arts Foundation was established to support Polish artists and female artists, and to present the most current phenomena in art. The foundation builds a collection of contemporary art and carries out artistic and educational projects. In 2020, i.e. the 20th anniversary of its existence, the foundation, like other cultural institutions,

carried out its activities mainly online. We have adapted our program to the new conditions, fulfilling 100% of our obligations towards recipients and colleagues. Bearing in mind the need to support artists in this difficult year, we carefully selected works for the collection, which last year increased by as many as 23 objects by 9 artists. The development of the collection and our activities are financed from the annual donations of the ING Group companies in Poland and are part of its global art patronage program, which plays an important role in creating the organizational culture.

## Collection

The collection of the Foundation includes works created after 1990 by Polish living artists. Currently, the collection includes over 227 works – 84 paintings, 57 photographs, 36 works on paper, 27 objects (sculptures, ceramics, textiles, etc.), 7 videos and 16 installations – by both recognized artists and younger generation artists born in the 80s and 90s. The collection includes works by 35 women and 68 artists. In recent years, the foundation has been actively working towards a more equal representation on the basis of gender. The collection of foundations remains one of the few corporate collections in Poland. In 2020, the collection includes paintings by Martyna Czech, [Hanna Krzysztofiak](#) and [Tomasz Kręcicki](#), photographs of [Irena Kalicka](#), [Witold Orski](#) and Katarzyna Kozyra, patchworks by [Małgorzata Mirga-Tas](#) and work on fabric by Nicolas Grospier, as well as video work and stained glass by Dominika Olszowa

The works from the collection are on a daily basis in the founders' offices, mainly in the bank's headquarters in Warsaw and Katowice, as well as ING Lease and ING Commercial Finance. In 2020, we also added new exhibition spaces, the works can also be seen in some branches in Wrocław, Białystok and Poznań. The largest work in our collection, the diorama "[Early Polishness](#)", can be viewed on the ING website at the Warsaw Main Railway Station.

The collection is also shown online. Images of works from the collection are available on the website [www.ingart.pl](http://www.ingart.pl) under Creative Commons 3.0 licenses (Attribution, Non-commercial Use, No Derivatives), which allows you to download them in high resolution.

## Exhibitions

For a wider audience, the foundation regularly organizes collections' exhibitions and lends works to exhibitions in Poland and around the world. The beginning of 2020 found foundation still at the jubilee exhibition of the foundation's collection at the Silesian Museum entitled "Nature's spirit and other fairy tales", which was closed a bit ahead of

schedule due to the pandemic, on 10 March 2020. In January and February 2020, a number of accompanying events took place, including guided tours with artists Karolina Jabłońska and Iza Tarasewicz, curator Marek Pokorny and president of the Kamila Bondar foundation. There was also a discussion entitled "About how great new art can be".

As part of the loan program, the works were loaned to the following exhibitions:

- Eat the Museum in Kunst (Zeug) Haus in Rapperswil, Switzerland, 05/09/2020 – 11/10/2020,
- Tropical sun dream. Witkacy and Zakopane at the Tatra Museum in Zakopane, 10/09 – 06/12/2020,
- Warsaw Under Construction Festival, organized by the Museum of Modern Art in Warsaw, 02/10/2020 – 17/01/2021.

### Foundation Award

Since 2017, the works of the artist, artist or artistic group presented during the Warsaw Gallery Weekend are included in the foundation's collection through a competition. Between 30 September and 2 October. 2020 jury composed of: Helena Czernecka – a collector of contemporary art, Post Brothers – curator, Hanna Wróblewska – director of Zachęta – National Gallery of Art, and Kamila Bondar and Marcin Kryłu – members of the board of the ING Polish Arts Foundation, visited 29 exhibitions of artists and artists exhibiting as part of the Warsaw Gallery Weekend.

This year, the Main Award of the ING Polish Arts Foundation goes to Hanna Krzysztofiak for the exhibition *Napoleon or death* at Polana Institute. The jury selected the works, *Burza, 2020* and *Napoleon, 2020*, for the collection.

### Artist – Professional

In 2020, the [Artist-Professional](#) project was held for the fourth time, addressed to students and beginning artists. The aim of the project is to prepare students for the difficult moment of graduating from university and starting their professional career. Functioning in the professional world of art requires not only talent and hard work, but also knowledge of its mechanisms.

During the classes, you can learn about tools and practices helpful in functioning in the artist's profession. Lectures, workshops and portfolio consultations will be conducted by people who work in the field of art on a daily basis: they include curators and curators, artists and activists, exhibition producers and art market specialists. They tell, among other things, how to properly present yourself to curators and gallery owners, how and where to organize the first exhibitions, where to insure and how to take care of your rights.

In 2020, the Artist – Professional project moved online due to the limitations caused by the pandemic. This change turned out to be beneficial and resulted not only in much greater involvement of participants who feel at ease during online meetings, but also the project significantly increased the reach. 1 280 participants (633 in 2019) attended the classes live, and over 230 people benefited from individual portfolio consultations. The recordings of the classes were made available by the foundation for another month and several thousand people watched them. The classes were attended not only by students from most Polish cities, but also students in Glasgow, Vilnius, Paris, London, Brussels, Amsterdam, Frankfurt, Bratislava and Opava.

All classes were translated live into sign language, and 6 deaf artists took advantage of the translation.

### Publications

In 2020, the ING Polish Arts Foundation continued the promotion and distribution of two items released at the end of 2019, i.e. the *Guide to Collecting Newest 2*, and an album summarizing 20 years of the ING Polish Arts Foundation collection. As part of the program aimed at inspiring clients to become interested in the latest art, the bank distributed over 700 pieces of *the Collection Guide ...* to Wealth Management clients.

The Foundation also completed the first edition of the *Snowman in the fridge* book distribution program, which, along with lesson plans, was delivered to 1,000 schools, libraries and community centres. This program was implemented jointly with the ING for Children Foundation.

### Cooperation with Zachęta – National Gallery of Art

Zachęta – National Gallery of Art has been a partner of the ING Polish Arts Foundation almost from its inception. The long-term cooperation with Zachęta is based on mutual assistance. Zachęta supports the foundation with knowledge and experience, and the foundation makes donations for the purchase of works for the Zachęta collection. According to the foundation's statute, if we end our activities, our collection will be automatically included in the Zachęta collection. Director of Zachęta, Hanna Wróblewska, is a member of the foundation's purchasing committee, and is also a permanent member of the jury of the ING Polish Arts Foundation Award granted during the Warsaw Gallery Weekend. The Foundation supports Zachęta with an annual donation. In 2020, it was PLN 43,000 and was donated for the purchase of works by Dominika Olszowa, Zuzanna Golińska and Alicja Bielawska to the Zachęta collection.

## Closest audience – ING employees and clients

The ING Polish Arts Foundation is working on popularizing the latest art also among the closest public, i.e. ING employees. As part of the Salon Lion program, in February 2020 the foundation organized a meeting with the artist Stach Szumski, whose works were added to the collection. In September, following the safety rules, we managed to organize three trips for employees to the gallery as part of the Warsaw Gallery Weekend.

Two series of online classes began in December: *A lunch course in art history* and a series of Saturday workshops for children in the studios of artists from the Foundation's collection.

## ING for employees

Employees are our important capital. We know that without an efficient team and group work, we would not be successful. We want to create a friendly workplace and conditions for development. We care about diversity because we feel that it makes us stronger. We care about the health of our employees. The year 2020 has additionally proved that a well-coordinated and responsible team helps to respond to every challenge we face.

### HR management

#### Strategy, policies, procedures

The way we work reflects our organizational structure which is flexible. Working in a bank is based on team effort – nobody works alone.

The rules of organizing our work are defined in the Organizational Regulations of ING Bank Śląski S.A. It contains an organizational chart, as well as the basic rules that guide us when organizing mutual cooperation. We provide all employees with space for independence and responsibility, and we entrust our managers with ensuring the consistency of the mission and vision at the level of the entire organization, units, teams and employees, defining goals and priorities for the tasks performed, as well as caring for people's development and providing them with feedback based on facts.

We focus on building the skills and commitment of our employees in such a way that they can achieve the goals and strategy of our organization, while developing and caring for their overall well-being. We strive to provide the best working conditions. We support employees in leading a healthy lifestyle and encourage them to take care of their health at work and outside.

We make sure that the salaries of our employees are at the market level. Our remuneration policy is based on treating all employees fairly. By managing performance, we support the process of attracting, motivating and retaining talented employees, as well as their development.

The most important internal documents regarding the shaping of working conditions and remuneration in the ING Bank Śląski S.A. Group include:

- The Work Regulations of ING Bank Śląski S.A.
- The Remuneration Policy at the ING Bank Śląski S.A. Group

- The Regulations of remuneration of employees of ING Bank Śląski S.A.
- The employee evaluation regulations of ING Bank Śląski S.A. (Step up).

Other regulations concern areas related to additional benefits for employees in the form of a cafeteria programme and assistance benefits under the functioning of the Company Social Benefits Fund, as well as the granting of benefits in connection with disability.

#### Employees in the bank – in numbers

Every day, the ING Bank Śląski brand is created by over eight thousand people. We employ not only financiers. In our modern organizational structure, there is room for various professions and for employees with interests and passions that contribute to increasing efficiency, increasing commitment to work, striving for development and innovation. As many as 66% of our bank's employees are women.

On 31 December 2020, the ING Bank Śląski S.A. Group employed 8,507 people. Compared to December of the previous year, the number of employees increased by 372 people (i.e. by 4.6%). At the end of December 2020, ING Bank Śląski employed 8 053 people, i.e. 363 more compared to December 2019.

