ING Bank Śląski S.A. Group

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024

Contents

I. Capital adequacy

Introduction

Pursuant to the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 as amended (Regulation CRR) and the Banking Law Act of 29 August 1997 as amended (Banking Law Act), ING Bank Śląski S.A., hereinafter referred to as the Bank, is obliged to make qualitative and quantitative disclosures relating to the capital adequacy, excluding information immaterial, proprietary or confidential.

Pursuant to the "Policy of disclosing qualitative and quantitative information on capital adequacy and variable components of remuneration of ING Bank Śląski S.A.", disclosures relating to the ING Bank Śląski S.A. Group, hereinafter referred to as the Group, are published.

Disclosures in this document are based on the data from the annual consolidated financial statements for the year 2024 of the ING Bank Śląski S.A. Group. The presented values have been prepared in Polish zlotys (PLN). Unless provided for otherwise, all values were given rounded up to PLN million. Therefore, there may be cases of mathematical inconsistency in the summaries or between individual tables.

For the disclosure of information, templates of forms included in the Commission Implementing Regulation (EU) 2021/637 were used, hence the letter markings of the table columns and the numbering of lines.

In implementing the requirement of article 447 and article 438 point d of the Regulation CRR, the Group discloses to the public collective data on own funds, own funds requirements, risk-weighted exposures, combined buffer requirement, leverage ratio and liquidity ratios - liquidity coverage ratio and net stable funding ratio. These data are presented in the table below, and detailed information on individual items is presented in the following chapters of this document.

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

Template EU KM1 - Key metrics template

		a	b
		as at 31 Dec 2024	as at 31 Dec 2023 *
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	16,857	17,507
2	Tier 1 capital	16,857	17,507
3	Total capital	18,197	19,030
Risk-weighted exposure amounts			
4	Total risk exposure amount	122,514	109,295
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	13.76%	16.02%
6	Tier 1 ratio (%)	13.76%	16.02%
7	Total capital ratio (%)	14.85%	17.41%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0.00%	0.00%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.00%	0.00%
EU 7d	Total SREP own funds requirements (%)	8.00%	8.00%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.0088%	0.0116%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer (%)	1.00%	0.50%
11	Combined buffer requirement (%)	3.51%	3.01%
EU 11a	Overall capital requirements (%)	11.51%	11.01%
12	CET1 available after meeting the total SREP own funds requirements (%)	6.85%	9.41%
Leverage ratio			
13	Total exposure measure	276,989	259,375
14	Leverage ratio (%)	6.09%	6.75%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)			
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
EU-14d	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-14e	Overall leverage ratio requirement (%)	3.00%	3.00%
Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	55,958	47,864
EU 16a	Cash outflows - Total weighted value	43,406	40,421
EU 16b	Cash inflows - Total weighted value	16,169	11,668
16	Total net cash outflows (adjusted value)	27,237	28,753
17	Liquidity coverage ratio (%)	209.00%	167.00%
Net Stable Funding Ratio			
18	Total available stable funding	213,749	198,522
19	Total required stable funding	120,692	115,805
20	NSFR ratio (%)	177.10%	171.43%

* 11 April 2024 the General Meeting of the Bank approved the distribution of profit for 2023. The data as at 31 December 2023 were recalculated taking into account the net profit generated in 2023 in own funds.

1. Own funds

1.1. Full reconciliation of own fund items to audited financial statements

The capital comprises: the share capital, the supplementary capital - issuance of shares over nominal value, accumulated other comprehensive income, retained earnings and own shares for the purposes of the incentive program. All capitals and funds are recognised at their face value.

The share capital is recognised at its face value, in accordance with the charter and entry into the National Court Register.

The share premium account comprises the share premium earned from the issue of shares less the direct costs thereof.

Other comprehensive income is created as a result of:

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

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

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

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

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

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

Revaluation of share-based payments - this item is presented as the fair value valuation of options granted under the Group's incentive schemes addressed to Bank employees.

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

Own shares for the purposes of the incentive program include own shares purchased to fulfill the obligations arising from the incentive program, variable remuneration components.

The own funds include profit in the process of approval and the net profit of the current reporting period less expected charges and dividend in the amount not exceeding profit as verified by the chartered accountant.

Unrealised gains and losses on debt and equity instruments available for sale are recognized in own funds in accordance with the guidelines contained in the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 as amended and the Banking Law. In accordance with the article 171a of the Banking Law Act, unrealised gains and unrealised losses are included in own funds in 100%.

The Group adjusts own funds by the following values:

- goodwill and other intangible assets (accordance with CRR Regulation),
- difference between the amount of provisions and the amount of expected losses - the value computed for the bank calculating risk-weighted exposure amounts using IRB approach (accordance with Regulation CRR),
- value adjustment due to the requirements for prudent valuation (accordance with Regulation CRR),
- adjustment in the transitional period due to adaptation to IFRS 9 requirements (accordance with Regulation CRR),
- adjustment to the deduction of software assets (accordance with Commission Delegated Regulation (UE) 2020/2176 of 12 November 2020 amending Delegated Regulation (EU) No 241/2014 as regards the deduction of software assets from Common Equity Tier 1),
- adjustment for insufficient coverage of non-performing exposures (accordance with Regulation CRR),
- deferred tax assets that rely on future profitability excluding those arising from temporary differences (accordance with Regulation CRR),
- adjustment due to the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income (accordance with Regulation CRR).

In the process of calculating consolidated own funds and requirements for consolidated own funds as at 31 December 2024, the Group included the subsidiaries subject to prudential consolidation in accordance with the rules of the Regulation CRR. The scope of subsidiaries covered by prudential consolidation differs from the scope of subsidiaries subject to financial consolidation carried out in accordance with International Financial Reporting Standards.
The table below presents reconciliation of regulatory own funds to balance sheet in the audited financial statements of the Group in accordance with Article 437 of Regulatory 2019/876 and according to the template presented in the Commission Implementing Regulation (UE) 2021/637.

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

Template EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	b	c
		Balance sheet as in published financial statements as at 31 Dec 2024	Under regulatory scope of consolidation as at 31 Dec 2024	Reference
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements				
1	Cash and cash equivalents	8,361	8,361	
2	Loans and other receivables to other banks	21,635	21,635	
3	Financial assets measured at fair value through profit or loss	1,948	1,948	
4	Derivative hedge instruments	61	61	
5	Investment securities	58,992	58,992	
6	Transferred assets	179	179	
7	Loans and other receivables to customers measured at amortised cost	166,677	166,677	
8	Investments in associates accounted for using the equity method	185	227	
9	Property, plant and equipment	1,011	1,011	
10	Intangible assets	457	441	(a)
11	Current income tax assets	14	14	
12	Deferred tax assets	690	692	(c)
13	Other assets	149	146	
14	**Total assets**	**260,359**	**260,384**	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements				
1	Liabilities to other banks	15,468	15,468	
2	Financial liabilities measured at fair value through profit or loss	1,400	1,400	
3	Derivative hedge instruments	83	83	
4	Liabilities to customers	219,996	220,023	
5	Liabilities from debt securities issued	509	509	
6	Subordinated liabilities	1,499	1,499	(b)
7	Provisions	636	635	
8	Current income tax liabilities	16	15	
9	Deferred tax liabilities	1	1	(c)
10	Other liabilities	3,581	3,581	
11	**Total liabilities**	**243,189**	**243,214**	
Shareholders' Equity				
1	Share capital	130	130	(d)
2	Share premium	956	956	(d)
3	Accumulated other comprehensive income	-4,699	-4,699	(e)
4	Retained earnings	20,783	20,783	(f)
5	Own shares	0	0	(g)
6	**Total shareholders' Equity**	**17,170**	**17,170**	

In column c of the template above, the Group has included a cross-reference between the own funds items presented in Table EU CC1 and the corresponding balance sheet items for the purpose of showing the source of each significant input parameter for the information on own funds. A reference in column c of template EU CC2 is linked to a reference in column b of template EU CC1.

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

1.2. Information on the nature and amount of certain own fund items

The Group's equity is composed of:

- core capital Tier 1 which as at 31 December 2024 was PLN 16,857 million,
- core capital Tier 2 which as at 31 December 2024 was PLN 1,340 million,

As at 31 December 2024, the Group did not identify additional Tier 1 capital (AT1).

The table below presents nature and amount of certain own funds items required by Article 437 of Regulation 2019/876. The presentation complies with the requirements of the Commission Implementing Regulation (UE) 2021/637. The table lines that don't relate to the Group's own fund have been omitted.

Template EU CC1 - Composition of regulatory own funds

		a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	1,086	(d)
	of which: Ordinary shares	130	
	of which: Agio	956	
2	Retained earnings	81	(f)
3	Accumulated other comprehensive income (and other reserves)	10,420	(e)
EU-3a	Funds for general banking risk	1,215	(f)
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	0	
5	Minority interests (amount allowed in consolidated CET1)	0	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	(f)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**12,802**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-35	
8	Intangible assets (net of related tax liability) (negative amount)	-495	(a)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-1	(c)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	4,848	(e)
12	Negative amounts resulting from the calculation of expected loss amounts	-491	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	0	(g)
27a	Other regulatory adjustments	229	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**4,055**	
29	**Common Equity Tier 1 (CET1) capital**	**16,857**	
Additional Tier 1 (AT1) capital: instruments			
36	Additional Tier 1 (AT1) capital before regulatory adjustments	0	
Additional Tier 1 (AT1) capital: regulatory adjustments			
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	
44	Additional Tier 1 (AT1) capital	0	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**16,857**	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	1,340	(b)
50	Credit risk adjustments	0	
51	**Tier 2 (T2) capital before regulatory adjustments**	**1,340**	
Tier 2 (T2) capital: regulatory adjustments			
57	Total regulatory adjustments to Tier 2 (T2) capital	0	
58	Tier 2 (T2) capital	1,340	
59	**Total capital (TC = T1 + T2)**	**18,197**	
60	**Total Risk exposure amount**	**122,514**	

Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	13.76%	
62	Tier 1 capital	13.76%	
63	Total capital	14.85%	
64	Institution CET1 overall capital requirements	8.01%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.0088%	
67	of which: systemic risk buffer requirement	0.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	1.00%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0.00%	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	6.85%	
Amounts below the thresholds for deduction (before risk weighting)			
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	691	(c)
Applicable caps on the inclusion of provisions in Tier 2			
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	335	

A detailed description of the main features of instruments included in own funds is presented in the table EU CCA. The table also presents the features of eligible liabilities instruments.

Template EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

		a		
		Shares of series A and B	**Subordinated liabilities**	**Non preferred senior loan (NPS)**
1	Issuer	ING Bank Śląski S.A.	ING Bank Śląski S.A.	ING Bank Śląski S.A.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN code: PLBSK0000017	ISIN code: PLBSK0000017	ISIN code: PLBSK0000017
2a	Public or private placement	Public	Not public	Not public
3	Governing law(s) of the instrument	Polish	Polish	Polish
3a	Contractual recognition of write down and conversion powers of resolution authorities	Not applicable	Yes	Yes
	Regulatory treatment	**Yes**	**Yes**	**No**
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	Tier 2 capital	Eligible liabilities
5	Post-transitional CRR rules	Common Equity Tier 1	Tier 2 capital	Eligible liabilities
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated	Solo and (Sub-)Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares Agio	Subordinated liabilities	Non preferred senior loan
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	<u>Nominal value:</u> PLN 93 million (series A) PLN 37 million (series B) <u>Agio:</u> PLN 956 million (series B) <u>Total capital worth:</u> PLN 93 million (series A) PLN 993 million (series B) The amount recognized in regulatory capital does not differ from the amount of the issued instrument.	PLN 1,340 million (included in Tier 2) PLN 155 million (included in eligible Liabilities)	PLN 9,055 million
9	Nominal amount of instrument	PLN 130 million	EUR 350 million	EUR 2,110 million
EU-9a	Issue price	Series A: PLN 5 (after the denomination and after the shares split*) Series B: PLN 26.5 (after the shares split*)	Not applicable	Not applicable
EU-9b	Redemption price	Not applicable	Not applicable	Not applicable
10	Accounting classification	Equity	Financial liabilities	Financial liabilities

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

Template EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

		a		
		Shares of series A and B	**Subordinated liabilities**	**Non preferred senior loan (NPS)**
11	Original date of issuance	08 October 1991	30 October 2018 (EUR 100 million) 30 September 2019 (EUR 150 million)	5 January 2023 (EUR 260 mio) 22 December 2023 (EUR 1,500 mio) 10 October 2024 (EUR 350 mio)
12	Perpetual or dated	Perpetual	Dated	Dated
13	Original maturity date	No maturity	30 October 2028 28 September 2029	5 January 2029 22 December 2027 10 October 2028
14	Issuer call subject to prior supervisory approval	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	The Bank has the right to prepay of loan after the lapse of 5 years from the date of granting	The Bank has the right to prepay of loan 1 year before the maturity date
16	Subsequent call dates, if applicable	Not applicable	Yes, for the second contract - on the interest payment date	Yes, during the last year of the loan contract, for the 1st contract - on the interest payment date and for the 2nd and 3rd contract - on any date
	Coupons / dividends	**Dividends**	**Coupons**	**Coupons**
17	Fixed or floating dividend/coupon	Floating	Floating	Floating
18	Coupon rate and any related index	Not applicable	EURIBOR 3M + margin	EURIBOR 3M + margin
19	Existence of a dividend stopper	Yes	Not applicable	Not applicable
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary; causes: - decisions of the General Meeting of the Bank - results - administrative decisions	Obligatory	Obligatory
EU-20b	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Obligatory	Obligatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	Not applicable	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Not applicable	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable
34a	Type of subordination (only for eligible liabilities)	Not applicable	Not applicable	Not applicable
EU-34b	Ranking of the instrument in normal insolvency proceedings	Category 10	Category 8	Category 6
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Satisfied last	Satisfied after non preferred liabilities	Satisfied after liabilities to shareholders other than those in Categories 10-7
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable
37a	Link to the full term and conditions of the instrument (signposting)	https://en.ing.pl/company-profile/investor-relations	https://en.ing.pl/_fileserver/item/1101093 https://en.ing.pl/_fileserver/item/1100912	https://en.ing.pl/_fileserver/item/imv5y7v https://en.ing.pl/_fileserver/item/tgjlcwt

* In 2011, the nominal value of shares was split. As a result, the nominal value of shares was reduced from PLN 10 to PLN 1 per share.

2. Regulatory capital requirements calculation

The Group is required to maintain Tier 1 ratio and total capital ratio at least at the level of 9.51% and 11.51% respectively.

The requirement arises from the provisions of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 (Regulation CRR) i.e.:

- for Common Equity Tier 1 ratio - CET1 – 4.5%,
- for Tier 1 ratio - T1 - 6.0%, and,
- for Total capital ratio (TCR) - 8.0%,

and the capital buffers determined in accordance with the Act on macroprudential supervision over the financial system and crisis management in the financial system of 05 August 2015.

The capital requirement for credit risk represents approx. 86% of the Group's overall capital requirement and has the greatest impact on capital adequacy calculation.

The Group reports capital requirement for credit risk under the IRB approach for exposure classes: institutions and corporates. The Group applies such presentation method pursuant to the letter of De Nederlandsche Bank (DNB) of 04 July 2013, wherein DNB together with the Polish Financial Supervision Authority approved application of the full IRB approach by the Bank for exposure classes: companies and institutions for the Bank and ING Lease Sp. z o.o.

In case of retail exposures, the Group introduced so-called roll-out plan of implementation of IRB method. Due to conducted works by ING Group on the new default definition implementation and currently used AIRB models adjustment with respect to EBA guidelines the initial dates of AIRB application for portfolios under standardized approach are being discussed. The schedule for implementing the IRB method for the retail portfolio was agreed with the European Central Bank and the Polish Financial Supervision Authority.

The Group's subsidiaries calculate capital requirements for credit risk with the use of the SA method, except ING Lease (Polska) Sp. z o.o., which uses the IRB method. Moreover, ING Commercial Finance Polska S.A. uses synthetic securitisation for the non-recourse factoring transaction portfolio, for which the Group calculates capital requirements using the standardised method (SEC SA).

The capital requirement for credit valuation adjustment risk (CVA) refers to the adjustment to the market valuation in accordance with the provisions of CRR. The Group calculates CVA under the standard method in accordance with Article 384 of Regulation CRR.

To calculate the capital requirement for risk of contribution to fund of the central counterparties (CCP) in case of default, the Group uses method, described in Article 306-309 of Regulation CRR. London Clearing House (LCH), KDPW_CCP SA and EUREX are the eligible central counterparty for the Group.

The standard approach compliant with Regulation CRR is used to calculate the requirement for market risk, settlement risk and the requirement due to exposure concentration limit and large exposures limit overrun. The capital requirement for operational risk was estimated using the Standardised Approach (TSA).

Risk-weighted exposure and capital requirements for particular risks required by Article 438 of Regulatory 2019/876 are presented in the table below (in accordance with the EU OV1: Regulatory Capital Requirements template shown in the Commission Implementing Regulation (UE) 2021/637). The table lines that don't relate to the Group's own fund have been omitted.

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

Template EU OV1 – Overview of risk weighted exposure amounts

		a	b	c
		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		as at 31 Dec 2024	as at 30 Sep 2024	as at 31 Dec 2024
1	**Credit risk (excluding CCR)**	**104,634**	**103,578**	**8,371**
2	Of which the standardised approach	49,331	47,943	3,946
3	Of which the Foundation IRB (F-IRB) approach	0	0	0
4	Of which slotting approach	0	0	0
EU-4a	Of which equities under the simple risk weighted approach	1,098	1,033	88
5	Of which the Advanced IRB (A-IRB) approach	54,011	54,352	4,321
6	**Counterparty credit risk - CCR**	**805**	**924**	**64**
7	Of which the standardised approach	588	687	47
8	Of which internal model method (IMM)	0	0	0
EU-8a	Of which exposures to a CCP	59	70	5
EU-8b	Of which credit valuation adjustment - CVA	142	135	11
9	Of which other CCR	16	32	1
15	**Settlement risk**	**0**	**0**	**0**
16	**Securitisation exposures in the non-trading book (after the cap)**	**376**	**314**	**30**
17	Of which SEC-IRBA approach	0	0	0
18	Of which SEC-ERBA (including IAA)	0	0	0
19	Of which SEC-SA approach	376	314	30
EU-19a	Of which 1250%	0	0	0
20	**Position, foreign exchange and commodities risks (Market risk)**	**1,223**	**1,288**	**98**
21	Of which the standardised approach	1,223	1,288	98
22	Of which IMA	0	0	0
EU-22a	**Large exposures**	**0**	**0**	**0**
23	**Operational risk**	**15,476**	**15,476**	**1,238**
EU-23a	Of which basic indicator approach	0	0	0
EU-23b	Of which standardised approach	15,476	15,476	1,238
EU-23c	Of which advanced measurement approach	0	0	0
24	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**1,921**	**1,862**	**154**
29	**Total**	**122,514**	**121,580**	**9,801**

The exposures broken down into classes according to the IRB method and the SA method are presented below, according to the templates included in the Commission Implementing Regulation (UE) 2021/637):

- Template EU CR5 – standardised approach– the table presents the regulatory exposure values after the application of credit conversion factors and risk mitigation techniques for that part of the portfolio for which the Group applies the standardized approach,
- Template EU CR6 – IRB approach – Credit risk exposures by exposure class and PD range– the table presents the exposures values, the average CCF, PD and LGD values in percentage terms and risk-weighted exposures amount for each exposures class in the portfolio for which the Group uses the internal ratings method (AIRB),
- Template EU CR6-A – Scope of the use of IRB and SA approaches,
- Template EU CR8 – RWEA flow statements of credit risk exposures under the IRB approach.

(PLN million)

Template EU CR5 – standardised approach

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
	Exposure classes	**Risk weight**															**Total**	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
1	Central governments or central banks	57,091	0	0	0	0	0	0	0	0	0	0	733	0	0	0	**57,824**	57,824
2	Regional government or local authorities	0	0	0	0	2,633	0	0	0	0	0	0	0	0	0	0	**2,633**	2,633
3	Public sector entities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**	0
4	Multilateral development banks	10,255	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**10,255**	10,255
5	International organizations	2,064	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**2,064**	2,064
6	Institutions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**	0
7	Corporates	0	0	0	0	358	0	0	0	0	4,785	0	0	0	0	0	**5,143**	5,143
8	Retail exposures	0	0	0	0	0	0	0	0	30,365	0	0	0	0	0	0	**30,365**	30,366
9	Exposures secured by mortgages on immovable property	0	0	0	0	0	49,811	72	0	10	239	52	0	0	0	0	**50,184**	50,184
10	Exposures in default	0	0	0	0	0	0	0	0	0	860	161	0	0	0	0	**1,021**	1,020
11	Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	0	0	31	0	0	0	0	**31**	31
12	Covered bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**	0
13	Exposures to institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**	0
14	Units or shares in collective investment undertakings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**	0
15	Equity exposures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**	0
16	Other items	774	0	0	0	489	0	0	0	0	1,981	0	0	0	0	0	**3,244**	3,244
17	**Total**	**70,184**	**0**	**0**	**0**	**3,480**	**49,811**	**72**	**0**	**30,375**	**7,865**	**244**	**733**	**0**	**0**	**0**	**162,764**	**162,764**

(PLN million)

Template EU CR6 – IRB approach – Credit risk exposures by exposure class and PD range

	a	b	c	d	e	f	g	h	i	j	k	l	m
AIRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
Institutions	0.00 to <0.15	9,264	3,156	0.16	9,777	0.10	233	20.98	1	2,752	28.15%	4	-2
	0.00 to <0.10	7,641	2,788	0.16	8,100	0.09	97	18.59	1	2,342	28.91%	4	-1
	0.10 to <0.15	1,623	368	0.15	1,677	0.14	136	32.50	1	410	24.48%	1	-1
	0.15 to <0.25	1,312	137	0.13	1,329	0.21	60	36.58	1	360	27.12%	1	-1
	0.25 to <0.50	1,215	445	0.24	1,323	0.42	38	18.25	2	570	43.06%	2	-1
	0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	-
	0.75 to <2.50	551	636	0.15	648	2.05	40	52.61	2	1,070	165.21%	8	-6
	0.75 to <1.75	125	199	0.23	171	1.13	32	24.51	1	120	70.18%	1	0
	1.75 to <2.5	426	437	0.12	477	2.37	8	62.68	2	950	199.25%	7	-6
	2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	-
	2.5 to <5	-	-	-	-	-	-	-	-	-	-	-	-
	5 to <10	-	-	-	-	-	-	-	-	-	-	-	-
	10.00 to <100.00	0	9	0.25	3	16.86	56	1.66	2	3	113.79%	0	0
	10 to <20	0	9	0.25	3	16.32	54	0.30	2	3	108.59%	0	0
	20 to <30	-	-	-	-	-	-	-	-	-	-	-	-
	30 to <100	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-	-	-	-	-	-	-
	Subtotal	**12,342**	**4,383**	**0.17**	**13,080**	**0.24**	**427**	**20.19**	**1**	**4,755**	**36.36%**	**15**	**-10**
Corporates Specialised lending	0.00 to <0.15	2,948	31	0.93	2,977	0.13	97	11.39	3	277	9.29%	0	0
	0.00 to <0.10	0	2	0.00	0	0.00	1	0.00	0	0	0.00%	0	0
	0.10 to <0.15	2,948	29	1.00	2,977	0.13	96	11.39	3	277	9.29%	0	0
	0.15 to <0.25	511	31	0.11	515	0.23	19	9.80	3	55	10.76%	0	0
	0.25 to <0.50	4,666	1,060	0.67	5,379	0.39	210	25.57	3	2,594	48.23%	6	-7
	0.50 to <0.75	473	0	1.01	474	0.66	9	7.69	2	59	12.47%	0	0
	0.75 to <2.50	751	39	0.58	774	1.21	92	28.13	2	436	56.30%	2	-3
	0.75 to <1.75	660	36	0.63	683	1.10	74	28.84	2	391	57.20%	2	-2
	1.75 to <2.5	91	3	0.01	91	1.99	18	22.81	2	45	49.57%	0	0
	2.50 to <10.00	523	0	0.50	523	5.58	15	10.85	2	164	31.40%	3	-2
	2.5 to <5	111	0	0.50	111	3.75	7	26.06	4	67	60.18%	1	-1
	5 to <10	412	0	0.00	412	6.07	8	6.75	1	97	23.64%	2	-2
	10.00 to <100.00	412	7	0.20	414	33.12	34	6.16	1	131	31.54%	9	-3
	10 to <20	6	7	0.20	8	16.32	22	1.69	3	1	6.74%	0	0
	20 to <30	6	0	0.00	6	25.00	2	0.54	1	0	2.24%	0	0
	30 to <100	400	0	0.00	400	33.57	10	6.33	1	130	32.49%	9	-3
	100.00 (Default)	387	0	1.00	387	100.00	11	46.46	1	264	68.08%	179	-142
	Subtotal	**10,671**	**1,168**	**0.66**	**11,443**	**5.17**	**487**	**19.94**	**3**	**3,980**	**34.78%**	**199**	**-157**
Corporates SME	0.00 to <0.15	323	809	0.23	510	0.11	754	32.21	1	76	14.89%	0	0
	0.00 to <0.10	-	-	-	-	-	-	-	-	-	-	-	-
	0.10 to <0.15	323	809	0.23	510	0.11	754	32.21	1	76	14.89%	0	0
	0.15 to <0.25	2,572	2,554	0.34	3,449	0.18	2,036	29.34	2	886	25.70%	2	-1
	0.25 to <0.50	5,249	3,921	0.29	6,403	0.33	2,810	29.83	2	2,336	36.48%	6	-4
	0.50 to <0.75	6,262	3,630	0.30	7,358	0.62	2,592	29.33	2	3,490	47.43%	13	-8
	0.75 to <2.50	7,778	3,742	0.32	8,976	1.55	3,939	28.93	2	5,652	62.97%	40	-25
	0.75 to <1.75	6,497	3,086	0.30	7,421	1.44	3,128	29.45	2	4,678	63.04%	32	-17
	1.75 to <2.5	1,281	656	0.42	1,555	2.06	811	26.47	2	974	62.65%	8	-8
	2.50 to <10.00	7,302	2,543	0.32	8,108	5.20	3,459	29.40	2	7,123	87.85%	122	-76
	2.5 to <5	4,500	1,668	0.36	5,098	3.83	2,145	29.58	2	4,088	80.19%	57	-35
	5 to <10	2,802	875	0.24	3,010	7.51	1,314	29.08	2	3,035	100.83%	65	-41
	10.00 to <100.00	2,824	617	0.32	3,020	21.18	3,007	26.26	2	3,508	116.15%	173	-115
	10 to <20	1,778	428	0.27	1,894	12.67	2,590	26.08	2	2,047	108.07%	61	-45
	20 to <30	583	106	0.36	621	26.00	213	25.75	2	856	137.85%	42	-24
	30 to <100	463	83	0.51	505	47.15	204	27.56	2	605	119.73%	69	-46
	100.00 (Default)	2,064	83	0.53	2,108	100.00	1,188	42.25	2	1,972	93.54%	994	-785
	Subtotal	**34,374**	**17,899**	**0.30**	**39,932**	**8.47**	**19,785**	**29.82**	**2**	**25,043**	**62.71%**	**1,350**	**-1,014**

