



ING Bank Śląski S.A. Group

in 2023

Annual Consolidated Financial Statements for the year 2023



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Consolidated income statement

for the year ended 31 December			
	Note	2023	2022
Interest income	2	12,409.0	8,111.9
calculated using effective interest rate method	2	11,367.6	7,162.1
other interest income	2	1,041.4	949.8
Interest expenses	2	-4,238.5	-2,497.9
Net interest income	2	8,170.5	5,614.0
Commission income	3	2,722.3	2,636.7
Commission expenses	3	-557.8	-541.9
Net commission income	3	2,164.5	2,094.8
Net income on financial instruments measured at fair value through profit or loss and FX result	4	332.1	32.1
Net income on the sale of securities measured at amortised cost	5	0.0	-24.8
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	5	1.1	26.5
Net (loss)/income on hedge accounting	6	-4.8	-39.4
Net (loss)/income on other basic activities	7	-15.3	-6.6
Net income on basic activities		10,648.1	7,696.6
General and administrative expenses	8	-3,700.1	-3,642.1
Impairment for expected credit losses	9	-507.7	-735.8
including profit on sale of receivables		24.3	82.7
Cost of legal risk of FX mortgage loans	10	-105.5	-294.3
Tax on certain financial institutions	11	-644.3	-646.9
Share of profit/(loss) of associates accounted for using the equity method	22	29.5	25.6
Gross profit		5,720.0	2,403.1
Income tax	12	-1,279.1	-688.7
Net profit		4,440.9	1,714.4
attributable to shareholders of ING Bank Śląski S.A.		4,440.9	1,714.4

for the year ended 31 December			
	Note	2023	2022
Net profit attributable to shareholders of ING Bank Śląski S.A.		4,440.9	1,714.4
Weighted average number of ordinary shares		130,117,872	130,100,000
Earnings per ordinary share (in PLN)	13	34.13	13.18

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

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



Consolidated statement of comprehensive income

for the year ended 31 December			
	Note	2023	2022
Net profit for the period		4,440.9	1,714.4
Total other comprehensive income, including:	34.2	2,944.6	-5,218.3
Items which can be reclassified to income statement, including:		2,861.2	-5,184.6
debt instruments measured at fair value through other comprehensive income – gains on revaluation carried through equity		273.0	-411.3
debt instruments measured at fair value through other comprehensive income – reclassification to financial result due to sale		5.1	-15.9
cash flow hedging – gains on revaluation carried through equity		425.0	-6,064.6
cash flow hedging – reclassification to profit or loss		2,158.1	1,307.2
Items which will not be reclassified to income statement, including:		83.4	-33.7
equity instruments measured at fair value through other comprehensive income – gains on revaluation carried through equity		93.2	-37.7
fixed assets revaluation		0.1	0.1
actuarial gains/losses		-9.9	3.9
Net comprehensive income for the reporting period		7,385.5	-3,503.9
attributable to shareholders of ING Bank Śląski S.A.		7,385.5	-3,503.9

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



Consolidated statement of financial position

as at 31 December			
	Note	2023	2022
Assets			
Cash in hand and balances with the Central Bank	14	6,751.4	2,337.6
Loans and other receivables to other banks	15	19,909.1	5,161.1
Financial assets measured at fair value through profit or loss	16, 17, 20	2,273.9	1,952.3
Derivative hedge instruments	18	208.4	139.2
Investment securities	19	56,613.7	48,432.8
Transferred assets	20, 16	165.2	163.8
Loans and other receivables to customers measured at amortised cost	21	156,520.7	154,974.6
Investments in associates accounted for using the equity method	22	180.9	178.9
Property, plant and equipment	23	1,002.4	950.0
Intangible assets	24	494.1	417.2
Current income tax assets	12	0.6	572.2
Deferred tax assets	25	1,096.8	1,828.6
Other assets	26	144.2	157.8
Total assets		245,361.4	217,266.1

as at 31 December			
	Note	2023	2022
Liabilities			
Liabilities to other banks	27	13,654.8	5,639.6
Financial liabilities measured at fair value through profit or loss	28, 17	1,821.6	2,203.8
Derivative hedge instruments	18	280.3	369.5
Liabilities to customers	29	205,289.9	192,731.3
Liabilities from debt securities issued	30	404.4	404.8
Subordinated liabilities	31	1,526.2	1,643.9
Provisions	32	541.8	359.0
Current income tax liabilities	12	114.8	19.9
Deferred tax loss	25	0.0	0.4
Other liabilities	33	4,991.6	4,549.6
Total liabilities		228,625.4	207,921.8
Equity			
Share capital	34.1	130.1	130.1
Share premium	34.3	956.3	956.3
Accumulated other comprehensive income	34.2	-5,094.7	-8,039.3
Retained earnings	34.3	20,749.6	16,297.2
Own shares for the purposes of the incentive program		-5.3	0.0
Total equity	13	16,736.0	9,344.3
attributable to shareholders of ING Bank Śląski S.A.		16,736.0	9,344.3
Total equity and liabilities		245,361.4	217,266.1

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



Consolidated statement of changes in equity

for the year ended 31 December 2023

Note: 34

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Own shares for the purposes of the incentive program	Total equity
Opening balance of equity	130.1	956.3	-8,039.3	16,297.2	0.0	9,344.3
Net profit for the current period	-	-	-	4,440.9	-	4,440.9
Other net comprehensive income, including:	0.0	0.0	2,944.6	0.0	0.0	2,944.6
financial assets measured at fair value through other comprehensive income - revaluation gains / losses recognized in equity	-	-	366.2	-	-	366.2
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	5.1	-	-	5.1
cash flow hedge - revaluation gains / losses recognized in equity	-	-	425.0	-	-	425.0
cash flow hedge – reclassification to profit or loss	-	-	2,158.1	-	-	2,158.1
fixed assets revaluation	-	-	0.1	-	-	0.1
actuarial gains/losses	-	-	-9.9	-	-	-9.9
Other changes in equity, including:	0.0	0.0	0.0	11.5	-5.3	6.2
valuation of employee incentive programs	-	-	-	16.5	-	16.5
purchase of own shares for the purposes of the employee incentive program	-	-	-	-	-9.5	-9.5
settlement of the acquisition of own shares and their transfer to employees	-	-	-	-4.1	4.2	0.1
settlement of the acquisition of an organized part of the enterprise	-	-	-	-0.9	-	-0.9
Closing balance of equity	130.1	956.3	-5,094.7	20,749.6	-5.3	16,736.0

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



Consolidated statement of changes in equity – cont.

for the year ended 31 December 2022

Note: 34	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Total equity
Opening balance of equity	130.1	956.3	-2,821.0	15,266.0	13,531.4
Profit for the current period	-	-	-	1,714.4	1,714.4
Other net comprehensive income, including:	0.0	0.0	-5,218.3	0.0	-5,218.3
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	-449.0	-	-449.0
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	-15.9	-	-15.9
cash flow hedging – gains/losses on revaluation carried through equity	-	-	-6,064.6	-	-6,064.6
cash flow hedging – reclassification to profit or loss	-	-	1,307.2	-	1,307.2
fixed assets revaluation	-	-	0.1	-	0.1
actuarial gains/losses	-	-	3.9	-	3.9
Other changes in equity, including:	0.0	0.0	0.0	-683.2	-683.2
valuation of employee incentive programs	-	-	-	6.3	6.3
dividend payment	-	-	-	-689.5	-689.5
Closing balance of equity	130.1	956.3	-8,039.3	16,297.2	9,344.3

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



Consolidated cash flow statement

for the year ended 31 December

	Note	2023	2022
Net profit		4,440.9	1,714.4
Adjustments, including:		-6,782.9	1,240.7
Share of net profit (loss) of associates accounted for using the equity method	22	-29.5	-25.6
Depreciation and amortisation	8, 23, 24	327.4	279.3
Interest accrued (from the income statement)	2	-8,170.5	-5,614.0
Interest paid		-4,023.7	-2,060.3
Interest received		12,020.3	7,719.4
Dividends received	5	-7.4	-6.8
Gains (losses) on investing activities		1.1	5.8
Income tax (from the income statement)	12	1,279.1	688.7
Income tax paid		-1,140.1	-125.0
Change in provisions	32, 39	170.4	26.7
Change in loans and other receivables to other banks	15, 39	-15,149.0	-4,014.9
Change in financial assets measured at fair value through profit or loss	16, 17, 39	-315.4	-405.1
Change in hedge derivatives	18, 39	3,030.6	-5,628.1
Change in investment securities	19, 39	-7,125.9	-1,800.0
Change in transferred assets	20, 16, 39	-2.9	1,345.8
Change in loans and other receivables to customers measured at amortised cost	21, 39	-1,268.4	-8,197.2
Change in other assets	26, 39	472.3	238.3
Change in liabilities to other banks	27, 39	562.8	-5,517.5
Change in liabilities measured at fair value through profit or loss	17, 28	-382.2	524.2
Change in liabilities to customers	29, 39	12,528.6	21,735.6
Change in liabilities from debt securities issued	30, 39	-0.4	1.5
Change in subordinated liabilities	31, 39	-117.7	31.7
Change in other liabilities	33, 39	557.6	2,038.2
Net cash flows from operating activities		-2,342.0	2,955.1

for the year ended 31 December

	Note	2023	2022
Purchase of property, plant and equipment	23	-155.6	-150.1
Disposal of property, plant and equipment		0.2	0.7
Purchase of intangible assets	24	-163.0	-118.1
Purchase of debt securities measured at amortised cost		-6,503.9	-4,959.5
Disposal of debt securities measured at amortised cost		5,990.8	4,244.0
Dividends received	5	7.4	6.8
Net cash flows from investing activities		-824.1	-976.2
Long-term loans received	39	9,680.9	2,423.8
Long-term loans repaid	39	-2,113.2	-1,311.2
Interest on long-term loans repaid	39	-269.1	-35.6
Redemption of debt securities	30	0.0	-575.0
Interests from issued debt securities		-31.0	-14.9
Repayment of lease liabilities	39	-101.7	-104.4
Purchase of own shares for the purposes of the employee incentive program		-9.5	0.0
Dividends paid	34.3	0.0	-689.5
Net cash flows from financing activities		7,156.4	-306.8
Net increase/(decrease) in cash and cash equivalents		3,990.3	1,672.1
of which effect of exchange rate changes on cash and cash equivalents		497.1	-119.1
Opening balance of cash and cash equivalents		3,049.7	1,377.6
Closing balance of cash and cash equivalents	39	7,040.0	3,049.7

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



Accounting policy

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Accounting policy and additional notes

I. Bank and the Group details

1. Key Bank data

ING Bank Śląski S.A. ("Parent company", "Parent entity", "Bank") with the registered office in Poland, Katowice, ulica Sokolska 34, zip code 40-086 was entered into the Entrepreneurs Register with the National Court Register maintained by the Commercial Division of the District Court in Katowice under the number KRS 5459. The Parent company statistical number is REGON 271514909, and the tax identification number is NIP 634-013-54-75.

2. Scope and duration of operations

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

3. Share capital

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

4. Shareholders of ING Bank Śląski S.A.

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 31 December 2023 held 75% shares in the share capital of ING Bank Śląski S.A. and 75% shares in the total number of votes at the General Meeting of ING Bank Śląski S.A. ING Bank NV belongs to the Group, herein referred to as ING Group.

As at 31 December 2023, the following were shareholders with 5 or more percent of votes at the General Meeting of ING Bank Śląski S.A:

No.	Entity	Number of shares and votes	% of total number of shares
1.	ING Bank N.V.	97,575,000	75.00
2.	Allianz Polska Otwarty Fundusz Emerytalny	12,102,036	9.30

5. Entity authorised to audit the financial statements

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

6. Approval of financial statements

These annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2023 to 31 December 2023 were adopted for publication by the Bank's Management Board on 5 March 2024.

The annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2022 to 31 December 2022 were approved by the General Meeting of ING Bank Śląski S.A. on 26 April 2023.



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

Bank's Management Board

At the end of 2023, similarly to the end of 2022, the composition of the Management Board of ING Bank Śląski S.A. was as follows:

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

Bank's Supervisory Board

On 26 January 2023, the Bank received a statement from Mr. Aris Bogdaneris on his resignation from the position of a member of the Supervisory Board of the Bank as of the date of the Ordinary General Meeting of the Bank. The reason for resignation was the planned termination of work in the ING Group.