**GRI [102-8]**

**Number of employees**

	2017	2018	2019	2020
Head Office in Katowice	2,990	3,085	3,117	3,474
Head Office in Warsaw	725	729	746	827
Branches	3,946	3,851	3,827	3,752
<b>Total Bank</b>	<b>7,661</b>	<b>7,665</b>	<b>7,690</b>	<b>8,053</b>
ING Lease (Polska) Sp. z o.o.	208	227	232	248
ING Commercial Finance Polska S.A.	105	110	112	114
ING Bank Hipoteczny S.A.	-	30	39	36
Solver Sp. z o.o.	3	2	2	2
ING Usługi dla Biznesu Sp. z o.o.	52	49	57	51
Nowe Usługi S.A.	3	3	3	3
<b>Subsidiary companies</b>	<b>371</b>	<b>421</b>	<b>445</b>	<b>454</b>
<b>ING Bank Śląski S.A. Group</b>	<b>8,032</b>	<b>8,086</b>	<b>8,135</b>	<b>8,507</b>

**Number of employees broken down by gender and type of employment contract**

	2017	2018	2019	2020
<b>Female</b>	<b>5,531</b>	<b>5,506</b>	<b>5,480</b>	<b>5,608</b>
Indefinite period of time	5,283	5,259	5,146	5,194
Fixed-term	248	247	334	414
<b>Male</b>	<b>2,501</b>	<b>2,580</b>	<b>2,655</b>	<b>2,899</b>
Indefinite period of time	2,328	2,399	2,455	2,609
Fixed-term	173	181	200	290
<b>Total</b>	<b>8,032</b>	<b>8,086</b>	<b>8,135</b>	<b>8,507</b>
Indefinite period of time	7,611	7,658	7,601	7,803
Fixed-term	421	428	534	704

**Number of employees broken down by gender and type of employment contract**

	2017	2018	2019	2020
<b>Female</b>	<b>5,531</b>	<b>5,506</b>	<b>5,480</b>	<b>5,608</b>
FTE	5,406	5,383	5,353	5,502
Part time	125	123	127	106
<b>Male</b>	<b>2,501</b>	<b>2,580</b>	<b>2,655</b>	<b>2,899</b>
FTE	2,456	2,540	2,597	2,842
Part time	45	40	58	57
<b>Total</b>	<b>8,032</b>	<b>8,086</b>	<b>8,135</b>	<b>8,507</b>
FTE	7,862	7,923	7,950	8,344
Part time	170	163	185	163

**Number of employees broken down by region and type of employment contract (1/2)**

	2017	2018	2019	2020
<b>Dolnośląskie</b>	<b>251</b>	<b>252</b>	<b>248</b>	<b>248</b>
Unspecified	236	240	241	231
Temporary	15	12	7	17
<b>Kujawsko-pomorskie</b>	<b>118</b>	<b>123</b>	<b>119</b>	<b>113</b>
Unspecified	114	117	112	106
Temporary	4	6	7	7
<b>Lubelskie</b>	<b>60</b>	<b>61</b>	<b>59</b>	<b>58</b>
Unspecified	58	60	57	56
Temporary	2	1	2	2
<b>Lubuskie</b>	<b>36</b>	<b>35</b>	<b>36</b>	<b>36</b>
Unspecified	35	34	31	34
Temporary	1	1	5	2
<b>Łódzkie</b>	<b>190</b>	<b>188</b>	<b>189</b>	<b>183</b>
Unspecified	176	181	180	173
Temporary	14	7	9	10
<b>Małopolskie</b>	<b>375</b>	<b>372</b>	<b>357</b>	<b>356</b>
Unspecified	348	349	337	336
Temporary	27	23	20	20

### Number of employees broken down by region and type of employment contract (2/2)

	2017	2018	2019	2020
<b>Mazowieckie</b>	<b>1,470</b>	<b>1,493</b>	<b>1,505</b>	<b>1,572</b>
Unspecified	1,383	1,392	1,410	1,451
Temporary	87	101	95	121
<b>Opolskie</b>	<b>208</b>	<b>208</b>	<b>200</b>	<b>199</b>
Unspecified	196	198	188	193
Temporary	12	10	12	6
<b>Podkarpackie</b>	<b>120</b>	<b>102</b>	<b>100</b>	<b>99</b>
Unspecified	115	99	94	92
Temporary	5	3	6	7
<b>Podlaskie</b>	<b>58</b>	<b>53</b>	<b>51</b>	<b>48</b>
Unspecified	54	50	51	48
Temporary	4	3	0	0
<b>Pomorskie</b>	<b>149</b>	<b>147</b>	<b>147</b>	<b>146</b>
Unspecified	139	133	136	134
Temporary	10	14	11	12
<b>Śląskie</b>	<b>4,495</b>	<b>4,543</b>	<b>4,626</b>	<b>4,949</b>
Unspecified	4,287	4,323	4,294	4,475
Temporary	208	220	332	474
<b>Świętokrzyskie</b>	<b>97</b>	<b>98</b>	<b>95</b>	<b>102</b>
Unspecified	92	95	92	101
Temporary	5	3	3	1
<b>Warmińsko- mazurskie</b>	<b>33</b>	<b>34</b>	<b>34</b>	<b>34</b>
Unspecified	30	32	33	31
Temporary	3	2	1	3
<b>Wielkopolskie</b>	<b>261</b>	<b>266</b>	<b>262</b>	<b>259</b>
Unspecified	241	246	244	242
Temporary	20	20	18	17
<b>Zachodniopomorskie</b>	<b>111</b>	<b>111</b>	<b>107</b>	<b>105</b>
Unspecified	107	109	101	100
Temporary	4	2	6	5

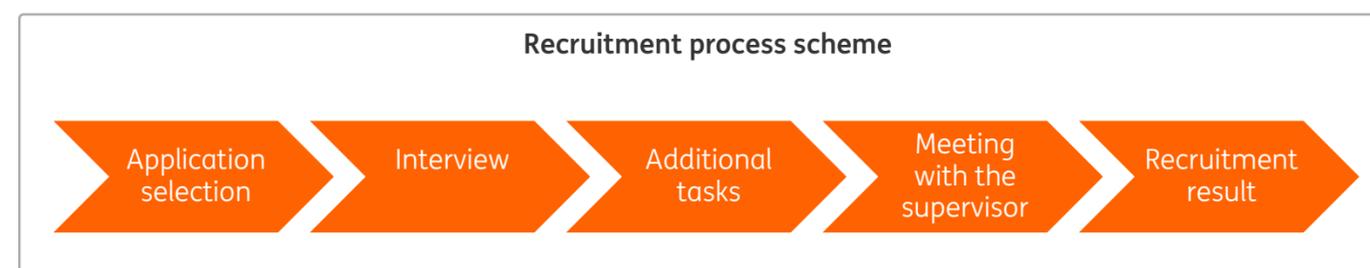
### The percentage of new employees hired and the turnover rate

	2017	2018	2019	2020
<b>Index of newly hired employees in the reporting period by age group</b>				
Below 30 years	52.0%	48.7%	51.0%	51.8%
30 to 50 years	46.5%	48.6%	46.7%	45.9%
Over 50 years	1.5%	2.7%	2.3%	2.3%
<b>Rate of new hires in the reporting period by gender</b>				
Female	48.0%	47.1%	48.3%	48.0%
Male	52.0%	52.9%	51.7%	52.0%
<b>Employee turnover in the reporting period by age group</b>				
Below 30 years	21.2%	20.1%	22.1%	20.6%
30 to 50 years	60.1%	60.8%	60.2%	59.4%
Over 50 years	18.7%	19.1%	17.7%	20.0%
<b>Employee turnover by gender in the reporting period</b>				
Female	65.6%	63.5%	67.2%	64.9%
Male	34.4%	36.5%	32.8%	35.1%

## Recruiting new employees

We publish all our job advertisements [on the website](#). The process of selecting employees may differ depending on the position.

We usually recruit according to the following scheme:



In addition, we provide a recruitment guide on the website, where we present advice on writing a CV and preparing for an interview.

## Employee Referral Programme

In 2018 we have introduced the Employee Referral Programme in our bank because we want to use the network of contacts of our employees and build the future of ING together. The bank is primarily people. We want employees to be able to shape our workplace and have an impact on who we work with. We care primarily about the knowledge and experience of the people who work here. In 2020, at the recommendation of our employees, we employed a total of 92 people.

## Parents at work

### GRI [401-3]

We attach great importance to the special protection of employment stability after returning from parental leave. We also support employees who became parents in their new role. At the beginning, we provide a leaflet with information about their rights and privileges, and then we pay out the benefit on the occasion of the birth of a child. Men working in our bank take advantage of a two-week paid paternity leave. They have this option until the end of their second year of life.

**Employee maintenance index after parental return (percentage of people entitled to parental leave who returned and remained employed by min. 12 months after returning) \***

	Female	Male	Total
2020	99.4%	99.1%	99.3%
2019	99.0%	98.4%	98.9%
2018	99.7%	100.0%	99.7%
2017	98.0%	100.0%	99.0%

\* save for the persons for whom the temporary contract of employment came to an end or who tendered resignation letters themselves i

## Ongoing improvement

### Our mode of operation, flexibility

Technology is changing the world at a dizzying pace. Technological companies modify the way of dialogue with clients, but also internal models of work and creating new products or services. It is the same in the banking industry – until recently considered traditional and conservative – and today very modern and based on technology. As ING,

we are also changing all the time. We are evolutionarily adjusting the way we operate to the changing world. We are looking for solutions that are consistent with our organizational culture.

We believe that the best solutions are created in teams, which is why working in our bank is all about teamwork. It is the tasks that determine the way we work, not the other way around. We call this work model the “Way of Working” – it includes both departments, as well as expert teams or squads. We focus on close cooperation with clients, flexibility, commitment and efficiency. To achieve this, we apply specific teamwork assumptions: work in short cycles, decomposition of strategies for shorter periods, team autonomy, demo, prioritization, flashbacks and continuous improvement of work.

In the system “Way of Working”

- we work around common goals,
- together with the team we are looking for the best solutions,
- we have the ability to co-decide with leads,
- we carry out tasks according to priorities and in relation to strategic goals,
- we have autonomy in the way we improve work,
- we work cross-sectionally with people with different competences,
- we communicate directly and often receive feedback,
- we demonstrate the effects of solutions with clients and stakeholders,
- we adjust the plan to the changing reality.

## Development and training programs

### Staff development

We help discover and direct the potential of our employees. We take care of the development of competences and support in the conscious choice of career path. We promote the creation of development plans by employees, allowing them to analyse, document and monitor progress in the area of their personal needs and development ambitions even more broadly and fully.

We make sure that each employee receives what is necessary to perform the tasks at their workplace. We provide various packages of development and training activities – both internally and with the use of external training, workshops and conferences. We implement projects based on the exchange of knowledge and work with another person – coaching, mentoring and individual consultations. Due to the pandemic, most of these activities in 2020 took place online.

We support individual expansion of qualifications by employees in the form of certifications, post-graduate studies or standards of the Polish Bank Association. We promote activities, inspire development and recommend specific tools. We use internal communities dedicated to the subject of learning and development in communication. We promote digital development activities by encouraging the use of external online training platforms.

### E-learning and multimedia tools

We want employees to have easy access to a variety of materials that meet their training needs. Self-education is often the first step in making important career decisions. That is why we have made available a wide range of e-learning trainings. Thanks to them, employees have constant access to information about applicable regulations and rules, e.g. in the field of compliance or good practices, recommended in everyday work, but they can also develop "soft" skills, such as communication or coping with stress. The training platform we use also allows employees to benefit from materials and training provided by other countries of the ING Group around the world.

We use modern technologies, primarily in the field of knowledge sharing, such as chats, webinars and knowledge exchange forums (communities). We encourage employees to use courses on MOOC (Massive Open Online Course) platforms, i.e. ready-made training and materials prepared by world-renowned universities and organizations covering a very wide spectrum of knowledge. All employees can also use the well-stocked e-book library.