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

Template EU CR6 – IRB approach – Credit risk exposures by exposure class and PD range

	a	b	c	d	e	f	g	h	i	j	k	l	m
AIRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
Corporates Other	0.00 to <0.15	1,696	1,708	0.33	2,258	0.09	36	43.52	3	618	27.39%	1	0
	0.00 to <0.10	1,027	319	0.10	1,058	0.07	11	42.63	3	285	26.91%	0	0
	0.10 to <0.15	669	1,389	0.38	1,200	0.11	25	44.31	3	334	27.81%	1	0
	0.15 to <0.25	3,202	5,725	0.20	4,346	0.20	130	32.10	2	1,261	29.02%	3	-1
	0.25 to <0.50	5,277	6,655	0.31	7,308	0.41	249	36.85	2	3,922	53.67%	11	-5
	0.50 to <0.75	0	12	0.12	1	0.60	4.0	53.87	1	1	79.56%	0	0
	0.75 to <2.50	4,837	4,169	0.35	6,307	1.12	380	29.92	2	4,135	65.56%	20	-10
	0.75 to <1.75	4,620	4,165	0.35	6,090	1.08	366	30.17	2	3,988	65.48%	19	-9
	1.75 to <2.5	217	4	0.02	217	2.10	14	22.72	2	147	67.66%	1	-1
	2.50 to <10.00	1,000	388	0.42	1,162	3.72	165	25.86	1	911	78.38%	12	-4
	2.5 to <5	941	378	0.41	1,097	3.42	142	25.15	1	810	73.83%	10	-4
	5 to <10	59	10	0.52	65	8.75	23	37.89	1	101	155.35%	2	-1
	10.00 to <100.00	762	93	0.70	827	25.34	367	26.98	2	1,339	161.83%	58	-53
	10 to <20	139	33	0.59	159	16.29	354	16.03	2	140	88.20%	4	-2
	20 to <30	623	60	0.76	668	27.50	13	29.59	2	1,198	179.39%	54	-49
	30 to <100	-	-	-	-	-	-	-	-	-	-	-	-
	100.00 (Default)	1,622	53	0.40	1,643	100.00	28	29.23	1	756	46.01%	519	-446
	Subtotal	**18,396**	**18,803**	**0.29**	**23,852**	**8.42**	**1,359**	**33.36**	**2**	**12,943**	**54.26%**	**624**	**-519**
Total (all portfolios)		**75,783**	**42,253**	**0.29**	**88,307**		**22,058**		**2**	**46,721**	**52.91%**	**2,188**	**-1,700**

Template EU CR6-A – Scope of the use of IRB and SA approaches

		a	b	c	d	e
		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposure value subject to a roll-out plan (%)
1	Central governments or central banks	0	72,802	100.00	0.00	0.00
1.1	Of which Regional governments or local authorities		2,633	100.00	0.00	0.00
1.2	Of which Public sector entities		0	100.00	0.00	0.00
2	Institutions	14,620	14,620	0.00	100.00	0.00
3	Corporates	75,634	80,836	6.44	93.56	0.00
3.1	Of which Corporates - Specialised lending, excluding slotting approach		11,581	0.00	100.00	0.00
3.2	Of which Corporates - Specialised lending under slotting approach		0	100.00	0.00	0.00
4	Retail	0	69,374	100.00	0.00	0.00
4.1	of which Retail – Secured by real estate SMEs		278	100.00	0.00	0.00
4.2	of which Retail – Secured by real estate non-SMEs		49,896	0.01	0.00	99.99
4.3	of which Retail – Qualifying revolving		0	100.00	0.00	0.00
4.4	of which Retail – Other SMEs		7,632	100.00	0.00	0.00
4.5	of which Retail – Other non-SMEs		11,569	98.85	0.00	1.15
5	Equity	375	375	0.00	100.00	0.00
6	Other non-credit obligation assets	0	3,222	100.00	0.00	0.00
7	**Total**	**90,629**	**241,229**	**47.36**	**37.57**	**15.07**

and variable components of remuneration published for 2024 (PLN million)

Template EU CR8 – RWEA flow statements of credit risk exposures under the IRB approach

		a
		Risk weighted exposure amount
1	**Risk weighted exposure amount as at the end of the previous reporting period**	**55,635**
2	Asset size (+/-)	-551
3	Asset quality (+/-)	97
4	Model updates (+/-)	0
5	Methodology and policy (+/-)	0
6	Acquisitions and disposals (+/-)	0
7	Foreign exchange movements (+/-)	16
8	Other (+/-)	106
9	**Risk weighted exposure amount as at the end of the reporting period**	**55,303**

The risk-weighted exposure amount resulting from the application of internal models decreased in the fourth quarter of 2024 by 332 million compared to the third quarter of 2024. The decrease in the amount of risk-weighted exposures results from the decrease in risk-weighted assets resulting from credit acquisition (-551 million), partially offset by the quality of the loan portfolio (+97 million), change in FX rates (+16 million) and other changes (+106 million).
The decrease in risk-weighted assets resulting from credit acquisition results from lower sales of loans and repayments of existing loans. The change in the quality of the loan portfolio results from the recognition of collateral recognition and the assessment of customers' creditworthiness. The increase in foreign exchange risk-weighted assets results from the foreign currency exposures held, which are subject to revaluation due to changes in the exchange rates between the reporting dates. Other changes result from reclassification of SME clients.

Risk weighted assets for equity exposures are calculated as follows:

- according to simplified method (for the risk weight of 290% and 370%),
- using exemption thresholds for deductions from own funds items (for the risk weight of 250%).

Under the simplified risk weighting method, the weight of 290% is used for traded equity exposures; the weight of 370% is applied to the other exposures identified in the portfolio covered by the simplified method and not included in the weight of 190% under this method. Detailed information on equity exposure as at 31 December 2024 is presented in the table below.

Template EU CR10.5: Equity exposures under the simple risk-weighted approach

	On balance sheet exposure	Off balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
	a	b	c	d	e	f
Private equity exposures	-	-	190%	-	-	-
Exchange traded equity exposures	-	-	290%	-	-	-
Other equity exposures	297	0	370%	297	1,098	7
Total	**297**	**0**		**297**	**1,098**	**7**

Additionally, the Group identifies capital exposures resulting from the use of an alternative approach to deductions from Common Equity Tier 1 capital. These exposures are calculated with a risk weight of 250%, and their RWA value as at 31 December 2024 is PLN 194 million (carrying value PLN 78 million).

3. Capital buffers and capital add-ons

The provisions of the CRD IV, in particular on regulatory capital buffers were implemented to the domestic regulations in 2015 by adopting the Act on macroprudential supervision over the financial system and crisis management in the financial system and relevant amendment of the Banking Law Act.

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

The Act sets out the capital buffers that will need to be observed by banks in Poland as of January 2016.

As at 31 December 2024, the Group accounts for the following values in the calculation of capital buffers:

- capital conservation buffer which equals 2.5%,
- other systemically important institution buffer (O-SII) at 1.00% imposed by the Financial Supervision Authority through a decision received on 11 December 2024 (a change from 0.50% binding in 2023),
- countercyclical buffer applied to exposure to which such buffer was imposed by competent authorities. The countercyclical buffer varies over time depending on the structure of the relevant exposures and the levels of countercyclical buffer rates imposed on the relevant exposures (as at 31 December 2024 the countercyclical buffer was effectively equal to 0.0088%),
- systemic risk buffer according to the Regulation of the Minister of Finance repealing previous regulation on systemic risk buffer published on 18 March 2020 equals 0%.

As at 31 December 2024, the Group was not obliged to maintain own funds to cover the capital add-on recommended under Pillar 2 (P2G) so as to absorb potential losses resulting from occurrence of stress conditions, following a letter from the Financial Supervision Authority received on 19 December 2024 on non-determination of the P2G.

The tables below present information on: the amount of the institution-specific countercyclical capital buffer and the geographical distribution of the relevant credit exposures – according to Article 440 of Regulatory 2019/876 and in accordance with templates of the Commission Implementing Regulation (UE) 2021/637).

Template EU CCyB2 - Amount of institution-specific countercyclical capital buffer

		a
1	Total risk exposure amount	122,514
2	Institution specific countercyclical capital buffer rate	0.0088%
3	Institution specific countercyclical capital buffer requirement	11

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

Template EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
010	**Breakdown by country:**													
	Poland	89,917	72,830	0	0	0	162,747	7,746	0	0	7,746	96,802	0.99	0.00
	Australia	1	0	0	0	0	1	0	0	0	0	1	0.00	0.01
	Belgium	2	10	0	0	0	12	1	0	0	1	15	0.00	0.01
	Cyprus	1	4	0	0	0	5	0	0	0	0	5	0.00	0.01
	Czech Republic	3	50	0	0	0	53	4	0	0	4	52	0.00	0.01
	Germany	14	1,100	0	0	0	1,114	26	0	0	26	328	0.00	0.01
	Denmark	1	3	0	0	0	4	0	0	0	0	1	0.00	0.03
	Estonia	0	6	0	0	0	6	2	0	0	2	20	0.00	0.02
	France	1	0	0	0	0	1	0	0	0	0	2	0.00	0.01
	Great Britain	8	157	0	0	0	165	5	0	0	5	61	0.00	0.02
	Hungary	0	135	0	0	0	135	5	0	0	5	62	0.00	0.01
	Ireland	1	1	0	0	0	2	0	0	0	0	2	0.00	0.02
	Luxembourg	2	477	0	0	0	479	14	0	0	14	172	0.00	0.01
	Latvia	0	0	0	0	0	0	0	0	0	0	0	0.00	0.01
	Netherlands	8	259	0	0	0	267	7	0	0	7	85	0.00	0.02
	Norway	2	0	0	0	0	2	0	0	0	0	2	0.00	0.03
	Romania	1	69	0	0	0	70	3	0	0	3	42	0.00	0.01
	Sweden	2	572	0	0	0	574	1	0	0	1	16	0.00	0.02
	Other	24	336	0	0	0	360	19	0	0	19	242	0.00	0.01
020	**Total**	**89,988**	**76,009**	**0**	**0**	**0**	**165,997**	**7,833**	**0**	**0**	**7,833**	**97,910**	**1.00**	

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

4. Leverage ratio

The calculation of regulatory leverage ratio in the ING Bank Śląski S.A. Group as at 31 December 2024 was based on provisions of Regulation (EU) No 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, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012.

Leverage ratio is calculated as Tier 1 capital measure divided by the total exposure measure and expressed as a percentage. Total exposure measure is the sum of the exposure value calculated in accordance with the Regulation 2019/876 of all assets and off-balance sheet items not deducted when calculating the Tier 1 capital measure.

The table below presents the reconciliation of total exposure to the calculation of the leverage ratio with the value of assets in the published annual financial statements in accordance with the requirements of Article 451 of Regulation 2019/876 and according to template of Commission Implementing Regulation (UE) 2021/637):

Template EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		a
		Applicable amount
1	Total assets as per published financial statements	260,359
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	25
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	0
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	0
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	0
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	0
7	Adjustment for eligible cash pooling transactions	0
8	Adjustment for derivative financial instruments	968
9	Adjustment for securities financing transactions (SFTs)	133
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	15,195
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	0
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	0
12	Other adjustments	309
13	**Leverage ratio total exposure measure**	**276,989**

The table below presents information on the financial leverage ratio and the breakdown of the total exposure measure comprising the leverage ratio in accordance with the Commission Implementing Regulation (UE) 2021/637):

- Template EU LR2 - LRCom: Leverage ratio common disclosure,
- Template EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures).

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

Template EU LR2 - LRCom: Leverage ratio common disclosure

		a	b
		CRR leverage ratio exposures	
		as at 31 Dec 2024	as at 30 Jun 2024
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	238,216	230,310
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	0	0
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-13	-34
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0	0
5	(General credit risk adjustments to on-balance sheet items)	0	0
6	(Asset amounts deducted in determining Tier 1 capital)	-793	-854
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**237,410**	**229,422**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	665	521
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	0	0
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	1,261	1,259
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	0	0
EU-9b	Exposure determined under Original Exposure Method	0	0
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	0	0
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	0	0
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	0	0
11	Adjusted effective notional amount of written credit derivatives	0	0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0
13	**Total derivatives exposures**	**1,926**	**1,780**
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	22,326	19,048
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
16	Counterparty credit risk exposure for SFT assets	133	146
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	0	0
17	Agent transaction exposures	0	0
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	0	0
18	**Total securities financing transaction exposures**	**22,459**	**19,194**
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	55,124	53,375
20	(Adjustments for conversion to credit equivalent amounts)	-39,929	-39,145
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	0	0
22	**Off-balance sheet exposures**	**15,195**	**14,230**
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0	0
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	0	0
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	0	0
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	0	0
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	0	0
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	0	0
EU-22g	(Excluded excess collateral deposited at triparty agents)	0	0
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	0	0
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	0	0
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	0	0
EU-22k	**(Total exempted exposures)**	**0**	**0**

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

Capital and total exposure measure			
23	Tier 1 capital	16,857	16,837
24	**Total exposure measure**	**276,989**	**264,626**
Leverage ratio			
25	**Leverage ratio (%)**	**6.09%**	**6.36%**
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	6.09%	6.36%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	6.09%	6.36%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	transitional	transitional
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	19,943	20,553
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	22,326	19,048
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	274,606	266,131
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	274,606	266,131
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.14%	6.33%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.14%	6.33%

Template EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**238,204**
EU-2	Trading book exposures	701
EU-3	Banking book exposures, of which:	237,503
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	66,866
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	2,633
EU-7	Institutions	12,319
EU-8	Secured by mortgages of immovable properties	50,155
EU-9	Retail exposures	29,464
EU-10	Corporate	63,631
EU-11	Exposures in default	3,891
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	8,544

On the basis of CRD IV Directive and implementing standards, the Group prepared and implemented "The procedure of preparing the report Leverage Ratio". This document describes the recipients and detailed rules of leverage ratio calculation for the purpose of reporting to NBP by the Centre of Expertise Accounting Policy and Financial Reporting.

Within the ICAAP process, the excessive leverage ratio risk has been identified as immaterial. The metric used for materiality assessment has been the cost of capital needed to keep the ratio at the required level. Despite risk immateriality, the Group has implemented a management process for this type of risk, including: "Excessive financial leverage risk management policy" and "Leverage ratio planning procedure". The documents sets responsibilities of departments and ALCO Committee within the process.

The Centre of Expertise Accounting Policy and Financial Reporting is responsible for:

- the leverage ratio calculating methodology (in agreement with the Centre of Expertise Treasury) and current calculation of the ratio,
- carrying out the obligatory reporting process to external entities of the Bank, such as NBP, KNF.

The Centre of Expertise Management Accounting and Advice is responsible for preparing plans of on-balance and off-balance positions, which are necessary for calculating the components of the leverage ratio.

The Centre of Expertise Treasury is responsible for planning the leverage ratio (including for stress testing purposes) and initiating actions, which aim to maintain the leverage ratio at the required level.

The Integrated Risk Department is responsible for:

- reporting and monitoring the leverage ratio, as well as informing the Management Board on this issue,
- setting a limit of the leverage ratio,
- the methodology of estimating the economic capital for the excessive leverage ratio risk, in case of qualifying this risk as significant and carrying out stress tests including the excessive leverage ratio risk.

For internal purposes, the desired leverage ratio level applicable as of 31 December 2024 was determined to ensure compliance with the regulatory level of 3%. In order to limit the risk of the ratio falling below the required level, the Integrated Risk Department monitored the level of the ratio in relation to the internal limit.

Moreover, the Group monitored the level of the leverage ratio at 5%, in accordance with the conditions specified by the Polish Financial Supervision Authority for the payment of dividends by banks.

If the current or planned leverage ratio falls below the unacceptable level, the Integrated Risk Department informs the ALCO Committee and the Management Board. Based on the information received, ALCO may decide on recommending the Management Board one of the following actions:

- not paying or reducing the amount of dividend,
- issuance of capital, which could be included to Tier 1,
- limiting the development of the Bank's lending activity,
- securitization or sale of certain loan portfolios,
- other actions resulting in the ratio improvement.

In 2024 the leverage ratio has been above internal and regulatory limit. The main influencing factors have been:

- dynamics of asset value (denominator) – internal strategic decision related with the implementation of the Bank's strategy, having a direct impact on the growth of assets,
- dividend payment from prior years' profit - an internal strategic decision related to the implementation of the Bank's strategy,

- reduction in the value of deferred tax assets based on future profitability and not resulting from temporary differences - a regulatory factor that can be implemented in connection with the macroeconomic environment,
- a temporary increase in the deficit of credit risk adjustments for expected losses under the IRB method - regulatory factor resulting from the time difference, which will be mitigated after the financial statements are approved by the General Meeting of Shareholders,
- application of the transitional period for unrealised gains and losses on the portfolio measured at fair value through other comprehensive income - regulatory factor resulting from the Bank's decision to apply transitional periods.

5. Information on liquidity

ING Bank Śląski S.A. recognises the process of stable management of liquidity and funding risk as a major process at the Group of ING Bank Śląski S.A.

Liquidity and funding risk is understood by the Bank as the risk of the lack of ability to perform financial liabilities under on- and off-balance sheet items at reasonable prices. The Bank maintains liquidity so that the Bank's financial liabilities can always be repaid with the available funds, inflows from maturing transactions, available funding sources at market prices and/or liquidation of negotiable assets.

5.1. 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 Group of ING Bank Śląski S.A. 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 Group of ING Bank Śląski S.A. in normal market conditions and in crisis.

The Policy was developed on the basis of the market management strategy in business, approved by the Supervisory Board (including the liquidity and funding risk management strategy). In particular, it reflects the risk appetite specified in the strategy and approved by the Supervisory Board.

Additionally, the Bank prepares a report on the ILAAP process. In a comprehensive and consistent manner, it presents the core indicators and numbers relating to the Bank's liquidity risk profile. It provides for the strategy, funding plan and risk tolerance by the Bank. The results of the report are approved by the Management Board which informs the Supervisory Board of the results.

The general approach to liquidity and funding risk management is composed of five recurring activities: 1) risk identification, 2) risk assessment, 3) risk control, 4) monitoring, and 5) reporting.

- Risk identification and assessment. Risk identification is performed on an annual basis or ad-hoc 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. Definition of acceptable risk levels is an element of risk control.
- Monitoring and reporting. Important elements of risk management include ongoing verification if the implemented controls are performed. 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. The ability to show shareholders and partners that the Bank controls risk helps gain trust, one of the most important elements in banking. Well organised and designed

regular controls and monitoring are indispensable for correct risk management. Adequate reporting provides information to managers as is indispensable for risk management.

In accordance with Recommendation S, the Bank makes a detailed analysis of long-term liquidity with focus on mortgage loans. The above liquidity analysis shows risk levels related to long-term funding of mortgage loans.

The Bank pursues an active policy of liquidity management with reference to core currencies in which the bank settles most of the number (value) of transactions. For those currencies, liquidity risk measurement and limitation is made per currency and the management of operational liquidity is performed separately for each currency and it is incorporated in the risk transfer system. From the point of view of liquidity management, the Bank considers the main currencies PLN, EUR, USD and CHF.

Intraday liquidity is actively managed by the Centre of Expertise Treasury. The process manages the position and risk of short-term liquidity (one day and intraday). The objective is to comply with payment and settlement duties in a timely manner in regular operations and in extraordinary/stress situations.

The Bank operates a risk transfer system within which interest rate risks and liquidity risk are transferred to the Centre of Expertise Treasury. Applying adequate tools, it manages the risks in a centralised manner within the limit system applied by the Bank.

5.2. Risk types

The Bank splits liquidity risk into two groups:

- liquidity risk resulting from external factors,
- risk of internal factors relating to the specific bank.

The Bank's objective is to apply a conservative approach to liquidity risk management to support safe survival of events that are specified to ING Bank Śląski S.A. and the entire banking sector.

In terms of time horizon, the Bank splits liquidity risk into:

- operational – focused on current funding of the Bank's position and on managing intraday liquidity,
- strategic – focused on ensuring that the Bank's structural liquidity positions are at an acceptable level.

Considering the tenor and customers' behaviour (the two aspects affecting the Bank's liquidity), the Bank identifies three types of liquidity and funding risk:

- structural – understood as a potentially adverse impact on the Bank's revenues due to a mismatch between the anticipated maturities of the Bank's assets and liabilities as well as the risk of no re-financing possibilities in the future,
- related to customers' behaviour – understood as a potentially adverse impact on the Bank's revenues due to the embedded liquidity options in the products offered by the Bank,
- related to stress conditions – understood as a risk of lack of possibility by the Bank to comply with its financial obligations when due to insufficient available funds or when the generation of such funds is impossible at any price which results in immediate insolvency of the Bank.

5.3. Structure and organisation of the risk management process

The structure of risk and control at the Bank is based on the Three Lines of Defence Model. The model is designed to ensure a stable and effective framework for risk management by defining and implementing three risk management "levels" with distinct roles, responsibilities and oversight responsibilities:

- First line of defence – business management at the Bank. The heads of particular business units bear the primary responsibility for the actions. operations. compliance with norms and effective risk control affecting the particular business unit, The business management participate in the process of liquidity and funding risk management at all levels of organization.

- Second line of defence – risk and finance managers. They support the first line by fulfilling risk management functions and, where applicable, financial management, which are carried out by:
  - development of policies, standards and guidance for their particular risk areas,
  - coordination, supervision and control of the actions taken by the first line of defence within the scope of assigned tasks and the management, control and reporting risks generated by the first line of defence,
  - escalating/vetoing of the business unit's activities that could possibly generate risks unacceptable for the Bank.
- Third line of defence – Internal Audit Department. The Internal Audit Department is responsible for ensuring independent assessment and opinion on:
  - the design and effectiveness of internal controls of the risks resulting from the Bank's activity,
  - the design and effectiveness of risk management performed by the first and second line of defence.

The Bank's Supervisory Board, Management Board and the Asset and Liability Committee (ALCO) play a specific role in liquidity and funding risk management.

The Bank's Supervisory Board is responsible for:

- approving the liquidity risk tolerance, overall acceptable level of liquidity and funding risk presented to the Supervisory Board by the Executive Board.

The Bank's Management Board is responsible for:

- establishing strategies within the scope of funding and liquidity risk, a target liquidity position, the funding methods and the liquidity risk profile,
- establishing the acceptable level of risk (risk appetite), liquidity risk tolerance and submitting it for the Supervisory Board for approval,
- acceptance of changes to liquidity and funding risk limits in MB RAS (Strategic limits for market and liquidity risk contained in the appendix to Policy for setting and monitoring risk appetite in the area of market and liquidity risk),
- approving the liquidity and funding risk management policy, and significant changes in policy, in particular, the limits tailored to the overall acceptable level of risk, risk tolerance approved by the Supervisory Board,
- ensuring the allocation of adequate human and IT resources within the Bank allowing for the policy implementation,
- approving liquidity premium levels based on advised by Centre of Expertise Treasury level resulted from the liquidity premium review and/or adjusts it when deemed necessary, because of the strategic changes in the balance sheet or other factors.

The Asset and Liability Committee (ALCO) is responsible for:

- implementation of the Bank's strategy with respect to liquidity and funding risk,
- management of a liquidity buffer within the relevant policies and limits approved by the Bank's Management Board, the related operational actions are delegated to the Centre of Expertise Treasury,
- supervision and monitoring of liquidity risk levels as well as the funding structure in the Bank's balance sheet,

- monthly review of short-, medium-, and long-term liquidity profile (strategic liquidity position) presented in regulatory- and internally-defined reports. In case of identified structural liquidity problems (such as high re-financing needs in the future) ALCO is responsible for issuing instructions to the relevant business units in order to achieve an adequate liquidity profile,
- acceptance of changes to liquidity and funding risk limits in LCS (Limit control sheet) and ALCO RAS (Internal limits for market risk and liquidity),
- approval of proposals to change liquidity risk limits in the scope of MB RAS and HL RAS during the year (and in the annual policy review) in order to present these limits for approval by the Bank's Management Board and Supervisory Board, respectively,
- implementation of limits under the approved risk appetite (approved in accordance with the division of responsibility in determining the levels of limits defined in the RAS setting and monitoring policy within market risk and liquidity), approval of assumptions to reports and models,
- analysis of all proposed modifications to the liquidity and funding policies and submission of positively reviewed modifications to the Bank's Management Board,
- approval the assumptions for the reports and models to measure, monitor and control liquidity risk and funding.

5.4. Framework risk management principles

The framework liquidity and funding risk management principles contain all material methods with respect to intraday, shorty-term, medium-term and long-term liquidity and funding risk management. This is made up of the following key elements:

- limit system and liquidity risk measurement,
- monitoring of funding sources and concentration risk,
- liquidity reserve management,
- management of intraday liquidity,
- management of hedging items,
- stress tests and contingency plans.

Limit system and liquidity risk measurement

Formal limits are set by the regulator of the banking sector and/or the Bank for various liquidity risk measures. The admissible level of funding and liquidity risk is defined with a system composed of several elements: the general level of risk acceptable to the Bank, approved by the Supervisory Board, and a limit system, approved in accordance with the division of responsibility in determining the levels of limits defined in the RAS setting and monitoring policy within market risk and liquidity. The Supervisory Board is provided with information on compliance with the measures, minimum on a quarterly basis.

The limit level is based on the Bank's strategic objectives, identified liquidity risks, results of stress tests and the principles set forth by regulatory authorities. The limits are taken into account in planning processes (implementation of the approved plans may not result in the limits being exceeded). The respective levels of the monitoring measure limits of the Emergency Financing Plan are linked (correlated) to the ranges defined for the initiation of the respective phases of the Contingency Funding Plan. The admissible liquidity risk level is determined and updated minimum once a year.