On 26 April 2023, the General Meeting of the Bank appointed Ms Katarzyna Zajdel-Kurowska and Mr. Hans de Munck to the Supervisory Board of ING Bank Śląski S.A.

At the end of 2023, the Supervisory Board of ING Bank Śląski S.A. was composed of the following:

- Mr. Aleksander Galos – Chairman of the Supervisory Board, Independent Member,
- Ms. Małgorzata Kołakowska – 1st Vice-Chairman of the Supervisory Board,
- Mr. Michał Szczurek – Vice-Chairman of the Supervisory Board,
- Mr. Stephen Creese – Member of the Supervisory Board,
- Ms. Dorota Dobija – Independent Member of the Supervisory Board,
- Ms. Monika Marcinkowska - Independent Member of the Supervisory Board,
- Mr. Hans De Munck – Member of the Supervisory Board,
- Ms. Katarzyna Zajdel-Kurowska - Independent Member of the Supervisory Board.



8. ING Bank Śląski S.A. Group

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

name	type of activity	registered office	% of the Group's share in the share capital and votes on the General Meeting		nature of the capital relationship	recognition in the Group Financial Statements
			as at	as at		
			31 Dec 2023	31 Dec 2022		
ING Investment Holding (Polska) S.A., which holds shares in the following subsidiaries and associates:	financial holding	Katowice	100	100	subsidiary	full consolidation
ING Commercial Finance S.A.	factoring services	Warszawa	100	100	subsidiary	full consolidation
ING Lease (Polska) Sp. z o.o.*	leasing services	Warszawa	100	100	subsidiary	full consolidation
SAIO Spółka Akcyjna	software sales, robotization of processes	Katowice	100	100	subsidiary	full consolidation
Paymentto Financial S.A.	financial services and IT solutions for the financial sector	Tychy	100	n/a	subsidiary	full consolidation
Goldman Sachs TFI S.A. (previously named NN Investment Partners TFI S.A.)**	investment funds	Warszawa	45	45	associate	consolidation by equity method
ING Bank Hipoteczny S.A.	banking services	Katowice	100	100	subsidiary	full consolidation
ING Usługi dla Biznesu S.A.	accounting, HR and payroll services related to access to information about the account	Katowice	100	100	subsidiary	full consolidation
Nowe Usługi S.A.	education and promotion for the financial market and TURBO Certificates	Katowice	100	100	subsidiary	full consolidation

*) In the ING Lease (Poland) Sp. z o.o. Group there are 5 special purpose vehicles in which ING Lease (Poland) Sp. z o.o. holds 100% of the shares.

**) On 24 April 2023, NN Investment Partners TFI S.A. changed its name to Goldman Sachs TFI S.A.

Changes in the composition of the Capital Group

Acquisition of Paymentto Financial S.A.

On 27 January 2023, the Polish Financial Supervision Authority (PFSA, KNF) stated that there are no grounds to object to the acquisition by ING Investment Holding (Polska) S.A. - a 100% subsidiary of ING Bank Śląski - of a controlling stake in Paymentto Financial S.A. The acquisition transaction was finalized on 31 March 2023. The fair value as at the acquisition date of the total consideration transferred was PLN 24.4 million (settled in cash). As at the acquisition date, the Group recognized intangible assets in the amount of PLN 21.1 million and other net assets and liabilities in the amount of PLN 3.3 million. In connection with this transaction, the Group did not recognize any goodwill. The financial result of the acquired company, both included in the consolidation and for the entire financial year, was below PLN 1 million.

Paymentto Financial S.A. provides professional financial services and IT solutions for the financial sector. The company is a National Payment Institution and its activity is subject to the supervision of the Office of the PFSA.

The acquisition of the technology company means strengthening the e-commerce competences at ING Bank Śląski S.A. and support in further development of the offer in this area.

Subject of activity of the Capital Group companies

ING Investment Holding (Polska) S.A.

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

ING Commercial Finance S.A.

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

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

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



SAIO S.A.

The business of the company is the sublicensing of SAIO robotization software and the implementation of robotization of business processes at clients as part of its own activities and the partner network being built. The company took over operations previously carried out in ING Usług dla Biznesu. The purpose of the change is to concentrate all functions in a dedicated entity for the purpose of broadly scaling the process robotization business.

Paymento Financial S.A.

The company provides professional financial services and IT solutions for the financial sector. Its services are addressed to financial market participants and e-commerce.

ING Bank Hipoteczny S.A.

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

ING Usługi dla Biznesu S.A.

The company conducts operations in the following business areas: running an online database of companies and an online B2B commerce and business platform (ALEO), running a platform for invoicing and payment management, accounting, HR and payroll services (ING Księgowość) and providing access to an application for individual clients that aggregates accounts from multiple suppliers in one place (imoje accounts).

Nowe Usługi S.A.

The company conducts educational and marketing activities. Provides a portal on investing and the stock market, where investment-related materials are published and a knowledge base is available (edukacjagiieldowa.pl). The company is also involved in the popularisation of ING Turbo certificates on the Polish market. The instruments are issued by ING Bank N.V. Amsterdam and quoted at the Warsaw Stock Exchange The main activities of the company are the organisation of marketing campaigns, ING Turbo helpline service or technical support while running the ingturbo.pl website.

Goldman Sachs TFI S.A.

The company conducts operations in the area of creation and management of investment funds, including acting as intermediary in the sale and redemption of participation units, representing them towards third parties and managing portfolios. The company is part of the international NN Group.

II. Statement of compliance with International Financial Reporting Standards

These annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2023 to 31 December 2023 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union. The consolidated financial statements take into account the requirements of EU approved standards and interpretations.

1. Changes in accounting standards

In these annual consolidated financial statements, the Group included the following changes to the standards and new interpretations approved by the European Union and effective for annual periods beginning on or after 1 January 2023:

Change		Influence on the Group financial statements
IFRS 17 Insurance contracts with the extension of the temporary exemption from the application of IFRS 9.		The implementation of changes has no material impact on the Group’s financial statements.
IAS 1 and the Practical Approach to IFRSs Disclosure of Accounting policies		Change in the scope of disclosures of significant accounting policies in the financial statements. According to the amendments, only accounting policies that have a significant impact on the information contained in the financial statements will be disclosed. The attached Practical Statement contains a detailed illustrative example. The implementation of the change did not have a significant impact on the scope of disclosures of significant accounting principles in the Group’s financial statements.
IAS 8 Definition of Accounting Estimates		Amendment clarifying the definition of estimated values, i.e.: cash amounts recognised in the financial statements, which are subject to measurement uncertainty. The implementation of the change did not have a significant impact on the Group’s financial statements.
IAS 12 Deferred tax related to an asset and a liability recognised in a single transaction		The amendment clarifies the accounting rules for income tax and the applicable exclusion from deferred tax recognition. The amendment clarifies that this derecognition does not apply to leasing transactions and the recognition of a liability resulting from the liquidation of an asset, i.e. transactions for which the asset and the liability are recognised at the same time. The application of the amendment did not have an impact on the Group’s financial statements.
IFRS 17 Insurance Contracts: First application of IFRS 17 and IFRS 9 - comparative information.		The implementation of the changes did not have an impact on the Group’s financial statements.
IAS 12 Income Tax: International Tax Reform - Model Pillar 2 Provisions		The amendment introduces the possibility of applying a temporary exemption from the application of general rules for the recognition of deferred tax resulting from the implementation of international tax rules in individual jurisdictions. The Group’s analysis shows that the implementation of the change may have an impact on the scope of disclosures, but will not have a significant impact on the Group’s financial statements.



Published standards and interpretations, which were issued by 31 December 2023 and approved by the European Union, but were not applied by the Group earlier:

Change (EU effective date provided for in the parentheses)	Influence on the Group financial statements
IAS 1 Presentation of financial statements: · classification of financial liabilities as current or long-term · deferment of the date of application and · long-term liabilities with covenants (financial year beginning on 1 January 2024)	The classification of financial liabilities as non-current will depend on the existence of rights to extend the liability for a period longer than 12 months and on the fulfilment of the conditions (covenants) for the implementation of such a deferral at the balance sheet date. Disclosure of these covenants in notes to the financial statements will also be required. In the Group's opinion, the implementation of the change will not have an impact on the Group's financial statements.
IFRS 16 Leases: Leasing liabilities in sale and leaseback transactions. (financial year beginning on 1 January 2024)	The Group's analyses show that the implementation of the changes will not have an impact on the Group's financial statements.

Published standards and interpretations that were issued by 31 December 2023, but were not approved by the European Union as at 31 December 2023 and were not previously adopted by the Group:

Change (expected IASB effective date provided for in the parentheses)	Influence on the Group financial statements
IAS 7 Statement of cash flows and IFRS 7 Financial Instruments: Disclosures - Supplier financing agreements (financial year beginning on 1 January 2024)	The Group's analyses show that the implementation of the changes will affect the scope of disclosures, but will not have a significant impact on the Group's financial statements.
IAS 21 Effects of changes in exchange rates: Exchange rate forfeiture (financial year beginning on 1 January 2025)	The Group's analyses show that the implementation of the change will not have a significant impact on the Group's financial statements.

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

2. Going-concern

Consolidated financial statements of the ING Bank Śląski S.A. Capital Group for the period from 1 January 2023 to 31 December 2023 has been prepared on the assumption that the Group will continue as a going concern for at

least 12 months from the date of publication, i.e. from 8 March 2024. As at the date of signing the consolidated financial statements, the Management Board of the Bank does not find any facts or circumstances that would indicate any threat to the Group's ability to continue as a going concern within 12 months from the date of publication as a result of intentional or forced discontinuation or significant limitation of the Group's current operations.

3. Financial statements scope and currency

These annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2023 to 31 December 2023 contain data of the Bank and its subsidiaries and associates (together referred to as the "Group").

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

4. Reporting period and comparable data

Annual consolidated financial statements of the ING Bank Śląski S.A. Capital Group covers the period from 1 January 2023 to 31 December 2023 and includes comparative data:

- for the consolidated statement of financial position as at 31 December 2022,
- for items from the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 1 January 2022 to 31 December 2022.

5. Consolidation rules

The consolidated financial statements comprise the financial statements of the Bank as well as the financial statements of its subsidiaries. The documents were developed for the term of 12 months ended 31 December 2023.

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



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

Subsidiaries are fully consolidated from the moment of obtaining control by the Parent entity until the loss of control date. Control is exercised by the Parent entity when the Parent entity governs the subsidiary. Because of its subsidiary exposure the Parent entity is exposed to variable financial results or holds rights to variable financial results and can use its governing authority over the subsidiary to influence its financial results.

III. Significant accounting principles

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

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

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

1. Basis for preparation of consolidated financial statements

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

2. Professional judgment

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

2.1. Deferred tax assets

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

2.2. Classification of leases

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

2.3. Classification of financial assets

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

3. Accounting estimates

The development of financial statements in accordance with IFRS requires from the Group the use of estimates and assumptions that affect the amounts reported in the financial statements and notes thereto.

Estimates and assumptions applied to the presentation of the value of assets, liabilities, income and costs are made on the basis of historical data available and other factors considered to be relevant in given circumstances.

The assumptions applied for the future and available data sources are the base for making estimates regarding the carrying amount of assets and liabilities, which cannot be determined explicitly on the basis of other sources. The estimates reflect the reasons for/ sources of uncertainties as at the balance sheet date. The actual results may differ from estimates.

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



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

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

3.1. Estimation of expected credit losses for financial assets and impairment of non-current assets

The Group assesses whether there is objective evidence of impairment of financial assets (individual items or groups) and non-current assets as at balance sheet date.

3.1.1. Estimation of expected credit losses for financial assets

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

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

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

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

Macroeconomic factors

Credit risk models for the purposes of IFRS 9 were built on the basis of historical relations between changes in economic parameters (i.e. GDP or interest rates) and their subsequent effect on changes in the level of credit risk (PD/LGD). By the end of 2019, changes in macroeconomic forecasts were relatively slow, moving smoothly from one phase of the cycle to another, without drastic and shocking events changing the macroeconomic situation. The current economic situation caused, among others, by the war in Ukraine has a completely different characteristics - a sudden increase in interest rates, inflation, disruptions of supply chains, a further reduction in GDP forecasts. In

addition, due to the effect of aid programmes for mortgage loans, the effect of changing macroeconomic forecasts has been mitigated in relation to what macroeconomic indicators alone would show.