Another method of self-improvement is multimedia sources of information, containing the so-called knowledge pills, i.e. presentations, films. In order to share knowledge even more effectively, employees can use a tool that allows them to independently prepare attractive training materials in the form of e-learning, available

### Training in numbers

#### GRI [404-1]

In 2020:

- Number of development activities per employee – 22,

- Number of development hours per employee – 57.6,
- 99.4% of employees took part in at least one development activity.

In 2019:

- Number of development activities per employee – 12.5,
- Number of development hours per employee – 24.4,
- 97% of employees took part in at least one development activity.

### Internships for employees

An internal internship is a proven method for professional development. As part of it, the employee gains professional experience in another organizational unit of the bank, in Poland or abroad. A development internship usually lasts from one to three months. This solution allows you to get to know the specifics of work in a given place, but most of all it is an opportunity to gain new competences and professional experience.

Participation in internal internships was as follows:

- 2017 – 170,
- 2018 – 180,
- 2019 – 151,
- 2020 – 102.

### Development in times of change

#### GRI [404-2]

The sudden change in behaviour caused by the pandemic introduced additional priorities related to the need to equip people with new knowledge, skills and support in adapting to the new normality. The development of competences to lead teams dispersed in remote work conditions, building mental resilience, helping to maintain a high level of energy despite the uncertainty and volatility of the situation, and changing the work model related to the sale of services and products and building client relationships are the needs to which we responded by introducing a number of activities supporting employees and managers.

We accelerated the process of digitization of development activities, which was already in progress. Training – until then stationary – we transferred to virtual classes or suspended until we developed a remote formula.

We have conducted a number of on-line trainings for employees and managers on coping with the new reality: organizing remote work, conducting online meetings effectively, work-life balance, managing energy and emotions, the ability to build remote relationships with clients and teams, taming change and looking for balance and building trust and teamwork.

We also organized a special workshop for people who were affected by the virus themselves or who met the disease in their immediate environment (e.g. among their relatives). We have made available new e-learning trainings, providing knowledge, among others on the organization of effective remote work, coping with stress or adaptive thinking. For the first time in a remote form, we organized a conference for mentors and a three-day conference "I grow because I want", during which both external experts and our colleagues from various areas of the bank shared their experiences and methods for development.

Additional priorities related to the pandemic did not destroy the existing ones, but only defined an additional dimension in which we want to support people at ING, treating this shared experience as a verification of what we have learned so far and an opportunity to strengthen what is really important in relationships and working together.

### Results on educational and development activities

Annual interviews are the basic tool that supports employees in their development. This is a special type of meeting between an employee and a supervisor. During this conversation, we create development plans for the coming year, set new priorities, and settle tasks. We also talk about aspirations and challenges. Feedback and its reciprocity are important here – so that it can be heard by both the employee and the superior.

Employee evaluation intuitively combines the evaluation of work results with an increased role of the so-called soft, i.e. non-financial, categories. It also influences our strong organizational culture

The assessment model – Step Up – combines values, supports commitment and ensures partnership. Step Up is a philosophy of dialogue with employees and an approach to motivating at the same time. We focus on continuous dialogue and ongoing feedback – not only during formal meetings. This philosophy introduces four major changes:

- strengthens ongoing feedback: supplementing formal interviews with ongoing feedback that has a positive impact on all employees, both at the individual and team level;
- turns the Orange Code into the incentive system: Orange Code behaviour is one of the three dimensions of goal setting and employee evaluation;

- focuses on strengthening the practice of posing individual Challenges to each employee, encouraging them to leave the comfort zone;
- combines the two existing systems of KPI and Annual Interviews into one coherent process of the Annual Interview – Step Up, within which we set and settle goals.

We want our employees to discover their potential, pursue their ambitions and feel fully supported. It is an approach in which we focus on dialogue and employee motivation. It assumes changing the system of annual interviews to a more intuitive one, related to the values and individual results of the employee.

The Step Up model assumes setting annual goals in three independent categories: Work Results, Orange Code and Challenges. Goals in the Work Results dimension are set by the supervisor, while the employee proposes goals, which are Challenges. All goals set for a given year should be consistent with the Bank's strategy. As part of the annual interview, each employee assesses itself (self-assessment) and is assessed by the supervisor (manager's assessment) in all categories. Both the employee's self-assessment and the manager's assessment are carried out on a descriptive scale: Below expectations, As expected, Above expectations. Based on the descriptive assessment, award points will be automatically calculated for a given category. The final evaluation of the employee is determined by the supervisor and discussed with the employee during the interview.

### GRI [404-3]

Percentage of employees who took part in annual interviews:

- 2020 – 94% (only long-term absentees did not take part in the talks)
- 2019 – 93% (only long-term absentees did not take part in the talks)
- 2018 – 96%,
- 2017 – 97%.

### Programmes for students and graduates

We encourage students to cooperate with us as part of internship initiatives and programmes. This solution allows them to get to know their future employer. We offer many development paths in a variety of internship programmes.

## Internship with the Lion

The internship with the Lion is a unique internship on the market, addressed to students who are agile in the world of technology and have various passions. At ING Bank Śląski, we develop interns throughout the year. We offer an Internship with a Lion to students and graduates in all areas of the bank. Our interns gain valuable experience by working with the best experts on the market, for example in the Agile methodology. Many of them receive an offer of permanent cooperation after the internship. In 2020, 264 interns from all over the country participated in the Internship with the Lion, 100 of whom were employed.

## ChallengING

ChallengING is an annual Programme of development, intensive learning and work on ambitious tasks within the path chosen by the student. We delegate to the participants the execution of independent tasks in a given department or under a specific project. On the design and software development path, students receive tasks related to business analysis of internal client needs, solution design, Programming and testing. Meanwhile on the Data Science path, the participants carry out tasks by taking on two rotating roles – that of Big Data analyst and data engineer.

## Ambassador programme

Once again, we organized the Ambassador Programme, which is a form of cooperation between ING Bank Śląski and university communities all over Poland. ING student ambassadors cooperate with us in building the bank's image as an attractive employer at selected universities. Last year, 12 selected students represented us in the academic community. Ambassadors work under the mentorship of our employees, offering support in getting to know ING and shaping career paths.

## International Talent Programme

We implement the International Talent Programme on 8 business paths: risk, IT, retail and corporate banking, finance, HR, Operation & Change, Analytics. The international talent programme gives participants the opportunity to participate in important projects, numerous development activities and foreign internships. In total, 11 new people joined the programme in 2020.

## Dialogue and commitment

### We know how employees rate us

The basis of our development are committed employees, so we systematically ask them what influences their work the most and what they need to achieve full satisfaction. We invite employees to participate in periodic and anonymous surveys, such as OHI Pulse (Organization Health Survey), Corona Survey (the so-called Barometer survey), and thematic studies on Diversity and Inclusion, as well as Non-Financial Risk.

Thanks to the OHI Pulse survey, we keep our finger on the pulse and keep an eye on ING's health in our priority areas – strategy, innovation, leadership and commitment. Two editions of the survey took place in 2020. 67% of employees took part in the November (second edition) of the OHI Pulse survey. Employees gave the highest marks to the clarity of the strategy (92%) and the use of ideas from external innovations (91%). As part of our post survey activities, we want to focus not only on areas that need to be improved, but above all on our strengths. Therefore, our priorities will include innovation, strategy and leadership.

Additionally, our employees had the opportunity to take part in several editions of the Corona Survey, which examines the involvement and mood of employees during the COVID-19 pandemic.

After each study, we analyse its results together and discuss how to improve our organization – how to strengthen our strengths and develop areas that need improvement. On this basis, we prepare action plans and report their implementation.

After the first edition of the OHI Pulse study (which took place in May 2020), we have implemented many supporting activities, including ING president's newsletter to all employees and thematic newsletters that provided specific, substantive knowledge to employees in various areas of the organization. We have also published the third edition of the culture book "Simply ING", and we have undertaken a number of activities to clarify roles and tasks – especially in the Way of Working units, as well as employee development activities and innovation activities.

#### GRI [102-41]

The percentage of employees who are members of a trade union operating in a bank was:

- 2020 - 5.6%
- 2019 - 6.0%

- 2018 - 5.4%
- 2017 - 5.6%

## Communication with employees

### Kudos

Kudos is our way of expressing appreciation. We use it every day because it is a convenient and good way to thank for behavior in accordance with our Orange Code. The word "kudos" comes from the Greek language and means recognition, prestige, respect expressed for achievements. At ING, we use this word in two senses. In the first sense, "kudos" is praise, in the second, "kudos" is an app that expresses appreciation. From the beginning of the application (June 2016) until the end of 2020, we awarded nearly 130,000 kudos in Poland.

### Chats with board members

Several times a year, employees can ask questions to board members in an anonymous chat. Each question is answered by the Management Board directly in the chat or, if this is not possible in time, in a summary later. There are over 400 questions at a time. The questions often concern business topics, changes in the bank, but also everyday life, such as broken ventilation or recommended books. Understandably, the questions asked in 2020 mainly concerned covid-related topics.

### One intranet

One intranet uses the latest technologies (search, personalization, statistics, RWD), thanks to which we can focus on the really important things in our daily work. Each employee first receives the information they need most to do their job. The subscription system also allows to view content on various topics, including intranets from other countries of the ING Group. We write simply - short, clear and understandable. Thanks to the integration with MS Teams, we can easily contact the author of the publication. An important element of the new intranet is the social thread. We can comment, publish posts and set up our own communities. We also have the ability to follow ING social profiles and publish videos. In 2020, our employees actively participated in 152 communities. The new #doyourthingathome community was very popular, as well as an internal community-based engagement event modeled on the #hot16challenge2 external initiative. We discovered that we have many musical talents among the bankers.

### CEO's blog

One of the channels of open communication with employees is BBblog. The blog is run by CEO Brunon Bartkiewicz. He shares his thoughts and observations, publishes information about important events at the bank, but also about everyday life. The blog has been in operation for four years and is currently followed by over 7.5 thousand employees. All entries are freely commented on by them. We closed 2020 with 70 entries that perfectly complemented all communication and supported the feeling of security and community in the demanding 2020.

### "Baśka" Magazine

Another effective communication channel is the internal newspaper Baśka, which was established in 1994. The 36-page paper magazine reaches all employees. People who prefer to read it in electronic form have such a chance - the newspaper is available as an issue. Apart from the informative and educational function, great importance is attached to the human side of the magazine. Stories of employees, interviews, reportage reports, all prepared by the employees themselves - this makes them not only interesting and well-suited to the target group, but above all, credible and showing issues from the employee's point of view. The magazine is released every two months.

### Engaging employees (volunteering)

As part of the ING Volunteering programme, we encourage employees to implement social projects for the communities in which they operate and are close to them. We guarantee each employee eight paid hours a year for volunteering. Volunteers carry out undertakings for schools, kindergartens, NGOs, and hospitals. They teach basics of finance and entrepreneurship. Together with kids, they refurbish, read, play sports or partake in blood donation initiatives and charity runs.