The limit system is more detailed than the risk level approved by the Supervisory Board.

The admissible risk level is guaranteed by risk monitoring in various reports concerning liquidity and funding risk in the course of the Bank's normal/regular activity and in extraordinary/extreme situations. Inter alia, the Bank monitors funding concentration risk, the internal liquidity safety buffer and verifies the stability of external funding.

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

The Bank's Management Board receives a liquidity risk report containing information on a weekly basis on key liquidity measures. On a monthly basis, the Bank's Management Board and the ALCO Committee receive comprehensive information on liquidity risk.

Liquidity coverage ratio (LCR) and net stable funding ratio (NSFR)

In compliance with the duties and principles set forth in Regulation (EU) No 575/2013 of the European Parliament with the changes introduced by Regulation (EU) No 2019/876 of the European Parliament and of the Council and Commission Delegated Regulation's (EU) No 2015/61, 2018/1620 and 2022/1994, the Bank calculates the following regulatory liquidity measures:

- short-term liquidity measures (LCR – Liquidity Covered Ratio) – this is to ensure that the Bank holds adequate liquid high quality assets to cover liquidity needs for 30 calendar days in stress conditions. In 2024 a limit of 100% applied,
- long-term liquidity measures (NSFR – Net Stable Funding Ratio) – this is to ensure a minimum level of available funding in medium- and long-term. In 2024 a limit of 100% applied.

Long-Term Funding Ratio (WFD)

In accordance with the obligations and principles set out in WFD recommendation regarding the Long-Term Funding Ratio - will be issued by the Polish Financial Supervision Authority on the basis of Resolution No. 243/2024 of 15 July 2024, Bank, starting from 31 July 2024, calculates the supervisory liquidity measure WFD (Long-Term Financing Ratio) on a consolidated basis and reports WFD to KNF monthly as of the last day of the month. The expected level of 40% is to apply from 31 December 2026, in accordance with section 3.1. WFD Recommendations.

As at 31 December 2024, the supervisory liquidity measures for the Group of ING Bank Śląski S.A. were as follows:

Liquidity measures		Minimum value	31 Dec 2024
LCR	Liquidity coverage ratio	100%	279%
NSFR	Stable funding ratio	100%	177%
WFD	Long-Term Funding Ratio	40%*	26.9%

* This is the expected level of minimum value to apply from 31 December 2026, in accordance with WFD Recommendations.

In compliance with the Guidelines on the disclosure of the net outflow coverage ratio, in addition to the disclosure of information on liquidity risk management issued by EBA, the Bank is obliged to disclose components of the ratio in the form as specified in the table below (net outflow coverage ratio – total). It contains the following information:

- high quality liquid assets – a "weighted" amount subject to value reduction,
- cash outflows – weighted and unweighted outflows,
- cash inflows – weighted and unweighted inflows.

Such weighted inflows and outflows are calculated as values after application of inflow and outflow ratios. The presented numbers cover the values for each of the four calendar quarters preceding the report date. Those are average observed values at the end of each month in the 12-month period preceding the end of each quarter.

The information presented in the table covers all positions irrespective of the denomination currency and are presented in PLN. The net outflow coverage ratio contains all important elements for the Bank's liquidity profile.

Apart from the presented values of the net outflow coverage ratio calculated for all currencies, the Bank also monitors ratios calculated for major currencies – PLN and EUR.

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

Quantitative information of LCR, required by Article 451a of Regulation 2019/876, was presented in the below table (in accordance with template EU LIQ1 shown in the Commission Implementing Regulation (UE) 2021/637).

Template EU LIQ1 - Quantitative information of LCR

		Total unweighted value (average)				Total weighted value (average)			
EU 1a		as at 31 Dec 2024	as at 30 Sep 2024	as at 30 Jun 2024	as at 31 Mar 2024	as at 31 Dec 2024	as at 30 Sep 2024	as at 30 Jun 2024	as at 31 Mar 2024
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	**Total high-quality liquid assets (HQLA)**					55,958	55,754	56,285	53,416
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	155,934	152,541	149,448	145,574	10,627	10,453	10,286	10,044
3	*Stable deposits*	*113,944*	*110,479*	*107,478*	*104,364*	*5,697*	*5,524*	*5,374*	*5,218*
4	*Less stable deposits*	*41,990*	*42,062*	*41,970*	*41,210*	*4,930*	*4,929*	*4,912*	*4,826*
5	Unsecured wholesale funding	52,615	52,834	52,053	50,808	19,512	19,488	19,191	18,728
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*20,716*	*20,848*	*20,605*	*20,363*	*5,172*	*5,206*	*5,146*	*5,086*
7	*Non-operational deposits (all counterparties)*	*31,899*	*31,976*	*31,438*	*30,435*	*14,340*	*14,272*	*14,035*	*13,632*
8	*Unsecured debt*	*0*	*10*	*10*	*10*	*0*	*10*	*10*	*10*
9	Secured wholesale funding					0	0	0	0
10	Additional requirements	24,819	24,923	24,617	24,024	3,697	3,830	3,897	3,861
11	*Outflows related to derivative exposures and other collateral requirements*	*1,091*	*1,271*	*1,475*	*1,587*	*1,091*	*1,271*	*1,475*	*1,587*
12	*Outflows related to loss of funding on debt products*	*35*	*35*	*2*	*2*	*35*	*35*	*2*	*2*
13	*Credit and liquidity facilities*	*23,693*	*23,617*	*23,140*	*22,435*	*2,571*	*2,524*	*2,420*	*2,272*
14	Other contractual funding obligations	8,474	9,267	10,013	9,955	7,916	8,718	9,475	9,415
15	Other contingent funding obligations	31,325	31,156	30,791	30,422	1,654	1,234	814	411
16	**TOTAL CASH OUTFLOWS**					**43,406**	**43,723**	**43,663**	**42,459**
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	11,106	11,207	10,900	10,675	9,711	9,173	6,879	6,021
18	Inflows from fully performing exposures	7,000	7,137	7,160	6,655	4,082	4,173	4,118	3,841
19	Other cash inflows	2,376	2,268	2,296	2,506	2,376	2,268	2,296	2,506
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	**TOTAL CASH INFLOWS**	**20,482**	**20,612**	**20,356**	**19,836**	**16,169**	**15,614**	**13,293**	**12,368**
EU-20a	Fully exempt inflows	0	0	0	0	0	0	0	0
EU-20b	Inflows subject to 90% cap	0	0	0	0	0	0	0	0
EU-20c	Inflows subject to 75% cap	20,482	20,612	20,356	19,836	16,169	15,614	13,293	12,368
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER					55,958	55,754	56,285	53,416
22	TOTAL NET CASH OUTFLOWS					27,237	28,109	30,370	30,091
23	**LIQUIDITY COVERAGE RATIO**					**2.09**	**2.00**	**1.88**	**1.79**

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

The LCR ratio as at 31 December 2024 increased by 67 percentage points compared to 30 September 2024. This is mainly the result of an increase in liquid assets and inflows partially offset by an increase in outflows. The increase of liquid assets was mainly driven by an increase of the volume of government bonds (+3,880 million). The increase in inflows was mainly driven by reverse repo transactions secured by securities not classified as HQLA (+4,235 million) and other inflows (+1,417 million). The increase in outflows was mainly determined by an increase in outflows from deposits (+1,179 million).

	as at 31 Dec 2024		as at 30 Sep 2024		31 Dec 2024 vs 30 Sep 2024	
LCR	279%		212%		+67 p.p.	
	Value	Weighted value	Value	Weighted value	Value	Weighted value
Liquid assets	56,298	56,298	52,322	52,322	3,976	3,976
Outflows	279,974	41,002	275,188	39,938	4,787	1,064
Inflows	25,834	20,837	19,734	15,277	6,100	5,560

The LCR ratio as at 31 December 2024 increased by 63 percentage points compared to 31 December 2023, which is mainly the result of an increase in inflows and decrease in outflows. Liquid assets remained at a similar level. A decrease in NBP bills is visible (-4,295 million) and NBP deposits (-2,464 million), which was largely offset by an increase in bonds issued by the EU (+2,059 million), an increase in government bonds (+3,205 million) and an increase in EIB bonds (+1,425 million). The increase in inflows was mainly driven by reverse repo transactions secured by securities not classified as HQLA (+618 million) and an increase in other inflows (+1,807 million). The decrease in outflows was mainly due to a decrease in other outflows (-5,666 million), which was partially offset by an increase in outflows from deposits (+1,260 million) and an increase in off-balance sheet (+1,716 million).

	as at 31 Dec 2024		as at 31 Dec 2023		31 Dec 2024 vs 31 Dec 2023	
LCR	279%		216%		+63 p.p.	
	Value	Weighted value	Value	Weighted value	Value	Weighted value
Liquid assets	56,298	56,298	56,313	56,313	-15	-15
Outflows	279,974	41,002	267,449	44,291	12,526	-3,289
Inflows	25,834	20,837	22,243	18,268	3,591	2,569

Level 1 liquid assets cover assets characterised with very high liquidity and credit quality. Here below there is a breakdown of level 1 liquid assets used by the Group to calculate the LCR ratio (as defined in the Commission Delegated Regulation (EU) No 2015/61) as at the end of 2024.

	as at 31 Dec 2024
Level 1 liquid assets	
Cash	774
Cash in nostro accounts with the Central Bank net of the required reserve	4
Unencumbered Treasury bonds	43,163
Assets constituting exposures to public sector entities	2,059
Unencumbered BGK bonds	1,756
Unencumbered bonds of the European Investment Bank	8,542
Total	**56,298**

In level 1 liquid assets, securities are presented by their market value. The Group's liquidity position is reduced by encumbered securities (constituting collateral, blocked) and increased by securities received as collateral in reverse-repo and buy-sell-back transactions.

From 2021, the Group uses as the legal basis for calculation of Net Stable Funding ratio (NSFR) the Regulation (EU) No 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, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (Regulation CRR).

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

Quantitative information of NSFR as at 31 December 2024, required by Article 451a of Regulation 2019/876, was presented in the below table (in accordance with template EU LIQ2 shown in the Commission Implementing Regulation (UE) 2021/637).

Template EU LIQ2: Net Stable Funding Ratio

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**17,651**	**0**	**0**	**1,340**	**18,991**
2	Own funds	17,651	0	0	1,340	18,991
3	Other capital instruments		0	0	0	0
4	**Retail deposits**		**164,152**	**0**	**0**	**153,783**
5	Stable deposits		120,920	0	0	114,874
6	Less stable deposits		43,231	0	0	38,908
7	**Wholesale funding:**		**57,127**	**684**	**12,524**	**39,196**
8	Operational deposits		20,891	0	0	10,445
9	Other wholesale funding		36,237	684	12,524	28,750
10	**Interdependent liabilities**		**0**	**0**	**0**	**0**
11	**Other liabilities:**	**467**	**6,311**	**1,172**	**1,193**	**1,779**
12	NSFR derivative liabilities	467				
13	All other liabilities and capital instruments not included in the above categories		6,311	1,779	1,779	1,779
14	**Total available stable funding (ASF)**					**213,749**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					**1,960**
EU-15a	**Assets encumbered for more than 12m in cover pool**		**14**	**12**	**524**	**467**
16	**Deposits held at other financial institutions for operational purposes**		**0**	**0**	**0**	**0**
17	**Performing loans and securities:**		**57,319**	**12,414**	**113,841**	**108,243**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		1,975	0	0	0
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		24,696	2,289	3,386	5,982
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		23,248	8,663	47,355	55,905
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		89	109	1,512	1,082
22	Performing residential mortgages, of which:		1,500	1,277	58,233	41,458
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		983	808	47,144	31,539
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		5,901	185	4,867	4,898
25	**Interdependent assets**		**0**	**0**	**0**	**0**
26	**Other assets:**	**0**	**15,344**	**563**	**4,449**	**8,069**
27	Physical traded commodities				0	0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		0	0	740	629
29	NSFR derivative assets		122	0	0	122
30	NSFR derivative liabilities before deduction of variation margin posted		517	0	0	26
31	All other assets not included in the above categories		14,706	563	3,709	7,293
32	**Off-balance sheet items**		**9,554**	**5,748**	**21,631**	**1,952**
33	**Total RSF**					**120,692**
34	**Net Stable Funding Ratio (%)**					**177.10**

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

The NSFR ratio as at 31 December 2024 increased by 4.62 percentage points compared to 30 June 2024. The increase in the ratio was determined by an increase in positions providing stable financing (10,405 million), mainly due to an increase in retail deposits (9,465 million) and a new non-preferred senior loan (1,425 million), with a lower growth of positions requiring stable financing (2,800 million). The increase in positions requiring stable financing was mainly due to an increase in credit receivables (1,665 million) and other assets (1,131 million).

Additional liquidity monitoring measures (ALMM)

In compliance with the Commission Implementing Regulations (EU) 2022/1994, the Bank reports a set of additional monitoring rations for liquidity reporting.

The reports include:

- mismatch by maturity,
- financial concentration by counterparty,
- financial concentration by product type,
- prices for various financing periods,
- prolonged financing,
- concentration of ability to balance liquidity by issuer.

Internal liquidity reports

Another major element in the Bank's liquidity management risk process covers internally defined reports presenting detailed and varied approach by the Bank to measurement and management of the risk. The Bank models liquidity characteristics, both of its assets and liabilities in order to provide for customers' anticipated/actual behaviour. Modelling is mixed. This means than an analysis of customers' behaviour relies on historic data and expert judgement.

A structural liquidity report is one of such internal liquidity reports. The report presents the gap between the Bank's assets and liabilities in time buckets on correctly functioning markets. The report is used to monitor and manage medium- and long-term liquidity positions. It serves as a support in the planning process of the balance sheet and funding. It also indicates all major funding needs in the future.

The report is a scenario for the current balance sheet in normal market conditions. It does not cover any additional projections of balance sheet development. However, it provides for customers' typical behaviour observed in previous periods. For instance: cash flows under mortgage loans, cash loans and overdrafts provide for prepayments and cash flows for savings accounts and current accounts are allocated subject to characteristics of liquidity.

Report of structural liquidity as at 31 December 2024:

	1-6 months	7-12 months	1-5 years	6-10 years	11-15 years	over 15 years
Liquidity gap	48,796	11,404	11,644	-18,202	-46,164	-7,478
Cumulated liquidity gap	48,796	60,200	71,844	53,642	7,478	0

In the Group of ING Bank Śląski S.A., the Bank follows liquidity risk monitoring and limiting based on measurements of the cumulated gap. In order to properly exercise supervision over liquidity risk in the Group entities, limits are set separately for each company.

Monitoring of funding sources and concentration risk

Minimum once a year, the Bank determines the Bank's overall business strategy and the resultant medium-term (3 years) financial plan with a general risk strategy. Financial plan is an indispensable element of the strategy which provides for an effective diversification of funding sources and tenors.

ALCO actively manages the funding base. Additionally, it monitors funding sources in order to:

- verify compliance with the strategy and financial plan,

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

- identify potential risks related to funding.

Customers' deposits (retail and corporate) are the core funding source for ING Bank Śląski S.A. The Bank monitors the funding structure and thus verifies concentration risk by analysing its deposit base split into:

- type of financing,
- customer segment,
- product type,
- currencies,
- geographical region,
- concentration of large deposits.

Periodical analyses also monitor the risk generated by related customers (within Groups).

In accordance with the Commission Implementing Regulation (EU) 2022/1994, the Bank reports a set of additional monitoring indicators for the purposes of reporting on liquidity.

The reports include, inter alia, reports on the concentration of funding sources:

- concentration of financing by counterparty,
- concentration of funding by product type.

As at 31 December 2024, in accordance with the principles set out in the Commission Implementing Regulation (EU) 2022/1994, the following were reported:

- concentration of financing by counterparty, includes information on the funds of one financial client. The Bank includes the non-preferred senior loan (NPS) here. The funds raised exceed the threshold of 1% of total liabilities,
- concentration of financing by product type, confirms that the main source of financing at ING Bank Śląski S.A. there are customer deposits. The most important are current and savings accounts of retail clients. Unsecured wholesale financing is only 30% of the financing indicated in reporting in accordance with the EU Commission Regulation. The information includes the total amount of funding received for each product category.

The existing funding structure is well diversified. The funding structure at the end of 2024 split into direct and mutual funding is presented below. Direct funding is provided mainly by retail and corporate customers while mutual funding comprised primarily funds acquired from other banks.

Direct funding:

Core customer segments	direct funding	% share
Retail customers	141,045	55.9%
Corporate customers.	77,445	30.7%
Equity	22,184	8.8%
Own issues (including NPS)	11,012	4.4%
Banks	437	0.2%

Mutual funding:

Core customer segments	mutual funding	% share
Banks	27,641	92.6%
Corporate customers.	2,223	7.4%
Retail customers	0	0.0%

Liquidity reserve management

Maintenance of an adequate liquidity buffer is a major element in managing the Bank's liquidity. The liquidity buffer presents the available liquidity, required to cover the gap between cumulated outflows and inflows within a relatively short time. It covers assets that are "unencumbered" and easily available to acquire liquidity. Unencumbered assets are understood as assets that are free of any legal, regulatory, contractual restrictions to have them disposed of by the Bank. The liquidity buffer is crucial in the times of a crisis when the Bank has to obtain liquidity in a short time when the standard funding sources are unavailable or insufficient.

The liquidity buffer is maintained as a safeguard against materialisation of various extraordinary scenarios, providing for needs of additional liquidity which may arise at any time in extraordinary circumstances and in normal conditions.

The table below presents the structure of the liquid asset buffer as at 31 December 2024.

Structure of the liquidity buffer	value	% share
Treasury bonds or bonds issued by the central bank (PLN)	38,218	65.0%
Treasury bonds or bonds issued by the central bank (EUR)	8,032	13.7%
bonds of BGK and EIB	12,535	21.3%

The Bank provides for realistic reductions due to impairment of securities with the level thereof being regularly reviewed and approved by ALCO. The reductions are assessed inter alia on the basis of market liquidity and depth, volatility of market prices, requirements of the central bank.

The Bank also observes asset concentrations ensuring their safe diversification in terms of issuer, maturity and currency.

Management of intraday liquidity

The Bank actively manages positions and risks of short-term (one-day and intraday) liquidity in order to comply with its payment and settlement obligations when due in normal market conditions and in extraordinary/stress situations.

The intraday liquidity management process is critical for correct functioning of the Bank as a whole and applies to normal market conditions and extraordinary (crisis) situations. It is a component of current operational liquidity management. Managing its intraday liquidity, the Bank applies intraday ratios. Intraday liquidity ratios are monitored on an ongoing basis and presented to the competent liquidity risk management units and to ALCO.

Intraday liquidity management includes the maintenance of readiness to comply with the Bank's obligations also in crisis circumstances. In this connection, it is necessary to maintain an adequate liquidity buffer on the basis of information on the potential worsening of the Bank's access to intraday liquidity as a result of a market stress. In order to maintain an adequate liquidity buffer, the Bank applies intraday stress tests in its stress test program.

Management of hedging items

The management of hedging items covers both positions under CSA and GMRA contracts as well as positions of liquid assets related to operations with the central bank. This is performed on the level corresponding to the provided services, the Bank's portfolio, funding profile and liquidity requirements.

Most of the Bank's counterparties in derivative transactions have signed Credit Support Annexes (CSA) to ISDA agreements. They regulate the issue of support to portfolios of derivative transactions. They provide for the right to demand margin deposits by parties whose valuation of the portfolio is positive on a specific day (the party's portfolio is in-the-money) and the right to demand release of the margin when the valuation changes. Within the strategy of setting margins for each counterparty to CSA, the transaction portfolio is measured daily for margin requirements.

Derivative instruments such as FRA, IRS and OIS are settled via CCP (Central Clearing Party) clearing houses. This provides for effective management of margin deposits and mitigates the counterparty settlement risk. ING Bank Śląski S.A. has signed agreements with KDPW CCP and London Clearing House (LCH) and EUREX.

Stress tests and contingency plans

In compliance with regulatory requirements, the Bank has implemented a stress test program. It guarantees that such tests are planned, designed, held and analysed in order to identify sources of potentially restricted liquidity. Additionally, it stresses that such situations may be prevented so that the existing exposures remain within the approved limits. The Bank pays special attention to the test process under which every six months the Bank holds measurements and analyses the sensitivity of liquidity risk in various scenarios.

The results of stress tests are relied on in the following instances:

- development of the strategy,
- implementation of remedial actions or actions aimed at reducing the Bank's exposure to risk,
- designing of contingency plans should stress situations materialise,
- day-to-day practice of risk management,
- setting the risk appetite and internal limits,
- adaptation and enhancement of internal regulations in the Bank.

The test program includes a scenario analysis, sensitivity tests and reversed tests. Such scenario analysis combined shock elements that are likely to materialise at the same time.

Three variants are analysed in the tests:

- idiosyncratic – specific for the Bank: market conditions remain good, the banking sector is not subject to stress conditions,
- systemic – an external market crisis: the Bank is affected by stress tests as a result of deteriorated market conditions,
- mixed – a combination of the variants specified above.

In each variant a number of risk factors are analysed and a set of scenarios are developed. As a rule, the test scenarios are designed on conservative assumptions.

The objective of sensitivity analyses is to understand the Bank's sensitivity to various risk factors.

Reversed tests are additional elements which are to analyse potential hazards to the Bank. The tests are held in the entire Bank and cover various risks in order to obtain a complete and comprehensive picture of risks prevailing at the Bank. In the liquidity test process, an important element covers specific scenarios to intraday liquidity hazards as well as intraday liquidity ratios and measures.

The results of the internal liquidity stress tests held in 2024 confirm a stable and secure position of the Bank. The Bank holds liquidity reserves on an adequate level.

An important process of liquidity risk management covers the development of a contingency liquidity plan for the Bank which is related to the stress test program. The Contingency Funding Plan developed by the Bank provides guidelines relating to identifying a liquidity crisis and should such crisis be identified – actions to be taken to overcome the crisis. The Contingency Funding Plan covers the Bank's entire business. The Liquidity Crisis Team plays the key role when the Contingency Funding Plan is activated.

The Contingency Funding Plan is subject to periodic testing. The ALCO Committee was briefed on the results of the annual test of the contingency funding plan conducted on 23 October 2024. The test, conducted in 2024, was aimed to check both the Bank ability to manage stress liquidity needs as well as organizational aspects (availability of key staff, data & reports).The results of the test were assessed as positive: it can be concluded with high probability that the Bank would survive a liquidity crisis as defined in the prepared hypothetical scenario; data and reports were available on time, key employees were available on time. Actions demonstrated the adequacy of the actions described in the Contingency Funding Plan to overcome the liquidity crisis.

5.5. Centralised organisation of the risk management process

The liquidity risk management process is fully centralised in treasury and risk management functions. Liquidity risk (along with the generated liquidity position) of each business line is transferred to the Centre of Expertise Treasury for central management.

The Bank provides for costs and benefits of various types of liquidity risks in the system of internal transfer pricing, in its measurement of profitability and the approval process of new products in all major business areas (both on- and off-balance sheet). The Centre of Expertise Treasury manages the positions transferred to its books over the risk transfer system, including the management of liquidity risk related to resetting the premium for liquidity.

In order to ensure correct, independent and centralised performance of the tasks in the liquidity risk management process (including risk management and reporting as well as preparation, review and updates of documentation), the Bank operates the Market Risk Management Department which reports to a Deputy President of the Management Board.

5.6. Reporting and liquidity risk management system

Liquidity risk reporting and measurement processes are automated. The Bank holds tools automatically generating a set of liquidity reports on a daily or monthly basis. Information of risk measures supports ongoing monitoring of liquidity profiles and control of basic measures. The reports on liquidity risk are submitted to units involved in the risk management process.

5.7 Risk management in subsidiaries

The balance sheet totals of the Bank's subsidiaries are insignificant compared to the Bank's balance sheet in the context of liquidity risk, and thus the approach adopted to managing liquidity risk and financing is much simpler than in the case of the Bank's liquidity. The principle was adopted that the liquidity risk and financing should be kept to a minimum, if possible, in subsidiaries, as companies should not be exposed to liquidity risk.
In the case of ING Bank Hipoteczny, the above description is not fully applicable. ING Bank Hipoteczny S.A. performs an important role in managing the Group's long-term liquidity. Its role is to raise long-term liquidity so that the Group:

- improves funding stability,
- ensures diversified funding for the mortgage loan portfolio,
- is able to better manage any mismatch of its assets and liabilities.

5.8. Maturity analysis of financial assets and liabilities and derivative financial instruments by contractual payment days

The tables below present financial assets and liabilities split by remaining (from the reporting date) contractual maturities as at 31 December 2024. The presented values provide for future interest payments. With respect to contingent liabilities granted, the maturity analysis covers the closest possible performance of the liabilities by the Group.
Financial assets payable on demand, financial assets for which the maturity date has expired and financial liabilities due to current and saving deposits are recognised in the period up to 1 month.

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

	without a specific date	up to 1 month	1-12 months	1-5 years	over 5 years
Financial assets, of which:	**255**	**49,848**	**55,381**	**126,290**	**105,518**
Cash and cash equivalents	0	8,361	0	0	0
Loans and other receivables to other banks	0	14,551	6,481	667	0
Financial assets measured at fair value through profit or loss (excluding the valuation of derivatives)	1	518	174	466	281
Investment securities	254	225	13,140	49,650	2,607
Loans and other receivables to customers measured at amortised cost	0	26,187	35,553	75,506	102,630
Other financial assets	0	6	33	1	0
Financial liabilities, of which:	**0**	**203,012**	**22,507**	**15,814**	**1,667**
Liabilities to other banks	0	2,149	1,706	12,886	190
Financial liabilities measured at fair value through profit or loss (excluding the valuation of derivatives)	0	184	20	427	217
Liabilities to customers	0	198,974	20,500	60	736
Liabilities from debt securities issued	0	16	16	596	0
Subordinated liabilities	0	5	61	1,729	0
Other financial liabilities	0	1,684	204	116	524
Contingent liabilities granted	**0**	**5,575**	**21,990**	**15,638**	**12,207**

The tables below present a maturity analysis of derivative financial instruments with a negative valuation as at the reporting date. The analysis is based on remaining contractual maturities.