As at 31 December 2023, the Group revised its macroeconomic indicators forecasts. The macroeconomic assumptions used to determine the expected credit losses are based on forecasts prepared by the Bank's Macroeconomic Analysis Office, supplemented by management adjustments where, in the opinion of the management, recent economic events have not been fully captured.

Recalibration of model parameters and management adjustments

In 4th quarter of 2023, in accordance with the provisions of Recommendation R, the Bank periodically recalibrated credit risk models. The recalibration involved the inclusion of newer data periods in the calculation of model risk parameters. The value of correlation of macroeconomic parameters with risk parameters has changed. Changes made in the parameterisation of retail models and for the operating portfolio of the Small Enterprises segment resulted in the release of allowance for expected credit losses for the retail portfolio by PLN 209.4 million and creation of PLN 19.4 million for the SME portfolio. The result for the SME portfolio includes a management adjustment resulting from incomplete implementation of the in-default module in the amount of PLN 46.4 million.

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

The current high levels of inflation and interest rates have not materialised in the last few years. The historical correlation of risk parameters (PD in IFRS models) with macroeconomic parameters does not fully reflect the current credit risk of portfolios, therefore the Bank applied a management adjustment increasing the value of write-offs in Stages 1 and 2.

The introduction of management adjustments addressing the above-mentioned issue at the end of 2023 resulted in an increase in the allowance for expected credit losses by PLN 52.1 million for the retail client portfolio and by PLN 82.5 million for the corporate client portfolio (at the end of 2022 an increase by PLN 109.1 million and PLN 117.5 million, respectively).

In the case of strategic customers, the main macroeconomic factor affecting the portfolio risk parameters is the change in GDP, however, the current high interest rates and inflation have a point effect on the increase in risk in individual industries particularly exposed to these macroeconomic factors. In the Group's opinion, current IFRS



models for corporate clients do not fully cover the risk of exposure to inflation and the interest rate of individual sectors. As a result, the Group analysed the sectors in which strategic clients operate (within the corporate client portfolio) in terms of the risk of future problems related to a significant increase in operating costs and debt service and decided to increase, at the end of 2023, the allowance for expected credit losses for this portfolio by PLN 43.4 million (increase by PLN 84.3 million at the end of 2022).

According to the new strategic development plan of the ULPD IFRS9 model, all portfolios with very low default levels (ULDPs) will be integrated into a single model, while reflecting the specificity of the portfolios by using underlying models. Until the current models are integrated into one, a management correction will be applied, which in 2023 caused an increase of allowance for expected credit losses by PLN 17.4 million.

As a result of the planned change in the method of managing corporate clients with exposure up to PLN 1.2 million (Large Easy Lending) to automatic, and the Bank’s receipt of regulatory approval for the transfer of this portfolio from the AIRB method to the standard method (SA), the impact of this change on the level of allowances was estimated. As a result, the credit risk model for these exposures will also change from the SME model to the SBF model. The Bank estimated the management adjustment addressing this change. As a result, there was an increase of allowance for expected credit losses by PLN 39.6 million.

The Bank has developed a new IFRS9 model for corporate clients (SMEs). The planned implementation of the model is waiting for the implementation of the new AIRB model. The Bank estimated the impact of the use of the new reserve model on the amount of allowances. As a result, the management adjustment resulted in the release of allowance for expected credit losses in the amount of PLN 87.4 million.

At the end of 2022, adjustments due to excessive conservativeness of the LGD model resulted in a decrease of impairment for expected credit losses by PLN 113.8 million for retail clients and by PLN 188.0 million for corporate clients.

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

In 2022, a statutory assistance programme was introduced enabling customers with PLN mortgage loans to suspend 4 instalments in 2022 and 4 instalments (one per quarter) in 2023 (credit moratoria). Due to the specificity of PD models, which use information on account behaviour (in particular in terms of timeliness of repayments), model parameters may be underestimated in relation to the customer’s actual situation. Therefore, at the end of 2023, the Group decided to increase the allowance for expected credit losses for the mortgage loan portfolio by PLN 18.5 million (increase by PLN 25.0 million at the end of 2022) and reclassified part of the exposure portfolio

to Stage 2 (customers in arrears on other products or characterised by an uncertain economic situation, e.g. with a high DSTI ratio, meaning a high debt service cost-to-income ratio).

The division of adjustments into stages and into corporate and retail segments is presented in chapter II.2.10.2. *Quality of the loan portfolio*, in section *Risk and capital management*.

Description of the indications for identification of impairment of financial assets, methodology of calculation of impairment losses and applied accounting principles are described in point 13.12. *Expected credit losses*.

Thresholds used to identify a significant increase in credit risk

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

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

At the end of 2023 and 2022 these triggers were as follows:

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

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

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

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

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



Sensitivity analysis of expected credit losses on assumed PD threshold

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

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

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

The estimates made as at 31 December 2022 showed, respectively, hypothetical lower expected losses for Stage 1 and Stage 2 assets by approximately PLN 290 million (including PLN 200 million for corporate portfolio and PLN 90 million for retail portfolio) or by approximately PLN 840 million (respectively PLN 440 million for corporate portfolio and PLN 400 million for retail portfolio).

Macroeconomic forecasts and probability weights applied to each of macroeconomic scenarios

Below are presented the macroeconomic forecasts of of key factors adopted as at 31 December 2023 and 31 December 2022 and the deviations of expected losses in the upside, baseline and negative scenarios from the reported expected losses, weighted by the probability of the scenarios - broken down into corporate, retail and for the entire loan portfolio. The analysis takes into account changes in the time horizon of expected losses (migrations between Stages) resulting from the macroeconomic scenarios used in the analysis. The presented deviations from reported losses do not take into account the impact of management adjustments described earlier. The macroeconomic assumptions used to determine these deviations for the base scenario are based on forecasts prepared by the Bank’s Macroeconomic Analysis Office, with forward curves for interest rates based on year-end positions.

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

For both the entire loan portfolio and its corporate and retail part, the selective application of a negative scenario with a weight of 100% increases the level of provisions in all Stages (1/2/3). The average increase of the allowance for the entire portfolio, on a consolidated basis, is about 16% compared to the average scenario used in the calculation of allowances for 2023. The increase of provisions in this scenario is mainly caused by the migration of

exposures to Stage 2 caused mainly by negative GDP growth in the short term and moderate increase of the unemployment rate.

If a 100% weight were applied, for the positive scenario there would be a decrease of allowance by approx. 8% on the entire portfolio (for corporate portfolio by 10% and for retail portfolio by 5%). A positive effect of GDP growth and stable values of other variables are observed here (unemployment rate: about 2%, interest rate: 7-8%).

The application of a weight of 100% for the base scenario remains almost neutral for the amount of provisions (decrease by 2% on the entire portfolio).



2023

total loan portfolio

		2024	2025	2026	Expected losses weighted by probability – deviation from losses reported in %		Change in the share of Stage 2 in relation to the entire portfolio in %	Weight assigned to the scenario to determine the reported expected losses	Reported expected losses (collective assessment in Stage 1, 2 and 3)			
					Total	by Stages			Total	by Stages		
Upside scenario	GDP	5.4%	4.6%	4.6%	-8%	Stage 1 -15%	-7%	100%	2,427.3	Stage 1 371.6 Stage 2 637.7 Stage 3 1,418.0		
	Unemployment	2.2%	2.2%	2.0%		Stage 2 -21%						
	Real estate price index	5.6%	5.4%	7.8%		Stage 3 -2%						
	3 months' interest rate	7.0%	7.9%	8.1%								
Baseline scenario	GDP	2.5%	3.5%	3.0%	-2%	Stage 1 -4%	-2%	100%				
	Unemployment	3.0%	3.0%	3.0%		Stage 2 -4%						
	Real estate price index	3.7%	4.1%	6.0%		Stage 3 0%						
	3 months' interest rate	4.4%	4.4%	4.6%								
Negative scenario	GDP	-1.7%	1.5%	0.9%	16%	Stage 1 9%	57%	100%				
	Unemployment	4.7%	5.9%	7.1%		Stage 2 52%						
	Real estate price index	-1.9%	2.2%	3.9%		Stage 3 3%						
	3 months' interest rate	2.8%	2.3%	2.2%								

2022

total loan portfolio

		2023	2024	2025	Expected losses weighted by probability – deviation from losses reported in %		Change in the share of Stage 2 in relation to the entire portfolio in %	Weight assigned to the scenario to determine the reported expected losses	Reported expected losses (collective assessment in Stage 1, 2 and 3)			
					Total	by Stages			Total	by Stages		
Upside scenario	GDP	4.2%	4.3%	5.2%	-9%	Stage 1 -26%	-17%	20%	2,356.9	Stage 1 432.7 Stage 2 833.0 Stage 3 1,091.1		
	Unemployment	2.1%	2.2%	1.8%		Stage 2 -16%						
	Real estate price index	2.1%	3.9%	5.0%		Stage 3 -2%						
	3 months' interest rate	10.2%	10.2%	9.9%								
Baseline scenario	GDP	1.5%	3.3%	3.5%	-5%	Stage 1 4%	-17%	60%				
	Unemployment	3.1%	2.9%	2.8%		Stage 2 -20%						
	Real estate price index	0.3%	2.5%	3.2%		Stage 3 0%						
	3 months' interest rate	8.0%	7.3%	7.1%								
Negative scenario	GDP	-2.8%	1.1%	1.5%	21%	Stage 1 17%	104%	20%				
	Unemployment	4.6%	5.9%	6.9%		Stage 2 63%						
	Real estate price index	-5.1%	0.6%	1.2%		Stage 3 3%						
	3 months' interest rate	6.7%	5.4%	4.6%								

corporate portfolio

		2024	2025	2026	Expected losses weighted by probability – deviation from losses reported in %		Change in the share of Stage 2 in relation to the entire portfolio in %	Weight assigned to the scenario to determine the reported expected losses	Reported expected losses (collective assessment in Stage 1, 2 and 3)			
					Total	by Stages			Total	by Stages		
Upside scenario	GDP	5.4%	4.6%	4.6%	-10%	Stage 1 -20%	-7%	100%	1,493.4	Stage 1 238.4 Stage 2 434.6 Stage 3 820.4		
	Unemployment	2.2%	2.2%	2.0%		Stage 2 -26%						
	Real estate price index	5.6%	5.4%	7.8%		Stage 3 -2%						
	3 months' interest rate	7.0%	7.9%	8.1%								
Baseline scenario	GDP	2.5%	3.5%	3.0%	-2%	Stage 1 -7%	-2%	100%				
	Unemployment	3.0%	3.0%	3.0%		Stage 2 -6%						
	Real estate price index	3.7%	4.1%	6.0%		Stage 3 0%						
	3 months' interest rate	4.4%	4.4%	4.6%								
Negative scenario	GDP	-1.7%	1.5%	0.9%	21%	Stage 1 10%	67%	100%				
	Unemployment	4.7%	5.9%	7.1%		Stage 2 67%						
	Real estate price index	-1.9%	2.2%	3.9%		Stage 3 2%						
	3 months' interest rate	2.8%	2.3%	2.2%								

corporate portfolio

		2023	2024	2025	Expected losses weighted by probability – deviation from losses reported in %		Change in the share of Stage 2 in relation to the entire portfolio in %	Weight assigned to the scenario to determine the reported expected losses	Reported expected losses (collective assessment in Stage 1, 2 and 3)	
					Total	by Stages			Total	by Stages
Upside scenario	GDP	4.2%	4.3%	5.2%	-13%	Stage 1 -45% Stage 2 -20% Stage 3 -2%	-20%	20%	1,316.4	Stage 1 237.3 Stage 2 535.3 Stage 3 543.7
	Unemployment	2.1%	2.2%	1.8%						
	Real estate price index	2.1%	3.9%	5.0%						
	3 months' interest rate	10.2%	10.2%	9.9%						
Baseline scenario	GDP	1.5%	3.3%	3.5%	-4%	Stage 1 -15% Stage 2 -6% Stage 3 0%	-7%	60%		
	Unemployment	3.1%	2.9%	2.8%						
	Real estate price index	0.3%	2.5%	3.2%						
	3 months' interest rate	8.0%	7.3%	7.1%						
Negative scenario	GDP	-2.8%	1.1%	1.5%	32%	Stage 1 29% Stage 2 90% Stage 3 3%	129%	20%		
	Unemployment	4.6%	5.9%	6.9%						
	Real estate price index	-5.1%	0.6%	1.2%						
	3 months' interest rate	6.7%	5.4%	4.6%						