In 2019, 7 052 hours 865 of our employees devoted to selfless help in voluntary activities, including ING for Children Foundation. In 2020, it was 1 072 hours and 188 people, respectively. Due to the coronavirus pandemic, many activities in this area were transferred to the online space, and they also depended on the needs of their beneficiaries and the possibilities of employees in the difficult time of the pandemic.

## Diversity and equal opportunities

### Diversity policies

“At ING, we promote diversity – we actively work for non-discrimination, equal opportunities, integration of people with disabilities and respect for diversity, because this is the right thing to do. This approach also enables us to implement our strategy” - with these words begins the ING Diversity Manifesto, which we adopted in 2016, which explains what diversity is to ING, why it is important and needed, and what employees can do to promote it.

To stay one step ahead, we need teams that are a healthy mix of different perspectives and backgrounds. Such teams are more creative, adapt to changes faster, and the solutions they propose are more innovative.

### Our approach

Along with the development of our company, the group of our clients becomes more and more diverse. Providing them with the best possible experience is a key element of our business strategy. To better understand our diverse clients, we need a team that is just as diverse. At the same time, we want to make sure that every person who works at ING feels like a part of it and is accepted for who they are, regardless of their origin or beliefs – everyone is welcomed at ING.

Inclusion is recorded in our Orange Code, that encourages us to help others succeed. The organization benefits from it because we work better when we feel part of the team and can be ourselves.

### The 70% rule

We value diversity and inclusion, but we also recognize that we have a lot of work to do. That is why we introduced the 70% rule. Our goal is that no group is made up of more than 70% of the same sex, nationality, person or age group. Of course, we recognize that this may not always be appropriate or possible at all levels. This is why managers have ultimate responsibility for building diverse teams and selecting the appropriate dimensions of diversity to focus on – while taking into account the 70% rule and our global priorities (gender, nationality and age group). We recognize that diversity is more than these global priorities, and we will continue our efforts to include everyone, regardless of their cultural background, experience, religion, sexual orientation, perspectives, viewpoints etc. This is part of our ongoing efforts to creating meaningful change.

## Diversity management

At ING, we condemn all forms of discrimination. We work together to create an inclusive workplace and therefore play our part in building an inclusive world. An example could be our Global Code of Conduct. It lists 10 basic principles that we expect from employees. ING's Global Code of Conduct is based on the values and behaviour of our Orange Code and applies to all ING employees worldwide. Our employees can also report any discriminatory events to a special e-mail address.

### Education in the field of diversity management

#### Our Diversity and Inclusion action

We focus primarily on building awareness of diversity and inclusion among our employees and managers as well as on point activities supporting selected areas of D&I, such as: support for people with disabilities, support for parents and people in financial difficulties, activities in the field of health and researching employees' perspective in the area of diversity and inclusion.

Diversity and inclusion were also one of the topics of the 'I grow because I want' development conference and “Why difference matter?” conference. On 3 December we also celebrated the International Day of Persons with Disabilities. In addition, our managers had the opportunity to participate in workshops on managing diverse teams and in e-learning to build awareness of diversity and inclusion.

#### A package of benefits related to disability

We are building a working environment where all employees have level playing field. As part of the package of benefits for people with disabilities, which supports employees and their families, we can find monthly, permanent allowances introduced from 2019, financed by the Company Social Benefits Fund for employees with a certificate of moderate or severe disability and bringing up children with a disability certificate.

By supporting people who take care of their loved ones with a moderate or significant degree of disability, we offer an option of taking an additional 2 days off from work, when caring for a spouse / partner, parents, parents-in-law or grandparents. In the case of caring for a child with a certified degree of disability, the employee may take advantage of additional 5 days of care. Taking care of our employees with a certified slight degree of disability, we offer an additional 3 days off, retaining the right to remuneration.

## Diversity management performance

The Bank was also included in the first and second edition of Diversity&Inclusion Rating. Diversity&Inclusion Rating is a new initiative of Responsible Business Forum, which was developed jointly with Deloitte experts. It brings together entities who draw strength from different dimensions of diversity, allows the assessment of a company's level of maturity in diversity management and an inclusive organisational culture, and is also a summary of activities in this area. The questionnaire that was completed by the companies consisted of 4 parts: the rudiments of management, Programmes and activities, commitment building and performance indicators.

### GRI [406-1]

#### Total number of incidents of discrimination

Each of us, anonymously or by name, may report irregularities related to material breaches of labour standards, internal regulations, as well as ethical standards in the bank's business practices. We can do this through channels such as: Whistle (electronic form on the intranet site) and e-mail notification to the Mobbing-Discrimination box.

Entries made by name, confidentiality and discretion are guaranteed. The President of the Management Board is informed about each report from the Whistle application, who makes decisions on explanatory actions and accepts their result. The report sent to the Mobbing-Discrimination mailbox goes to the representatives of the HR area.

In the years 2017-2020, none of the applications that we received as part of the "Whistle" application was classified as "discrimination". We also did not receive such reports to the Mobbing-Discrimination e-mail box.

#### Remuneration principles

The document specifying the principles of remuneration is the Remuneration Policy in the ING Bank Śląski S.A. Group. This policy specifies the key assumptions for shaping the remuneration policy used to attract and retain employees by ensuring a market-competitive level of remuneration, and defines the components of remuneration. The bonus rules are specified in the Employee evaluation regulations of ING Bank Śląski S.A., which describe the rules for assigning tasks, appraising employees and awarding bonuses.

We offer our employees stable employment contract using the arm's length principle. The remuneration of the lowest-level employees – in relation to the minimum wage – is presented below.

### GRI [202-1]

#### The ratio of the remuneration of the lowest level employees, broken down by gender, to the minimum wage

	2017	2018	2019	2020
Female	200%	190%	178%	154%
Male	200%	190%	178%	154%

During the recruitment process, as well as when making decisions regarding promotions, the remuneration of candidates is consulted with individual personnel consultants (HR Business Partner). This practice is intended to counteract unjustified pay gaps. At the same time, the bank has a simplified management structure with an expert path, the purpose of which is to increase employee development opportunities. This allows for the systematic promotion of employees and an increase in the level of remuneration.

#### Remuneration of the bottom-level employees vis-à-vis the market\*

	2017	2018	2019	2020
Bank / Market	143%	125%	119%	114%

\*basic salary compared to the banking sector

## Employment structure

GRI [405-1] [405-2]

Number of employees broken down by gender and age groups				
	2017	2018	2019	2020
<b>Senior management</b>	<b>32</b>	<b>36</b>	<b>34</b>	<b>35</b>
Below 30 years	0	0	0	0
30 to 50 years	25	24	20	14
Over 50 years	7	12	14	21
<b>Management</b>	<b>424</b>	<b>415</b>	<b>427</b>	<b>242</b>
Below 30 years	3	0	0	0
30 to 50 years	359	344	342	187
Over 50 years	62	71	85	55
<b>Lower management</b>	<b>339</b>	<b>354</b>	<b>319</b>	<b>441</b>
Below 30 years	5	4	3	2
30 to 50 years	280	294	254	346
Over 50 years	54	56	62	93
<b>Specialists</b>	<b>7,060</b>	<b>7,114</b>	<b>7,115</b>	<b>7,617</b>
Below 30 years	1,023	992	987	1,179
30 to 50 years	5,122	5,178	5,121	5,316
Over 50 years	915	944	1,007	1,122
<b>Other employees</b>	<b>177</b>	<b>167</b>	<b>240</b>	<b>172</b>
Below 30 years	78	78	137	91
30 to 50 years	79	74	86	72
Over 50 years	20	15	17	9

## Employment structure and the ratio of basic salary of males and females

	Female	Male	The ratio of salary of males to females
<b>2020</b>			
Senior management	10	25	115%
Management	98	144	96%
Lower management	241	200	93%
Specialists	5,116	2,501	101%
Other employees	143	29	104%
<b>2019</b>			
Senior management	9	25	113%
Management	225	202	95%
Lower management	159	160	94%
Specialists	4,903	2,212	97%
Other employees	184	56	100%
<b>2018</b>			
Senior management	10	26	108%
Management	221	194	100%
Lower management	188	166	95%
Specialists	4,964	2,150	92%
Other employees	123	44	100%
<b>2017</b>			
Senior management	10	22	98%
Management	227	197	95%
Lower management	180	159	97%
Specialists	4,969	2,091	97%
Other employees	145	32	100%

## We develop friendly a work place

### Benefits offered to employees

#### GRI [401-2]

In a world where we face the lack of time for favourite activities, pursuing passion and developing relationships with loved ones, every free moment gains exceptional value. Therefore, apart from other forms of rewarding and appreciating employees, we have introduced a number of additional days off. We support employees, also in difficult life situations, by offering them additional vacation days (apart from the legal provisions):

- additional days of special leave, on the occasion of the birth of a child or wedding (higher than specified in state regulations),
- an additional 5 days of leave per year for parents of a child with a disability certificate,
- an additional 2 days off for workers caring for the disabled family members,
- an additional 3 days off for employees with a certified mild degree of disability,
- an additional Family Day Off, which can be enjoyed by employees on an hourly basis,
- an option to receive days off as an award, up to 5 days per calendar year,
- an additional day off for employees working on a shift basis (i.e. at night, on Sundays and public holidays),
- an option to take advantage of sabbatical (a longer break at work to regenerate forces or for additional training).

In addition, we offer our employees the possibility to take advantage of:

- 8 hours per year for volunteer activities,
- medical care, employee pension scheme and group insurance co-financed by the employer,
- company car – a company car is awarded to an employee due to the position in the organizational structure, in accordance with the Policy of ING Bank Śląski S.A. regarding company cars,
- cafeteria programme (including the option of a sports package, cinema tickets, discounts, gift cards and many others),
- an option to work from home.

### Sabbatical

As part of the Sabbatical Programme, it is designed to enable employees to take a break from their work, our employees can enjoy:

- one month off – once every 3 years,
- three months off – once every 5 years,
- six months off – once every 7 years.

The programme allows employees to take a free break from work, the purpose of which is to rest from everyday work. During the Sabbatical period, the employee is on a justified leave from work without the right to remuneration, but at the same time is entitled to benefits, such as: medical care, social fund, benefits related to the Cafeteria Programme, group insurance, Employee Pension Plans, company car (if granted as part of the status benefit).

Upon return from Sabbatical leave, the employee is guaranteed to return to its current position with its current salary. Since the beginning of the programme (in June 2018), 48 employees have already taken advantage of this form of rest from work.

### Insurance financed by ING

From 2021, we have insured with Nationale-Nederlanden all employees who have submitted a relevant declaration on the insurer's website. As part of the employer-financed contribution, employees also use the "Pandemic under control" insurance for one year, under which they can receive preventive help in quarantine and post-hospital care after COVID-19. Employees can still use other insurance options as part of a self-financed offer.