<u>Derivative financial instruments settled in net amounts</u>

Derivative financial instruments settled by the Bank on a net basis cover IRS, FRA, options and FX Forward NDF transactions. The data below reflects – in case of IRS transactions – non-discounted future interest cash flows; in case of other transactions, the cash flows equivalent to the valuation as at 31 December 2024.

	up to 1 month	1-12 months	1-5 years	over 5 years
IRS transactions, of which:	698	-572	-5,703	-783
hedging transactions in hedge accounting	381	-485	-2,106	-562
other derivatives	-10	-43	-10	0

<u>Derivative instruments settled in gross amounts</u>

Derivative financial instruments settled by the Bank on a gross basis cover FX Swap, FX Forward and CIRS transactions. The above data reflects non-discounted contractual cash outflows and inflows of nominals and – in case of CIRS transactions – as interest, as at 31 December 2024.

	up to 1 month	1-12 months	1-5 years	over 5 years
outflows	-4,847	-5,846	-2,180	0
inflows	4,781	5,700	2,000	0

6. Quantitative information on credit risk

6.1. Credit risk adjustments

6.1.1. Accounting definitions of past due and impaired items

For the accounting and regulatory purposes, the Bank classifies the past due exposures as financial exposures with the capital or interest default. Days past due are calculated from the due date of the earliest payment defined in the credit agreement with the client.

At each balance sheet date, the Bank assesses whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired when there is evidence of impairment resulting from one or more events occurring after the initial recognition of the asset (loss event), and the loss event (or events) has an effect on the expected future cash flows arising from the financial asset or group of financial assets that can be reliably estimated.
A delay in the execution by the customer of any material credit obligations towards the Bank, the parent company or any of its subsidiaries exceeding 90 days is a default by the customer.
The definition of customer's default is consistent with the definition of impairment.

The exposure is considered to be in default and at the same time to be the impaired exposure if the following conditions are met:

- there is objective evidence of impairment or impairment indicator leading, in the Bank opinion, to default,
- the delay in payment is over 90 days and at the same time the amount of the arrears exceeds the absolute and relative materiality threshold.

From 15 February 2020, the Group has been using the definition of default and the materiality thresholds for past due credit obligations in accordance with:

- Guidelines of the European Banking Authority (EBA) No. EBA/GL/2016/07 of 18 January 2017 on the application of the definition of default, as defined in article 178 of Regulation CRR,
- Regulation of the Minister of Finance, Investment and Development of 3 October 2019 on the materiality threshold of an overdue credit obligation (Journal of Laws 2019, 1960), referred to in Art. 178 sec. 2 lit. d) Regulation CRR, i.e. the absolute threshold of PLN 400 for retail credit exposures and PLN 2,000 for other credit exposures and the absolute threshold of 1% (regardless of the customer segment).

The Group defined the objective evidences of impairment loss, whose occurrence has a direct impact on the estimates of future cash flows related to the particular exposure. The objective evidences of impairment loss mirror the specificity of retail as well as Business Banking and Wholesale Banking, including financial institutions and banks (hereinafter referred to as corporate client) and meet the requirements of the EBA Guidelines No. EBA/GL/2016/07 of 18 January 2017 on the application of the definition of default, as defined in art. 178 of Regulation CRR. These include situations in which, for example:

- the Group classifies the exposure to the Stage 3,
- the Group restructure of the credit obligation, resulting in loss more than 1% of the present value of the discounted futures cash flows, including forgiveness or writes off,
- the Group or other bank or counterparty has filed for bankruptcy of the client or for the initiation of proceedings under restructuring law or has made a similar request with regard to the debtor's credit obligation towards the Group,
- the debtor has been declared bankrupt, or a similar protection has been declared or the debtor has been put into liquidation, ceased to operate,
- the Group terminates the loan agreement,

- the Group sells loan receivables with loss of more than 5% of the balance sheet exposure amount, if the sale is caused by the deteriorating credit quality of the exposure,
- for an exposure that is during the exit from the probation period of Forbearance, there is an overdue period exceeding 30 days or the Group grants another facility (Forbearance) on the credit exposure that is during the probation period for exit from Forbearance,
- the credit exposure has an interest-free status, i.e. the Group suspends charging interest,
- for retail credit exposure, there are over 3-month arrears in the repayment of due liabilities under the loan with a one-off repayment of the entire mobilized capital at the end of the loan period,
- for corporate credit exposures - the Group made a decision to recover the receivables as a part of the debt collection strategy,
- for corporate credit exposures - the debtor questions the balance sheet credit exposure in court proceedings.

The impairment indications for retail and corporate credit exposures include among others:

- a retail debtor has failed to comply with the third repayment arrangement,
- a natural person who is 100% owner of the company and guarantees its significant obligations is in default status (default indicator for the company),
- a company owned in 100% by natural person is in default status (the default indicator for natural person),
- there are over 3-month arrears in repayment (interest and fees) for a loan with a bullet repayment of principal,
- the debtor belongs to the same economic or legal group as the obligor in default,
- no re-financing possibilities,
- the obligor has no intention or no ability to repay the liabilities towards the Group due to the existing financial difficulties, including but not limited to:
  - there was a significant deterioration in the Obligor's economic and financial situation,
  - there are unsettled claims from guarantees granted by the Group (lack of customer funds) and the overdue period is longer than 45 days,
  - the debtor significantly violates the terms of the loan agreement, which may have a negative impact on future cash flows,
  - another bank terminated a loan agreement of significant value,
- the whereabouts of the corporate Obligor are unknown, resulting in a lack of representation in contacts with the Group and undisclosed assets of the Obligor,
- there is a crisis in the sector in which the Obligor operates, combined with the weak position of the corporate Obligor in the sector,
- the Group has restructured its loan receivables for non-commercial reasons related to significant financial difficulties of the customer, which would not have occurred if the customer had not experienced difficulties and the loss of the net present value of cash flows is equal to or lower than 1%,
- the Obligor has committed credit fraud against the Group,
- the exposure has received a Forbearance 2 or more times in the last 5 years,
- significant deterioration of the Obligor's rating.

The Group has also defined the additional impairment triggers for leveraged transactions and commercial real estate financing transactions.

Additional in the retail segment, in which the definition of default at the level of credit exposure is applied, the Group applies the principle of default status contagion between exposures belonging to the same retail business line (consumer loans or mortgages) and between retail business lines (consumer and mortgage loans) when more than 20% of the client's exposure in a given line is more than 90 days past due.

The corporate credit exposure is assessed for impairment during defined periods in the monitoring process for performing, potentially non-performing and non-performing portfolios. In addition, the Group monitors among others the client's debt repayment timeliness (for performing, potentially non-performing and non-performing portfolios) with the use of available tools and reports, which results in early identification of the threat of objective evidences of impairment loss or impairment trigger occurrence before its actual materialization. In case of impairment trigger identification on any of client's account, impairment is calculated for the whole credit exposure of the client. Identification of objective evidence of impairment does not require further expert judgment, the debtor / credit exposure is considered as being in default without further analysis. Default indicators require individual expert assessment and a decision as to whether the classification to default is justified.

The Group has identified events that result in the customer being able to exit the default status. A subsequent occurrence of the circumstances specified in the definition of default would constitute another default.

6.1.2. Description of approaches and methods adopted for determining specific and general credit risk adjustments

From 1 January 2018, the Group recognises allowances for expected credit losses in accordance with IFRS 9 Financial Instruments for assets measured at amortised cost and for assets measured at fair value through other comprehensive income. The Group continues to distinguish between two types of allowances for expected credit losses, namely individual provisions and collective provisions.

Individual provisions
According to IFRS 9 individual provisions are formed for the impaired individually significant financial assets in stage 3 (in risk classes 20-22) whose value exceeds the equivalent of EUR 1 million, based on estimates of future cash flows related to the particular financial assets item. Stage 3 individual provisions level is determined based on the level of balance exposure increased by possible conversion of off-balance exposure. Transformation of off-balance to balance transformation are calculated by determining the credit conversion factor (CCF). Individual provisions are calculated with the use of discounted future cash flows methodology. To define future cash flows it is necessary to determine the exact amount and the date of the particular cash flow. The estimated proceeds may stem from different. They include in particular: loan repayment from operational activity of the client, proceeds from collection and workout activities - collateral liquidation, sale of the loan.
In terms of collection and workout activities, in ISFA provisions calculation, the appropriate recovery rates and estimated date of recovery are applied for particular collaterals which are included in the estimation of future cash flows. The recovery rate ratios and estimated date of recovery are determined, among others, by the:

- type of the collateral securing the Group's receivables,
- the stage of the credit exposure recovery process,
- historical data of recoveries (market data, Group experience).

Amounts and dates of proceeds inflows are based on expert knowledge and according to principles defined by the Bank regarding to application of the future cash flows scenarios, dates of recovery and the recovery rates from the collateral liquidation. Subsidiaries estimate future cash flows on the basis of expert knowledge only.

Collective provisions

The collective provisioning method applies to exposures that do not meet the classification criterion for the portfolio calculated using the individual method. We distinguish among them assets for which evidence of impairment occurred or cases of default occurred. These assets are classified in risk classes 20 - 22. If no evidence of impairment is found when assessing a financial asset, this asset is included in the group of financial assets with similar credit risk characteristics that indicate the debtor's ability to repay the entire liability in accordance with the terms of the contract. Assets defined in this way without recognized impairment are classified in risk classes 1-19.

Collective provisions are calculated using the collective provisioning method, which uses models for estimating risk parameters adapted to the requirements of IFRS 9, such as:

- PD - probability of the occurrence of a customer default event causing impairment within a one-year horizon (Probability of Default),
- LGD - loss incurred on the credit exposure as a result of incomplete recovery of receivables after the occurrence of a customer default event (Loss Given Default),
- EAD - the amount of the current on-balance sheet exposure (current utilisation of the credit limit) increased by the projected utilisation of the remaining part of the limit at the moment of the client's default. The EAD is also about engagement for off-balance sheet items, e.g. guarantee products. For the purposes of local reporting, EAD includes on-balance and off-balance sheet exposures including CCF (Credit Conversion Factor) and contractual interest.

Risk parameters models for portfolios covered by advanced internal rating-based approach (AIRB) and those in use-test within AIRB roll-out plan were developed in compliance with Regulation CRR. Models for portfolio permanently excluded from IRB approach fulfil the requirements specified in IFRS 9.

IFRS 9 has introduced different methodology of assessing provisions that bases on estimation of expected credit losses, instead of incurred losses, as it was in IAS 39.

The assessment of provisions applied by the Group depends on the change of credit risk level of exposure in relation to the risk level determined at a granting date (initial recognition). Based on the change of credit risk level, the exposure are classified to one of 3 stages, with different calculation of expected credit loss:

- Stage 1 - performing exposures with no significant credit risk increase since the date of granting the exposure. Provision will be calculated based on 12-month expected credit loss,
- Stage 2 – performing exposures with significant increase of credit risk since the date of granting the exposure. Provision will be calculated based on lifetime expected credit loss (calculated from the date of granting the exposure until its maturity),
- Stage 3 – exposures with impairment (default) recognized. Provision will be calculated based on lifetime expected credit loss with PD=100%. Rules of classifying exposures to Stage 3 will be the same as the binding under MSR 39 process of assessment the impairment occurrence.

Estimation of expected loss (EL) under IFRS 9, requires forecasting of changes in risk parameters PD, LGD, EAD (EL= PD x LGD x EAD) in the whole lifetime of exposure. The forecast is based on, functional relations between change of risk parameters and change of macroeconomic factors determined from historical data.

Final provisions on exposures under Stage 2 and Stage 3 result from the sum of expected losses calculated in each year in the future up to maturity, using discounting.

Expected loss is calculated as the average probability weighted using multiple macroeconomic scenarios with different probability of occurrence.

Current PD, LGD and EAD models, which were built for AIRB capital requirements purposes, remain in use. However, for the purpose of IFRS 9 provisions calculating, parameters of these models have been calibrated according to PIT ("point-in-time") approach and forecasted in perspective of 30 years. Repayment schedules were taken into account in EAD parameter according to credit agreements.

The Group identifies significant increase of credit risk (classification to Stage 2) based on the following signals:

- significant increase of PD parameter in whole life of exposure ("lifetime") determined on reporting date in relation to the "lifetime" PD from the origination date (initial recognition) in the perspective of the whole remaining period from reporting date to maturity,
- classification the exposure/client as Watch List,
- rating 18/19,
- customer service by the corporate restructuring unit DKZR/CKD (does not apply to customers classifying to the Easy Lending path),
- Forbearance,
- delay > 30 days in repayment of credit obligations,
- deterioration of the risk profile of the portfolio of a given exposure,
- a significant increase in PD since the exposure was granted.

More information on credit risk adjustments is available in the annual consolidated financial statements of the ING Bank Śląski S.A. Group for the year 2024 in chapter III. Significant accounting principles in point 13.11. Expected credit losses.

6.1.3. Quantitative information on credit risk adjustments

The tables below present detailed quantitative information on credit risk adjustments, in accordance with the requirements of Art. 442 of Regulation 2019/876 and the Commission Implementing Regulation (UE) 2021/637):

- Template EU CR1: Performing and non-performing exposures and related provisions,
- Template EU CQ3: Credit quality of performing and non-performing exposures by past due days,
- Template EU CR1-A: Maturity of exposures,
- Template EU CR2: Changes in the stock of non-performing loans and advances,
- Template EU CQ5: Credit quality of loans and advances to non-financial corporations by industry,
- Template EU CQ7: Collateral obtained by taking possession and execution processes.

Additional quantitative information on the quality of credit exposures and significant credit risk concentrations (recommendation 36.4 of Recommendation R) was presented in the annual consolidated financial statements of the ING Bank Śląski S.A. Group for the year 2024 in the part Risk and equity management, in chapter II. Risk management, point 2.10. Quantitative disclosure on credit risk.

(PLN million)

Template EU CR1: Performing and non-performing exposures and related provisions

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	7,552	7,552	0	0	0	0	0	0	0	0	0	0	0	0	0
010	**Loans and advances**	**181,290**	**160,281**	**20,989**	**6,462**	**0**	**6,462**	**-802**	**-240**	**-562**	**-3,148**	**0**	**-3,148**	**0**	**108,665**	**1,695**
020	Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
030	General governments	1,327	857	462	0	0	0	-3	-1	-2	0	0	0	0	136	0
040	Credit institutions	21,670	21,670	0	0	0	0	0	0	0	0	0	0	0	0	0
050	Other financial corporations	12,256	12,094	162	16	0	16	-18	-16	-2	-9	0	-9	0	3,632	3
060	Non-financial corporations	67,400	56,549	10,842	4,617	0	4,617	-332	-77	-255	-1,983	0	-1,983	0	45,145	1,381
070	Of which SMEs	34,225	27,547	6,669	2,580	0	2,580	-225	-57	-168	-1,448	0	-1,448	0	26,811	835
080	Households	78,637	69,111	9,523	1,829	0	1,829	-449	-146	-303	-1,156	0	-1,156	0	59,752	311
090	**Debt securities**	**63,330**	**62,912**	**418**	**0**	**0**	**0**	**-26**	**-23**	**-3**	**0**	**0**	**0**	**0**	**0**	**0**
100	Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
110	General governments	45,115	44,697	418	0	0	0	-21	-18	-3	0	0	0	0	0	0
120	Credit institutions	11,300	11,300	0	0	0	0	-1	-1	0	0	0	0	0	0	0
130	Other financial corporations	6,845	6,845	0	0	0	0	-4	-4	0	0	0	0	0	0	0
140	Non-financial corporations	70	70	0	0	0	0	0	0	0	0	0	0	0	0	0
150	**Off-balance-sheet exposures**	**55,207**	**42,018**	**4,918**	**203**	**0**	**181**	**-57**	**-20**	**-29**	**-47**	**0**	**-36**	**0**	**671**	**7**
160	Central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
170	General governments	117	101	9	0	0	0	0	0	0	0	0	0		0	0
180	Credit institutions	1,476	340	62	0	0	0	0	0	0	0	0	0		0	0
190	Other financial corporations	2,826	2,312	33	13	0	13	0	0	0	0	0	0		0	0
200	Non-financial corporations	44,138	32,899	4,547	168	0	147	-43	-13	-22	-41	0	-32		669	6
210	Households	6,650	6,366	267	22	0	21	-14	-7	-7	-6	0	-4		2	1
220	**Total**	**307,379**	**272,763**	**26,325**	**6,665**	**0**	**6,643**	**-885**	**-283**	**-594**	**-3,195**	**0**	**-3,184**	**0**	**109,336**	**1,702**

(PLN million)

Template EU CQ3: Credit quality of performing and non-performing exposures by past due days

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	7,552	7,552	0	0	0	0	0	0	0	0	0	0
010	**Loans and advances**	**181,290**	**180,914**	**376**	**6,462**	**3,043**	**508**	**905**	**837**	**662**	**496**	**11**	**6,462**
020	Central banks	0	0	0	0	0	0	0	0	0	0	0	0
030	General governments	1,327	1,327	0	0	0	0	0	0	0	0	0	0
040	Credit institutions	21,670	21,670	0	0	0	0	0	0	0	0	0	0
050	Other financial corporations	12,256	12,252	4	16	5	2	2	1	6	0	0	16
060	Non-financial corporations	67,400	67,221	179	4,617	2,325	347	644	512	386	403	0	4,617
070	Of which SMEs	34,225	34,077	148	2,580	749	312	407	477	369	266	0	2,580
080	Households	78,637	78,444	193	1,829	713	159	259	324	270	93	11	1,829
090	**Debt securities**	**63,330**	**63,330**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
100	Central banks	0	0	0	0	0	0	0	0	0	0	0	0
110	General governments	45,115	45,115	0	0	0	0	0	0	0	0	0	0
120	Credit institutions	11,300	11,300	0	0	0	0	0	0	0	0	0	0
130	Other financial corporations	6,845	6,845	0	0	0	0	0	0	0	0	0	0
140	Non-financial corporations	70	70	0	0	0	0	0	0	0	0	0	0
150	**Off-balance-sheet exposures**	**55,207**			**203**								**181**
160	Central banks	0			0								0
170	General governments	117			0								0
180	Credit institutions	1,476			0								0
190	Other financial corporations	2,826			13								13
200	Non-financial corporations	44,138			168								147
210	Households	6,650			22								21
220	Total	307,379	251,796	376	6,665	3,043	508	905	837	662	496	11	6,643

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

Template EU CR1-A: Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	**Total**
1	Loans and advances	17,988	28,458	54,682	80,779	1,895	**183,802**
2	Debt securities	0	11,469	44,882	6,953	0	**63,304**
3	**Total**	**17,988**	**39,927**	**99,564**	**87,732**	**1,895**	**247,106**

Template EU CR2: Changes in the stock of non-performing loans and advances

		a
		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	**4,231**
020	Inflows to non-performing portfolios	4,573
030	Outflows from non-performing portfolios	-985
040	Outflows due to write-offs	-70
050	Outflow due to other situations	-1,287
060	**Final stock of non-performing loans and advances**	**6,462**

Template EU CQ5: Credit quality of loans and advances to non-financial corporations by industry

		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
010	Agriculture, forestry and fishing	1,664	62	62	1,655	-53	0
020	Mining and quarrying	927	9	9	927	-10	0
030	Manufacturing	22,357	2,200	2,200	22,357	-888	0
040	Electricity, gas, steam and air conditioning supply	2,246	103	103	2,246	-103	0
050	Water supply	813	42	42	813	-26	0
060	Construction	2,954	294	294	2,954	-201	0
070	Wholesale and retail trade	15,503	642	642	15,503	-419	0
080	Transport and storage	5,445	419	419	5,445	-120	0
090	Accommodation and food service activities	818	24	24	818	-21	0
100	Information and communication	3,247	58	58	3,247	-46	0
110	Financial and insurance activities	124	0	0	124	0	0
120	Real estate activities	9,339	475	475	9,339	-185	0
130	Professional, scientific and technical activities	1,442	164	164	1,442	-144	0
140	Administrative and support service activities	3,888	71	71	3,888	-51	0
150	Public administration and defence, compulsory social security	0	0	0	0	0	0
160	Education	70	6	6	70	-4	0
170	Human health services and social work activities	583	15	15	583	-13	0
180	Arts, entertainment and recreation	91	14	14	91	-11	0
190	Other services	506	19	19	506	-20	0
200	**Total**	**72,017**	**4,617**	**4,617**	**72,008**	**-2,315**	**0**

(PLN million)

Template EU CQ7: Collateral obtained by taking possession and execution processes

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)	0	0
020	Other than PP&E	0	0
030	Residential immovable property	0	0
040	Commercial Immovable property	0	0
050	Movable property (auto, shipping, etc.)	0	0
060	Equity and debt instruments	0	0
070	Other collateral	0	0
080	**Total**	**0**	**0**

Ratio between the gross carrying amount of loans and advances classified as non-performing exposition and the total gross carrying amount of loans and advances in the Group is lower than 5 %, therefore the Group does not disclose the information required in templates EU CR2a- Changes in the stock of non-performing loans and advances and related net accumulated recoveries, EU CQ2- Quality of forbearance, EU CQ6- Collateral valuation - loans and advances and EU CQ8- Collateral obtained by taking possession and execution processes – vintage breakdown.
The Group does not disclose also the information required by template EU CQ4: Quality of non-performing exposures by geography because of the Group's primary foreign exposures in all "external" countries in all exposure categories are less than 10% of the Group's total primary exposure (domestic and foreign).

The tables below present qualitative and quantitative information on credit exposures regarding the parameters PD, LGD, EAD, broken down into homogeneous portfolios in accordance with the requirements of Recommendation 36.2 of Recommendation R.

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

Information on parameters PD, LGD, EAD – Stage 1

	PD scale (at the date of initial recognition)	On-balance sheet exposures	Off-balance-sheet exposures	EAD post CCF and post CRM	Average PD (%)	Number of exposures	Average LGD (%)	Average maturity	Expected loss amount (ECL)
		a	b	c	d	e	f	g	h
Small business	0.00% to <0.15%	648	19	655	0.12	5,544	76.72	8	0
	0.15% to <0.25%	374	41	391	0.43	5,993	58.13	4	1
	0.25% to <0.50%	493	52	514	0.67	9,079	59.18	4	2
	0.50% to <0.75%	443	135	504	0.86	11,644	67.01	4	3
	0.75% to <2.50%	4,072	536	4,270	1.14	68,803	63.24	5	31
	2.50% to <10.00%	747	225	844	2.85	20,536	43.00	3	8
	10.00% to <45.00%	67	16	69	4.65	1,520	55.97	4	2
	45.00% to <100.00%	-	-	-	-	-	-	-	-
	Subtotal	**6,844**	**1,024**	**7,247**	**1.19**	**123,119**	**61.73**	**5**	**47**
Small/medium enterprises	0.00% to <0.15%	275	163	313	0.16	707	32.75	4	0
	0.15% to <0.25%	705	609	920	0.40	3,920	26.27	7	1
	0.25% to <0.50%	1,359	919	1,690	0.72	8,655	22.46	6	2
	0.50% to <0.75%	1,731	1,051	1,994	0.92	8,731	19.69	4	2
	0.75% to <2.50%	4,215	2,009	4,749	1.40	25,105	21.39	4	11
	2.50% to <10.00%	2,138	875	2,363	2.67	16,083	21.84	3	13
	10.00% to <45.00%	173	78	183	5.01	3,089	28.56	3	3
	45.00% to <100.00%	71	276	105	7.62	777	33.69	5	0
	Subtotal	**10,667**	**5,980**	**12,317**	**1.47**	**67,067**	**22.21**	**4**	**32**
Medium corporations	0.00% to <0.15%	1,850	308	1,915	0.15	587	46.12	6	1
	0.15% to <0.25%	1,708	1,499	2,215	0.37	2,805	22.46	4	1
	0.25% to <0.50%	3,174	2,881	4,431	0.51	4,955	20.34	3	2
	0.50% to <0.75%	5,165	2,659	5,996	0.82	10,193	21.30	4	7
	0.75% to <2.50%	11,343	6,190	13,485	1.08	25,302	19.45	3	20
	2.50% to <10.00%	3,503	2,310	4,171	1.98	7,923	20.62	3	14
	10.00% to <45.00%	166	125	197	1.72	417	12.54	2	1
	45.00% to <100.00%	0	8	0	0.95	8	33.74	1	0
	Subtotal	**26,909**	**15,980**	**32,410**	**0.97**	**52,190**	**21.81**	**3**	**46**
Strategic clients	0.00% to <0.15%	79,746	6,243	82,152	0.07	5,013	42.03	2	20
	0.15% to <0.25%	2,685	4,043	3,258	0.22	3,447	19.02	1	9
	0.25% to <0.50%	9,628	6,218	11,798	0.29	4,129	20.54	4	6
	0.50% to <0.75%	393	726	472	0.66	1,079	16.66	3	0
	0.75% to <2.50%	3,705	3,060	4,490	0.48	7,397	17.86	3	4
	2.50% to <10.00%	282	508	349	0.52	1,331	31.31	2	0
	10.00% to <45.00%	1	210	59	0.29	371	44.76	2	0
	45.00% to <100.00%	129	789	259	2.10	464	30.66	1	0
	Subtotal	**96,569**	**21,797**	**102,837**	**0.13**	**23,231**	**37.60**	**3**	**39**
Retail – mortgage loans	0.00% to <0.15%	39,642	2,758	40,854	0.05	212,706	26.61	21	4
	0.15% to <0.25%	5,785	173	5,850	0.09	30,361	27.25	22	1
	0.25% to <0.50%	5,644	208	5,726	0.13	24,580	29.16	23	2
	0.50% to <0.75%	2,944	79	2,972	0.24	13,768	28.10	22	2
	0.75% to <2.50%	20	0	20	0.20	421	18.97	12	0
	2.50% to <10.00%	3	0	3	1.36	10	27.03	22	0
	10.00% to <45.00%	-	-	-	-	-	-	-	-
	45.00% to <100.00%	-	-	-	-	-	-	-	-
	Subtotal	**54,038**	**3,218**	**55,425**	**0.07**	**281,846**	**27.02**	**21**	**9**
Retail - other loans	0.00% to <0.15%	265	1,135	543	0.44	140,996	70.43	7	3
	0.15% to <0.25%	230	294	300	0.65	55,842	70.26	6	2
	0.25% to <0.50%	1,311	224	1,367	0.67	95,084	70.11	6	6
	0.50% to <0.75%	1,542	133	1,571	0.91	101,846	70.08	6	9
	0.75% to <2.50%	3,649	156	3,673	1.75	266,270	70.06	6	36
	2.50% to <10.00%	1,399	218	1,485	3.29	198,594	70.18	7	28
	10.00% to <45.00%	29	2	30	6.40	6,418	70.16	7	1
	45.00% to <100.00%	4	0	4	6.50	708	70.16	8	0
	Subtotal	**8,429**	**2,162**	**8,973**	**1.60**	**865,758**	**70.12**	**6**	**85**
Total Stage 1		**203,456**	**50,161**	**219,209**	**0.41**	**1,413,211**	**33.85**	**8**	**258**