2023

retail portfolio

		2024	2025	2026	Expected losses weighted by probability – deviation from losses reported in %		Change in the share of Stage 2 in relation to the entire portfolio in %	Weight assigned to the scenario to determine the reported expected losses	Reported expected losses (collective assessment in Stage 1, 2 and 3)				
					Total	by Stages			Total	by Stages			
Upside scenario	GDP	5.4%	4.6%	4.6%	-5%	Stage 1	-8%	-9%	100%	933.9	Stage 1 133.2 Stage 2 203.1 Stage 3 597.6		
	Unemployment	2.2%	2.2%	2.0%		Stage 2	-11%						
	Real estate price index	5.6%	5.4%	7.8%		Stage 3	-3%						
	3 months' interest rate	7.0%	7.9%	8.1%									
Baseline scenario	GDP	2.5%	3.5%	3.0%	0%	Stage 1	0%	-2%	100%				
	Unemployment	3.0%	3.0%	3.0%		Stage 2	-2%						
	Real estate price index	3.7%	4.1%	6.0%		Stage 3	0%						
	3 months' interest rate	4.4%	4.4%	4.6%									
Negative scenario	GDP	-1.7%	1.5%	0.9%	7%	Stage 1	8%	13%	100%				
	Unemployment	4.7%	5.9%	7.1%		Stage 2	17%						
	Real estate price index	-1.9%	2.2%	3.9%		Stage 3	3%						
	3 months' interest rate	2.8%	2.3%	2.2%									

2022

retail portfolio

		2023	2024	2025	Expected losses weighted by probability – deviation from losses reported in %		Change in the share of Stage 2 in relation to the entire portfolio in %	Weight assigned to the scenario to determine the reported expected losses	Reported expected losses (collective assessment in Stage 1, 2 and 3)						
					Total	by Stages			Total	by Stages					
Upside scenario	GDP	4.2%	4.3%	5.2%	-4%	Stage 1	-5%	-4%	20%	1,040.5	Stage 1 Stage 2 Stage 3	195.4 297.7 547.4			
	Unemployment	2.1%	2.2%	1.8%		Stage 2	-10%								
	Real estate price index	2.1%	3.9%	5.0%		Stage 3	-2%								
	3 months' interest rate	10.2%	10.2%	9.9%											
Baseline scenario	GDP	1.5%	3.3%	3.5%	-6%	Stage 1	25%	-55%	60%						
	Unemployment	3.1%	2.9%	2.8%		Stage 2	-42%								
	Real estate price index	0.3%	2.5%	3.2%		Stage 3	-1%								
	3 months' interest rate	8.0%	7.3%	7.1%											
Negative scenario	GDP	-2.8%	1.1%	1.5%	8%	Stage 1	4%	9%	20%						
	Unemployment	4.6%	5.9%	6.9%		Stage 2	21%								
	Real estate price index	-5.1%	0.6%	1.2%		Stage 3	4%								
	3 months' interest rate	6.7%	5.4%	4.6%											



3.1.2. Impairment of property, plant and equipment and intangible assets

The assessment in this respect is based on the estimation of the recoverable value of the asset, which is the value in use or the value of sales less direct costs of sale, depending on which of the above-mentioned values at the time of the review is higher.

The value in use of an asset (or a cash-generating unit when the recoverable amount of an asset item forming joint assets cannot be determined) is estimated, among others, through adoption of estimate assumptions for amounts, times of future cash flows which the Group may generate from a given fixed asset (or a cash-generating unit) and other factors. To determine the value in use, the estimated future cash flows are discounted to their present value at pre-tax discount rate, which reflects the current market expectations as regards value of money and the specific risk of a given assets item.

When estimating the fair value less costs of sale, the Group makes use of relevant market data available or valuations made by independent appraisers, which, in principle, are also based on estimates.

The relevant recording rules were delineated in chapter III. *Significant accounting principles*, in item 14.4. *Impairment of other non-financial assets*.

Detailed information on the impairment test in relation to goodwill is presented in additional note 24. *Intangible assets*.

3.2. Deferred tax asset for unused tax loss

The Group recognizes a deferred tax asset for deductible temporary differences and unsettled tax losses to the extent that it is probable that taxable profit will be available against which the deductible differences can be offset and tax losses settled. Based on the forecast of the Group's tax results for the years 2024-2027, it was estimated that the Group will generate sufficient taxable income to reduce the tax base by the full amount of the tax loss. Therefore, the Group recognized the full amount of the tax loss in the deferred tax asset. At the end of 2023, the deferred tax asset related to unsettled tax losses amounted to PLN 519.2 million (PLN 1,038.1 million at the end of 2022).

3.3. Measurement of financial instruments not quoted in active markets

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

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

Sensitivity analysis of the valuation of financial instruments not listed on active markets is presented in additional note 36. *Fair value*.

3.4. Provisions for retirement and pension benefit

The Group establishes the provisions for retirement and pension benefit in accordance with IAS 19. The provision for retirement and pension benefit awarded as part of the benefits under the Labour Code regulations is calculated using the actuarial method by an independent actuary as the present value of the future long-term Group's obligations towards its employees considering the headcount and payroll status as at the update date.

The provisions are calculated based on a range of assumptions, relating to both discount rates and projected salary rises as well as to staff rotation, death risk and others. The assumptions are verified as at the end of the accounting year.

The tables below show the sensitivity of the model to the values of each assumption as at 31 December 2023 and 31 December 2022. The value of pension provisions recognised in the Group's books as at 31 December 2023 and 31 December 2022, respectively, is presented as a base variant.

Assumptions adopted for the valuation:

- discount rate – 5.40%,
- long-term wage growth rate – 5.00%.



2023

	Provisions for retirement and pension benefit (in PLN million)		
	lower bracket	base variant	upper bracket
Discount rate (-1% / base variant / + 1%)	84.5	93.3	103.7
Deviation from the assumed dynamics of changes in salaries (- 0.5% / base variant / +0.5%)	88.2	93.3	98.7

2022

	Provisions for retirement and pension benefit (in PLN million)		
	lower bracket	base variant	upper bracket
Discount rate (-1% / base variant / + 1%)	67.2	74.0	81.8
Deviation from the assumed dynamics of changes in salaries (- 0.5% / base variant / +0.5%)	70.0	74.0	78.0

3.5. Lease period for perpetual contracts

The lease period was determined taking into account the option of extension and shortening available in the concluded contracts, if the option is likely to be used. In the case of contracts concluded for an indefinite period with the option of termination for both parties to the contract, the Group assessed whether there are significant costs of withdrawal from the contract. The contracts for an indefinite period owned by the Group are primarily property lease contracts. If there are no significant costs, the notice period for both parties to the contract has been set as the lease period. If the costs of leaving the contract are significant, the Group has adopted a period of 4 years as the lease period. The adopted period results from the strategy of physical presence in a given location, ensuring flexibility and business efficiency, and taking into account changing expectations and preferences of the customers. The adopted estimates do not have a significant impact on the value of assets under the right of use. As at 31 December 2023, a change in the lease term by 1 year results in a change in the value of assets by approx. PLN 9.2 million (approx. PLN 8.5 million as at 31 December 2022).

3.6. Write-downs and portfolio provisions related to the portfolio of mortgage loans indexed to the CHF exchange rate

As at 31 December 2023 and as at 31 December 2022, the Group held receivables due to CHF-indexed retail mortgage loans. The table below presents the number and individual elements comprising the gross and net balance sheet value of these receivables. Additionally, as at 31 December 2023, the Group estimated a provision for legal risk of CHF-indexed mortgage loans in the amount of PLN 128.4 million, which pertains to CHF-indexed mortgage loans removed from the statement of financial position and parts of loans recognised in the statement of financial position, for which the estimated loss value exceeds the gross exposure. As at 31 December 2022, the provision amounted to PLN 53.7 million and related entirely to CHF-indexed mortgage loans removed from the statement of financial position. This provision is presented under Liabilities in the item *Provisions* (explanatory note 32).

as at 31 December	2023	2022
number of contracts (in pieces)	2,753	3,318
capital balance	583.6	719.0
the amount of the adjustment to the gross carrying amount	-510.2	-581.6
other elements of the gross carrying amount (interest, ESP)	3.1	2.1
gross carrying amount	76.5	139.5
impairment for expected credit losses	-7.6	-16.2
Net carrying amount of CHF-indexed mortgage loans	68.9	123.3
Provision for legal risk of CHF-indexed mortgage loans	128.4	53.7

As at 31 December 2023, the number of CHF-indexed mortgage loan agreements removed from the statement of financial position, excluding closed agreements as a result of cancellation of the agreement by the court or as a result of conversion to PLN loans in connection with the settlement (for more details, see the settlement programme in explanatory note 32. *Provisions*), amounted to 2,479 (2,373 as at 31 December 2022) and the corresponding disbursement amount was PLN 351.8 million (PLN 342.9 million as at 31 December 2022). As at 31 December 2023, there were 1,389 court cases pending against the Bank (1,041 cases at the end of 2022) in connection with concluded CHF-indexed loan agreements in PLN. The outstanding principal of the mortgage loans to which the proceedings related was PLN 290.6 million as at 31 December 2023 (PLN 251.8 million at the end of 2022). By 31 December 2023, 384 court cases had ended with a final court judgement.



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

The table below presents the change in 2023 and 2022:

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

for the year ended 31 December				
	2023		2022	
	an adjustment to the gross carrying amount for loans recognized in the statement of financial position	provision for legal risk of CHF-indexed mortgage loans	an adjustment to the gross carrying amount for loans recognized in the statement of financial position	provision for legal risk of CHF-indexed mortgage loans
Balance at the beginning of the period	581.6	53.7	345.6	37.6
Changes in the period, including:	-71.4	74.7	236.0	16.1
provisions recognised/ reversed	93.5	11.6	271.5	21.4
transfer between provisions*	-73.1	73.1	-3.0	3.0
utilisation, including from settlements	-80.9	-10.0	-82.0	-8.3
FX differences	-10.9	-	49.5	-
Balance at the end of the period	510.2	128.4	581.6	53.7

*) In 2023, the Group changed the presentation of the part of the loss, previously recognised as *an adjustment to the gross carrying amount of loans recognised in the statement of financial position*, in relation to loans for which the estimated loss value exceeded the gross exposure, to the *provision for legal risk of CHF-indexed mortgage loans*.

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

As at 31 December 2023, a portfolio approach was used to estimate the adjustment to the gross carrying amount related to the portfolio of CHF-indexed mortgage loans recognised in the statement of financial position and to

estimate the provision for the assets related to CHF-indexed mortgage loans removed from the statements resulting from legal risk related to these loans.

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

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

As at 31 December 2023, potential losses due to legal risk are estimated as probability-weighted average of three scenarios - base, positive and negative - taking into account the estimated probability of occurrence. The scenarios on which the estimation is based are diversified in terms of the expected number of court cases (calculated on the basis of the Bank’s professional judgement resulting from the Bank’s experience to date and an analysis of the current market situation with regard to cases ended with a annulling judgement), as well as the scale of settlements with customers expected by the Bank.

As at 31 December 2023, for the portfolio of CHF-indexed mortgage loans recognised in the statement of financial position, the Bank assumes in each scenario that for a specific part of the portfolio there may be:

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

The calculation of losses in the event of cancellation of the loan agreement is based on the assumption that the Bank will refund instalments to the customer and return the principal of the loan granted to the Bank by the customer, without taking into account the recovery by the Bank of remuneration for the borrower’s use of the capital. This solution, depending on the scenario, covers from 60% to 75% of the portfolio of CHF-indexed mortgage loans included in the statement of financial position, which are not subject to legal proceedings. For CHF-indexed mortgage loans recognised in the statement of financial position being the subject of litigation, the Bank recognised the full loss resulting from the annulment. The positive, baseline and negative scenarios differ in the number of litigation cases and the size of the settlement portfolio, and the weights of the different scenarios are equal.