### Employee Pension Programme

The Employee Pension Programme (PPE) is a solution thanks to which the Bank enables employees to collectively and voluntarily accumulate additional funds for retirement. The programme is intended for all employees employed for a period of at least 3 months. It is enough to submit a declaration of participation. Employees who have joined the programme, the Bank finances the basic premium, which is invested in selected investment funds. The programme also allows for systematic investment of additional own funds. The account balance can be viewed via the internet application. By joining the PPE, ING Bank Śląski S.A. pays contributions to the individual employee register each month, which build additional capital for future retirement.

Our goal is to maintain employee participation in the Employee Pension Programme at a level above 60%. The implementation of this goal was as follows:

- in 2017: 70% of employees participated in PPE,
- in 2018: 77% of employees participated in PPE,
- In 2019: 77% of employees participated in PPE,
- In 2020: 77% of employees participated in PPE.

Under this form of saving for future pensions, the Bank finances for the employees, who have joined the programme, the basic contribution of 3.5% of their salary. Due to the favourable rules of the existing EPP Programme, the bank was able to decide not to launch the Employee Capital Plans programme.

### Cafeteria Programme

The cafeteria Programme has been operational at the Bank for 4 years now. Employees have access to sports cards and flexible offer of benefits. The cafeteria is available to all employees and the number of scored points depends on the employee's salary level. Employees can choose from a wide range of products on-line, such as cinema or theatre tickets, weekend or vacation time, or they can do shopping at sports stores or bookstores.

An important element of the Cafeteria Programme is the possibility of transferring the remaining and unused points at the end of the year to the ING Children Foundation, which allows for supporting the statutory goals of the Foundation and more effective use of the pool of points that the employee received during the year.

The cafeteria offer is under constant development, and employees can report themselves to potential suppliers whose products they would like to see in the system.

## Care for the well-being of employees

[GRI \[103-1\]](#)[\[103-2\]](#) [\[103-3\]](#) [\[403-6\]](#)

We complement the solid foundations with an attractive package of well-being activities. Regardless of the circumstances, ING Bank Śląski cares for the well-being of its employees in 4 complementary areas: Health, Activity, Energy and Finance. In the last year, in each of them, we implemented activities that, according to the situation and needs, supported our mental and physical health, general condition and well-being, as well as home budgets and

care for the financial future. All bank employees and associates can benefit from many well-being activities, regardless of the form of employment.

### Oncology Prevention Programme

The Oncology Prevention Programme is an important element of activities that are part of the Well-beING Programme, promoting an active and healthy lifestyle. As the incidence of cancer increases each year, we have set ourselves the goal of raising employee awareness of oncological prevention. We are committed to promoting preventive testing and to mobilising and creating conditions for all employees to participate in such medical testing. Since October 2019 the bank has started cooperation with renowned diagnostic and therapeutic centres in Poland. By the end of 2020, nearly 1 200 people benefited from funding for genetic testing during two editions of the "We test genes at ING" campaign. Despite the pandemic, in compliance with the rules of the sanitary regime, we conducted preventive examinations for diseases of the breast (300 examinations in total) and gastrointestinal tract diseases (580 examinations in total). Employees covered by the programme can take a day off to undergo gastroenterological examinations.

During the webinars, we expanded our knowledge about diseases such as skin melanoma, breast cancer and prostate cancer (over 500 people participated in the webinars in total), and from the infographics we learned about the effects of smoking. We also participated in workshops with a psycho-oncologist entitled: "Employee with a diagnosis of oncological disease" – discussing the functioning of people with a diagnosis of oncology and teaching communication with sick people.

If a cancer has been diagnosed, each of the employees can count on support in the treatment process, recovery and professional activity. We know that in addition to support in completing the formalities related to the disease, the presence and support of a person who has been struggling with cancer is very important. This role is played today at ING Navigator of Oncological Treatment

### Health Days

In January 2020, at the bank's headquarters in Warsaw, we organized an event to promote healthy habits at work and at home. During the event, it was possible to use an office massage, consultations with a physiotherapist, consultations with a dietitian.

## Run Warsaw

Since 2017, we have been the General Partner of Run Warsaw. For each runner who completes the 10 km run and walks 5 km, the bank transfers money to the ING Children Foundation. In 2020, the virtual run was completed by 744 runners - ING employees, and I march-support 2218 marching employees. Despite the difficult pandemic situation, we managed to take up this challenge in family, in small teams or solo. We ran and marched in the mountains, by the sea, by lakes, in cities and towns, in the countryside. With or without a handful of fans. We want to keep our employees strongly engaged and support their healthy lifestyle.

## Mocodajnia

From January 2020, in Mocodajnia, our gym in Katowice (Chorzowska 50), we have launched new fitness activities in the interests of employees' health. Mocodajnia is a place that changes its form and, depending on the needs, can be a training room, a conference venue or a dance hall. At the end of March, classes in Mocodajnia were suspended due to the coronavirus pandemic. This did not mean that we stopped being physically active, so in the summer season in four parks located in Silesia, Mocodajnia instructors, who are also employees of the bank, conducted yoga and healthy spine classes as part of the "Exercise on the grass" campaign.

## We create friendly spaces

We know very well that the proper arrangement of space is important not only for the ergonomics of work, but also for our creativity, therefore:

- we are gradually replacing desks with electronic ones and chairs with more ergonomic ones,
- we modernize ventilation in buildings,
- we create new arrangements of common spaces (restaurants, cafes, rest areas),
- we implemented the project "Escape", as part of which we launched a Juice Point, Bakery, Play room and a meeting zone,
- we ordered new recycled bins that will help us care for the environment also in common areas.

## Financial awareness

The aim of our activities in this area is to educate employees in financial matters and support their financial well-being through the transfer of useful knowledge. The launch of activities in this area was preceded by a survey of

employees' opinions, which confirmed their interest in such activities. Responding to their needs, we focus on areas such as:

- promoting knowledge about saving programmes for future retirement,
- support in the field of personal taxes in the form of conferences, chats and brochures prepared by external experts
- providing knowledge and support in the field of the market situation in Poland, financial psychology and household budget.

## Occupational Health and Safety

### GRI [103-1] [103-2] [103-3] [402-5]

Ensuring proper working conditions and ergonomics is our priority. For many years, activities aimed at ensuring safety in the workplace have been carried out. Every employee immediately after commencing work undergoes obligatory health and safety training, and then periodically depending on the requirements and needs.

#### Health and safety training among employees

	2017	2018	2019	2020
Initial	912	392	595	1,270
Periodic	912	392	595	1,270

The bank has an occupational health and safety committee, which includes an occupational medicine physician, an occupational health and safety specialist, an HR representative and a social partner. During the meetings, current problems and initiatives in the field of occupational health and safety are discussed.

There is a special safety and health tab on the Intranet pages, where all instructions, OHS procedures and other information in the field of health protection can be found. To facilitate the search for information, it is divided into thematic sections. There is also a dedicated OHS group mailbox for employees, to which they can send questions and reports on health and safety at work. We try to make the instructions and procedures in the field of health and safety for employees clear and readily described. Therefore, all documents have been transferred to the picture form, which makes it easier to remember the rules.

For 10 years, we have been systematically organizing first aid training for employees, attended by approximately 500 people every year. Trainings are conducted by paramedics, which provides both theoretical and practical knowledge.

Every year, we reimburse approximately 2,000 employees for the cost of purchasing corrective glasses for computer work. The process is fully automated. Additionally, there is a clear procedure on how an employee can apply for a refund.

## GRI [403-2]

### Accidents at work by gender

	2017	2018	2019	2020
<b>Number of light accidents</b>	<b>30</b>	<b>27</b>	<b>20</b>	<b>10</b>
Female	24	21	18	8
Male	6	6	2	2
<b>Number of severe accidents</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Female	0	0	0	0
Male	0	0	0	0
<b>Number of fatal accidents</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Female	0	0	0	0
Male	0	0	0	0
<b>Total number of accidents at work</b>	<b>30</b>	<b>27</b>	<b>20</b>	<b>10</b>
Female	24	21	18	8
Male	6	6	2	2
<b>Total number of people injured in accidents</b>	<b>30</b>	<b>27</b>	<b>20</b>	<b>10</b>
<b>Accident frequency rate*</b>	<b>3.92</b>	<b>3.52</b>	<b>2.6</b>	<b>1.24</b>
Female	4.55	4.03	3.47	1.51
Male	2.51	2.45	0.80	0.73
<b>The total number of days of incapacity for work due to accidents at work **</b>	<b>4.67</b>	<b>8.54</b>	<b>2.34</b>	<b>0.65</b>
Female	5.80	12.38	3.23	0.97
Male	2.18	0.37	0.52	0.04
<b>Accident severity rate***</b>	<b>11.93</b>	<b>24.33</b>	<b>9.05</b>	<b>5.30</b>
Female	14.92	31.29	10.06	6.63
Male	8.67	1.50	6.50	0.50
<b>Absence rate****</b>	<b>37.38</b>	<b>68.30</b>	<b>18.75</b>	<b>5.20</b>
Female	46.41	99.07	25.84	7.74
Male	17.44	2.92	4.13	0.29

\*IR, calculated as the total number of people injured in accidents / employment × 1,000; \*\*LDR, calculated as the ratio of the total number of days lost to the number of planned working hours of employees in the reporting period × 200,000; \*\*\*calculated as the number of days of incapacity for work due to an accident / number of accidents; \*\*\*\*AR, calculated as the total number of days of absence from work / number of days worked in a year × 200000

## AED devices

We systematically equip our Headquarters buildings and Meeting Places with AED devices - used to save human life in the event of a sudden cardiac arrest. Along with the delivery of such devices, Health and Safety Specialists also conduct training for employees and show how the defibrator works and how to use it properly. For this purpose, we purchased a phantom and a training device. Currently, we have 57 defibrators all over Poland.

## COVID-19

### Changing the mode and way of working during an epidemic

The constraints of the pandemic have demonstrated how fit and resilient we are as an organization. The staff at the meeting places continued to help and support clients in the face of uncertainty about their own finances. Many of us, overnight, also adapted their homes to office work and reconciled family and work responsibilities. All this time, we took care of each other. 81% of employees believe ING is providing adequate support to its employees during the COVID 19 pandemic (average score over all weeks of the Barometer survey).

### Employee safety during the COVID-19 pandemic

In 2020, we focused on taking actions related to preventing the effects of a pandemic. During this period, we prepared and provided instructions for employees:

- washing hands,
- how to sneeze and cough so as not to infect others,
- proper putting on and taking off the mask,
- safe behavior in office spaces,
- proceedings in the event of contact with an infected person.

To maintain a safe social distance at work, we have also prepared office spaces by appropriate arrangement and marking of desks that should not be occupied. Additionally, elevators, meeting rooms and other common spaces have been marked with pictograms, indicating how many people can safely stay in them.