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

Information on parameters PD, LGD, EAD – Stage 2

	PD scale (at the date of initial recognition)	On-balance sheet exposures	Off-balance-sheet exposures	EAD post CCF and post CRM	Average PD (%)	Number of exposures	Average LGD (%)	Average maturity	Expected loss amount (ECL)
		a	b	c	d	e	f	g	h
Small business	0.00% to <0.15%	183	5	180	2.20	2,769	56.67	6	5
	0.15% to <0.25%	70	4	67	3.58	1,068	59.22	4	5
	0.25% to <0.50%	92	4	85	4.66	1,632	57.03	4	8
	0.50% to <0.75%	111	8	101	5.43	2,335	59.04	4	13
	0.75% to <2.50%	614	22	530	7.06	11,413	56.31	4	86
	2.50% to <10.00%	149	9	136	8.41	3,155	34.83	3	18
	10.00% to <45.00%	40	1	34	10.15	653	49.12	4	5
	45.00% to <100.00%	-	-	-	-	-	-	-	-
	Subtotal	**1,259**	**53**	**1,133**	**6.01**	**23,025**	**54.05**	**4**	**140**
Small/medium enterprises	0.00% to <0.15%	237	18	239	3.72	2,962	30.53	5	3
	0.15% to <0.25%	88	38	96	7.18	385	20.96	4	2
	0.25% to <0.50%	303	80	321	7.08	1,405	21.50	3	6
	0.50% to <0.75%	472	114	504	7.60	2,083	17.44	3	9
	0.75% to <2.50%	1,094	210	1,124	8.33	5,357	19.66	3	31
	2.50% to <10.00%	911	149	915	7.97	5,041	19.80	3	31
	10.00% to <45.00%	145	14	139	8.27	2,050	24.09	2	10
	45.00% to <100.00%	0	31	6	0.60	1	71.16	25	0
	Subtotal	**3,250**	**654**	**3,344**	**7.62**	**19,284**	**20.63**	**3**	**92**
Medium corporations	0.00% to <0.15%	1,055	66	1,075	0.80	559	38.27	6	4
	0.15% to <0.25%	200	77	249	4.51	220	27.22	4	7
	0.25% to <0.50%	591	141	659	6.00	740	21.26	4	10
	0.50% to <0.75%	563	139	596	6.41	1,290	19.37	2	14
	0.75% to <2.50%	1,789	524	1,941	6.42	4,676	16.24	2	26
	2.50% to <10.00%	1,278	399	1,375	6.22	2,255	19.58	2	28
	10.00% to <45.00%	102	40	117	4.75	171	25.72	1	1
	45.00% to <100.00%	0	3	1	8.30	1	33.96	1	0
	Subtotal	**5,578**	**1,389**	**6,013**	**5.21**	**9,912**	**22.44**	**3**	**90**
Strategic clients	0.00% to <0.15%	346	800	478	1.61	724	20.70	2	3
	0.15% to <0.25%	302	98	397	1.59	240	23.88	5	3
	0.25% to <0.50%	1,337	523	1,425	10.46	315	8.58	4	41
	0.50% to <0.75%	7	11	10	3.27	126	27.00	1	0
	0.75% to <2.50%	532	207	563	9.32	819	22.34	2	35
	2.50% to <10.00%	162	13	165	2.16	111	31.46	3	2
	10.00% to <45.00%	0	5	3	13.46	173	31.94	2	1
	45.00% to <100.00%	-	-	-	-	-	-	-	-
	Subtotal	**2,686**	**1,657**	**3,041**	**7.23**	**2,508**	**16.36**	**3**	**85**
Retail – mortgage loans	0.00% to <0.15%	4,953	14	4,943	0.32	21,812	25.35	23	25
	0.15% to <0.25%	938	1	935	0.43	3,934	25.93	23	7
	0.25% to <0.50%	906	2	904	0.35	3,578	26.31	24	6
	0.50% to <0.75%	512	1	510	0.60	2,235	25.71	24	6
	0.75% to <2.50%	3	0	3	1.50	33	22.05	18	0
	2.50% to <10.00%	1	0	1	1.78	8	24.14	20	0
	10.00% to <45.00%	-	-	-	-	-	-	-	-
	45.00% to <100.00%	-	-	-	-	-	-	-	-
	Subtotal	**7,313**	**18**	**7,296**	**0.36**	**31,600**	**25.57**	**23**	**44**
Retail - other loans	0.00% to <0.15%	80	122	106	1.71	29,397	68.94	6	11
	0.15% to <0.25%	33	11	36	2.63	7,150	68.43	6	5
	0.25% to <0.50%	91	8	93	3.07	9,656	69.62	8	7
	0.50% to <0.75%	112	6	113	3.95	10,590	69.64	6	9
	0.75% to <2.50%	325	7	323	6.83	28,604	69.74	6	37
	2.50% to <10.00%	224	9	226	10.92	30,304	69.84	6	37
	10.00% to <45.00%	11	0	11	14.67	2,221	69.87	6	2
	45.00% to <100.00%	1	0	1	13.51	173	69.92	6	0
	Subtotal	**877**	**163**	**909**	**6.45**	**118,095**	**69.60**	**6**	**108**
Total Stage 2		**20,963**	**3,934**	**21,736**	**4.33**	**204,424**	**25.98**	**10**	**559**

(PLN million)

Information on parameters PD, LGD, EAD – Stage 3 and POCI

	Time in default	Stage 3				POCI			
		EAD post CCF and post CRM	Number of exposures	Average LGD (%)	Expected loss amount (ECL)	EAD post CCF and post CRM	Number of exposures	Average LGD (%)	Expected loss amount (ECL)
		a	b	c	d	a	b	c	d
Small business	to 12 months	212	4,464	43.03	185	-	-	-	-
	from 13 to 24 months	138	2,962	56.98	142	-	-	-	-
	from 25 to 36 months	58	1,281	62.48	64	-	-	-	-
	from 37 to 48 months	17	787	64.50	29	-	-	-	-
	from 49 to 60 months	7	365	90.75	19	-	-	-	-
	from 61 to 84 months	5	230	96.81	12	-	-	-	-
	above 84 months	0	49	52.50	1	-	-	-	-
	Subtotal	**437**	**10,138**	**52.20**	**452**	**-**	**-**	**-**	**-**
Small/medium enterprises	to 12 months	703	5,950	37.46	575	-	-	-	-
	from 13 to 24 months	307	1,778	35.34	149	-	-	-	-
	from 25 to 36 months	110	758	53.38	73	-	-	-	-
	from 37 to 48 months	55	352	54.34	34	-	-	-	-
	from 49 to 60 months	85	367	56.31	54	-	-	-	-
	from 61 to 84 months	161	581	75.41	142	-	-	-	-
	above 84 months	72	294	77.95	64	-	-	-	-
	Subtotal	**1,493**	**10,080**	**45.94**	**1,091**	**-**	**-**	**-**	**-**
Medium corporations	to 12 months	429	1,636	22.59	98	-	-	-	-
	from 13 to 24 months	289	258	39.98	157	-	-	-	-
	from 25 to 36 months	50	130	29.90	21	-	-	-	-
	from 37 to 48 months	113	307	21.88	38	-	-	-	-
	from 49 to 60 months	30	14	39.65	14	-	-	-	-
	from 61 to 84 months	79	420	42.04	43	-	-	-	-
	above 84 months	249	91	46.58	124	-	-	-	-
	Subtotal	**1,239**	**2,856**	**33.35**	**495**	**-**	**-**	**-**	**-**
Strategic clients	to 12 months	1,715	316	24.34	441	-	-	-	-
	from 13 to 24 months	0	4	30.42	0	-	-	-	-
	from 25 to 36 months	0	6	16.49	0	-	-	-	-
	from 37 to 48 months	0	1	44.98	0	-	-	-	-
	from 49 to 60 months	-	-	-	-	-	-	-	-
	from 61 to 84 months	93	14	25.99	88	-	-	-	-
	above 84 months	-	-	-	-	-	-	-	-
	Subtotal	**1,808**	**341**	**24.42**	**529**	**-**	**-**	**-**	**-**
Retail – mortgage loans	to 12 months	39	394	20.04	17				
	from 13 to 24 months	28	306	25.97	17	1	2	24.03	0
	from 25 to 36 months	29	314	30.32	18	0	2	27.55	0
	from 37 to 48 months	16	151	45.53	14	-	-	-	-
	from 49 to 60 months	11	114	54.06	14	-	-	-	-
	from 61 to 84 months	5	76	78.42	11	-	-	-	-
	above 84 months	5	61	97.52	16	-	-	-	-
	Subtotal	**133**	**1,416**	**34.54**	**107**	**1**	**4**	**25.41**	**0**
Retail - other loans	to 12 months	95	24,594	57.93	180	0	7	67.56	0
	from 13 to 24 months	61	13,769	71.95	144	0	4	68.41	0
	from 25 to 36 months	24	4,314	97.40	74	-	-	-	-
	from 37 to 48 months	3	1,435	97.51	28	0	1	68.29	0
	from 49 to 60 months	4	1,096	98.42	24	-	-	-	-
	from 61 to 84 months	3	502	98.91	10	2	21	67.47	0
	above 84 months	0	35	100.00	1	-	-	-	-
	Subtotal	**190**	**45,745**	**69.56**	**461**	**2**	**33**	**67.57**	**0**
Total Stage 3 and POCI		**5,300**	**70,576**	**36.73**	**3,135**	**3**	**37**	**55.21**	**0**

6.2. Use of credit risk mitigation techniques

6.2.1. Rules and procedures as well as the scope of on- and off-balance sheet netting

In line with the rules applicable at the Bank, prior to initiation of a derivative transaction, each corporate client and financial institution is obliged to sign an appropriate Agreement with the Bank. The system entry of the limits awarded to the customer, which are necessary to make a transaction, is conditioned upon signing legal documents by the customer. Conclusion of derivative transactions without appropriate Agreements signed with the Counterparties, is forbidden.

For some contracts, the Bank has the consent of the Polish Financial Supervision Authority to use contractual compensation in the calculation of capital requirements. The Bank has appropriate legal opinions for this process and monitors changing regulations.

Netting of financial instruments is also described in the annual consolidated financial statements of the ING Bank Śląski S.A. Group for the year 2024 in chapter III. Significant accounting principles in point 13.9. Offsetting financial instruments.

6.2.2. Rules and procedures of collateral valuation and management

Bank

The Bank's regulations on collateral describe the valuation method for each type of collateral across the tangible and personal collateral group.

The Bank identifies the following collateral values:

- face value,
- adjusted face value,
- fair value.

Collateral face value is the value expressed in the collateral currency, established on the basis of current prices, excluding the influence of other factors (in particular: market value, book value, value of the accounts receivable transferred to the Bank), and set for each collateral individually.
Adjusted face value is the value of collateral realigned taking into account the factors omitted in the calculation of face value. Such value is worked out if in the Bank's opinion there exist factors which were omitted while calculating collateral face value or were included but to an insufficient degree and have an adverse impact on collateral value.
Collateral fair value is calculated as the product of recovery rate on collateral (defined using the parameters of an appropriate LGD model) and collateral value accepted by Bank (face value or adjusted face value providing the triggers of its calculation have emerged. The fair value is corrected in the case of mismatch between the date of collateral maturity and the exposure maturity day and currency of the collateral and currency of the exposure.
Value of property is verified by the Bank's Appraisal Team. The aforementioned obligation to verify the value by the Bank arises from the Polish Financial Supervision Authority's recommendations.
When appraising the value and liquidity of tangible collateral one takes into account the assets use/occupancy period, their age and market for specialist collateral items.
Depending on the type of collateral, the value is monitored at specified intervals, aligned with the provisions of Regulation CRR.
The list of the aspects analysed in the course of the credit approval process, collateral establishment and collateral monitoring includes the following issues:

- verification of the collateral value,
- physical check of the tangible collateral (inspections),
- check of the collateral formal-and-legal status (if put in place, if legally binding, if insured),
- verification of the guarantor's financial standing (setting the risk rating).

At the same time, Bank recommends for the decision-makers to consider that if certain circumstances occur, the frequency of monitoring should be increased.

Such circumstances are, inter alia:

- risk of collateral loss,
- collateral value fluctuation or significant decrease risk,
- reputation risk.

If the Bank decides that collateral value should be monitored at shorter intervals, they should take into consideration the economic effectiveness, i.e. the relation between the cost and effects of monitoring.

Monitoring performed at shorter intervals, e.g. in the case of property, is required under the circumstances of substantial fluctuations in the market conditions; the frequency of monitoring also depends on the specific nature of such property and individual factors affecting its value.

With respect to other tangible collateral, beside the material fluctuations in the market conditions, more frequent monitoring may be dictated by the technical condition of machines and equipment, means of transport, etc.

The Bank's regulations also define the way in which collateral is presented and approved in the process of credit exposure award in accordance with the credit mandates and the rules of collateral monitoring presentation and approval.

<u>ING Lease (Polska) Sp. z o.o. (ING LP)</u>

For lease facilities, ownership of the leased object is the main security collateral of lease transactions. Principles of collateralizing arise from the nature of leasing. The principles of valuation of the collaterals in terms of requirements under Regulation CRR are governed not only by the nature of leasing itself but also from the Collateral Management Policy referring to the estimation of the recoveries and capital requirements calculation at ING Lease (Polska) Sp. z o.o. introduced in 2015, updated in 2021.

ING LP as a lease company buying the leased object from a supplier becomes its owner and then, as the owner, gives the lease object to the lessee (customer) for use. The purchase from the supplier of the assets item to be leased, under the law, is made at the market price. Acquisition value of the leased assets item from the supplier is the initial value of the lease transaction.

The principles for verifying the leased assets at ING LP are included in three regulations. For movables it is the "Supplier and leased asset verification procedure", for properties it is a the "Real estate policy paper" and "Collateral Management Policy regarding the estimation of recoveries and capital requirements at ING Lease (Polska) Sp. z o. o. ".

Purchase price (market value) of a new object – movable acquired from a supplier unrelated to the lessee can be verified under so called internal verification, in particular depending on:

- supplier status (applies to suppliers with no trusted status in ING LP),
- type of leased asset,
- the value of the transaction.

In individual cases, the purchase price of a new item may require additional verification with an external valuation by an independent valuator.

In other cases, the market value of the new movable object is not verified.

The value of second-hand assets item - movable (regardless who is the seller) or the value of the new assets item - movable but purchased from a customer or a company associated with the customer is verified with an independent expert's valuation or, if possible, internal market value verification.

In certain cases, verification is not required for used movable property.

The value of the property to be financed is always verified in an appraisal prepared by an independent valuator.

The values of financed movables are not verified throughout the lease contract duration.

Market values of financed properties are verified at least every three years on the basis of an appraisal prepared by an independent valuator, unless the leasing contract specifies a different, more conservative frequency. Additionally, in those years when the external valuation of the property is not required, ING LP prepares an internal market value verification of the financed property.

ING Commercial Finance S.A. (ING CF)
Primary collateral for classic factoring transactions with and without recourse are the receivables accepted and purchased from the Client by ING CF.
At the stage of the factoring application analysis and throughout the factoring agreement duration, ING CF makes ongoing assessments of the quality of receivables (analysis of the history of collaboration between client and debtor, quality of the settlements, the provisions of trade agreements) and monitors the debtors' financial situation.
ING CF uses other forms of collateral, such as bank guarantees or personal guarantees. The principles of collateral value verification are defined in the ING CF's "Credit Risk Manual".
Since usage of additional collateral is rare occurrence in ING CF, the "Credit Risk Manual" includes a clause that collateral liquidity assessment and valuation are made in accordance with the Bank's rules.

6.2.3. Description of the main types of collateral taken by the Group

Bank
The Bank accepts all permitted legal forms of collateral, at the same time specifying their preference as to their application in the collateral regulations.
Yet, the collateral should be chosen based on:

- correlating the value and quality of collateral with the probability of client's default. It means that the worse the client's risk rating is, the better the collateral for credit exposure should be put in place,
- seeking to fulfil the conditions specified in the regulations which enable, inter alia, including the recovery rates assigned to collateral items in the process of calculation of capital requirements and provisions,
- respecting the limitations in accepting collateral and accounting for the guidelines presented in the regulations, aimed at the minimisation of the negative departure of the actual recovery rates from those estimated in the LGD model,
- optimising the collateral catalogue for a given credit exposure when there is a specific pool of collateral items available.

In retail area, the Bank uses the standard method for regulatory capital calculation. To use preferential risk weights for mortgaged exposures, the quality criteria described in Articles 124, 208 and 229 section 1 of Regulation CRR.

The Bank has identified the following collateral groups:

- Tangible collateral which makes it possible for the Bank to recover debt in the event of a client's default by liquidating the collateral provider's specific assets – funded credit protection. The Bank recognises the following types of assets that may serve as tangible collateral for the Bank's receivables under credit exposure:
  - properties,
  - movable assets - things with specified identity,
  - movable assets - inventory or things of a specified type,
  - cash (security deposits, term deposits and funds deposited as letter of credit coverage),

  - accounts receivable,
  - Treasury bonds,
  - bonds traded on a stock exchange,
  - bonds not traded on a stock exchange/investment certificates,
  - shares traded on a stock exchange,
  - shares not traded on a stock exchange,
  - participation units in Open-end Mutual Funds,
  - purchased receivable with recourse.
- Personal collateral which makes it possible for the Bank to recover debt in the event of a client's default by resorting to any component of the collateral provider's assets - unfunded credit protection. The Bank recognises the following forms of personal collateral:
  - surety under the Bills of Exchange Law or Civil Code,
  - bank guarantee/reguarantee and corporate guarantee,
  - debt accession,
  - joint and several liability.
- In some LGD models applied by the Bank the recovery rate on the unsecured part of exposure is also affected by the so-called “negative pledge” covenant which obliges a client not to create any collateral on the client’s assets or to significantly limit the collateral created in favour of other creditors. The client’s acceptance of such a clause increases the recovery rate on the unsecured part of exposure.
- There are also additional types of collateral used by the Bank that strengthen their position in negotiations or expand the Bank's control entitlements as the creditor. Additional collateral includes (inter alia):
  - letter of intent/letter of comfort/statement of comfort,
  - blank promissory note,
  - assignment of rights under property insurance policy,
  - credit insurance coverage from an insurance company,
  - insurance coverage for domestic accounts receivable (an insurance policy issued to ING BSK or insurance policy assignment).

In addition, Bank introduced rules on identification of agricultural properties taken as collateral as a result of entering into force the Act on Formation of the Agricultural System dated on 11 April 2003 as amended and Act on Land and Mortgage Registers and Mortgages dated on 6 July 1982 as amended.

Structure of individual collateral groups is diversified. The collateral with the biggest share is the following:

- mortgages - their share results from the fact that mortgage is usually used to secure longterm capex loans and housing loans, which represent the majority of the value of the retail portfolio. In addition, mortgage is the main collateral in the case of commercial property loans,
- non-current and current assets,
- bank guarantees, corporate sureties and guarantees - this group of collateral includes guarantors from various industries having diversified financial standing. Therefore, there is no material risk of concentration. If a particular recovery rate has been assumed, higher than 0%, it is necessary to investigate the guarantor's financial standing and assign a risk rating thereto.

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 _(PLN million)_

Accounts receivable and securities have a small share in the overall pool of collateral accepted by the Bank.

ING Lease (Polska) Sp. z o.o. (ING LP)
In the case of lease facilities, ownership of the leased assets item is the main security of lease transactions. The principles for pledging collateral and determining their value stem from the very nature of leasing itself and the “Collateral Management Policy concerning estimation of recoveries and capital requirements at w ING Lease (Polska) Sp. z o.o.” referring to capital requirements calculation at ING Lease (Polska) Sp. zo.o. introduced in 2015, updated in 2021.

ING Commercial Finance S.A. (ING CF)
Primary collateral for the classic factoring with and without recourse are the receivables accepted and purchased from the Client by ING CF.

In addition to the assignment of receivables ING CF also acquires as a collateral promissory note issued by the client, often guaranteed by its owners, and power of attorney to client's bank account or an assignment from a trade receivables insurance policy. Factoring without recourse is secured by the ING CF own insurance covering the risk of debtor’s insolvency issued.

For the reverse factoring the basic collateral is a power of attorney to the client’s bank account. This is due to the fact that the product is targeted only at selected customers (in a very good financial situation) from the strategic customers segment.

ING CF occasionally uses other forms of collateral, such as bank guarantees.

6.2.4. Main types of guarantors and credit derivative counterparties and their creditworthiness

The following table presents the main types of guarantors and own their collateral value as at 31 December 2024. The Bank does not use credit derivatives.

Guarantee delivery type	Collateral value*	Share%
Companies – "investment" category (rating below 10)	22,380	91.1%
Companies – "speculative" category (ratings 11-17)	2,102	8.6%
Companies – "irregular" category (ratings 18-22)	53	0.2%
Local authorities (GL, GW, GI prefix)	23	0.1%
Total	**24,558**	**100%**

* The value presented in the table is the value of collateral, and not of exposure.

6.2.5. Market or credit risk concentrations within the credit mitigation taken

Since the institution has a significant exposure to financing the purchase of residential and commercial properties, mortgages (68.2% of the total) form the main collateral.

Collateral type	Collateral value*	Share %
Mortgages	155,031	68.2%
Machinery and equipment	32,077	14.1%
Guarantees	24,558	10.8%
Inventory	9,958	4.4%
Debts	4,939	2.2%
Cash	738	0.3%
CPRI insurance	117	0.1%
Securities	2	0.0%
Total	**227,420**	**100%**

* The value presented in the table is the value of collateral, and not of exposure.

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

6.2.6. Quantitative information regarding the use of credit risk mitigation techniques

The tables below present detailed quantitative information regarding the use of credit risk mitigation techniques in accordance with the requirements of Art. 453 of Regulation 2019/876 and the Commission Implementing Regulation (UE) 2021/637):

- Template EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques,
- Template EU CR4 – standardised approach – Credit risk exposure and CRM effects,
- Template EU CR7 – IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques,
- Template EU CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques.

Template EU CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

		a	b	c	d	e
		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
1	Loans and advances	73,442	110,360	98,556	11,804	0
2	Debt securities	63,304	0	0	0	
3	**Total**	**136,746**	**110,360**	**98,556**	**11,804**	**0**
4	Of which non-performing exposures	1,619	1,695	1,263	432	0
EU-5	Of which defaulted	1,619	1,695			

Template EU CR4 – standardised approach – Credit risk exposure and CRM effects

	Exposure classes	a	b	c	d	e	f
		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density (%)
1	Central governments or central banks	55,305	0	57,590	234	1,833	3.17
2	Regional government or local authorities	2,633	0	2,633	0	527	20.00
3	Public sector entities	0	0	0	0	0	0.00
4	Multilateral development banks	9,497	0	10,255	0	0	0.00
5	International organisations	2,064	0	2,064	0	0	0.00
6	Institutions	0	0	0	0	0	0.00
7	Corporates	4,553	5,121	4,848	295	4,564	88.75
8	Retail	29,463	7,582	27,379	2,986	21,456	70.66
9	Secured by mortgages on immovable property	50,123	127	50,123	61	17,735	35.34
10	Exposures in default	1,158	3	1,020	1	1,101	107.91
11	Exposures associated with particularly high risk	33	0	31	0	36	116.51
12	Covered bonds	0	0	0	0	0	0.00
13	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0.00
14	Collective investment undertakings	0	0	0	0	0	0.00
15	Equity	0	0	0	0	0	0.00
16	Other items	3,244	0	3,244	0	2,079	64.09
17	**Total**	**158,073**	**12,833**	**159,187**	**3,577**	**49,331**	**30.31**

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

Template EU CR7 – IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques

		a	b
		Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
1	**Exposures under F-IRB**	**-**	**-**
2	Central governments and central banks	-	-
3	Institutions	-	-
4	Corporates	-	-
4.1	of which SMEs	-	-
4.2	of which Specialised lending	-	-
5	**Exposures under A-IRB**	**46,721**	**46,721**
6	Central governments and central banks	0	0
7	Institutions	4,755	4,755
8	Corporates	41,966	41,966
8.1	of Corporates - which SMEs	25,043	25,043
8.2	of which Corporates - Specialised lending	3,980	3,980
9	Retail	-	-
9.1	of which Retail – SMEs - Secured by immovable property collateral	-	-
9.2	of which Retail – non-SMEs - Secured by immovable property collateral	-	-
9.3	of which Retail – Qualifying revolving	-	-
9.4	of which Retail – SMEs - Other	-	-
9.5	of which Retail – Non-SMEs- Other	-	-
10	**Total (including F-IRB exposures and A-IRB exposures)**	**46,721**	**46,721**

(PLN million)

Template EU CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques

		a	b	c	d	e	f	g	h	i	j	k	l	m	n
			Credit risk Mitigation techniques											**Credit risk Mitigation methods in the calculation of RWEAs**	
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
A-IRB		**Total exposures**	Part of exposures covered by Financial Collaterals (%)	Part of exposures covered by Other eligible collaterals (%)	Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)	Part of exposures covered by Other funded credit protection (%)	Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
1	Central governments and central banks	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Institutions	**13,080**	0.09	0.82	0.00	0.00	0.82	0.00	0.00	0.00	0.00	41.73	0.00	4,755	4,755
3	Corporates	**75,227**	0.97	93.34	58.98	0.55	33.82	0.00	0.00	0.00	0.00	9.54	0.00	41,966	41,966
3.1	Of which Corporates – SMEs	**39,932**	0.87	105.50	59.43	0.78	45.29	0.00	0.00	0.00	0.00	15.57	0.00	25,043	25,043
3.2	Of which Corporates – Specialised lending	**11,443**	0.43	136.23	134.16	0.02	2.06	0.00	0.00	0.00	0.00	0.89	0.00	3,980	3,980
3.3	Of which Corporates – Other	**23,852**	1.39	52.40	22.15	0.41	29.84	0.00	0.00	0.00	0.00	3.60	0.00	12,943	12,943
4	Retail	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Of which Retail – Immovable property SMEs	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Of which Retail – Immovable property non-SMEs	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-
4.3	Of which Retail – Qualifying revolving	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-
4.4	Of which Retail – Other SMEs	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-
4.5	Of which Retail – Other non-SMEs	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-
5	**Total**	**88,307**	**0.84**	**79.63**	**50.24**	**0.46**	**28.93**	**0.00**	**0.00**	**0.00**	**0.00**	**14.31**	**0.00**	**46,721**	**46,721**

6.3. Exposure to the counterparty credit risk

Counterparty credit risk is the risk of a counterparty defaulting on a transaction before the cash flows associated with that transaction are finally settled.