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

As at 31 December 2023, for financial assets already removed from the statement of financial position, the Bank assumes in each scenario that for a specific part of the portfolio there may be a cancellation of the loan agreement after the end of the legally binding court proceedings. The calculation of losses in the event of cancellation of a loan agreement is analogous to the CHF-indexed mortgage portfolio recognised in the statement of financial position. This solution, depending on the scenario, covers 11% to 19% of financial assets already removed from the statement of financial position, which are not subject to legal proceedings. For mortgage loans already removed from the statement of financial position being the subject of litigation, the Bank recognised the full loss resulting from the annulment. The positive, baseline and negative scenarios differ in their assumptions about the number of contentious cases, and the weights of the individual scenarios are equal.

The change in the estimate due to the adjustment to the gross carrying amount of mortgage loans indexed to CHF recognised in the statement of financial position and the provision for financial assets already removed from the statement of financial position in 2023 compared to their balance as at 31 December 2022 resulted from the periodic review of the main assumptions of the calculation, taking into account the expected number of new litigation cases and the update of other model parameters.

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

As at 31 December 2023:

- a change in the share of the portfolio of loans subject to voluntary settlements by +/-5 p.p. at the expense of the share of the portfolio of loans not affected by loss would result in a change in the level of gross carrying amount adjustment for CHF-indexed mortgage loans recognised in the statement of financial position by +/- PLN 7 million (compared to +/-PLN 21 million as at 31 December 2022),
- a change in the share of the portfolio of loans affected by cancellation of the loan agreement by +/-5 p.p. at the expense of the share of the portfolio of loans not affected by loss would result in a change in the level of gross carrying amount adjustment for CHF-indexed mortgage loans recognised in the statement of financial position by +/-PLN 17 million (compared to +/-PLN 38 million as at 31 December 2022),

- a change in the share of the portfolio of loans covered by voluntary settlements at the expense of the share of the portfolio of loans affected by the cancellation of the loan agreement by +/- 5 p.p. would result in a change in the level of gross carrying amount adjustment for CHF-indexed mortgage loans included in the statement of financial position by +/-PLN 10 million (compared to +/-PLN 18 million as at 31 December 2022),
- a change in the share of loans removed from the financial statements affected by the cancellation of the loan agreement at the expense of the share of loans removed from the financial statements not affected by loss by +/- 5 p.p. would result in a change in the provision for legal risk for mortgage loans indexed to CHF already removed from the statement of financial position by +/-PLN 11 million (compared to +/-PLN 11 million as at 31 December 2022).

As at 31 December 2023, the impairment losses on expected credit losses on the portfolio of mortgage loans indexed to the CHF exchange rate resulting from recognition of these loans in Stage 1 amounted to PLN 0.3 million, PLN 2.6 million in Stage 2 and PLN 4.6 million in Stage 3. For comparison, as at 31 December 2022, the provisions resulting from the recognition of the aforementioned loans in Stage 1 amounted to PLN 1.0 million, PLN 8.9 million in Stage 2 and PLN 6.3 million in Stage 3.

3.7. Returns of part of the cost of credit resulting from prepayments of consumer loans

On 11 September 2019, the European Court of Justice (CJEU) announced a judgement on consumer credit agreements, which included guidelines on the correct settlement of the total cost of consumer credit in the event of early repayment. After the publication of the above-mentioned judgement, the President of UOKiK presented his position, in which he fully shared the findings of the CJEU judgement.

In connection with the CJEU judgement and the UOKiK statement in 2019, the Group adapted its activities to the current interpretation of the regulations as follows:

- Salary refunds regarding loans repaid by 11 September 2019 are based on the complaint path. The Group estimated the expected outflows resulting from the reimbursement of commissions to customers and created a provision for this in 2019 in the amount of PLN 17.1 million. As at 31 December 2023, there was no change in the estimates in relation to the reimbursement of commissions made on the complaint path. An increase or decrease in the number of complaints by 10% would result in an increase or decrease in the provision by PLN 1.7 million, respectively. As at 31 December 2023, the provision amounted to PLN 5.8 million (PLN 6.5 million as at 31 December 2022).
- With regard to prepayments made from 11 September 2019, the Group reimburses commissions collected after the customer has made early loan repayment using the proportional method. These revenues are



recognised using the effective interest rate method, which is characterised by a faster rate of recognition of revenues than the linear method used to calculate the return. In order to correctly take into account the impact on the measurement of receivables and financial result, the Group estimated the difference between the settlement of revenues using the effective rate method and the linear method based on expected commission returns using historical data on loan prepayment profiles with different maturities. In 2023, the gross value of consumer loans and mortgage loans measured at amortised cost increased by PLN 3.5 million to the total amount of PLN 20.3 million, which decreased the gross value (in 2022 it was PLN 5.0 million and PLN 23.8 million, respectively).

4. Consolidation policies

4.1. Subsidiaries

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

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

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

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

If the control ceases, the Bank:

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

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

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

4.2. Associates

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

Investments in associates are initially recognised at purchase price and then accounted for using the equity method. The share of the Group in the profits (losses) since the date of acquisition is recognised in the statement of profit or loss, whereas its share in changes in other capital since the date of acquisition – in other capital. The carrying amount of the investment is adjusted by the total changes of different items of equity after the date of their acquisition.

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

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

4.3. Transactions eliminated in consolidation process

Intragroup balances and gains and losses or income and costs resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

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

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

5. Foreign currency

5.1. The functional currency and the presentation currency

The items contained in presentations of particular units of the Bank are priced in the currency of the basic economic environment in which a given entity operates (the “functional currency”). These consolidated financial statements are presented in Polish Zloty, which is the functional currency and the presentation currency of the Bank.



5.2. Transactions in foreign currency

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

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

6. Net interest income

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

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

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

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

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

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

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

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

7. Commission income and costs

Commission income arises from providing financial services by the Group and comprises i.a. fees for extending a loan, the Group's commitment to extend a loan, cards issue, cash management services, brokerage services, insurance products-related services and asset management services. Commission income comprises also margins on FX derivatives transactions.

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

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

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

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

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

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



- commissions for the loan or limit/ overdraft granted to start another lending year.

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

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

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

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

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

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

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

Income and costs under bancassurance commission

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

- commissions being part and parcel of a fee under a financial instrument wherewith the insurance product is linked,

- fee for agency service, and
- fee for additional services after the insurance product sale.

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

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

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

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

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

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



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

Commissions under insurance products not linked to banking products are recognised in the income statement:

- on a straight-line basis during the insurance policy term – if the Group, apart from other sales operations, also provides additional services during the insurance term,
- on a one-off basis – if the Group does not provide any additional services during the insurance policy term.

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

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

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

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

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

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

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

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

10. Net (loss)/income on hedge accounting

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

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

Net income on other basic activities includes cost and income not attributed directly to Group’s banking and brokerage activity. These include in particular: net income due to sale of assets (non-current assets and intangible assets), income on sales of other services, income due to recovered bad debts, received and paid damages, penalties and fines.

12. Lease contracts and factoring services

12.1. The Group as lessor

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

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

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

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

Interest on financial leases is presented in Interest income in the item Interest on loans and other receivables to customers, under the detailed item Interest on lease liabilities.

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



12.2. Factoring services

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

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

13. Financial assets and liabilities

13.1. Initial recognition

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

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

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

13.2. Classification of financial assets

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

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

Financial assets measured at amortised cost

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

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

Debt financial assets measured at fair value through other comprehensive income

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

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

Equity instruments measured at fair value through other comprehensive income

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

Financial assets measured at fair value through profit or loss

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

Business model assessment

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

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



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

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

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

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

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

The Group took the following assumptions:

- Sales close to maturity means the sales of financial assets whose:
 - original maturity is more than 1 year and sales occurs less than 6 months before maturity date,
 - original maturity is less than 1 year and sales occurs less than 3 months before maturity date.
- infrequent sales means that the number of sales compared to the average number of items in the business model is less than 10%,

- insignificant in value means for which both the value of the sales compared to the total value of the business model and the net gains from the sales compared to the total net interest income of the business model is less than 10%.

Assessment of cash flow characteristics

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

- principal – means fair value of the financial asset at initial recognition in the Group’s books,
- interest – means the payment including consideration for:
 - time value of money,
 - credit risk resulting from principal amount outstanding within a specified period,
 - other basic lending risks and costs (e.g. liquidity risk and administrative costs), and
 - profit margin.

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

In particular the Group verifies the following conditions:

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

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

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

- undiscounted contractual cash flows and



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

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

13.3. Classification of financial liabilities

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

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

Financial liabilities measured at fair value through profit or loss

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

Financial liabilities measured at amortised cost

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

Financial guarantees

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

13.4. Derecognition

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

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

- transfers the contractual rights to receive cash flows, or

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

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

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

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

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

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

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

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



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

13.5. Modification of contractual cash flows

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

Qualitative criteria

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

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

Quantitative trigger

A financial asset is deemed to be extinguished when the present value of cash flows under the modified loan terms, discounted at the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original agreement, discounted using the original effective interest rate. For modifications that do not lead to a derecognition of the financial asset, the net present value difference (using

the original effective interest rate) between the cash flows of the asset before and after modification is recognised in the statement of profit and loss.

13.6. Measurement

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

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

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

In particular, the Group adjusts the gross carrying amount of the portfolio of mortgage loans denominated in foreign currencies, taking into account the changed estimated cash flows from these agreements resulting from the



legal risk of this portfolio. The adjustment is recorded as a separate line in the income statement Cost of legal risk of FX mortgage loans.

Granted financial guarantees are measured at the higher of:

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

13.7. Gains and losses resulting from subsequent measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

13.8. Cost basis of debt and equity securities

Estimation of fair value of and result on sale of securities requires application of a certain cost basis for investment. The cost basis for investment applied in that respect is based on the interpretation resulting in application by an analogy of the guidelines given in IAS 2 Inventories, however only as far as possible considering the unique nature of the financial instruments of this type.

The Group applies the “weighted average purchase price” as the effective cost basis for investment to estimate fair value of and result on sale of securities with the capital rights.

The Group applies the “first-in first-out” (FIFO) method as the cost basis for investment for debt securities.

13.9. Derivative instruments and hedge accounting

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

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

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

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

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

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

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

13.9.1. Hedge accounting

The Group applies the hedge accounting requirements of IAS 39.

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

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

Fair value hedge

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

Cash flow hedge

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

13.9.2. Derivative instruments not qualifying as hedging instruments

Changes in fair value of derivatives that do not fulfil the criteria of hedge accounting are disclosed in the statement of profit or loss for the current period. Changes in fair value of interest rate derivatives arising from ongoing accrual



of interest coupon are disclosed under *Net interest income on derivatives*, whereas the remaining part of changes in the fair value of interest rate derivatives is presented under *Net income on financial instruments measured at fair value through profit or loss and FX result*.

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

13.10. Offsetting financial instruments

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

In order to mitigate credit risk, the Group concludes master agreements with contracting parties, with which the Bank concludes transactions. These master agreements provide for offsetting financial assets and liabilities in case of a breach of the master agreement. Due to the conditional nature of these contractual provisions, there is no netting in the financial statements and the effects of conditional netting are presented in note 37. *Offsetting of financial instruments*.

13.11. Repo / reverse repo transactions

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

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

13.12. Expected credit losses

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

At each reporting date, the Group measures the impairment for expected credit losses for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased

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

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

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

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

Three stage approach

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

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

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

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



Significant increase in credit risk

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

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

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

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

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

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

At each balance sheet date, the Group assesses whether a financial assets item or a group of financial assets is impaired. A financial asset item or a group of financial assets is impaired if and only if, there is evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset item (a ‘loss

event’) and that loss event (or events) has (have) an impact on the expected future cash flows of the financial asset item or a group of financial assets that can be reliably estimated. The Group recognizes the expected credit losses based on reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Evidence of impairment

The evidence of impairment is:

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

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

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



- the occurrence of an overdue exceeding 30 days or granting another forbearance on a credit exposure classified initially as forbearance non-performing, and then healed and in the forbearance performing status during the trial period,
- interest-free status (interest stoppage) for a credit exposure,
- for retail credit exposure, over 3-month arrears in repayment of due liabilities under the loan with a one-off repayment of the entire mobilised capital at the end of the loan period,
- for corporate credit exposures – making a decision to recover debts as part of the debt collection strategy,
- questioning the balance sheet credit exposure by the client in court proceedings.