We also provide employees with personal protective equipment. From the beginning of the pandemic, employees and customers have access to hand sanitizers. In addition, the employees directly serving the client were equipped with protective gloves, masks and plexiglass on the desks:

- 24,000 liters of disinfecting liquid,
- 400 disinfection stations,
- 2.5 million disposable gloves,
- 440 thermometers,
- 90,520 reusable masks,
- 20,500 disposable masks,
- 6,364 pieces of helmets.

From the beginning of the pandemic, health and safety services have been monitoring COVID-19 cases and people under quarantine. They also support sick employees in dealing with work and life matters.

The Occupational Risk Assessment was also updated with elements of remote work and pandemic risks.

### Security webinars

To help employees find their feet in the new reality of the coronavirus pandemic, the Health and Safety Team has prepared a series of webinars on coronavirus and immunity. During them, experts in the field of microbiology and psychology taught, communicated facts and dispelled doubts:

- Me vs coronavirus - how to work safely in the office?
- We vs Coronavirus - how to work safely in a team?
- IMMUNE POWER! How to increase resistance to infection?

### Comprehensive training programme and guides for remote work

Already in the first weeks of the coronavirus pandemic, we prepared a comprehensive training programme and a set of guides that provided us with knowledge, among others about; managing our own emotions, but also the emotions of our colleagues and clients, effective remote work, building mental resilience and trust in a dispersed team. The

programme was open, voluntary and entirely online. It consisted of two types of sessions – for employees and managers, which were used by a total of 986 people. During the 4th edition, we organized 274 sessions (webinars + Q&A) on 27 different topics for employees and managers.

Clear guidelines, helpful guides, supporting tools – during the compulsory quarantine, we took care of the variety and usefulness of the materials that were sent to our employees as part of official and public communication. Among them were both content related to IT infrastructure and security, as well as effective work at home.

## Psychological support and mental well-being

In the interests of the mental well-being of employees and their relatives, we have launched an anonymous hotline operated by psychologists, which helps us not only during a pandemic prevent depression, burnout and deal with difficult situations at work and outside. The services can be used by all ING employees, irrespective of the employment form. Consultations can be arranged for themselves, but also for relatives who stay with the employee in the same household.

As part of educational and supportive activities for our employees, we also organized a series of meetings with psychologists, including an anonymous live chat on topics related to, among others, with managing emotions, stress and relationships. A total of 1,832 people took part in them.

## Internal COVID-19 Helpline

We have provided all ING employees with access to an internal helpline operated by OHS and HR specialists, where all week from 8 a.m. to 8 p.m. they can receive support and answers to questions related to, for example, quarantine, isolation or childcare, as well as due for them benefits.

## Financial support

In accordance with the applicable regulations, we supported employees who found themselves in a difficult financial situation, but in addition, we implemented an additional offer of assistance for those people and families who lost part of their income during the pandemic (a situation of a significant decrease in income per person).

## Other activities for the sake of well-being

Many of our initiatives so far have moved online. An example is access to a comprehensive sports offer, which included classes with coaches for children and adults, but also meetings with physiotherapists, which helped us to work safely and ergonomically remotely. Employees also had access to nutritionist advice and health advice. Some of us took advantage of the possibility of renting office chairs to work at home. The online sports offer, which was limited to June 2020, was used by 1,144 people who performed 4,806 training sessions.

We also supported parents by organizing online animations for children, as well as occasional online meetings for children, such as Children's Day, Santa Claus Day or winter holidays. From April to June, children from grades 1-3 could participate in creative online activities led by experienced animators, and older children from grades 4-7 could use teachers' help with their homework or study.

## Other information

### Court proceedings initiated

The value of the proceedings conducted in 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.

### Agreements concluded

The Management Board of the Bank declares that as at 31 December 2020, ING Bank Śląski S.A. did not have:

- significant loan agreements, sureties and guarantees not related to operating activities,
- significant underwriting agreements,
- significant guarantee agreements granted to subsidiaries,
- liabilities towards the central bank,
- significant agreements with the central bank or supervisory authorities,
- the contracts referred to in Art. 141t.1 of the Banking Law.

Detailed information on transactions with related parties was presented in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for 2020 and in the 2020 Financial Statements of ING Bank Śląski S.A..

ING Lease (Poland), the bank's subsidiary, provides financing to medium and large companies, including based on a loan it received from the European Investment Bank (EIB) You can read more about this cooperation in the chapter "[Our financial results](#)".

## About the report

[GRI \[102-44\]](#) [\[102-46\]](#) [\[102-47\]](#) [\[102-48\]](#) [\[102-49\]](#) [\[102-50\]](#) [\[102-51\]](#) [\[102-52\]](#) [\[102-53\]](#) [\[102-54\]](#)

We are glad to provide you with another integrated report of ING Bank Śląski S.A., for the year 2020. We drafted the document in keeping with the top global standards:

- international non-financial data reporting guidelines – Global Reporting Initiative GRI Standards – compliance with Core indicators, and
- the integrated reporting guidelines of the International Integrated Reporting Council (IIRC).

The report also meets the formal requirements set out in the Minister of Finance Ordinance of 19 February 2009 on Current and Periodic Information Published by Issuers of Securities and the Conditions for Regarding Information Required by the Law of a Non-Member State as Equivalent.

The report discusses the operations of the ING Bank Śląski S.A. Group from 1 January 2020 to 31 December 2020, unless another period has been given. Both the financial and non-financial data are disclosed for the ING Bank Śląski S.A. Group (plus selected financial data for ING Bank Śląski S.A.). The size, structure, ownership or supply chain of our bank did not change materially in the reporting period. The report does not include any restatements. As far as the reporting scope or applied measurement methods are concerned, this report does not differ from the previous one. It discusses the operations of the ING Bank Śląski S.A. Group and their deliverables.

In the report, we included material particulars of the strategy, management and results of as well as the outlook for our bank. The information was disclosed considering the economic, social and environmental landscapes. We also presented our understanding of the corporate responsibility and our social footprint – today and in the future. We believe that our integrated report explains how the non-financial aspects of our business shape our capacity to create and keep value in the short-, mid- and long-term.

We publish the report on an annual basis. The previous report for 2019 was published in March 2020.

## How was the report compiled

In accordance with the guidelines of GRI Standards, we carried out a three-stage process:

- **Identification**  
During that stage, we identified the key issues concerning the bank's responsibility and business. We analysed other sources, too. They included but were not limited to press publications in the reporting period, the topics covered by internal communications, the current business blueprint and the sustainability strategy. We also reviewed the topics of significance for non-financial reporting by our sector.
- **Prioritization**  
We have conducted surveys among external stakeholders, including: clients, analysts, regulators, investors, the media, NGOs, suppliers, students and our employees. With the survey deliverables, we were able to define the most important topics to be included in the report.
- **Validation**  
We have verified and clarified the indicated topics with the management staff. The management has determined the measure of the impact of the identified topics on the environment and on the Bank. It translated directly into the reported aspects.

**Key prioritisation and validation process aspects**

No.	Aspect	Our response in the report
1.	Cybersecurity	- Cybersecurity
2.	Economic performance	- Consolidated results of the ING Bank Śląski S.A. Group
3.	Ethics and anti-corruption	- Ethics, values and compliance
4.	Innovation	- Technological development
5.	Risk management	- Risk and capital management system
6.	Employee health and safety	- Caring for the well-being of employees - Occupational Health and Safety
7.	Energy consumption	- The impact of operating activities on the natural environment and climate

All these topics were also indicated as TOP3 by management. In the environmental area, energy consumption was indicated as the most important topic.

**Topics in materiality matrix**

No.	Aspect	No.	Aspect
1.	Economic performance	17.	Employment (conditions, contracts, wages)
2.	Impact on the economy	18.	Employee health and safety
3.	Innovation	19.	Development and education
4.	Sustainable cities	20.	Diversity and equal opportunities
5.	Sustainable financing	21.	Counteracting discrimination
6.	Responsible sales and marketing	22.	Human rights and employee rights
7.	Customer privacy	23.	Relations with local communities
8.	Cybersecurity	24.	Charitable and philanthropic activities
9.	Use of natural resources	25.	Public policy
10.	Energy consumption	26.	Impact on the social environment / local communities
11.	Water and sewage management	27.	Ethics and anti-corruption
12.	Impact on biodiversity	28.	Corporate governance
13.	Greenhouse gas emissions	29.	Managing relations with stakeholders
14.	Waste management	30.	Supply chain management
15.	Climate risk management	31.	Anti-competitive behavior
16.	Climate risk resistance scenarios	32.	Risk management

In the report, we have described in detail the key topics. We make both disclosures on management approach and the corresponding indicators. Further, we resolved to present the other reporting aspects reflecting best their nature and weight for the organisation.

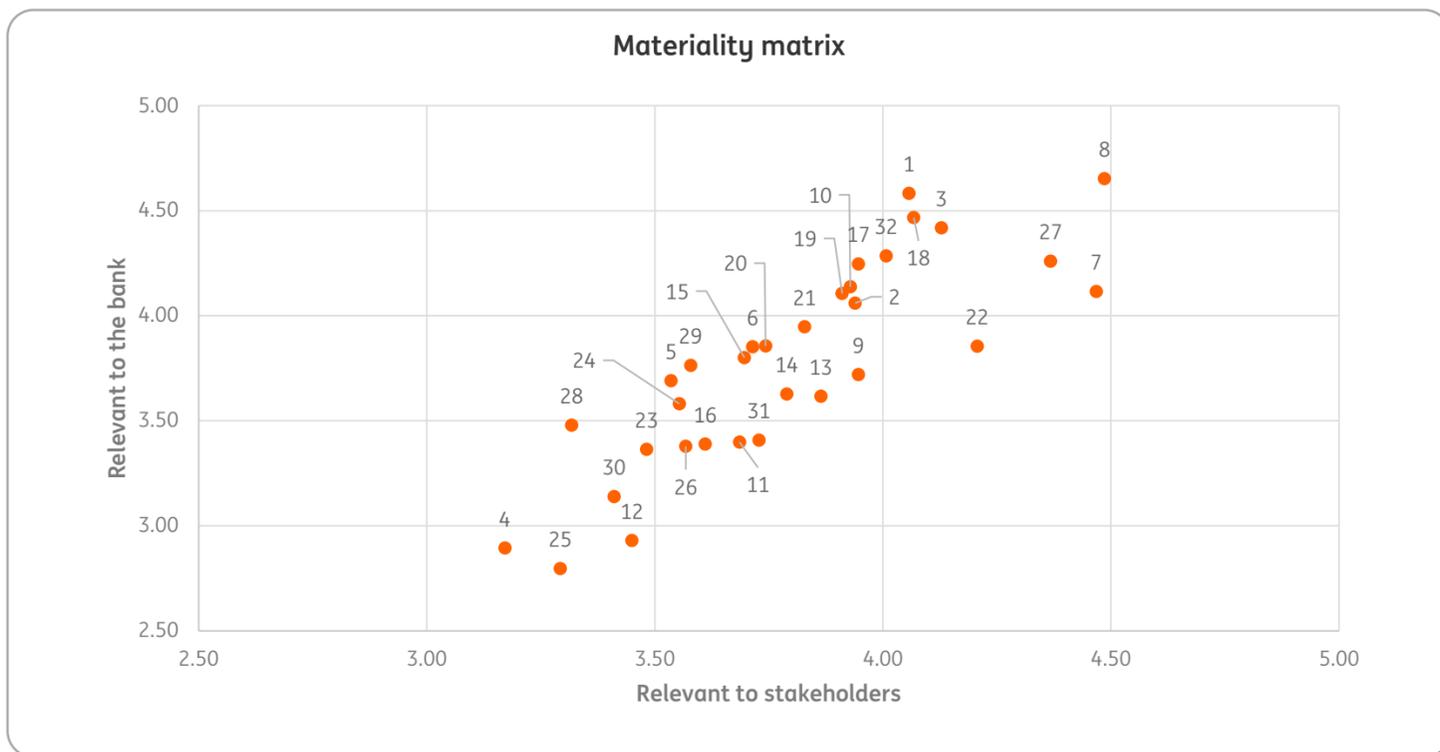
Figures used in the report were retrieved from internal reporting systems. Before being published they were all internally verified.