Counterparty credit risk exposures relate to exposures from derivatives, repo transactions, securities or commodities lending or borrowing transactions, transactions with long settlement dates and transactions with the obligation to supplement the credit collateral.

At the end of 2024, the Group had derivative instruments and repo transactions, but there were no securities or commodities lending or borrowing transactions, transactions with long settlement dates and transactions with the obligation to supplement credit collateral.

The Group presents its exposures to counterparty credit risk mainly due to hedging derivatives, derivative instruments resulting from contracts concluded with customers and repo transactions.

The tables below present detailed quantitative information on counterparty credit risk exposure in accordance with the requirements of Art. 439 and Art. 452 of Regulation 2019/876 and the Commission Implementing Regulation (UE) 2021/637):

- Template EU CCR1 - Analysis of CCR exposure by approach,
- Template EU CCR2 - Transactions subject to own funds requirements for CVA risk,
- Template EU CCR4 - IRB approach – CCR exposures by exposure class and PD scale.

(PLN million)

Template EU CCR1 - Analysis of CCR exposure by approach

		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)	0	0		1.4	0	0	0	0
EU-2	EU - Simplified SA-CCR (for derivatives)	0	0		1.4	0	0	0	0
1	SA-CCR (for derivatives)	834	1,117		1.4	3,611	1,445	1,445	588
2	IMM (for derivatives and SFTs)			0	0	0	0	0	0
2a	*Of which securities financing transactions netting sets*			0		0	0	0	0
2b	*Of which derivatives and long settlement transactions netting sets*			0		0	0	0	0
2c	*Of which from contractual cross-product netting sets*			0		0	0	0	0
3	Financial collateral simple method (for SFTs)					0	0	0	0
4	Financial collateral comprehensive method (for SFTs)					230	230	230	16
5	VaR for SFTs					0	0	0	0
6	**Total**					**3,841**	**1,675**	**1,675**	**604**

Template EU CCR2 - Transactions subject to own funds requirements for CVA risk

		a	b
		Exposure value	RWEA
1	Total transactions subject to the Advanced method	0	0
2	(i) VaR component (including the 3× multiplier)		0
3	(ii) stressed VaR component (including the 3× multiplier)		0
4	Transactions subject to the Standardised method	968	142
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	0	0
5	**Total transactions subject to own funds requirements for CVA risk**	**968**	**142**

(PLN million)

Template EU CCR4 – IRB approach - CCR exposures by exposure class and PD scale

		a	b	c	d	e	f	g
	PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amounts
Institutions	0.00 to <0.15	1,279	0.07	27	36.83	1	135	10.50%
Institutions	od 0.15 to <0.25	189	0.16	12	28.01	1	46	24.47%
Institutions	od 0.25 to <0.50	69	0.40	10	35.22	3	34	49.17%
Institutions	od 0.50 to <0.75	-	-	-	-	-	-	-
Institutions	od 0.75 to <2.50	-	-	-	-	-	-	-
Institutions	od 2.50 to <10.00	3	5.01	3	38.13	0	4	129.77%
Institutions	od 10.00 to <100.00	-	-	-	-	-	-	-
Institutions	100.00 (Default)	-	-	-	-	-	-	-
Institutions	**Subtotal**	**1,540**	**0.10**	**52**	**35.68**	**1**	**219**	**14.21%**
Corporates Specialised lending	0.00 to <0.15	26	0.13	27	33.75	3	8	31.93%
Corporates Specialised lending	od 0.15 to <0.25	5	0.23	3	42.33	4	3	51.64%
Corporates Specialised lending	od 0.25 to <0.50	104	0.40	64	41.08	4	113	108.45%
Corporates Specialised lending	od 0.50 to <0.75	1	0.66	2	33.68	2	0	48.15%
Corporates Specialised lending	od 0.75 to <2.50	-	-	-	-	-	-	-
Corporates Specialised lending	od 2.50 to <10.00	2	5.15	4	36.09	2	3	123.63%
Corporates Specialised lending	od 10.00 to <100.00	-	-	-	-	-	-	-
Corporates Specialised lending	100.00 (Default)	-	-	-	-	-	-	-
Corporates Specialised lending	**Subtotal**	**138**	**0.44**	**100**	**39.63**	**4**	**127**	**91.90%**
Corporates SME	0.00 to <0.15	-	-	-	-	-	-	-
Corporates SME	od 0.15 to <0.25	10	0.18	29	46.98	1	3	30.91%
Corporates SME	od 0.25 to <0.50	6	0.33	33	44.59	3	3	59.64%
Corporates SME	od 0.50 to <0.75	8	0.62	38	44.23	1	5	60.22%
Corporates SME	od 0.75 to <2.50	6	1.49	34	45.24	2	5	86.40%
Corporates SME	od 2.50 to <10.00	3	4.93	28	46.40	1	4	136.19%
Corporates SME	od 10.00 to <100.00	-	-	-	-	-	-	-
Corporates SME	100.00 (Default)	4	100.00	2	54.31	1	30	780.70%
Corporates SME	**Subtotal**	**37**	**10.99**	**164**	**46.40**	**1**	**50**	**136.70%**
Corporates Other	0.00 to <0.15	14	0.09	2	51.17	1	3	22.14%
Corporates Other	od 0.15 to <0.25	48	0.22	9	58.58	1	23	47.06%
Corporates Other	od 0.25 to <0.50	114	0.46	19	58.12	1	85	75.05%
Corporates Other	od 0.50 to <0.75	-	-	-	-	-	-	-
Corporates Other	od 0.75 to <2.50	46	1.04	26	58.58	3	61	133.93%
Corporates Other	od 2.50 to <10.00	0	2.61	2	58.58	1	1	151.65%
Corporates Other	od 10.00 to <100.00	10	27.50	1	58.58	5	41	388.48%
Corporates Other	100.00 (Default)	-	-	-	-	-	-	-
Corporates Other	**Subtotal**	**232**	**1.72**	**59**	**57.91**	**2**	**214**	**91.96%**
Total (all portfolios)		**1,947**	**0.53**	**375**	**38.81**	**1**	**610**	**31.31%**

6.4. Information on forborne exposures

The Group supports to its clients at each stage of financing. The Bank and subsidiaries offer products suited to their needs; should delays occur in repayment, the Group propose flexible repayment schedules. In case of more serious problems in repayment, the Group may offer to restructure the debt. Then, jointly with the client, the Bank or subsidiaries set the best form of support or a settlement.

The main objective of the actions taken in the portfolio in Stage 3 is to mitigate the risk of losses to the Group or the volume of such losses.

Forbearance occurs when the Group determines that the client is not able to comply with their financial obligations due to financial difficulties (identified or expected) and decides to grant forbearance.

Forbearance is identified if all of the following conditions are satisfied:

- the client is unable to meet his financial obligations under a loan agreement due to existing or anticipated financial difficulties,
- the Bank or bank's subsidiary grants a facility for the mitigation of conditions of the loan agreement which would not have been granted had the customer not been in financial difficulty.

The table below presents detailed quantitative information on restructured exposures required by Article 442 of Regulation 2019/876, in accordance with requirements of the Commission Implementing Regulation (UE) 2021/637).

Additional information on forbearance is included in the annual consolidated financial statements of the ING Bank Śląski S.A. Group for the year 2024 in the part Risk and equity management, in chapter II. Risk management, point 2. Credit risk.

(PLN million)

Template EU CQ1: Credit quality of forborne exposures

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	0	0	0	0	0	0	0	0
010	**Loans and advances**	**3,518**	**3,165**	**3,165**	**3,165**	**-116**	**-1,227**	**3,510**	**754**
020	Central banks	0	0	0	0	0	0	0	0
030	General governments	0	0	0	0	0	0	0	0
040	Credit institutions	0	0	0	0	0	0	0	0
050	Other financial corporations	2	4	4	4	0	-2	0	0
060	Non-financial corporations	2,844	2,565	2,565	2,565	-98	-865	2,913	664
070	Households	672	596	596	596	-18	-360	597	90
080	**Debt Securities**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
090	**Loan commitments given**	**394**	**84**	**84**	**84**	**-11**	**-27**	**1**	**1**
100	Total	3,912	3,249	3,249	3,249	-127	-1,254	3,511	755

6.5. Use of IRB approach to credit risk

Pursuant to the letter of 4 July 2013, the Group obtained approval of the Polish Financial Supervision Authority and the National Bank of the Netherlands to use the advanced internal ratings method (AIRB method) for the Bank and ING Lease Sp. z o.o. for exposure classes:

- companies (excluding companies for which the Bank has obtained supervisory approval for permanent use of the standardised approach based on Article 150 of the Regulation CRR),
- institutions (excluding lending exposures to entities consolidated by the Bank and covered by a unified risk management system for which the Bank has obtained consent to apply the standardised approach with the possibility of applying a 0% risk weight under Article 113 sec. 7 and 150 sec. 1 point f) of the Regulation CRR).

6.5.1. The control mechanisms for rating systems and the role of the functions involved in the development, approval and subsequent changes of models

The Group's model risk management and control structure is based on the three-line model defense approach:

- The first line of model defense (1MLoD) includes, among others, units executing their strategies using models, support units for these units, and in particular risk units, units responsible for model development, and data management units. In these units, the roles of the model owner, modeler, data owner/custodian are identified,
- The second line of model defense (2MLoD) consists of units performing supervisory functions and specializing in model risk management and model validation, in the Bank it is the Model Risk Management Department, within which the roles of the model risk manager and validator are identified,
- The third line of model defense (3MLoD) is internal audit (DAW).

The concept of 3 lines of defense of a model is similar to the three lines of defense used in individual risks maanagement, which aims to provide a sound framework for managing financial and non-financial risks by defining and implementing three "levels" of risk management, with distinct roles, executive responsibilities and supervisory responsibilities. The difference between traditional lines of defense and model lines of defense is that any of the traditional lines of defense can be the first line of defense of the model, e.g. if it is the model owner.

Each activity related to the implementation of extensions and changes to the IRB method is assigned to local participants from the Bank who fulfil specific roles.

In the event of a significant extension and modification that require permission from the competent authorities, the Internal Audit Department (DAW) – the third lines of defence:

- audits the construction and validation of models,
- verifies the correctness of the application, before its submission,
- is informed about the content of the documentation submitted to the PFS / ECB,
- conducts an independent review of the implementation of potential supervisory conditions.

In the event of extensions and changes involving the need to notify the competent authorities before their implementation - DAW receives information to be forwarded, developed on the basis of the Bank's decision to change the IRB method by the initiator of the change. The DAW does not participate in the extension and modification process that requires notification after their implementation.

DAW also verifies the results of the annual self-assessment of compliance with regulatory requirements in relation to the guidelines set out in Part 3 of the CRR Regulation, with appropriate consideration of other necessary requirements (supervisory regulations). As part of this self-assessment, DAW is responsible for the preparation of documentation for monitoring the correct operation of the IRB method, including the preparation of a list of internal audits carried out in the field of the functioning of rating systems - both in relation to the models used and other aspects of the rating systems functioning, along with information on significant findings resulting from the reviews carried out.

The bank regularly reviews the compliance of the IRB approach with regulatory requirements. As part of this monitoring, the Bank performs:

- self-assessment of the IRB method, under which it submits to the Polish Financial Supervision Authority:
  - the results of the annual self-assessment of compliance with regulatory requirements in relation to the guidelines set out in Part 3 of the Regulation CRR, with due consideration of other necessary requirements (supervisory regulations),
  - a list of internal audits performed on the operation of the rating systems,
  - a list of other extensions and changes to the IRB method that require notification after implementation,
  - a list of planned extensions or changes to the IRB method within 1 year,
  - the results of periodic review of the IRB estimates for each of the parameters used under the IRB Approach,
  - a statement of the value of own funds and capital requirements, including information on additional restrictions.

  The results of the review and self-assessment of the Bank's compliance with the regulatory requirements of the IRB method are approved by the Bank's Management Board,

- assessment of compliance with the application test (hereinafter: use test) in accordance with Article 144, section 1, letter b) of the Regulation CRR. The report is approved by the Credit Policy Committee,
- as part of ensuring the consistency of the Policy at the level of the ING Bank Śląski Group, the Bank, during the compliance reviews of the AIRB method, controls the correct operation of the IRB method in all rating systems covered by this method, including subsidiaries.

The Bank reduces the model risk primarily by establishing a comprehensive and reliable model management process ensuring comprehensive identification, measurement, control, response and monitoring of model risk. The principles of model and model risk management are set out in the Model Risk Management Policy and its standards, including the standards of model building, model monitoring and model risk management. These rules are subject to periodic reviews aimed at continuous improvement of the methodology of model and risk management.
The key controls in the model risk management process used in individual rating systems are:

- development of models by a specialized internal unit responsible for the construction of models,
- determination of model significance and annual reviews of model significance,
- approval of models and their changes by the Credit Policy Committee,
- conducting model tests,
- periodic monitoring of the effectiveness of models,
- model validation, which is performed by a validation unit independent of the model builder, prior to model approval and periodically,
- assessment of model risk in individual and aggregated terms and monitoring of the model risk level in the context of the adopted model risk tolerance level,
- recording models, information about models and model changes in the model register,

- recording findings regarding the weaknesses of models identified during the monitoring of the effectiveness of models and their validation and audits, as well as monitoring the status of implementation of actions taken,
- quarterly reporting of the model risk level and key information on its management to the Credit Policy Committee, Model Risk Committee, the Bank's Management Board and the Supervisory Board.

The independence of the model validation unit from the model building unit is ensured at the organizational level by reporting directly to the vice president responsible for risk management (CRO).

The key roles involved in model development and approval are:

- Model owner - is responsible for the model throughout its lifecycle, both to internal stakeholders and, where appropriate, to an external validator. The model owner is responsible for ensuring that all stages of the model life cycle are completed correctly, the functionality of the model meets the needs of users, the information about the model in the model registry is complete and up-to-date,
- Model builder - is responsible for developing/changing the model in accordance with the internal and external requirements,
- Model validator - is responsible for the independent assessment (validation) of the model and for informing the internal validator whether the model is suitable for its intended use. A model validator must not be involved in the modelling process and must be independent of the model owner, model validator and modeller.
- Credit Policy Committee - approves newly developed or rebuilt models for use, their documentation and model validation results, and approves the standards for building, monitoring and managing credit risk models,
- Data owner/custodian - defines a data strategy for a specific data category and model; The data guardian (administrator) is responsible for implementing the data owner's strategy. The data owner and custodian are responsible for data provision and overall data support during the model lifecycle: data quality, validation and improvement,
- Model risk manager - monitors model risks and is responsible for supervising the model life cycle and the model risk management process. The Model Risk Manager verifies and approves the model classification and may consult with the model validator. He advises the first line of model defence units (the owner and his/her support roles) and monitors and reports exposures to model risk and has the right to verify the implementation of model risk management at any stage of the model life cycle.

6.5.2. The scope and main content of the reporting related to credit risk models

Credit risk management at the Bank is based on advanced credit risk assessment models. In the credit risk reporting process, information relating to IRB models is taken into account with the frequency adjusted to the materiality and type of information presented and the recipient's position. As a rule, detailed information related to the IRB models is presented to senior management, in particular:

- to the Bank's Management Board - results of monitoring the correct operation of the IRB method, in accordance with the "Policy of changes and monitoring of the internal ratings method at ING Bank Śląski S.A.",
- Credit Policy Committee - results of monitoring of credit risk models in accordance with the "Instructions for managing credit risk models at ING Bank Śląski S.A." and the results of model validation in accordance with the "Policy for models validation",

- Asset and Liability Committee (ALCO) - stress tests in accordance with the "Policy of conducting stress tests".

As part of the quarterly report of the Risk Division (Risk Management Report), the results of the credit risk profile analysis of corporate exposure portfolios and mortgage-secured retail exposures are presented to the Bank's Management Board, Supervisory Board and the Risk Committee of the Supervisory Board in accordance with the model monitoring process, in particular:

- risk profile by grade,
- migration across grades,
- estimation of the relevant parameters per grade,
- comparison of realized default rates, realised LGDs and realised conversion factors (CCFs) against expectations.

In the credit risk management process, the Bank also takes into account data on impairment losses (credit provisions) presented in the Risk Management Report.

6.5.3. A description of the internal ratings process

Determination of the client's risk class is an integral part of the Group's credit risk evaluation process for credit exposures. The risk class itself is determined by coherently-used rating system. The rating assignment process is independent of the credit decision approval process or reviews within the credit process. At the same time, the rating process is finalized before the credit decision is made.

As far as the exposures to companies and institutions are concerned, ING Group applies a 22-grade rating scale with respect to entrepreneurs where classes reflect the borrower's risk. Some credit risk models used by the Bank assign rating sub-classes to have better granularity of the rating scale. Those subclasses should be treated as a part of the full rating class.

The largest number of customers is concentrated in the rating range 9-15. The customer is assigned to a given risk class based on the rating models, using the data from the customer's financial reports, evaluation of qualitative factors and, in particular cases, financial standing of the parent company.

Risk rating is assigned to the customer in the first place in line with the value of probability of default given by rating model. The following description of characteristics for each risk class is treated alternatively, in particular when ratings assigned on the basis of models are subject to appeal.

Risk classes can be divided into below basic groups:

- group of low risk grades equivalent to investment grades (risk classes 1-10),
- group of medium and high risk grades equivalent to speculative grades (risk classes 11-17),
- group of potentially non-performing grades (risk classes 18-19) and group of non-performing grades (risk classes 20-22).

Group of low risk classes (1-10) include borrowers with solid income and margin levels, strong balance sheet structure and stable long-term perspectives. In the top grades of this range, the borrowers occupying the position of market leaders are classified who are relatively less susceptible to adverse market fluctuations. Such borrowers have free, that is "at their discretion", access to the financing available on the markets at any time.

Group of medium and increased risk classes (11-17) covers a relatively large range of risk levels, and can be divided into:

- the borrowers with the best grades within this class, who currently meet their financial obligations, however their debt servicing capacity (the principal and interest) may turn out to be uncertain over a longer period of time. So the safety margin is limited. In adverse business environment or unfavourable economic conditions there is a real threat that credit risk may increase,

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

- the borrowers assigned higher risk grades (the worst grades in this class) which, in a longer perspective, may be characterized by: uncertainty as to their income perspectives, lower quality of assets and risk of the capital level mismatch that may translate into possible losses.

Borrowers with grades 18-22 is a group that includes the borrowers who show clear indications of problems with debt servicing or are in the situation referred to as 'an event of default' has already occurred. This group includes also the clients whose exposures are in Forbearance status in the event that, during the trial period of exiting Forbearance, an exposure with the Forbearance status is overdue by more than 30 calendar days or another forbearance facility is granted to a given exposure. The definition of a default event determines the reclassification of such a client to rating class 20-22.

The table below presents the structure of correlations between internal and external rating systems:

ING Rating Risk class	S&P/Fitch IBCA Rating	Moody's Rating
1	AAA	Aaa
2	AA+	Aa1
3	AA	Aa2
4	AA-	Aa3
5	A+	A1
6	A	A2
7	A-	A3
8	BBB+	Baa1
9	BBB	Baa2
10	BBB-	Baa3
11	BB+	Ba1
12	BB	Ba2
13	BB-	Ba3
14	B+	B1
15	B	B2
16	B-	B3
17	CCC	Caa1, Caa2, Caa3
18	CC	Ca
19	C	C
20	D	C
21	D	C
22	D	C

6.5.4. Models for basic risk parameters

Following the requirement of the continuous compliance with the advanced internal-ratings based approach (AIRB) for the purpose of regulatory capital calculation, the Bank developed, implemented, monitored and validated local and global models for the following basic risk parameters for classes of assets in line with AIRB:

- PD (probability of default),
- LGD (loss given default),
- EAD (exposure at default).

The models used by the Group for risk management are systematically validated and developed.

In assessing credit risk, the Group uses the following models of the IRB method:

- SME Rating Model (KC and KM) - the SME Rating Models are applicable to business entities registered in Poland, with annual sales to EUR 100 million, that are out of the scope of mass segment for business clients (Easy Lending). KM model is the redeveloped version of KC model, obligors rated with KC model will ultimately migrate to KM model by the end of July 2025. Excluded from the models are governments and public administration units, banks and financial institutions as well as specialised entities. The KC model generates ratings from 8 to 18, and the rating 19 (potentially irregular loans) is determined in an expert approach. It consists of a Quantitative (Financial Strength) and Qualitative sub-modules (market position, quality of management, industry sector etc.). The KM Model generates ratings from 8 to 19. It consists of a Quantitative (Financial Strength and behavioural assessment) and Qualitative sub-modules (quality of management).

- Large Corporate Rating Model (CL) - the Large Corporate Rating Model is applicable to large corporates with annual consolidated sales exceeding EUR 100 million or registered outside of Poland, except for specialised entities. The model generates ratings from 1 to 19, the ratings 18 and 19 can be determined automatically or in an expert approach. The CL Mode – similar to SME – consists of the Financial and Qualitative sub-modules.

- Trade and Commodity Finance Rating Model (CT) - the CT Model is a rating model for the Trade and Commodity Finance type of clients (financing of commodity trading such as, for example, oil and gas, chemicals, fertilizers or grains). It is an expert model consisting of a scorecard module and a parent-influence module (only for subsidiaries); the scoring card comprises five main risk categories (financial and business-related). The model produces a score ranging from 10 to 40 that is mapped to a rating ranging from 8 to 17, whereas start-ups receive an automatic rating of CT 14.

- Project Finance Rating Model (JP) - the model is applicable to project finance entities. It is an expert model consisting of a main scorecard (for post-completion projects), including five categories of risk drivers and a set of possible adjustments (for pre-completion projections, sector-specific or the Debt Service Coverage Ratio). The model produces ratings from 8 to 17.

- Commercial Property Finance (RD, RF) and Commercial Property Finance Orphans (RR) - rating models broken down by main exposure criterion at the time of granting above EUR 3 million eligible for the CPF or CPF Orphans model. The CPF model is a statistical model divided into sub-models of financing the operation phase (IPRE) and construction phase (Construction), while the CPF Orphans model is an expert model, divided into 4 sub-models: for clients generating rental income (IPRE type), investment funds (REIF type), real estate developers (RPRJ type) and land owners for future investments. The designated risk classes are in the range of 5 to 19 for the CPF Orphans model and 6 (IPRE) or 10 (Construction) to 19 for the CPF model.

- Finance Institutions Rating Models (FA, FB, FM, FF, FH, FU) - rating models for financial entities, such as lending institutions, entities granting instalment loans, mortgage loans, leasing, factoring, vendor companies, liquidity management groups of other entities , investment funds, hedge funds, brokers/dealers, insurance companies and fund managers. These are expert models consisting of a scoring card, a mechanism of adjustments adapted to the specificity of the portfolio and limitations to the level of the central government. Risk classes range from 1 to 19.

- Commercial Banks Rating Model (BC) - it is an expert rating model for commercial banks, consisting of 14 risk drivers, eight quantitative and six qualitative. The model has a scorecard that determines the financial strength which can be subject to certain adjustments (for example, quality of management, regulatory environment, domestic macro risk, or sovereign risk). Ratings range from 1 to 19.

The Bank's LGD models (Loss Given Default) – applied depending on the client type – are used to determine the anticipated loss in the event of a default of a customer. It is expressed as a portion of the Exposure at Default (EAD) that the Bank will not recover in such an event. LGD is the function of – among others – the type and value of collateral as well as the type of facility (product). Specific groups of collateral have assigned recovery rates that, for example in the LGD ML-CORP (CL) model, range from 100% for cash collateral to, for example, 30% for inventory (a separate set of recovery rates exists for guarantees).
The aforementioned Exposure at Default takes into account the type of facility through the Cash Conversion Factor. It is the portion of the unutilised amount of the limit that is expected to be utilised at the time of default (expressed as a percentage larger than zero).

Following the requirement of the continuous compliance with the advanced internal-ratings based approach (AIRB) for the purpose of regulatory capital calculation the ING Group and the ING Bank Śląski S.A. developed regulations to ensure compliance with Article 452 point f) Regulation 2019/876 of the European Parliament and of the Council of 20 May 2019:

- Methodology Standards for Credit Risk IRB Models,
- Monitoring and Testing Standards for Credit Risk IRB Models,
- ING Bank Slaski technical guidelines for validation of IRB model.

The above regulations contain guidelines covering:

- the definitions, methods and data for estimation and validation of PD,
- information on how PDs are estimated for low default portfolios,
- whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods,
- the definitions, methods and data for estimation and validation of LGD, such as methods to calculate downturn LGD,
- how LGDs are estimated for low default portfolio,
- the time lapse between the default event and the closure of the exposure,
- the definitions, methods and data for estimation and validation of conversion factors, including assumptions employed in the derivation of those estimations.

The tables below (broken down by exposure classes) present the PD values, the number of obligors and the values of default rate for the IRB method, accordance with the requirements of Art. 452 point h) of Regulation 2019/876 and the Commission Implementing Regulation (UE) 2021/637:

- Template CR9 –IRB approach – Back-testing of PD per exposure class (fixed PD scale),
- Template CR9.1 –IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR).