Impairment triggers

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

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

- granting by a natural person in default of obligations, a surety at the Bank for significant obligations of a company belonging to it or when a natural person is a debtor of the Bank and the company belonging to it is in default,
- over 3-month arrears in repayment (including all interest, principal and commissions) under the loan with a one-off repayment of all disbursed capital at the end of the loan period (not applicable if the repayment frequency exceeds one month),
- the customer belongs to the same economic or legal group as the defaulting debtor,
- disappearance of the possibility of refinancing,
- for exposures resulting from transactions concluded on the financial market – disappearance of an active market (e.g. suspension of quotations on the WSE) for a given financial asset (shares, bonds, other securities) held by the Group due to financial difficulties of the issuer / client, which may have a negative effect on the future cash flows of a given financial asset,
- the customer ceases to repay principal, interest or commission and the delay in repayment or the oldest unauthorised overdraft continues for more than 45 calendar days,
- bankruptcy threat, submission of an application to initiate proceedings under restructuring law or other financial reorganization, which may result in non-repayment of a financial asset or its delay,

- no intention or possibility of repayment by the debtor due to the existing financial problems; in particular, the following events may indicate significant financial difficulties (the events described in points "1" to "5" are not triggers for impairment if they were assumed in the client's financial plans at the time of granting the involvement and the Group accepted such plans:
 - 1) negative equity at the end of the annual accounting period,
 - 2) negative cash flows from operating activities in three consecutive annual accounting periods (from the cash flow statement, and if it is not prepared, then from the simplified cash flow statement),
 - 3) revenues from core activities decrease significantly (over 50% year on year based on the results of annual accounting periods) or revenues from core activities decrease (over 30% year on year based on the results of annual accounting periods) and, at the same time, the ratio of debt to EBITDA (earnings before interest, taxes, depreciation and amortization, profit before deduction of interest on interest-bearing liabilities, taxes and depreciation) is greater than 4 or EBITDA is less than 0 (if the contract contains a different definition of the trigger, the event is a trigger for impairment, if it is exceeded level 4 as defined in the contract. If the contract indicates the level of the ratio > 4, then we identify the triggers for impairment when exceeding the level specified in the contract),
 - 4) Negative EBITDA in two consecutive annual financial periods,
 - 5) the implementation of financial projections by the client negatively differs from the range approved by the Group by at least 20%, which leads to a significant breakdown of financial ratios,
 - 6) the events described in points "1" to "5" occurred during the accounting year, provided that they occurred in the amounts considered significant and the Group expects that the situation will not improve until the end of the annual accounting period and this situation may result in failure to repay the financial asset or its delay,
 - 7) active enforcement to client accounts kept in the Group, if the oldest active enforcement order persists for more than 90 days and the total amount of active titles exceeds PLN 100 thousand; PLN for customers of the corporate sales network or PLN 500 thousand for strategic clients,
 - 8) unsettled claims under guarantees granted by the Group (lack of customer funds), if the customer's overdue liability to the Group due to the payment of the guarantee by the Group persists for more than 45 days from the date of payment of the guarantee claim,
 - 9) termination of a loan agreement with another bank of significant value,
- a material breach of contractual terms by the customer, which may have a negative impact on future cash flows from a given financial asset (if there has been a material breach of contractual terms, but the Group,



after identifying and assessing the causes and effects of such breach, accepted them (temporarily or permanently) or changed, such an event is not treated as a trigger for impairment),

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

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

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

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

- LTV (Loan to Value) > 90% and this is not a temporary situation,
- historical DSCR (debt service cover ratio) ratio <1.0 or ICR (interest coverage ratio) <1.0 (depending on which indicator is used for transaction risk assessments) for two consecutive annual accounting periods and cash

flows generated by the real estate are, in the opinion of experts, insufficient to repay and service the loan in accordance with the adopted schedule.

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

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

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

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



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

- assessment of the customer's potential to repay all credit obligations to the Group in compliance with the agreement and a documented assessment,
- if no default or impairment is identified, a written justification for leaving the client in the performing portfolio should be prepared,
- if as a result of the assessment a situation of default or impairment was identified – reclassification of the client to the portfolio of non-performing exposures.

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

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

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

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

Measurement of expected credit losses

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

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

The Group measures the lifetime expected credit losses LEL (Lifetime Expected Loss) – is the discounted amount of partial losses over the lifetime of the exposure, relating to default events in each 12-month time window by the maturity date of the exposure, taking into account the scenario weights.

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

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

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

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



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

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

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

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

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

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

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

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

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

Recognition of impairment for expected credit losses for assets at amortised cost

Impairment losses are presented as a reduction of the carrying amount of the assets is recognised in the statement of profit or loss for the period.

If in a consecutive period, the amount of loss due to the impairment decreases as a result of an event that took place after the impairment (e.g. improved credit capacity assessment of the debtor), the decrease is recognized as a reversal in the statement of profit or loss. The Group determined the events whereunder it is possible to reverse credit exposure impairment.

The Group applies the same criteria for client’s exit from default and reversal of impairment loss. The process of opening the trial period followed by curing – transfer from the non-performing portfolios to the performing portfolio is executed:



- for clients from the mortgage and consumer loans segment – at the business segment level, unless it relates to a situation identified at the debtor's level (e.g. bankruptcy),
- for corporate clients – at the debtor level.

If the debtor is in an impaired portfolio and has no exposure in the forbearance statute, it is considered healed and qualified for a performing portfolio if all the following conditions are met in the following order:

- no evidence or trigger for impairment being the source of default or indicating a high probability of non-payment – are not active,
- at least 3 months (trial period) have elapsed from the date of completion of the evidence / trigger for impairment and during this period the client's behaviour (intention to repay) and situation (repayment ability) were positively assessed, and in the case of a corporate client, the assessment of the financial situation was documented,
- The client made regular repayments – no arrears >30 days in the trial period,
- at the end of the trial period the client is considered able to pay its credit obligations in full, without recourse to collateral,
- without arrears in repayment exceeding the amount of the absolute limit; if any arrears exist in an amount in excess of the absolute limit, the trial period is extended until the time the amount of arrears drops below the limit.

A client in an impaired portfolio with an exposure with the status of a forbearance granted – is considered healed and qualified for a performing portfolio if all the following conditions are met:

- no evidence or trigger for impairment being the source of default or indicating a high probability of non-payment – are not active,
- minimum 12 months (trial period) have passed since the last of the events specified below:
 - granting the last restructuring measures, i.e. granting a forbearance facility,
 - the exposure has been assigned default status;
 - end of the grace period set forth in the restructuring agreement,
- in the trial period, the client made material/regular repayments:
 - the client, as part of its regular payments in accordance with the agreed terms of the restructuring, repaid a material amount in the amount of the early past due (if there were past due amounts) or a write-down (if there were no overdue amounts),

- the client made regular repayments in compliance with the new repayment schedule in line with the restructuring terms and conditions – no arrears > 30 days in the trial period,
- at the end of the trial period, the client has no arrears and no concerns exist as to full repayment of the exposure in compliance with the terms and conditions of restructuring.

The Group applied additional default exit criteria for all Obligors:

- If impairment evidence or indicator of impairment is identified in the probation period which is the source of default/ indicates a high likelihood of non-repayment, the end date of the probation period will be reset and the probation period is re-started until expiry of such evidence/indicator.
- If in the probation period and after the end of the grace period, DPD > 30 occurred, the probation period end date will be reset and the probation period will restart until DPD returns to below 31 days.
- All conditions of exit from default and reversal of impairment should be met also with regard to new exposures to the Obligor, in particular where the previous defaulted and restructured exposures of the Obligor were sold or written off.

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

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

The Group assesses as at each balance sheet date whether there is any objective evidence of impairment of debt financial assets classified as measured at fair value through other comprehensive income. Confirmation of the objective evidence of impairment is a trigger for classification of an asset to Stage 3.

The evidence indicating that a financial asset or a group of financial assets have been impaired may result from one or more triggers which are presented below:

- significant financial problems of the issuer (e.g. material negative equity, losses incurred in the current year exceeding the equity, termination of credit facility agreement of material value at other bank),
- breach of contractual terms and conditions, specifically with regard to default or delay in repayment of liabilities due (e.g. interest or nominal value), interpreted as materialisation of the issuer's credit risk,
- awarding the issuer with repayment facilities by their creditors, which would not be awarded in different circumstances,



- high probability of bankruptcy or other financial restructuring of the issuer,
- identification of financial assets impairment in the previous period,
- disappearance of the active market for financial assets that may be due to financial difficulties of the issuer,
- published analyses and forecasts of rating agencies or other units which confirm a given (high) risk profile of the financial asset,
- other tangible data pointing to determinable decrease in estimated future cash flows resulting from financial assets group which appeared upon their initial recognition in the Group books. The data referred to hereinabove may concern unfavourable changes in the payment situation on the part of issuers from a certain group or unfavourable economic situation of a given country or its part, which translates into the repayment problems sustained by this group of assets.

Recognition of impairment for expected credit losses of the debt financial assets measured at fair value through other comprehensive income

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

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

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

Such assets may be recognised due to following reasons:

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

Those assets are excluded from the three stage approach described in item 13.12.

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

14. Property, plant and equipment and intangible assets

14.1. Property, plant and equipment

Own property, plant and equipment

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

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

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

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

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



Fixed assets in leasing

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

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

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

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

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

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

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

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

The Group uses the exemption for:

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

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

14.2. Intangible assets

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

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

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

Goodwill

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

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



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

The goodwill recognised in the financial statements of the Group was recognised pursuant to the requirements binding on the day of first application of IFRS i.e. at acquisition price being a surplus of the cost of combining the business entities over the interest of the acquirer’s in the net fair value of all identifiable assets, liabilities and contingent liabilities. After the initial recognition, the goodwill is recognised at acquisition price less any accumulated impairment losses.

Computer software

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

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

Other intangible assets

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

Subsequent costs

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

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

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

14.3. Depreciation and amortization charges

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

The useful life, depreciation/amortization rates and residual values of property, plant and equipment and intangible assets are reviewed annually. Conclusions of the review may lead to a change of depreciation/amortization periods

recognised prospectively from the date of application (the effect of this change is in accordance with IAS 8 carried through income statement).

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

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

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

14.4. Impairment of other non-financial assets

For each balance sheet date, the Group assesses the existence of objective triggers for impairment of an asset.

If such a trigger exists, the Group performs an estimation of the recoverable value. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount.

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

Recognition of impairment loss

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



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

Reversing impairment loss

Goodwill impairment loss is not subject to reversal.

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

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

15. Other financial assets

Other financial assets include trade receivables and other receivables.

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

Trade receivables are covered by write-downs after reaching the overdue threshold, which is 60 days. In justified cases, and in particular in the case of receivables for deficiencies and damages, claims contested by debtors and other receivables for which the Group considers the risk of non-recovery as high, write-downs are made earlier, before reaching the 60-day overdue threshold.

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

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

16. Provisions

Provisions, including provisions for off-balance sheet items, are recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation. If the effect is material, the amount of provision is measured by discounted, expected cash flows using pre-tax rate that reflects current market assessments of the time value of

money and those risks specific to the liability. This is also applicable to the recognition of provisions for risk-bearing off-balance sheet items including non-financial guarantees, letters of credit and irrevocable unutilised credit lines.

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

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

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

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

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

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

17. Prepayments and deferred income

17.1. Prepayments

Prepayments comprise of particular expenses which will be settled against the profit or loss as being accrued over the future reporting periods. Deferred costs include primarily provisions for material costs due to services provided



for the Group by counterparties, as well as insurance costs paid in advance to be settled in the future periods. Prepayments are presented in the statement of financial position in the item *Other assets*.

17.2. Deferred income

This item comprises mainly fees settled on a straight-line basis and other types of income collected in advance which will be settled against the income statement in future reporting periods. Deferred income is presented in the statement of financial position in the *Other liabilities*.