**Who was involved in the report compilation**

Report compilation works were coordinated by a team composed of representatives of CSR, investor relations and financial reporting areas. This report was produced thanks to many people.

These are first and foremost:

- employees of all layers who participated in the preparatory works, filled in the questionnaires, attended the workshops and developed report data,
- customers, analysts, investors, who responded to our survey.



The contribution of all the people and institutions allowed us to prepare the Management Board Report on ING Bank Śląski S.A. Group Operations in 2020.

In case of questions, please inquire about the report with:

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## Glossary

**500+** – A governmental Family 500+ programme which warrants regular assistance for parents raising children. The monthly amount of PLN 500 is awarded to the second and every subsequent child in a family.

**Add-on** – Imposed on the capital requirements in keeping with Regulation No. 575/2013 (CRR).

**Adjusted Return on Equity (ROE) - adjusted for MCFH** – Return on equity excluding revaluation reserve for cash flow hedging instruments - net profit / average equity for 5 consecutive quarters (excluding revaluation reserve for cash flow hedges).

**Agile** – It is a new way of working at selected Bank units, adopted from the IT sector. It enables fast response to changing client and market needs.

**AIRB** Advanced Internal Rating-Based – It is a method used to measure credit risk.

**ALCO / ALCO Committee** Asset- Liabilities Committee.

**Bank** – Bank when capitalised means ING Bank Śląski S.A.

**Bank Group** – Bank Group when capitalised means the ING Bank Śląski S.A. Group

**Bank tax** – A popular name of the tax on certain financial institutions. The monthly tax of 0.0366% (0.44% per year) is collected from the value of assets as at the month-end – upon previous deductions. For banks, the value of assets is reduced by the amount of sovereigns held and own funds of a bank and PLN 4 billion, for example. The banks that have launched rehabilitation proceedings and state-owned banks (BGK – Bank Gospodarstwa Krajowego) are exempted from the tax.

**Basel III** – Regulations on capital requirements and risk management at credit institutions. The Basel III solutions were introduced in the European Union with Regulation No 575/2013 (CRR) and Directive No 2013/36/EU (CRD IV).

**BFG** – Bank Guarantee Fund – A deposit guarantee and resolution scheme. BGF guarantee covers deposits being the equivalent of up to EUR 100,000..

**BGK** – Bank Gospodarstwa Krajowego – a state-owned development bank. The main task of BGK is to support economic development of Poland and improve the quality of life for Poles.

**BION** – Audit and Supervisory Assessment – One of the supervisory tools of the Polish Financial Supervision Authority. The aim of the BION process is to identify the size and nature of the risk to which the bank is exposed, to assess the

quality of the risk management process, to assess the level of capital covering the risk arising from the bank's operations and bank management.

**Brexit** – Colloquial name for the process by which Great Britain leaves the structures of the European Union.

**BRRD** – Bank Recovery and Resolution Directive of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms.

**CAPI method** – Computer Assisted Personal Interview – an interviewing technique in which the interviewer records the answers of the respondent on mobile devices.

**Capital conservation buffer** – An element of macroeconomic supervision of the banking sector. The buffer is imposed on all banks; it has to comprise the top-quality capital (Tier 1) and account for 2.5% of the capital requirement at the maximum. In 2016-2017, it was 1.25%; in 2018, it went up to 1.875%; and in 2019 has increased to 2.5%.

**Carbon Disclosure Project (CDP)** – CDP is an independent non-profit organisation from London. It encourages companies to reduce the emission of greenhouse gases and foster sustainable usage of water resources.

**Carbon footprint** – The total set of greenhouse gas emissions caused directly or indirectly by an individual, organisation, event or product.

**CAWI method** – Computer Assisted Web Interview – an interviewing technique in which the respondent or interviewer uses electronic questionnaires.

**Compliance** – Ensuring observance of laws, norms and standards, and recommendations.

**Corporate Finance** – A specific finance area dealing with financial, investment and operational decisions taken by companies as well as tools and analyses supporting and helping them in the decision-making process

**Corporate segment** – Simply: natural persons running their own business, clients of mid and big companies segments and strategic clients.

**(C / I)** – Cost to Income ratio – The ratio calculated as the relation of the general and administrative expenses (banking tax excluded) to income with the net result of associated entities recognised on an equity basis.

**Costs of risk** – Pursuant to IAS 39: the balance of provisions made and released under impairment of assets, credit facilities and cash loans granted to clients, first and foremost. Pursuant to IFRS 9: the balance of allowances for credit losses.

**Coverage of the impaired loan portfolio with write-offs** - NPL coverage ratio. The ratio of impairment losses and other client receivables to clients to the value of impaired loans and other receivables to clients. Pursuant to IFRS 9 the ratio of impairment losses reflected in Stage 3 and POCI (purchased or originated credit impairment) assets to the value of such receivables.

**CPI** - Consumer Price Index that measures changes in the price level of consumer goods and services. The most popular global inflation/deflation index.

**Credit Information Bureau** - An institution that processes information on the repayment discipline of liabilities of natural and legal persons.

**Credit rating** - Evaluation of the ability of a legal entity drawing a loan to repay the debt in full that is to repay interest and principal on the contractual terms and conditions. The entity can be both a company and a state, for example.

**CSR** - Corporate Social Responsibility.

**CVA** - Credit Value Adjustment is the difference between the risk-free portfolio value and the true portfolio value that takes into account the possibility of a counterparty's default.

**EAD** - Exposure At Default - It is a measure showing bank exposures at client's default.

**EaR** - Earnings at Risk - It is a measure showing the maximum potential change in earnings versus the earnings budgeted in the financial plan.

**Easy Lending** - The Bank's approach to financing the mid and big companies on simplified terms.

**EBA** - European Banking Authority

**Equator Principles Association** - The rules adopted by international financial institutions which set the social and environmental responsibility standards for financial risk management of development projects.

**ESG** - Environmental, Social, Government - an abbreviation that stands for environmental, social and corporate governance factors, respectively.

**ESR** - Environmental and Social Risk - environmental and social risk.

**EWS** - Early Warnings Signal - It is a predictive model used to assess the probability of the client's financial standing deterioration.

**Factoring** - Purchase by the factor of not past-due receivables of companies (clients) due thereto from business partners (offtakers) under delivery of goods and services.

**Fast Track** - A simplified lending track in the mid and big companies segment.

**FCR** First Call Resolution - It is a contact centre performance evaluation. It checks what volume of problems reported by clients to the contact centre is solved at the first contact.

**Funding cost** - interest cost/ average interest liabilities for 5 subsequent quarters.

**GDP** - Gross Domestic Product - Aggregated market value of goods and services produced by national and foreign factors in a given country and in a given period.

**Global Investor Statement on Climate Change** - A global arrangement of investors which lays down the manner in which investors can contribute to increasing the number of low-emission and climate-resistant investment projects. The arrangement also provides for practical proposals how to multiply this contribution with adequate government measures.

**Global Reporting Initiative (GRI)** - An international organisation which publishes non-financial reporting guidelines.

**Guarantee** - A bank guarantee is a written commitment of the bank to pay the amount given there to the beneficiary on the terms and conditions stated therein. The agreement is, however, of securing nature only. It is not a tool to settle commercial agreements.

**IAS** - International Accounting Standards; gradually superseded by the IFRS, i.e. International Financial Reporting Standards.

**ICAAP** - Internal Capital Adequacy Assessment Process - this is an internal capital estimation model.

**IFRS** - International Financial Reporting Standards and their interpretations approved by the International Accounting Standards Board.

**ILAAP** - Internal Liquidity Adequacy Assessment Process - it is a model for estimating liquidity resources.

**Impaired Loans (NPL Ratio)** - Non-Performing Loans Ratio - simply: the share of "bad" loans in the gross lending portfolio. Pursuant to IFRS 9 it is the share of receivables reflected in Stage 3 and POCI (purchased or originated credit impairment) assets to the gross lending portfolio.

**Impaired receivables** - Ang. Non-performing loans (NPLs) - "Bad" loans in simple terms; that is loans wherefor clients default on payment or it is highly probable that they will default in the future. Pursuant to IFRS 9 the term covers receivables reflected in Stage 3 and POCI (purchased or originated credit impairment) assets.

**Interest assets** - Assets earning interest income for the bank; loans granted to clients form their major portion.

**Interest liabilities** - Liabilities generating interest cost for the bank; client deposits form their major portion.

**Interest margin ratio** – Annual net interest result / average interest assets for 5 consecutive quarters.

#### **International Integrated Reporting Council (IIRC)**

**KRS** – National Court Register.

**LAG** Loss Given Default – The share of an asset (exposure) that is lost if a borrower defaults.

**LCR** Liquidity Coverage Ratio Computed as a ratio of very liquid assets to short-term liabilities. It is introduced in stages. The minimum value is: 60% in 2014 and 2015, 70% in 2016, 80% in 2017 and 100% starting from 2018.

**Leasing** – The agreement, whereunder the owner of an assets item (lessor) provides the user (lessee) with the right to use the assets item for a defined period in exchange for payment or a series of payments.

**Loans and other receivables from customers (gross / net)** - unless otherwise indicated, cover all amounts due from customers, regardless of the valuation model adopted.

**Loans / Deposits ratio (L / D)** – Total net loans and other receivables to customers without Eurobonds/ liabilities to customers.

**MiFID II** Markets in Financial Instruments Directive II – directive on services and sales of investment products and advisory services in their scope.

**MPC** – Monetary Policy Council – A body of the National Bank of Poland (NBP). Its tasks include but are not limited to determining the NBP interest rates.