(PLN million)

Template CR9 –IRB approach – Back-testing of PD per exposure class (fixed PD scale)

Exposure class	PD range	Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Institutions	0.00 to <0.15	219	0	0.00	0.10	0.11	0.00
	0.00 to <0.10	80	0	0.00	0.09	0.07	0.00
	0.10 to <0.15	139	0	0.00	0.14	0.14	0.00
	0.15 to <0.25	51	0	0.00	0.21	0.21	0.00
	0.25 to <0.50	42	0	0.00	0.42	0.38	0.00
	0.50 to <0.75	2	0	0.00	0.55	0.55	0.00
	0.75 to <2.50	39	0	0.00	2.05	1.48	0.00
	0.75 to <1.75	27	0	0.00	1.13	1.09	0.00
	1.75 to <2.5	12	0	0.00	2.37	2.37	0.00
	2.50 to <10.00	11	0	0.00	2.61	5.55	1.89
	2.5 to <5	8	0	0.00	2.61	4.50	1.43
	5 to <10	3	0	0.00	8.35	8.35	2.50
	10.00 to <100.00	9	0	0.00	16.86	18.79	0.00
	10 to <20	8	0	0.00	16.32	16.32	0.00
	20 to <30	-	-	-	-	-	-
	30 to <100	1	0	0.00	38.50	38.50	0.00
	100.00 (Default)	-	-	-	-	-	-
Corporates Specialised lending	0.00 to <0.15	4	0	0.00	0.13	0.13	0.00
	0.00 to <0.10	-	-	-	-	-	-
	0.10 to <0.15	4	0	0.00	0.13	0.13	0.00
	0.15 to <0.25	14	1	7.14	0.23	0.22	1.43
	0.25 to <0.50	179	0	0.00	0.39	0.41	0.00
	0.50 to <0.75	8	0	0.00	0.66	0.59	0.00
	0.75 to <2.50	218	0	0.00	1.21	1.12	0.11
	0.75 to <1.75	192	0	0.00	1.10	0.95	0.00
	1.75 to <2.5	26	0	0.00	1.99	2.35	1.18
	2.50 to <10.00	21	1	4.76	5.58	6.04	0.95
	2.5 to <5	13	1	7.69	3.75	4.60	1.54
	5 to <10	8	0	0.00	6.07	8.38	0.00
	10.00 to <100.00	21	2	9.52	33.12	23.37	1.90
	10 to <20	10	0	0.00	16.32	16.32	0.00
	20 to <30	6	2	33.33	25.00	25.42	6.67
	30 to <100	5	0	0.00	33.57	35.00	0.00
	100.00 (Default)	-	-	-	-	-	-
Corporates SME	0.00 to <0.15	1	0	0.00	0.11	0.09	0.00
	0.00 to <0.10	1	0	0.00	0.00	0.09	0.00
	0.10 to <0.15	-	-	-	-	-	-
	0.15 to <0.25	493	1	0.20	0.18	0.17	0.16
	0.25 to <0.50	1,360	6	0.44	0.33	0.35	0.44
	0.50 to <0.75	2,085	13	0.62	0.62	0.59	0.76
	0.75 to <2.50	4,056	52	1.28	1.55	1.60	1.42
	0.75 to <1.75	2,204	20	0.91	1.44	1.22	1.13
	1.75 to <2.5	1,852	32	1.73	2.06	2.06	1.78
	2.50 to <10.00	2,665	82	3.08	5.20	5.17	3.32
	2.5 to <5	1,955	49	2.51	3.83	4.10	2.55
	5 to <10	710	33	4.65	7.51	8.12	6.14
	10.00 to <100.00	748	70	9.36	21.18	22.09	12.39
	10 to <20	439	30	6.83	12.67	14.44	9.65
	20 to <30	159	11	6.92	26.00	26.70	14.02
	30 to <100	150	29	19.33	47.15	39.61	17.96
	100.00 (Default)	-	-	-	-	-	-

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

Template CR9 –IRB approach – Back-testing of PD per exposure class (fixed PD scale)

Exposure class	PD range	Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Corporates Other	0.00 to <0.15	36	0	0.00	0.09	0.09	0.00
	0.00 to <0.10	18	0	0.00	0.07	0.08	0.00
	0.10 to <0.15	18	0	0.00	0.11	0.11	0.00
	0.15 to <0.25	74	2	2.70	0.20	0.21	0.54
	0.25 to <0.50	156	1	0.64	0.41	0.41	0.26
	0.50 to <0.75	2	0	0.00	0.60	0.59	0.20
	0.75 to <2.50	218	0	0.00	1.12	1.20	0.40
	0.75 to <1.75	215	0	0.00	1.08	1.18	0.38
	1.75 to <2.5	3	0	0.00	2.10	2.32	0.39
	2.50 to <10.00	78	1	1.28	3.72	3.69	0.86
	2.5 to <5	75	1	1.33	3.42	3.47	0.96
	5 to <10	3	0	0.00	8.75	9.18	0.73
	10.00 to <100.00	25	4	16.00	25.34	22.04	5.14
	10 to <20	12	0	0.00	16.29	16.32	1.08
	20 to <30	13	4	30.77	27.50	27.31	7.55
	30 to <100	-	-	-	-	-	-
	100.00 (Default)	-	-	-	-	-	-

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

Template CR9.1 –IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)

Exposure class	PD range	External rating equivalent	Number of obligors (at the end of previous year)	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
a	b	c	d	e	f	g	h
Institutions	0.02449500 to 0.03464100	AA	3	0	0.00	0.03	0.00
	0.03464100 to 0.04472100	AA-	6	0	0.00	0.05	0.00
	0.04472100 to 0.05489500	A+	36	0	0.00	0.06	0.00
	0.05489500 to 0.07327700	A	16	0	0.00	0.07	0.00
	0.07327700 to 0.10983900	A-	36	0	0.00	0.10	0.00
	0.10983900 to 0.16931700	BBB+	133	0	0.00	0.14	0.00
	0.16931700 to 0.26841300	BBB	41	0	0.00	0.22	0.00
	0.26841300 to 0.43756600	BBB-	25	0	0.00	0.33	0.00
	0.43756600 to 0.73355600	BB+	19	0	0.00	0.48	0.00
	0.73355600 to 1.26465200	BB	11	0	0.00	0.76	0.00
	1.26465200 to 2.24209800	BB-	15	0	0.00	1.35	0.00
	2.24209800 to 4.08777200	B+	12	0	0.00	2.37	0.00
	4.08777200 to 7.66418200	B	8	0	0.00	4.50	1.67
	7.66418200 to 14.77718200	B-	3	0	0.00	8.35	2.50
	14.77718200 to 22.72823100	CCC	8	0	0.00	16.32	0.00
	29.58039900 to 100.00000000	C	1	0	0.00	38.50	0.00
Corporates Specialised lending	0.07327700 to 0.10983900	A-	1	0	0.00	0.10	0.00
	0.10983900 to 0.16931700	BBB+	4	0	0.00	0.15	0.00
	0.16931700 to 0.26841300	BBB	13	1	7.69	0.22	1.54
	0.26841300 to 0.43756600	BBB-	49	0	0.00	0.31	0.00
	0.43756600 to 0.73355600	BB+	130	0	0.00	0.45	0.00
	0.73355600 to 1.26465200	BB	133	0	0.00	0.75	0.00
	1.26465200 to 2.24209800	BB-	67	0	0.00	1.32	0.00
	2.24209800 to 4.08777200	B+	26	0	0.00	2.35	1.18
	4.08777200 to 7.66418200	B	13	1	7.69	4.60	1.54
	7.66418200 to 14.77718200	B-	8	0	0.00	8.38	0.00
	14.77718200 to 22.72823100	CCC	10	0	0.00	16.32	0.00
	22.72823100 to 29.58039900	CC	6	2	33.33	25.42	6.67
	29.58039900 to 100.00000000	C	5	0	0.00	35.00	0.00
Corporates SME	0.07327700 to 0.10983900	A-	1	0	0.00	0.09	0.00
	0.10983900 to 0.16931700	BBB+	486	1	0.21	0.17	0.16
	0.16931700 to 0.26841300	BBB	8	0	0.00	0.24	0.00
	0.26841300 to 0.43756600	BBB-	1,346	6	0.45	0.34	0.45
	0.43756600 to 0.73355600	BB+	13	0	0.00	0.42	0.00
	0.73355600 to 1.26465200	BB	2,089	13	0.62	0.59	0.76
	1.26465200 to 2.24209800	BB-	2,200	20	0.91	1.22	1.13
	2.24209800 to 4.08777200	B+	1,852	32	1.73	2.06	1.78
	4.08777200 to 7.66418200	B	2,059	49	2.38	4.19	2.51
	7.66418200 to 14.77718200	B-	606	33	5.45	8.49	6.53
	14.77718200 to 22.72823100	CCC	438	29	6.62	14.44	9.60
	22.72823100 to 29.58039900	CC	160	12	7.50	26.63	14.14
	29.58039900 to 100.00000000	C	150	29	19.33	39.61	17.96
Corporates Other	0.03464100 to 0.04472100	AA-	1	0	0.00	0.05	0.00
	0.04472100 to 0.05489500	A+	4	0	0.00	0.06	0.00
	0.05489500 to 0.07327700	A	4	0	0.00	0.07	0.00
	0.07327700 to 0.10983900	A-	23	0	0.00	0.10	0.00
	0.10983900 to 0.16931700	BBB+	24	0	0.00	0.15	0.00
	0.16931700 to 0.26841300	BBB	53	2	3.77	0.23	0.75
	0.26841300 to 0.43756600	BBB-	73	0	0.00	0.33	0.09
	0.43756600 to 0.73355600	BB+	84	1	1.19	0.49	0.50
	0.73355600 to 1.26465200	BB	91	0	0.00	0.82	0.20
	1.26465200 to 2.24209800	BB-	126	0	0.00	1.43	0.40
	2.24209800 to 4.08777200	B+	49	0	0.00	2.60	0.37
	4.08777200 to 7.66418200	B	29	1	3.45	4.82	1.17
	7.66418200 to 14.77718200	B-	3	0	0.00	9.18	1.62
	14.77718200 to 22.72823100	CCC	12	0	0.00	16.32	1.08
	22.72823100 to 29.58039900	CC	13	4	30.77	27.31	7.55

*In the above table, PD range and external rating for the value of zero are omitted.

7. Operational risk

7.1. General description of the operational risk management process at the ING Bank Śląski S.A. Group

ING Bank Śląski S.A. Group manages operational risk pursuant to the laws, recommendations and resolutions of the Polish Financial Supervision Authority and of other regulators.

The operational risk management process in the ING Bank Śląski S.A. Group is based on common principles in line with the ING Group's approach.

The operational risk management system was developed in accordance with the rule of proportionality, i.e. taking into consideration the nature, scale and complexity of the business activity and the significance of processes and the Bank operational risk profile. The system covers all spheres of the Bank's activity and the Bank Group's activity, cooperation with outsourcers, clients and partners and is a consistent and permanent practice covering the following elements:

- risk identification and assessment,
- risk mitigation,
- execution of controls,
- monitoring, reporting and quality assurance.

The operational risk management at the Bank is supervised by the Bank's Supervisory Board, in subsidiaries by the subsidiaries' Supervisory Boards, which, based on periodic management information, assess the effectiveness of activities in this respect.

Having obtained the Supervisory Board's approval, the Management Board of the Bank and the Boards of Directors of the subsidiaries implement the operational risk management strategy by defining the risk appetite and introducing a coherent package of internal normative documents regulating the scope, principles and obligations of the employees of the Bank and the subsidiaries in the area of operational risk management.

A particularly important role in ensuring continuity and coherence of risk management in the Group is played by the Non-financial Risk Committees, which cover operational and compliance risks.

The Bank maintains a complete, consistent and transparent structure of operational risk management and clearly stated scope of duties and responsibilities.

The structure of operational risk management takes account of the scope and specific nature of the Bank and subsidiaries operations and is based on the model of three lines of defence.

1st line of defence

It is composed of business units and other units of the Bank that support the Business organizationally, reporting and/or technologically. The first line of defence is responsible for developing, implementing and performing risk mitigation controls.

The scope of responsibilities includes in particular:

- risk management in its area of responsibility,
- carrying out risk assessments and taking mitigating actions in order to maintain the risk at the level set in risk appetite,
- implementing, using and testing of controls resulting from policies and other regulations,
- registering internal events and monitoring of losses,
- maintaining business continuity,
- ensuring identification of risks and control mechanisms for products and processes in accordance with the rules binding in the Bank,
- carrying out risk assessments and taking mitigating actions to maintain risk levels consistent with the designated risk appetite,

- implementation, application and testing of control mechanisms resulting from policies and other regulations, also for outsourced activities,
- supervision, monitoring of risks and controls for products and processes in its area of responsibility, including outsourced activities,
- recording internal events and monitoring losses,
- ensuring that actions are taken following audit and non-audit recommendations,
- business continuity.

Making business decisions, the first line of defence must take into account the opinion of the second line of defence. The first line of defence bears responsibility for implementing the solution.

2nd line of defence

It is composed of risk and compliance units.

The main task of the second line of defence is to support, instruct, advise, challenge and supervise the first line of defence in risk management. 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 the process,
- verifying the application of risk regulations by the first line of defence,
- approval of business proposals affecting the bank's risk profile,
- preparation of management information on risk, taking into account risks affecting the implementation of the Bank's strategy and key risks,
- monitoring risk mitigation activities and changes in the risk profile,
- ensuring the employment of qualified staff in the area of risk management,
- providing independent analysis and expertise to support management,
- analysis and monitoring of threats and trends in phenomena affecting the risk profile,
- execution of tasks resulting from Second line of defence function, including supervising the first line of defence under the fulfilling control requirements specified in the regulations,
- raising risk awareness, exerting influence by stimulating a risk culture and conducting training,
- ensuring adequate quality of data related to risk management.

Within the scope of control activities, the second line of defence units make their own independent assessment of the effectiveness of the first line of defence through: inspections, tests, reviews and other forms of control. Directors of the second line of defence units are authorised to escalate problems to a higher level of management - to the President / Vice President supervising a given unit of the Second Line of Defence, including Non-Financial Risk Committee at ING Bank Śląski and also the Bank Management Board and Supervisory Board, presenting their opinions on business decisions burdened with unacceptable risk.

3rd line of defence

It is the internal audit function which independently assesses the internal control system in relation to risks identified in processes and managing these risks by first and second line of defence.

7.2. Methods applied to quantify capital requirement for the operational risk

For the purpose of calculating regulatory capital requirements for operational risk, the ING Bank Śląski S.A. on a consolidated basis (ING Bank Śląski S.A. Capital Group) uses the Standardised Approach (TSA).

For the calculation of economic capital, the Capital Group uses the Advanced Measurement Approach (AMA).

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

The model applied by the ING Bank Śląski S.A. Group is a hybrid model combining the actual loss data and the data collected on the basis of expert judgments. It is based on the Loss Distribution Approach which is applied to set capital requirements by combining the frequency distribution and severity distribution of the events in the operational risk area. Severity describes the potential value of loss, whereas frequency describes the number of potential events during the year. Following the PFSA's requirements and European Union regulations, the four sources of data are used in the ING Bank Śląski S.A. Capital Group's AMA framework:

- internal loss data,
- external loss data,
- scenario analyses,
- business environment and internal control factors.

AMA model takes into account both the event and potential risks of a high frequency and low severity as well as events and potential risks with a low frequency but high severity thus ensures an adequate level of capital in case of unexpected events.

7.3. Gross losses due to the operational risk

In 2024, the ING Bank Śląski S.A. Capital Group reported operational risk losses from internal events at the level of PLN 161 million, including ING Bank Śląski S.A. PLN 159.3 million, ING Lease Polska Sp. z o.o. PLN 1.3 million and ING Commercial Finance Polska PLN 0.3 million.

The operational risk also include losses resulting from compliance and legal risk. Established provisions are included in gross losses. Released provisions reduce the gross loss and increase Bank's income for given year.

Actual losses distribution of the ING Bank Śląski S.A. Group as per type and category of events

	Event type	Event category	Gross losses
1	Clients, Products and Business Practices	Product Flaws / Improper Business or Market Practices /Customer classification and exposures/Customer	117*
2	External Fraud	Theft and Fraud	37
3	Internal Fraud	Theft and Fraud	8
4	Execution, Delivery and Process Management	Monitoring and reporting / Entering, executing, clearing and servicing transactions / Sellers and suppliers/Management of customer accounts/ Counterparties who are not bank customers (e.g. clearing houses) / Customer inflow and customers documentation	7
5	Damage to Physical Assets	Disasters and Other Events	1
6	Business Disruption and System Failures	Systems	-9**
Total			**161**

* The amount includes PLN 90 million provision for legal risk of CHF-indexed mortgage loans which was increased in June and December 2024.
**The amount includes a reversal of a provision in the amount of PLN 9million, established in 2020 in connection with a failure of the Brokerage Office application.

The operational risk losses recorded in 2024 did not exceed the loss limit set at the beginning of the year. The utilisation level of the limit at the end of the year was at 59.5% for the Bank and 51.3% for the Group. At the same time, as a result of direct recoveries and compensation from insurance, the Bank recovered the amount of PLN 3 million, which is 2.0% of the total amount of gross losses incurred by Bank.

The largest losses from operational risk events were the result of:

- an increase in portfolio provisions for foreign currency indexed (CHF) mortgage loans by PLN 90 million,
- costs of legal fees and mediations related to CHF loans legal claims,
- external and internal fraud,
- employee errors during operational activities or delays in the execution of transactions.

The actions to mitigate the likelihood and negative financial consequences of operational risk events focused mainly on:

- ongoing monitoring of risks and trends with regard to products, services and processes,
- monitoring the use of established limits within the agreed risk appetite,
- monitoring the bank's environment and identifying and assessing new risks,
- full completion of actions resulting from the remediation plans after the regulatory inspection and internal and external audits,
- improving the effectiveness of the internal control system in terms of improving the operational procedures applied and other key controls that mitigate the Bank's risks,
- effective management of transaction limits and fraud prevention rules,
- further enhancement of the security level of internet banking services and the modern technologies used,
- analysis of potential threat scenarios,
- raising the level of knowledge through the documents "Knowledge based on experience" (Lessons Learned),
- exchange of knowledge and experiences in cross-bank Working Groups under the Polish Bank Association,
- conducting Special Investigations for new types of cases,
- raising risk awareness among the Bank's customers and employees,
- active monitoring of the correctness of work of employees' and contractors' under outsourced activities.

8. Information on ESG risk

Qualitative and quantitative information on ESG risk, related to the requirements included in Article 449a of Regulation CRR, were presented in the Management Board Report on operations of the ING Bank Śląski S.A. in 2024 in the section ESG risk, on a voluntary basis.

9. Internal capital adequacy assessment

In the Group, the level of own funds is maintained at a level adequate to the risk profile and the scale of the Group's operations. In accordance with the provisions of the Banking Law, the assessment of the adequacy of capital maintained by the Group is made both in normative and internal (economic) perspective, where the economic capital adequacy ratio is a supplement to regulatory measures, i.e. capital ratios and leverage ratio.

The Group defines economic capital (internal capital) as capital needed to cover all material risks identified by the Group in its activities and macroeconomic environment. The capital covers potential unexpected losses to which the Group could be exposed in the future with confidence interval corresponding with desired A- rating (99.9%) and one year horizon. When calculating the total internal capital, the Group sums up the amounts of economic capital per risk type (credit, market, business, liquidity and funding, and operational) and does not take into account the diversification effect between these risk types. The Group assesses the adequacy of internal capital by determining whether own funds are sufficient to cover the total economic capital (surplus of own funds over total economic capital) and by determining whether the economic capital adequacy ratio (ratio of own funds to 12.5 times total economic capital as an analogous measure to capital ratios in Pillar 1) is above 8%.

In 2024, the value of own funds for the Group was above the value of internal capital.

9.1. Material risk types identification

In the Group the Capital Management Policy at ING Bank Slaski S.A. details the process of material risk types identification, the basic elements for their quantification and capital adequacy management rules.

On the basis of above-mentioned document, the Group identifies the following types of risk :

- permanently material risk - the risk which, in view of the nature of the Group's business, is currently material and will be material in the future. The nature of the Group's business shall be understood as deposit and credit services along with related: liquidity, acting in macroeconomic environment and risk management connected with inappropriate and unreliable internal processes, people and technical systems or external events,
- material risk - the risk that may cause potential losses with the frequency of occurrence value qualifying it as material in line with the table below :

Risk materiality classification				
Potential loss (PLN)	**up to 0.2% of own funds**	**from 0.2% to 1% of own funds**	**from 1% to 5% of own funds**	**above 5% of own funds**
At least once a year	Non-material	Material	Material	Material
At least once in 5 years	Non-material	Non-material	Material	Material
Less than once in 5 years	Non-material	Non-material	Non-material	Material

Within ICAAP in the first quarter of 2024 the Risk Materiality Assessment Workshops have taken place in the Group. During the Workshops no changes to the list of material risks were concluded.

As a result of the Workshops the risks have been assessed according to the below listing.

9.2. Economic capital assessment methodology

At present, the Group calculates capital for the following risks:

- Default and counterparty risk and residual risk - the risk of potential losses due to counterparty/debtor's failure to fulfill their obligations towards the Group (including transaction settlement and delivery of financial instrument at agreed date) and the risk of value decline for credit exposure due to deterioration of client's creditability. Economic capital requirement is calculated using modified IRB method (INCAP) and completed with central counterparty credit risk capital and the capital for the credit valuation adjustment (CVA) risk as well as the requirement due to settlement/delivery risk which are calculated in compliance with Regulation CRR. Since June 2014 recession LGD parameter has been also used to calculate capital (residual risk).
- Other non-credit obligation assets risk - the risk of not recovering the value of balance non-credit obligation assets by the Group (DTA, capital exposures and other). The economic capital is calculated in compliance with Regulation CRR (standardised approach).
- Concentration risk - the risk resulting from an excessive exposure towards one entity, affiliated entities or groups of entities with similar characteristics, which are therefore exposed to increased credit risk (e.g. sector concentration). The capital requirement is calculated based on the following rules:
  - for individual borrowers or groups of borrowers with capital or organizational ties - according to the rules for determining regulatory capital requirements defined in Regulation CRR,
  - for borrowers from the same economy sector/geographic sector, running the same business or trading in similar goods - as the excess of the set concentration limit for this exposures group, net of write-offs.
- Residual value risk - the risk arising from the residual value of the leased asset, which is the difference between the value of the asset and the sum of the lease payments. The contractor has the right to purchase the leased asset, but it is not absolutely obliged to do this. Capital requirement is calculated according to Regulation CRR.
- Exchange rate risk – risk of losses due to currency rate fluctuations. Economic capital is calculated by VaR methodology .
- General and specific interest rate risk in trading book – the risk of loss on positions in trading books due to interest rate changes. Economic capital is calculated by VaR methodology .
- Interest rate risk in banking book – risk of loss due to unexpected non-linear shift of the interest rate curve. Economic capital is calculated, depending on the source of risk, based on the IR movement simulation, VaR methodology or a result of two elements: Monte Carlo simulation and replicating portfolio market value.
- Macroeconomic risk - the risk arising from macroeconomic changes and their impact on the minimum capital requirements. The capital requirement determination methodology uses in-house stress tests and required capital adequacy metrics.
- Liquidity and funding risk - the risk involving the inability to meet, at a reasonable price, financial obligations resulting from the balance sheet and off-balance sheet. The Group maintains liquidity in such a way that the monetary liabilities of the Group may have always done with the available funds, proceeds from maturing transactions, available funding sources at market prices and/or the liquidation of transferable assets. Economic capital is reflecting costs of additional funding acquirement allowing to recover internal levels of LCR metric.
- Operational risk - the risk of direct or indirect material loss resulting from inadequate or unreliable internal processes, bank employees and systems or from external events as well as the risk that the financial or reputational position of the Group is negatively impacted as

a consequence of the use of models. Operational risk includes also consequences of losing reputation, conduct risk and concentration risk (within the area of operation risk). To calculate the economic capital requirement, the Group applies the Advanced Measurement Approach (AMA). The model applied is a hybrid model, allowing the Group to measure risk with the use of internal and external data on operational risk events, scenario analysis as well as business environment and internal control factors. For the model risk, the Group allocates economic capital by imposing capital add-ons directly on the model results or on the risks in which the models are used.

9.3. ICAAP review process

In the Group, capital adequacy is assessed, both on an individual and consolidated basis, on an ongoing basis. In this process, reports are prepared with information on realized and planned capital requirements for all significant types of risk, in relation to the approved limits. These reports are the basis for monthly monitoring of internal capital adequacy by the Assets and Liabilities Committee (ALCO) and the Management Board. The Supervisory Board is regularly informed about the capital adequacy of the Bank and the Group, including the adequacy of internal capital. The Group also assesses capital adequacy based on stress tests.
The internal capital adequacy assessment process (ICAAP) is one of the responsibilities of the Management Board and is subject to an annual review, the report of which is submitted to the Management Board and the Supervisory Board of ING Bank Śląski S.A. In addition, the ICAAP process is subject to an additional, independent audit, for which the Internal Audit Department is responsible.

10. Impact of the implementation of IFRS 9 on capital adequacy

In calculating the capital ratios, the Group used the transitional provisions to mitigate the impact of the implementation of IFRS 9 on the level of own funds. Additionally, as at 31 December 2024, the Group temporarily treated unrealized gains and losses measured at fair value through other comprehensive income in accordance with Art. 468 of the Regulation CRR. As at 31 December 2024 the total capital ratio and Tier 1 ratio would be 14.83% and 13.73%, respectively, if the Group did not apply a transition period for the implementation of IFRS 9 and 14.68% and 13.58%, if the Group did not apply temporary treatment of unrealized gains and losses in accordance with Article 468 of Regulation CRR.

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

IFRS 9/Article 468-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR

		as at 31 Dec 2024	as at 30 Sep 2024	as at 30 Jun 2024	as at 31 Mar 2024
	Available capital (amounts)				
1	CET1 capital	16,857	16,794	16,837	17,735
2	CET1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16,822	16,759	16,802	17,699
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied*	16,625	16,590	16,837	17,735
3	Tier 1 capital	16,857	16,794	16,837	17,735
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16,822	16,759	16,802	17,699
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied *	16,625	16,590	16,837	17,735
5	Total capital	18,197	18,212	18,289	19,204
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18,162	18,177	18,254	19,169
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied *	17,966	18,008	18,289	19,204
	Risk-weighted assets (amounts)				
7	Total risk-weighted assets	122,514	121,580	118,602	113,295
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	122,504	121,570	118,592	113,284
	Capital ratios				
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	13.76%	13.81%	14.20%	15.65%
10	CET1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.73%	13.79%	14.17%	15.62%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied *	13.58%	13.66%	14.20%	15.65%
11	Tier 1 (as a percentage of risk exposure amount)	13.76%	13.81%	14.20%	15.65%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.73%	13.79%	14.17%	15.62%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied *	13.58%	13.66%	14.20%	15.65%
13	Total capital (as a percentage of risk exposure amount)	14.85%	14.98%	15.42%	16.95%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.83%	14.95%	15.39%	16.92%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied *	14.68%	14.83%	15.42%	16.95%
	Leverage ratio				
15	Leverage ratio total exposure measure	276,989	270,968	264,626	266,269
16	Leverage ratio	6.09%	6.20%	6.36%	6.66%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6.07%	6.18%	6.35%	6.65%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied *	6.01%	6.12%	6.36%	6.66%

* in the comparative periods (30 Jun 2024, 31 Mar 2024) the Group did not temporarily treat unrealized gains and losses measured at fair value through other comprehensive income, in line with Art. 468 of the Regulation CRR.