18. Employee benefits

18.1. Benefits under the Act on employee pension programmes

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

18.2. Short-term employee benefits

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

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

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

18.3. Long-term employee benefits

18.3.1. Benefits under the Labour Code regulations

Provisions for retirement benefits granted under benefits due to regulations of the Labour Code are estimated on the basis of the actuarial valuation. The provisions being the result of an actuarial valuation are recognised and adjusted on an annual basis.

Provisions for long-term employee benefits are recognised in the item Provisions from the statement of financial position in correspondence with remuneration costs in the income statement.

The assumptions of the method used to compute and present actuarial gains and losses are given in the item concerning estimates on retirement and pension benefits provision.

18.3.2. Variable remuneration programme benefits

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

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

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

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

19. Equity

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

Share capital

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

Dividends

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

Share premium

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

Accumulated other comprehensive income

Accumulated other comprehensive income is created as a result of:



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

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

Retained earnings

other comprehensive income. The accumulated other comprehensive income is not subject to profit distribution.

Retained earnings

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

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

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

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

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

Own shares for the purposes of the incentive program

The Group purchases its own shares in order to fulfil the obligations arising from the incentive scheme, variable remuneration components on the principles described in point 18.3.2. *Variable remuneration programme benefits.*

20. Cash and cash equivalents

Cash and cash equivalents for the purposes of a cash flow statement include: cash in hand and cash held at the Central Bank, and cash equivalents e.g. balances on current accounts and overnight deposits held by other banks.

21. Taxes

21.1. Income tax

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

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

21.2. Deferred income tax

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

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

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

Deferred tax assets are recognised with respect to all negative timing differences as at the balance sheet date between the tax value of assets and liabilities and their carrying amount disclosed in the financial statements and



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

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

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

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

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

21.3. Tax on certain financial institutions

The tax on certain financial institutions (instituted by virtue of the Act of 15 January 2016, Journal of Laws 2016 item 68) is not income tax and is shown in the income statement as *Tax on certain financial institutions*.

21.4. Other taxes

Income, costs and assets are recognised less the value added tax, tax on civil law acts, and other sales taxes, except where the sales tax, paid upon purchase of goods and services, is not recoverable from the tax authorities; in that case, the sales tax is recognised accordingly as part of the cost of acquisition of an asset, or as part of a cost item. The net amount of sales tax recoverable from or payable to the tax authorities is recognised in the statement of financial position as part of receivables or liabilities.

IV. Comparability of financial data

Changes in income statement

In these annual consolidated financial statements for the period from 1 January 2023 to 31 December 2023, the Group resigned from presenting in the income statement *the impact of the adjustment to the gross carrying amount of loans due to credit moratoria*, which was a more detailed presentation of interest income. This item was presented in the Group’s annual consolidated financial statements for the period from 1 January 2022 to 31 December 2022. Because the effect of the credit moratoria was recognised in its entirety in 2022, the presentation of a separate line in the income statement in the financial statements for the period from 1 January 2023 to 31 December 2023 was no longer relevant.

Changes in cash flow statement

In these annual consolidated financial statements for the period from 1 January 2023 by 31 December 2023 in relation to the consolidated annual financial statements for prior periods, the Group made changes in the presentation of individual items of the consolidated statement of cash flows, consisting in separating the following items in the operating activities:

- *Change in transferred assets* – in the reports for previous periods, the amounts corresponding to the change in these assets were presented – depending on the adopted valuation category – in the lines *Change in financial assets measured at fair value through profit or loss* or/and *Change in investment securities*.
- *Change in liabilities from debt securities issued* – to this item amounts corresponding to non-monetary changes in the carrying amount of liabilities arising from the issue of securities – other than accrued and unpaid interest - were transferred. In the financial statements for the previous periods, the Group presented these amounts in the item *Change in other liabilities*.
- *Change in subordinated liabilities* – to this item amounts corresponding to non-monetary changes in the carrying amount of subordinated liabilities – other than accrued and unpaid interest - were transferred. In the financial statements for the previous periods, the Group presented these amounts in the item *Change in other liabilities*.

The introduction of the above changes was aimed at a more complete reflection in the cash flows statement of changes in items presented in assets and liabilities of the statement.

The table contains individual items presented in the operating activities of the statement of cash flows, in the breakdown and at values presented in the annual consolidated financial statements for the period from 1 January 2022 to 31 December 2022 and in the breakdown and at values presented in these annual consolidated financial



statements. Cash flows from investing and financing activities remained unchanged and did not require restatement.

for the year ended 31 December 2022

	in the annual consolidated financial statements for the period from 1 January 2022 to 31 December 2022 (published data)	change	in the annual consolidated financial statements for the period from 1 January 2023 to 31 December 2023 (comparable data)
Net profit	1,714.4		1,714.4
Adjustments, including:	1,240.7	0.0	1,240.7
Share of net profit (loss) of associates accounted for using the equity method	-25.6		-25.6
Depreciation and amortisation	279.3		279.3
Interest accrued (from the income statement)	-5,614.0		-5,614.0
Interest paid	-2,060.3		-2,060.3
Interest received	7,719.4		7,719.4
Dividends received	-6.8		-6.8
Gains (losses) on investing activities	5.8		5.8
Income tax (from the income statement)	688.7		688.7
Income tax paid	-125.0		-125.0
Change in provisions	26.7		26.7
Change in loans and other receivables to other banks	-4,014.9		-4,014.9
Change in financial assets measured at fair value through profit or loss	-325.7	-79.4	-405.1
Change in hedge derivatives	-5,628.1		-5,628.1
Change in investment securities	-533.6	-1,266.4	-1,800.0
Change in transferred assets	not applicable	1,345.8	1,345.8
Change in loans and other receivables to customers measured at amortised cost	-8,197.2		-8,197.2
Change in other assets	238.3		238.3
Change in liabilities to other banks	-5,517.5		-5,517.5
Change in liabilities measured at fair value through profit or loss	524.2		524.2
Change in liabilities to customers	21,735.6		21,735.6
Change in liabilities from debt securities issued	not applicable	1.5	1.5
Change in subordinated liabilities	not applicable	31.7	31.7
Change in other liabilities	2,071.4	-33.2	2,038.2
Net cash flows from operating activities	2,955.1	0.0	2,955.1

V. Notes to the consolidated financial statements

1. Segment reporting

Segments of operation

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

- retail banking segment,
- corporate banking segment.

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

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

Retail banking segment

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

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

Corporate banking segment

Corporate banking area encompasses as follows:

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



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

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

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

Measurement

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

Geographic segments

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

**Income statement by segments****for the year ended 31 December**

	2023			2022		
	Retail banking	Corporate banking	Total	Retail banking	Corporate banking	Total
Income total	4,436.7	6,211.4	10,648.1	2,555.0	5,141.6	7,696.6
net interest income	3,778.6	4,391.9	8,170.5	1,912.0	3,702.0	5,614.0
net commission income, including:	588.6	1,575.9	2,164.5	580.2	1,514.6	2,094.8
commission income, including:	911.5	1,810.8	2,722.3	900.8	1,735.9	2,636.7
transaction margin on currency exchange	79.1	629.4	708.5	87.8	613.9	701.7
account maintenance fees	108.5	322.7	431.2	112.7	333.9	446.6
lending commissions	24.5	466.3	490.8	25.7	432.7	458.4
payment and credit cards fees	393.3	173.5	566.8	364.2	148.6	512.8
participation units distribution fees	63.7	0.0	63.7	61.2	0.0	61.2
insurance product offering commissions	192.1	38.2	230.3	188.6	34.0	222.6
factoring and lease contracts commissions	0.0	57.4	57.4	0.0	51.3	51.3
other commissions	50.3	123.3	173.6	60.6	121.5	182.1
commission expenses	-322.9	-234.9	-557.8	-320.6	-221.3	-541.9
other income/expenses	69.5	243.6	313.1	62.7	-74.9	-12.2
General and administrative expenses	-1,953.6	-1,746.5	-3,700.1	-2,093.7	-1,548.4	-3,642.1
including depreciation and amortisation	-184.5	-142.9	-327.4	-166.9	-112.4	-279.3
Segment operating result	2,483.1	4,464.9	6,948.0	461.3	3,593.2	4,054.5
impairment for expected credit losses	-5.1	-502.6	-507.7	-292.2	-443.6	-735.8
cost of legal risk of FX mortgage loans	-105.5	0.0	-105.5	-294.3	0.0	-294.3
tax on certain financial institutions	-231.3	-413.0	-644.3	-246.6	-400.3	-646.9
share of profit/(loss) of associates accounted for using the equity method	29.5	0.0	29.5	25.6	0.0	25.6
Gross profit	2,170.7	3,549.3	5,720.0	-346.2	2,749.3	2,403.1
Income tax	-	-	-1,279.1	-	-	-688.7
Net profit	-	-	4,440.9	-	-	1,714.4
attributable to shareholders of ING Bank Śląski S.A.	-	-	4,440.9	-	-	1,714.4

Assets, liabilities, and net cash flow by segments**as at 31 December**

	2023			2022		
	Retail banking	Corporate banking	Total	Retail banking	Corporate banking	Total
Assets of the segment	104,080.0	138,585.7	242,665.7	92,863.7	120,521.0	213,384.7
Segment investments in associates accounted for using the equity method	180.9	-	180.9	178.9	-	178.9
Other assets (not allocated to segments)	-	-	2,514.8	-	-	3,702.5
Total Assets	104,260.9	138,585.7	245,361.4	93,042.6	120,521.0	217,266.1
Segment liabilities	120,136.2	102,841.0	222,977.2	110,961.7	92,031.2	202,992.9
Other liabilities (not allocated to segments)	-	-	5,648.2	-	-	4,928.9
Equity	-	-	16,736.0	-	-	9,344.3
Total equity and liabilities	120,136.2	102,841.0	245,361.4	110,961.7	92,031.2	217,266.1
Capital expenditure	168.3	150.5	318.8	154.2	114.0	268.2
Net cash flow from operating activities	1,930.4	-4,152.4	-2,222.0	3,233.1	-2,533.5	699.6
Net cash flow from operating activities (not allocated to segments)	-	-	-120.0	-	-	2,255.5
Net cash flow from operating activities total	1,930.4	-4,152.4	-2,342.0	3,233.1	-2,533.5	2,955.1
Net cash flows from investing activities	-400.5	-423.6	-824.1	-509.9	-466.3	-976.2
Net cash flows from financing activities	-9.5	7,165.9	7,156.4	0.0	-306.8	-306.8



2. Net interest income

for the year ended 31 December	2023	2022
Interest income, including:	12,409.0	8,111.9
interest income calculated using effective interest rate method, including:	11,367.6	7,162.1
interest on financial instruments measured at amortised cost	9,866.2	6,411.6
interest on loans and other receivables to other banks	855.2	397.7
interest on loans and other receivables to customers	8,060.4	5,320.2
interest on investment securities	950.6	693.7
interest on investment securities measured at fair value through other comprehensive income	1,501.4	750.5
other interest income, including:	1,041.4	949.8
interest income related to the settlement of valuations of cash flow hedging derivatives	1,038.8	946.9
other interest on loans and other receivables to customers measured at fair value through profit or loss	2.6	2.9
Interest expenses, including:	-4,238.5	-2,497.9
interest on deposits from other banks	-424.1	-368.5
interest on deposits from customers	-3,121.7	-1,583.4
interest on issue of debt securities	-30.7	-22.3
interest on subordinated liabilities	-76.0	-25.7
interest on lease liabilities	-17.4	-8.0
other interest cost related to the settlement of valuations of cash flow hedging derivatives	-568.6	-490.0
Net interest income	8,170.5	5,614.0

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

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

For 2023, interest income on financial assets in Stage 3 amounted to PLN 209.0 million compared to PLN 133.0 million in 2022.

Impact of adjustments to the gross carrying amount of loans due to credit moratoria

In 2022, in connection with the entry into force of the Act on crowdfunding for business ventures and assistance to borrowers, the Group recognised in net interest income (as a reduction of income on interest on loans and other receivables granted to customers) an adjustment to the gross carrying amount of PLN mortgage loans. The amount of the adjustment as at 31 December 2022 was PLN 1,644.9 million.