**MREL** – Minimum Requirement for own funds and Eligible Liabilities. The institution transposed into Polish law under the Act on the Bank Guarantee Fund, Deposit Guarantee Scheme and Resolution of 10 June 2016.

**Mystery Shopper** – One of the methods used to score the client service satisfaction where service quality is assessed during client sales and service points visits.

**NBP** – National Bank of Poland – a central bank which acts as the issue bank, the bank of banks and the central state-owned bank.

**NPS** – Net Promoter Score – a client loyalty survey. Client database is split into three categories: promoters, neutral clients and detractors. NPS ratio is the difference between the share of promoters and detractors in the entire client database.

**NSFR** – Net Stable Funding Ratio – stable funding ratio. It is computed as the ratio of available stable funding to required stable funding. In accordance with the Regulation of the European Parliament and of the Council (EU) No 876/2019, the minimum level of the ratio is 100% and is valid from the end of June 2021.

**OHI** – Organizational Health Index – organization health survey.

**O-SII buffer** – Buffer of Other Systemically-Important Institution – an element of macroeconomic supervision of the banking sector. The buffer is imposed on banks of systemic importance on both the standalone and consolidated bases. The buffer takes values from 0% to 2% of the capital requirement.

**Own funds** – The funds forming Tier 1 capital (encompassing, inter alia, share capital, supplementary capital, reserve capital and retained earnings of previous years) and Tier 2 capital (encompassing inter alia subordinated liabilities, when approved by the competent regulator).

**PACE** – An organised process boosting innovations across ING Group. It fosters a fast market launch of new products and services, developed by small and independent scrums.

**PD** – Probability of Default – a measure of the probability of default.

**PFSA** – Polish Financial Supervision Authority – supervises the banking sector as well as the capital, insurance and pension markets, payment institutions and payment services offices, electronic money institutions and the sector of credit unions.

**PSD2** – PSD2 is a conventional abbreviation, which we commonly refer to the Payment Services Directive adopted by the European Parliament. It regulates and unifies the payment services market in the European Economic Area (EU countries as well as Norway, Iceland and Liechtenstein). Its purpose is primarily: 1) integrating and increasing the efficiency of the European payments market, 2) improving the opportunities for payment service providers (including new entities), 3) increasing the security of payments, 4) increasing consumer protection.

**RAS - Risk Appetite Statement** – The document that sets the maximum risk the Group is willing to accept for a given type of risk.

**Retail segment** – Simply: natural persons and natural persons running business.

**Return on Assets (ROA)** – net profit/ average assets for 5 subsequent quarters.

**Return on Equity (ROE)** – net profit/ average equity for 5 consecutive quarters.

**Return on Interest Assets** – Annual interest income / average interest assets for 5 consecutive quarters.

**Risk cost margin ratio** – Net loan loss provisions (pursuant to IFRS 9: allowances for expected credit losses) to the average value of the gross lending portfolio from five consecutive quarters.

**STIR** – ICT System of the National Clearing House – a set of algorithms that analyse financial data delivered obligatorily by banks and credit unions on entrepreneurs designed to identify potential VAT frauds.

**SWIFT** Society for Worldwide Interbank Financial Telecommunication – association for the Worldwide Interbank Financial Telecommunication. SWIFT participates in international transactions between financial institutions.

**Tier 1** – Top-quality capital, computed in line with Basel III regulations.

**Tier 1 capital ratio** – The ratio of the Tier 1 capital to off-balance sheet assets and liabilities, including risk weights; the ratio is calculated in line with Basel III regulations.

**Total capital ratio (TCR)** – It is computed as the relation of own funds to off-balance sheet assets and liabilities including risk weights; the ratio is calculated in line with Basel III regulations.

**United Nations Environment Program Finance Initiative** – A global partnership between the United Nations and over 200 representatives of the world financial sector. The partnership seeks to promote sustainable funding.

**United Nations Global Compact** – The largest global initiative gathering business striving after sustainable growth.

**VaR** – Value at Risk – the ratio which defines the anticipated maximum potential loss at certain probability.

**WCAG** – International guidelines on making Web content more accessible. These guidelines read how to make content accessible to everyone, regardless of one's ability, age, equipment or software.

**WIBOR** – Warsaw Interbank Offered Rate – It is a reference interest rate of loans on the Polish interbank market.

**WIG 30** – WIG 30 index has been published by the Warsaw Stock Exchange (WSE) since 23 September 2013. It is a capitalization-weighted stock market index of the thirty largest companies on the Warsaw Stock Exchange.

**WPC** – Winning Performance Culture – It is a survey to measure employee engagement.

## GRI index

### GRI [102-55]

### Profile indicators

#### General disclosures

Disclosure number	Disclosure	Reference in the content of the report
GRI 102-1	Name of the organisation	How does ING Group operate in Poland
GRI 102-2	Activities, brands, products, and services	The scale of our activity
GRI 102-3	Location of organization's headquarters	Who we are
GRI 102-4	Location of operations	Who we are
GRI 102-5	Ownership and legal form	Shareholding structure
GRI 102-6	Markets served	Who we are
GRI 102-7	Scale of the organization	Who we are
GRI 102-8	Information on employees and other workers	Employees in the bank – in numbers
GRI 102-9	Supply chain	Responsibility in the supply chain
GRI 102-10	Significant changes to the organization and its supply chain	How does ING Group operate in Poland
GRI 102-11	Precautionary Principle or approach	Environmental and social risk management
GRI 102-12	External initiatives	Involvement in initiatives and industry organisations
GRI 102-13	Membership of associations	Involvement in initiatives and industry organisations
GRI 102-14	Statement from senior decision-maker	Letter from the President
GRI 102-15	Key impacts, risks, and opportunities	Letter from the President Business environment Risk and capital management system

GRI 102-16	Values, principles, standards, and norms of behaviour	Ethics, values and compliance
GRI 102-17	Mechanisms for advice and concerns about ethics	We combat conflicts of interest We report instances of breach of law and Business Ethics Standards
GRI 102-18	Governance structure	Supervisory Board
GRI 102-40	List of stakeholder groups	The environment in which we operate
GRI 102-41	Collective bargaining agreements	We know how employees rate us
GRI 102-42	Identifying and selecting stakeholders	The environment in which we operate
GRI 102-43	Approach to stakeholder engagement	The environment in which we operate
GRI 102-44	Key topics and concerns raised	About the report

#### Reporting

Disclosure number	Disclosure	Reference in the content of the report
GRI 102-45	Entities included in the consolidated financial statements	How does ING Group operate in Poland
GRI 102-46	Defining report content and topic Boundaries	About the report
GRI 102-47	List of material topics	About the report
GRI 102-48	Restatements of information	About the report
GRI 102-49	Changes in reporting	About the report
GRI 102-50	Reporting period	About the report
GRI 102-51	Date of most recent report	About the report
GRI 102-52	Reporting cycle	About the report
GRI 102-53	Contact point for questions regarding the report	About the report
GRI 102-54	Claims of reporting in accordance with the GRI Standards	About the report
GRI 102-55	GRI content index	GRI index
GRI 102-56	External assurance	GRI index

102-56 - The report will be subject to external verification.

### Management approach

Disclosure number	Disclosure	Reference in the content of the report
GRI 103-1	Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> <li>- Cyber security</li> <li>- Consolidated results of the ING Bank Śląski S.A. Group</li> <li>- Ethics, values and compliance</li> <li>- Technological development</li> <li>- Risk and capital management system</li> <li>- Caring for the well-being of employees</li> <li>- Occupational Health and Safety</li> <li>- The impact of operating activities on the natural environment and climate</li> </ul>
GRI 103-2	The management approach and its components	<ul style="list-style-type: none"> <li>- Cyber security</li> <li>- Consolidated results of the ING Bank Śląski S.A. Group</li> <li>- Ethics, values and compliance</li> <li>- Technological development</li> <li>- Risk and capital management system</li> <li>- Caring for the well-being of employees</li> <li>- Occupational Health and Safety</li> <li>- The impact of operating activities on the natural environment and climate</li> </ul>
GRI 103-3	Evaluation of the management approach	<ul style="list-style-type: none"> <li>- Cyber security</li> <li>- Consolidated results of the ING Bank Śląski S.A. Group</li> <li>- Ethics, values and compliance</li> <li>- Technological development</li> <li>- Risk and capital management system</li> <li>- Caring for the well-being of employees</li> <li>- Occupational Health and Safety</li> <li>- The impact of operating activities on the natural environment and climate</li> </ul>

### Detailed disclosure

GRI 401-3, 404-1 – The disclosures reported in part due to a unavailability of data on the number of training hours by gender and employment category.

### Detailed disclosures

Disclosure number	Disclosure	Reference in the content of the report
GRI 201-1	Direct economic value generated and distributed	Consolidated results of the ING Bank Śląski S.A. Group
GRI 202-1	Ratios of standard entry level wage by gender compared to the local minimum wage	Principles of remuneration
GRI 203-1	Infrastructure investments and services supported	Sustainable financing
GRI 203-2	Significant indirect economic impacts	Business strategy
GRI 205-2	Training for employees and managers on anti-corruption policies and procedures	We prevent corruption
GRI 205-3	Confirmed incidents of corruption and actions taken	We prevent corruption
GRI 302-1	Energy consumption within the organization	Electricity and carbon dioxide emissions
GRI 302-4	Reduction of energy consumption	Electricity and carbon dioxide emissions
GRI 303-3	Water withdrawal	Water consumption
GRI 306-2	Waste by type and disposal method	We manage waste wisely
GRI 308-1	New suppliers that were screened using environmental criteria	Responsibility in the supply chain
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Benefits offered to employees
GRI 401-3	Parental leave	Parents at work
GRI 402-5	Employee training in the field of work safety	Occupational Health and Safety
GRI 403-2	Type and rate of work-related injuries	Occupational Health and Safety
GRI 403-6	Health promotion among employees	Care for the well-being of employees
GRI 404-1	Average hours of training per year per employee	Training in numbers
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	Results on educational and development activities
GRI 405-1	Diversity of governance bodies and employees	Employment structure
GRI 405-2	Ratio of basic salary and remuneration of women to men	Employment structure
GRI 414-1	New suppliers that were screened using social criteria	Responsibility in the supply chain

## Management Board statement

### Correctness and reliability of the presented financial statements

According to the best knowledge of the Bank's Management Board, the financial data for 2020 and comparable data presented in the annual financial statements of ING Bank Śląski S.A. and the annual consolidated financial statements of the ING Bank Śląski S.A. Group have been prepared in accordance with the applicable accounting principles and reflect truthfully, fairly and clearly the property and financial standing of the Bank and the Bank's Capital Group and the financial result achieved by the Bank and the Bank's Capital Group. The Management Board's report contained in this document presents a true image of the development, achievements and situation (including a description of the basic types of threats and risks) of the Bank and the Bank's Group in 2020.