11. Disclosures in the area of the minimum requirement for own funds and eligible liabilities

The Bank is obliged to meet the MREL (minimum requirement for own funds and eligible liabilities "MREL") requirements, pursuant to Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms.

On 7 June 2024, the Bank received a letter from the Bank Guarantee Fund (BFG) regarding a joint decision of the resolution authorities, i.e. Single Resolution Board (SRB) and the BFG, on the minimum level of own funds and write-down/conversion liabilities (MREL). This decision is based on the ING Group's 'Single Point of Entry' (SPE) forced restructuring strategy. The BFG, in consultation with the SRB, set the MREL requirement for the Bank at 19.95% of the total risk exposure amount (TREA) - taking into account the combined buffer requirement of 3.51% as at 31 December 2024 and 5.91% of the total exposure measure (TEM) at the individual level. The Bank is obliged to meet the MREL requirement for both, TREA and TEM, at the same time. The entire MREL requirement should be met in the form of own funds and liabilities meeting the criteria set out in Article 98 of the Act on the BGF, which transposes Article 45f(2) of the BRRD2. In addition, the BFG indicated that the part of the MREL corresponding to the recapitalisation amount should be satisfied in the form of the following instruments: additional Tier 1 (AT1), Tier 2 capital instruments (T2) and other subordinated eligible liabilities acquired directly or indirectly by the parent entity. The Bank estimates that the MREL part of the recapitalisation amount requirement is 8.44% TREA and 2.91% TEM. At the same time, the BFG indicated that the Common Equity Tier 1 (CET1) instruments held by the Bank for the purpose of the combined buffer requirement cannot be included in the MREL requirement expressed as a percentage of the total risk exposure amount (TREA).

As at 31 December 2024, the Bank had three non-preferred senior loans (NPS) from ING Bank N.V., with a nominal value of EUR 2,110 million. This value includes:

- a loan of EUR 350 million for a period of 4 years (with the right to early repayment after 3 years),
- a loan of EUR 1,500 million for a period of 4 years (with the right to early repayment after 3 years),
- a loan of EUR 260 million for a period of 6 years (with the right to early repayment after 5 years).

All loans are an element of the SPE strategy for ING Group. The Bank includes NPS funds in eligible liabilities for the purposes of the minimum requirement of own funds and eligible liabilities (MREL). As at 31 December 2024, the carrying amount of liabilities due to NPS loans amounted to PLN 9,055 million and was recognised in the statement of financial position in the item Liabilities to other banks.

The scope of disclosures regarding the MREL requirement results from the fact that the Bank is not a resolution entity.

The quantitative data in terms of the MREL requirement are presented in the table below (in accordance with the EU ILAC template presented in Commission Implementing Regulation (EU) 2021/763). Column b does not apply to Bank.

(PLN million)

EU ILAC - Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs

		a	b	c
		Minimum requirement for own funds and eligible liabilities (internal MREL)	Non-EU G-SII requirement for own funds and eligible liabilities (internal TLAC)	Qualitative information
Applicable requirement and level of application				
EU-1	Is the entity subject to a non-EU G-SII requirement for own funds and eligible liabilities? (Y/N)			N
EU-2	If EU-1 is answered by 'Yes', is the requirement applicable on a consolidated or individual basis? (C/I)			-
EU-2a	Is the entity subject to an internal MREL? (Y/N)			Y
EU-2b	If EU-2a is answered by 'Yes', is the requirement applicable on a consolidated or individual basis? (C/I)			I
Own funds and eligible liabilities				
EU-3	Common Equity Tier 1 capital (CET1)	16,943		
EU-4	Eligible Additional Tier 1 capital	0		
EU-5	Eligible Tier 2 capital	1,340		
EU-6	Eligible own funds	18,283		
EU-7	Eligible liabilities	9,210		
EU-8	of which permitted guarantees	0		
EU-9a	(Adjustments)	0		
EU-9b	Own funds and eligible liabilities items after adjustments	27,493		
Total risk exposure amount and total exposure measure				
EU-10	Total risk exposure amount (TREA)	117,033		
EU-11	Total exposure measure (TEM)	259,993		
Ratio of own funds and eligible liabilities				
EU-12	Own funds and eligible liabilities as a percentage of the TREA	23.49%		
EU-13	of which permitted guarantees	0.00%		
EU-14	Own funds and eligible liabilities as a percentage of the TEM	10.57%		
EU-15	of which permitted guarantees	0.00%		
EU-16	CET1 (as a percentage of the TREA) available after meeting the entity's requirements	7.05%		
EU-17	Institution-specific combined buffer requirement			
Requirements				
EU-18	Requirement expressed as a percentage of the TREA	16.44%		
EU-19	of which part of the requirement that may be met with a guarantee	0.00%		
EU-20	Requirement expressed as percentage of the TEM	5.91%		
EU-21	of which part of the requirement that may be met with a guarantee	0.00%		
Memorandum items				
EU-22	Total amount of excluded liabilities referred to in Article 72a(2) of Regulation (EU) No 575/2013			

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

The creditor ranking is presented in the below table (in accordance with the EU TLAC2b template presented in Commission Implementing Regulation (EU) 2021/763).

EU TLAC2b: Creditor ranking - Entity that is not a resolution entity

		Insolvency ranking				
		1	1	3	5	
		(most junior)			(most senior)	**Total**
		Resolution entity	Other	Resolution entity	Resolution entity	
1	Empty set in the EU					
2	Description of insolvency rank (free text)	Tier 1 Capital	Tier 1 Capital	Subordinated liabilities	Non preferred senior loan (NPS)	
3	Empty set in the EU					
4	Empty set in the EU					
5	Empty set in the EU					
6	Own funds and eligible liabilities for the purpose of internal MREL	12,707	4,236	1,499	9,055	**27,497**
7	of which residual maturity ≥ 1 year < 2 years	0	0	0	0	**0**
8	of which residual maturity ≥ 2 year < 5 years	0	0	1,499	9,055	**10,554**
9	of which residual maturity ≥ 5 years < 10 years	0	0	0	0	**0**
10	of which residual maturity ≥ 10 years, but excluding perpetual securities	0	0	0	0	**0**
11	of which perpetual securities	12,707	4,236	0	0	**16,943**

II. Variable remuneration policy

Introduction
Pursuant to the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 as amended (Regulation CRR) and the Banking Law Act of 29 August 1997 as amended (Banking Law Act), ING Bank Śląski S.A., hereinafter referred to as the Bank, is obliged to make qualitative and quantitative disclosures relating to the "Variable Remuneration Policy".

Pursuant to the Policy of disclosing qualitative and quantitative information on capital adequacy and variable components of remuneration of ING Bank Śląski S.A." disclosures relating to the Variable Remuneration Policy of ING Bank Śląski S.A. and subsidiaries of the ING Bank Śląski S.A. Capital Group (hereinafter referred to as the Group) is disclosed.

For the disclosure of information, templates of forms included in the Commission Implementing Regulation (EU) 2021/637 were used, hence the letter markings of the table columns and the numbering of lines.

1. Qualitative information

1.1. Information concerning the process of determination of the variable remuneration policy, number of meetings organized in the financial year by the remuneration supervisory authority, including composition and scope of tasks of the Remuneration and Nomination Committee, external consultant who assisted when developing remuneration policy, and role of the relevant participants

The ING Bank Śląski S.A. Group Remuneration Policy applies from 1 January 2017. It sets forth the key assumptions for shaping the principles of remuneration so as to attract and retain employees, by ensuring the remuneration that is competitive versus the market. The Policy also defines remuneration components. The Bank reviews the Policy annually. The changes for 2024 resulted from:

- adaptation to changes in Step Up Performance management process, which included:
  - reduction of the goal dimension from three to two – the Stretch Ambitions was removed from the goal set, and the Orange Code was changed to Orange Behaviors,
  - expansion of the grading scale from three to five levels, along with clarification of the descriptions of the individual grading levels,
- introduction of an allowance for remote work/office allowance in accordance with the Regulations on remuneration of employees of ING Bank Śląski S.A. as part of an additional benefit constituting part of the Bank's general policy.

Moreover, the Supervisory Board, based on the recommendation of the Remuneration and Nomination Committee, in March 2024 accepted the Report on the evaluation of the remuneration policy at ING Bank Śląski S.A. for 2023. The Policy remained unchanged vis-à-vis the previous year. Invariably, the Policy furthered delivery of the business strategy and long-term interests of the Bank and its clients, including the sustainability strategy and corporate social responsibility. The Supervisory Board were of the view that in 2023 the Bank respected the principles of its remuneration policy.

As far as the Policy is concerned, the Bank Supervisory Board Remuneration and Nomination Committee has the following responsibilities :

- they present the Supervisory Board with opinions about and recommendations on the Policy,
- they present the Supervisory Board with recommendations on Policy observance, following the report developed by the Internal Audit Department,
- they advise upon and monitor variable remuneration of persons holding managerial positions.

The other competences of the Committee which may be applicable when pursuing the Policy are specified in the Bylaw of the Remuneration and Nomination Committee of ING Bank Śląski S.A.

In 2024, the Remuneration and Nomination Committee of ING Bank Śląski S.A. held 10 regular meetings and 1 by way of circulation. In 2024 the Remuneration and Nomination Committee's composition was following:

- Aleksander Galos - Chairman till 11 April 2024 (independent Member),
- Aneta Hryckiewicz-Gontarczyk - Chairman from 11 April 2024 (independent Member),
- Dorota Dobija – Member (independent Member),
- Małgorzata Kołakowska – Member,
- Monika Marcinkowska – Member from 11 April 2024 (independent Member),
- Michał Szczurek – Member from 11 April 2024.

1.2. Key facts about performance-based remuneration

The Group develops their remuneration policy based on market data.

The total remuneration is divided into the fixed and variable remuneration. It is agreed that the relation of the fixed remuneration to the variable remuneration is 1 to maximally 1.

Fixed remuneration is as large a part of the total remuneration as needed to ensure that a fully flexible variable remuneration policy is pursued, including but not limited to allowing to apply reduction or not to award the variable remuneration at all.

The Group does not provide for any form of remuneration that could provide incentives for employees to favour their own interests or Group's interest to the detriment of its customers. The remuneration principles for the persons representing the Group do not incentivize them to take excessive risk or miss sell products.

Variable remuneration consists of the annual bonus, which is set for every employee on the basis of an assessment of sustainable and risk-adjusted results, taking account of quantitative and qualitative criteria. For Identified Staff - in line with list of qualitative and quantitative criteria and the additional criteria qualifying staff members to be included in the list of Identified Staff constituting Enclosure No. 1 with the Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A. – the annual bonus is the only form of variable remuneration.

As part of variable remuneration, employees, excluding Identified Staff, may also receive additionally financial award in cash, the aim of which is to recognize and appreciate employees' achievements above-average performance at work and have a special potential.

In keeping with the Capital Management Procedure at ING Bank Śląski S.A., the Group tests capital to ensure that the total variable remuneration pool of all employees does not limit the ING Bank Śląski S.A.'s ability to maintain the adequate capital base. Should such a limitation apply, a decision not to activate the variable remuneration pool can be taken.

1.3. Key facts about the remuneration system characteristics, including performance measurement criteria and performance adjustment with risk as well as payment deferral policy and vesting criteria

The Group employs advanced measurement approach to estimate the capital base and the stress-testing policy, whereby adequate risk management and adequate assessment of present and future capital requirements are ensured.

At the time defined, the direct superior determines the performance-related annual goals which ensure coherence with the long-term strategy of the Bank and subsidiaries. The goals support creating long-term value of the Group and account for the risk cost of the Group and liquidity risk. The goals have the following nature:

- financial- include selected indicators determined in accordance with financial or management accounting standards, taking into account the cost of risk, cost of capital and liquidity risk (including long-term liquidity risk). The target levels of the financial criteria are consistent with the Strategy and Financial Plan of ING Bank Śląski S.A. approved by the Supervisory Board for a given assessment period,
- non-financial, inclusive of quality indicators relating to implementation of the Bank's strategy and/or to performance of a given control function, non-financial risk.

When assessing individual performance both the financial and non-financial criteria shall be taken into consideration as well as the risk-adjusted criteria; non-financial criteria account for 50% of all their goals at minimum, except for the employees of the organisational units performing control functions to whom financial criteria do not apply at all. Goals of those employees relate to their functions and not to the performance of the areas in control. In addition, the Group applies guidelines for setting goals, the intention of which is to avoid conflicts of interest at the stage of setting bonus goals for a given year, so that employees, while performing their tasks, have the opportunity to carefully assess the interests of clients and other stakeholders. The goals set for employees participating in the process of determining the level of risk and assessing the effectiveness of key controls should ensure that these activities are carried out objectively without affecting their results. The goals are set by the Supervisory Board for members of the Management Board, and then cascaded accordingly to the management staff reporting to the Management Board and subsequent management levels.

The goals and their weights are determined in accordance with the principles adopted in the Group, and in the case of members of the Management Board of ING Bank Śląski S.A. they are approved by the Supervisory Board, based on the recommendations of the Remuneration and Nomination Committee. Assessment is performed by the immediate superior.

As of 2024 goals are set within two dimensions:

- Job – standard job requirements tied to the job description and everyday employee's duties; they may be financial and non-financial, individual, collective and Bank-wide,
- Orange Behaviours – a set of behaviours resulting from the Orange Code, using which employees effectively achieve the goals set in the Job dimension.

Until 2023, additional goals were set within the Stretch ambitions dimension, i.e. up to two key goals set in the "Job" dimension to highlight the priorities for the given year in line with ING's strategy.

In case of Identified Staff the assessment and its verification are approved by the ING Bank Śląski S.A. Management Board, following the advice of the Supervisory Board Remuneration and Nomination Committee; for ING Bank Śląski S.A. Management Board Members - by the Supervisory Board, based on the recommendation of the Supervisory Board Remuneration and Nomination Committee. Assessment and verification take place by 31 March of the subsequent calendar year at the latest; for ING Bank Ślaski S.A. Management Board Members - by 30 April.

As of 2019 additional risk requirements were implemented that determine the final level of variable remuneration for the Identified Staff, each time indicated by the Member of the Management Board responsible for the risk area. They are included in:

- Procedure regarding risk requirements for Identified Staff in Risk Taker role which was implemented as Enclosure 1 to the General Conditions of ING Bank Śląski S.A. Identified Staff Appraisal,

- Procedure regarding risk requirements for Management Board Members in Risk Taker role, which was implemented as Enclosure 1 to the Executive Remuneration Bylaw for Members of the Management Board of ING Bank Śląski S.A.

The process of determining and assessing risk requirements accomplishment is carried out independently by a Member of the Management Board responsible for the risk area in relation to the assessment of individual employee effects.

The Group applies ex ante and ex post correction mechanisms. The Group shall employ advanced measurement approach to estimate the capital base and the stress-testing policy, whereby adequate risk management and adequate assessment of present and future capital requirements are ensured. Based on the ex post risk adjustment, the Group has the right to reduce or not pay variable remuneration. Verification of the assessment of task implementation allows to determine whether there were grounds for changing the results for the assessment period, taking into account the work effects of a given Identified Staff - and therefore to reduce or not pay variable remuneration.

On the basis of the ex post risk adjustment, the Group shall have the right to reduce or not to disburse the variable remuneration under the following circumstances:

- the occurrence of events giving rise to a breach or risk of a breach by the Bank of the standards referred to in Article 142 point 1 of the banking law resulting in the need to implement the Recovery Plan,
- in case the variable remuneration is disbursed on the basis of data that proved to be false,
- when an employee behaves in a manner resulting in material adjustment of annual financial statements of the Bank or Bank's loss of reputation,
- an Identified Staff member failed to meet appropriate standards of fitness and propriety,
- a conflict of interests occurs in relation to the disbursement of part of variable remuneration in phantom shares of ING Bank Śląski S.A. due to a failure to observe the principles of using confidential information and other actions that may impact the price of ING Bank Śląski S.A. shares in short-term perspective.

The reduction or non-payment of the annual bonus in a given bonus period may also occur in the case of:

- failure to provide a declaration of not using hedging strategies or insurance,
- when other significant circumstances occur, for which the payment of the annual bonus would be unacceptable according to the principles of reasonableness and fairness, including the case of violation by the Participant of the Retention Period.

The Group may also take decision on suspend payment of the deferred annual bonus if, as a result of the ongoing explanatory proceedings, the Bank can not verify the occurrence of the given circumstances to 31 March.

<u>Incentive program</u>
As of 1 July 2022, the Bank has implemented an incentive program for persons with a significant impact on the Bank's risk profile who are employed by the Bank and by companies in the Bank's Group that are subject to mandatory consolidation, excluding ING Bank Hipoteczny S.A.
The new program replaced the previous solution, which involved a payment of a part of variable remuneration in a financial instrument, which was a phantom share. Starting from 1 July 2022, the variable part of the remuneration is paid on the terms specified in the new program, i.e. based on a own shares. The deferred parts of remuneration awarded in phantom shares are not be convertible into own shares.

In 2024, the buy-back of two tranches of own shares was launched, under which the Bank purchased a total of 41,292 own shares for the total amount of PLN 11,461,607.50 constituting a total of approximately 0.03174% of the share capital and approximately 0.03174% of the total number of votes on General Meeting of the Bank.

The Group specifically regulated the terms and conditions of bonus award in case of employment relationship termination or expiry.

In ING Bank Śląski S.A. Capital Group Remuneration Policy the Group also defined the rules for employee severance pays, including those understood as part of the variable remuneration package.

The Group benefits from a derogation based on the regulations of Article 94 paragraph 3 letter a of Directive 2013/36/EU in respect of the subsidiary ING Bank Hipoteczny S.A. ING Bank Hipoteczny S.A. is not a large institution and therefore, in accordance with the Policy for Variable Components of Remuneration for Identified Staff of ING Bank Hipoteczny S.A., the company is subject to the principle of payment of variable remuneration to a limited extent in relation to Identified Staff, excluding members of the Management Board and the person performing the function of the Chief Accountant, to whom the remuneration policy is fully applied. The rules for the payment of variable remuneration applicable to Identified Staff, to which the variable remuneration policy applies to a limited extent, are:

- payment of variable remuneration in full in cash,
- payment of variable remuneration without application of the deferral principle.

As at 31 December 2024, ING Bank Hipoteczny S.A. had 32 employees, of which 10 employees were classified as Identified Staff. The variable remuneration in limited extent payments (without application of the deferral period and partial payments in a financial instrument) applies to 6 employees. Their remuneration in 2024 was PLN 1.8 million in total (fixed remuneration PLN 1.5 million and variable remuneration PLN 0.3 million).

In accordance with ING Bank Śląski S.A. Capital Group Remuneration Policy, the average annual total gross remuneration of individual members of the Management Board does not exceed 40-fold the average total gross remuneration of other employees in an annual period. The relationship is analyzed annually as part of the remuneration policy review.

2. Quantitative information

The analysis covers all Identified Staff. As at the disclosure date hereof, the variable remuneration of Identified Staff, was not granted yet. The disclosure presents the variable remuneration for 2024 based on the assessment scores as at the analysis date. The variable remuneration will be subject to the opinion of the Remuneration and Nomination Committee and approval of the Management Board and the Supervisory Board of ING Bank Śląski S.A. In addition, an adjustment indicator may be used in accordance with the above procedures regarding risk requirements.

Quantitative information on remuneration is presented in below tables accordance with the requirements of Art. 450 of Regulation 2019/876 and the Commission Implementing Regulation (UE) 2021/637):

- Template EU REM1 - Remuneration awarded for the financial year,
- Template EU REM2 – Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff),
- Template EU REM3 – Deferred remuneration,
- Template EU REM4 - Remuneration of 1 million EUR or more per year,
- Template EU REM5 – Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff).

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

Template EU REM1 - Remuneration awarded for the financial year

		a	b	c	d
		MB Supervisory function *	MB Management function	Other senior management **	Other Identified staff **
Fixed remuneration					
1	**Number of identified staff**	**11**	**8**	**62.92**	**47.08**
2	**Total fixed remuneration**	**1**	**16**	**43**	**22**
3	Of which: cash-based	1	16	41	21
4	(Not applicable in the EU)				
EU-4a	Of which: shares or equivalent ownership interests	-	-	-	-
5	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x	Of which: other instruments	-	-	-	-
6	(Not applicable in the EU)				
7	Of which: other forms	0	0	2	1
8	(Not applicable in the EU)				
9	**Number of identified staff**	**11**	**8**	**62.92**	**47.08**
10	**Total variable remuneration**	-	**12**	**19**	**9**
11	Of which: cash-based	-	6	10	5
12	Of which: deferred	-	4	4	2
EU-13a	Of which: shares or equivalent ownership interests	-	6	9	4
EU-14a	Of which: deferred	-	4	4	2
EU-13b	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b	Of which: deferred	-	-	-	-
EU-14x	Of which: other instruments	-	-		
EU-14y	Of which: deferred	-	-	-	
15	Of which: other forms	-	-	-	-
16	Of which: deferred	-	-	-	-
17	**Total remuneration**	**1**	**28**	**62**	**31**

* The Supervisory Board is divided into dependent and independent members. Only one group is paid. The table lists all members of the Supervisory Board in a given financial year.
** The number of employees was reported using the FTE method (full-time equivalent).

Template EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards					
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
Severance payments awarded in previous periods, that have been paid out during the financial year					
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
Severance payments awarded during the financial year					
6	Severance payments awarded during the financial year - Number of identified staff *	-	-	-	0.5
7	Severance payments awarded during the financial year - Total amount **	-	-	-	0.5
8	Of which paid during the financial year **	-	-	-	0.2
9	Of which deferred **	-	-	-	0.3
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap **	-	-	-	0.2
11	Of which highest payment that has been awarded to a single person **	-	-	-	0.5

* The number of employees was reported using the FTE method (full-time equivalent).
** Amount shown in PLN million with 1 decimal place.

Template EU REM4 - Remuneration of 1 million EUR or more per year

		a
		Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	1
2	1 500 000 to below 2 000 000	-
3	2 000 000 to below 2 500 000	-
4	2 500 000 to below 3 000 000	-
5	3 000 000 to below 3 500 000	-
6	3 500 000 to below 4 000 000	-
7	4 000 000 to below 4 500 000	-
8	4 500 000 to below 5 000 000	-
9	5 000 000 to below 6 000 000	-
10	6 000 000 to below 7 000 000	-
11	7 000 000 to below 8 000 000	-

(PLN million)

Template EU REM3 - Deferred remuneration

		a	b	c	d	e	f	EU - g	EU - h
		Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	**MB Supervisory function**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	**MB Management function**	**18**	**4**	**14**	**1**	**2**	**3**	**10**	**4**
8	Cash-based	8	2	6	0	0	0	4	0
9	Shares or equivalent ownership interests	4	0	4	0	1	1	2	2
10	Share-linked instruments or equivalent non-cash instruments	6	2	4	1	1	2	4	2
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	**Other senior management**	**21**	**6**	**15**	**0**	**2**	**2**	**15**	**5**
14	Cash-based	9	2	7	0	0	0	7	0
15	Shares or equivalent ownership interests	4	0	4	0	1	1	3	3
16	Share-linked instruments or equivalent non-cash instruments	8	4	4	0	1	1	5	2
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	**Other identified staff**	**15**	**5**	**10**	**0**	**2**	**2**	**11**	**3**
20	Cash-based	6	2	4	0	0	0	5	0
21	Shares or equivalent ownership interests	2	0	2	0	1	1	2	2
22	Share-linked instruments or equivalent non-cash instruments	6	3	3	0	1	1	4	1
23	Other instruments	1	0	1	0	0	0	0	0
24	Other forms	-	-	-	-	-	-	-	-
25	**Total amount**	**54**	**15**	**39**	**1**	**6**	**7**	**36**	**12**

(PLN million)

Template EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	**Total**
1	**Total number of identified staff**										**129**
2	Of which: members of the MB	11	8	19							
3	Of which: other senior management *				12.42	17.50	1	22	2	8	
4	Of which: other identified staff *				6.75	8	3	6	8	15.33	
5	**Total remuneration of identified staff**	**1**	**28**	**29**	**17**	**24**	**5**	**23**	**7**	**17**	
6	Of which: variable remuneration	0	12	12	5	7	2	7	2	5	
7	Of which: fixed remuneration	1	16	17	12	17	3	16	5	12	

* The number of employees was reported using the FTE method (full-time equivalent).

Statement

Based on Article 431 (3) of Regulation (EU) 575/2013 (Regulation CRR) Lead of Centre of Expertise Accounting Policy and Financial Reporting of ING Bank Śląski S.A. declares that:

- information contained in the disclosure document is adequate to the facts,
- information required by the provisions of part eight of the Regulation CRR was disclosed in accordance with the *"Policy of disclosing qualitative and quantitative information on capital adequacy and variable components of remuneration of ING Bank Śląski S.A."* and internal procedures, systems and controls described in the above-mentioned Policy and the *"Instruction of verification of the Policy of disclosing qualitative and quantitative information on capital adequacy and variable components of remuneration of ING Bank Śląski S.A."*, which has been included in annex to this Policy.

2025-03-05 **Jolanta Alvarado Rodriguez**
Lead of Centre of Expertise
Accounting Policy and Financial Reporting

The original Polish document is signed with a qualified electronic signature

Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 (PLN million)

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

The Management Board of ING Bank Śląski S.A. declares that, to the best of their knowledge, the adequacy of risk management arrangements ensures that the risk management systems used are appropriate from the point of view of the risk profile and strategy of the Bank and the Group and approves this *"Qualitative and quantitative disclosures relating to capital adequacy and variable components of remuneration published for 2024 of ING Bank Śląski S.A. Group"*, which provides information on risk, discusses the overall risk profile of the Bank and the Group related to the business strategy, and provides key indicators and figures that provide external stakeholders with a holistic picture of risk management, including the interaction between the risk profile and the risk appetite, as determined by the Management Board and approved by the Supervisory Board.

2025-03-05	**Brunon Bartkiewicz** *President*	The original Polish document is signed with a qualified electronic signature
2025-03-05	**Joanna Erdman** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2025-03-05	**Marcin Giżycki** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2025-03-05	**Bożena Graczyk** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2025-03-05	**Ewa Łuniewska** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2025-03-05	**Michał H. Mrożek** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2025-03-05	**Sławomir Soszyński** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2025-03-05	**Alicja Żyła** *Vice-President*	The original Polish document is signed with a qualified electronic signature