In 2023, on average 66,1% of the PLN mortgage portfolio (in terms of value, compared to the entire portfolio meeting the criteria required to take advantage of credit holidays) was covered by credit holidays. The indicator was defined as the average interest of customers in holidays based on the four quarters of 2023 in which customers could take advantage of credit holidays.



3. Net commission income

for the year ended 31 December

	2023	2022
Commission income	2,722.3	2,636.7
transaction margin on currency exchange transactions	708.5	701.7
account maintenance fees	431.2	446.6
lending commissions	490.8	458.4
payment and credit cards fees	566.8	512.8
participation units distribution fees	63.7	61.2
insurance product offering commissions	230.3	222.6
factoring and lease contracts commissions	57.4	51.3
brokerage activity fees	50.5	58.0
fiduciary and custodian fees	25.9	25.2
foreign commercial business	44.4	43.4
agency in financial instruments transactions	1.5	5.4
other commission	51.3	50.1
related to assets / liabilities not measured at fair value through profit or loss	3.0	2.2
other	48.3	47.9
Commission expenses	-557.8	-541.9
card fees paid	-315.3	-296.1
commission paid on agency in selling deposit products	-78.3	-87.0
brokerage activity fees	-21.7	-24.5
commission paid on disclosing credit information	-22.3	-21.6
commission paid on cash handling services	-26.2	-27.6
electronic banking services fees	-17.5	-13.0
commission paid on trading in securities	-13.6	-10.9
costs of the National Clearing House (KIR)	-18.2	-16.4
agency in financial instruments transactions	-10.9	-10.4
leasing services	-3.5	-3.3
other commission	-30.3	-31.1
related to assets / liabilities not measured at fair value through profit or loss	-7.1	-9.4
other	-23.2	-21.7
Net commission income	2,164.5	2,094.8

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

- revenues in the total amount of PLN 551.2 million from granting loans, factoring and leasing services (PLN 511.9 million in 2022),
- costs in the total amount of PLN 111.2 million for intermediation in the sale of deposit products, providing credit information and leasing services (PLN 121.3 million in 2022).

Revenues from contracts with customers within the meaning of IFRS 15 amounted to PLN 2,171.1 million in 2023 compared to PLN 2,124.8 million in 2022.

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

**4. Net income on financial instruments measured at fair value through profit or loss and FX result****for the year ended 31 December**

	2023	2022
FX result and net income on interest rate derivatives, including	218.0	-106.0
FX result	192.7	193.1
currency derivatives	25.3	-299.1
Net income on interest rate derivatives	53.5	93.9
Net income on debt instruments held for trading	45.9	35.4
Net income on repo transactions	14.3	13.5
Net income on measurement of loans to customers	0.5	0.0
Net income on equity instruments	-0.1	-4.7
Total	332.1	32.1

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

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

The result on equity instruments for 2023 includes the result on valuation of these instruments at fair value. As result on equity instruments for 2022, the result on the sale of shares of one company from the portfolio of non-trading financial assets measured at fair value through profit or loss was presented.

5. Net income on the sale of securities and dividend income**for the year ended 31 December**

	2023	2022
Net income on the sale of securities measured at amortised cost	0.0	-24.8
Net income on sale of securities measured at fair value through other comprehensive income and dividend income, including:	1.1	26.5
sale of debt securities	-6.3	19.7
dividend income	7.4	6.8
Total	1.1	1.7

Dividend income received in 2023 and 2022 comes from companies whose shares the Group kept as at 31 December 2023 and 31 December 2022, respectively, in its portfolio.

6. Net (loss)/income on hedge accounting**for the year ended 31 December**

	2023	2022
Fair value hedge accounting for securities	-8.8	-35.4
valuation of the hedged transaction	401.0	-527.6
valuation of the hedging transaction	-409.8	492.2
Cash flow hedge accounting	4.0	-4.0
ineffectiveness under cash flow hedges	4.0	-4.0
Total	-4.8	-39.4

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

7. Net (loss)/income on other basic activities**for the year ended 31 December**

	2023	2022
Sale of other services	12.0	4.0
Net income on disposal of property, plant and equipment and intangible assets	-2.2	-4.4
Banking activity-related compensations and losses	-27.8	-6.1
Other	2.7	-0.1
Total	-15.3	-6.6



8. General and administrative expenses

for the year ended 31 December

	2023	2022
Personnel expenses, including:	-1,935.8	-1,599.4
wages and salaries, including:	-1,583.6	-1,293.5
variable remuneration programme	-46.6	-31.9
ING Group's incentive programme	0.0	-0.1
retirement benefits	-8.9	-6.4
employee benefits	-352.2	-305.9
Cost of marketing and promotion	-165.4	-143.1
Depreciation and amortisation, including:	-327.4	-279.3
on property, plant and equipment	-239.2	-204.6
including depreciation of the right to use	-127.2	-104.1
on intangible assets	-88.2	-74.7
Other general and administrative expenses, including:	-1,271.5	-1,620.3
IT costs	-385.2	-329.8
advisory and legal services, audit costs	-177.6	-102.1
maintenance costs of buildings and real estate valuation to fair value	-171.2	-118.4
obligatory payments to the Bank Guarantee Fund, including:	-153.6	-227.1
obligatory restructuring fund	-153.6	-172.8
bank guarantee fund*	0.0	-54.3
communication costs	-54.5	-43.4
transport and representation costs	-51.0	-36.1
fees to the Polish Financial Supervision Authority	-24.5	-22.1
disputed claims	-24.0	-40.4
short-term and low-value lease costs	-13.3	-12.1
donation	-8.2	-13.8
contributions to the Commercial Banks Protection System **	0.0	-470.7
other ***	-208.4	-204.3
Total	-3,700.1	-3,642.1

*) In the 4th quarter of 2022, the BFG Board adopted a resolution on reducing the target level of deposit guarantee scheme funds in banks to 1,6% of the amount of funds guaranteed in banks and branches of foreign banks covered by the mandatory deposit guarantee scheme. Therefore, for 2023, the BFG did not collect obligatory contributions to the bank guarantee fund and the obligatory contribution for 2022 attributable to ING Bank Śląski S.A. was reduced to PLN 54.3 million.

**) In 2022, eight Polish banks, including ING Bank Śląski S.A. (participating banks) established the Commercial Bank Protection System. The system is managed by a joint-stock company established for this purpose (Management Unit). In the Management Unit, an aid fund was created, to which the participating banks contribute cash. In 2023, there were no contributions to the aid fund (in 2022, the Bank paid PLN 470.7 million into the aid fund).

***) In the data for 2022, in the amount presented in other items, PLN 23.7 million was recognised due to the Group's payment to the Borrowers' Support Fund (FWK). In July 2022, the Act *on crowdfunding for business ventures and assistance to borrowers* entered into force, which introduced, among others, the obligation for the banking sector to make an additional contribution to the Borrowers' Support Fund by the end of 2022 in the amount of PLN 1.4 billion. In 2023, there were no contributions to the FWK.



8.1. Employee benefits

Variable Remuneration Programme

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

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

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

The significant accounting principles applied to variable remuneration programme benefits are included in chapter III. *Significant accounting principles*, in item **18.3.2. Variable Remuneration Programme benefits**.

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

2023

	Fair value of instruments at the measurement date (in PLN million)	Number of instruments granted (pcs.)	Number of instruments outstanding at the beginning of the period (pcs.)	Number of instruments exercised during 2023 (pcs.)	Number of instruments forfeited during 2023 (pcs.)	Number of instruments granted but not yet exercised as at 31 December 2023 (pcs.)
Equity-settled						
Programme 2022	260.25	41 964	41 964	-	-	41 964
Programme 2023	260.25	64 428	64 428	-	-	64 428
Total		106 392	106 392			106 392
Cash-settled						
Programme 2017	260.25	67,029	9,573	8,774	-	799
Programme 2018	260.25	72,137	19,332	9,400	-	9,932
Programme 2019	260.25	72,259	29,108	9,328	-	19,780
Programme 2020	260.25	63,806	25,779	-	-	25,779
Programme 2021	260.25	51,021	51,021	29,912	-	21,109
Programme 2022	260.25	37,577	37,577	-	-	37,577
Programme 2023	260.25	265	265	-	-	265
Total		364,094	172,655	57,414		115,241

2022

	Fair value of instruments at the measurement date (in PLN million)	Number of instruments granted (pcs.)	Number of instruments outstanding at the beginning of the period (pcs.)	Number of instruments exercised during 2022 (pcs.)	Number of instruments forfeited during 2022 (pcs.)	Number of instruments granted but not yet exercised as at 31 December 2022 (pcs.)
Equity-settled						
Programme 2022	171.6	41,573	41,573	-	-	41,573
Cash-settled						
Programme 2017	171.6	67,029	18,302	8,729	-	9,573
Programme 2018	171.6	72,137	28,752	9,362	-	19,390
Programme 2019	171.6	72,259	29,108	-	-	29,108
Programme 2020	171.6	63,806	63,806	38,027	-	25,779
Programme 2021	171.6	50,530	50,530	-	-	50,530
Programme 2022	171.6	37,472	37,472	-	-	37,472
Total		363,233	227,970	56,118	-	171,852



9. Impairment for expected credit losses

Net impairment for expected credit losses

for the year ended 31 December		
	2023	2022
Loans and other receivables to other banks, including:	0.2	-0.2
measured at amortised cost	0.2	-0.2
Investment securities, including:	-15.8	0.4
measured at fair value through other comprehensive income	-8.9	0.2
measured at amortised cost	-6.9	0.2
Loans and other receivables to customers measured at amortised cost*, including:	-482.9	-706.7
corporate banking	-476.3	-418.1
corporate and municipal debt securities	3.0	-4.4
retail banking	-6.6	-288.6
Provisions for off-balance sheet liabilities	-9.2	-29.3
Total	-507.7	-735.8

*) The values presented in the item *Loans and other receivables to customers measured at amortised cost* include, among others, the amounts of repayments regarding receivables previously removed from the balance sheet, which in 2023 amounted to PLN 0.8 million, similar to 2022.

Allowances on expected credit losses in the balance sheet

as at 31 December		
	2023	2022
Loans and other receivables to other banks, including:	0.0	0.2
measured at amortised cost	0.0	0.2
Investment securities, including:	26.3	10.5
measured at fair value through other comprehensive income	12.2	3.3
measured at amortised cost	14.1	7.2
Loans and other receivables to customers measured at amortised cost, including:	3,508.1	3,269.2
corporate banking	2,525.1	2,192.2
corporate and municipal debt securities	1.7	4.7
retail banking	983.0	1,077.0
Provisions for off-balance sheet liabilities	115.6	107.9
Total	3,650.0	3,387.8

10. Cost of legal risk of FX mortgage loans

for the year ended 31 December		
	2023	2022
Provisions for legal risk of FX indexed mortgage loans, including:		
relating to loans in the Bank's portfolio	-93.5	-271.5
relating to repaid loans	-12.0	-22.8
Total	-105.5	-294.3

Detailed information on the legal risk of CHF-indexed mortgage loans is presented later in the report in note 32. *Provisions*. Significant assumptions regarding the calculation of legal risk provisions for CHF-indexed mortgage loans are described in chapter III. *Significant accounting principles*, in point 3.6.

11. Tax on certain financial institutions

Under the Act on the Tax on Certain Financial Institutions (hereinafter referred to as the "Act"), banks are charged a so-called bank tax amounting to 0.0366% of the value of its assets on a monthly basis. The basis for taxation is the sum of assets after deductions provided for in the Act (i.a. by the value of PLN 4 billion, the value of own funds, the value of Treasury securities, the value of assets in the form of securities legally covered by the Treasury guarantee and the value of assets resulting from the repurchase transaction in which Treasury securities are subject). For 2023, the tax amounted to PLN 644.3 million (PLN 646.9 million for 2022).



12. Income tax

Income tax recognised in the income statement

for the year ended 31 December		
	2023	2022
Current tax, of which:	662.4	1,190.8
current tax for the financial year	661.0	1,211.7
tax on dividends	1.4	1.3
taxes relating to previous years	0.0	-22.2
Deferred tax, including:	616.7	-502.1
rise and reversal of temporary differences	97.8	-8.5
tax losses, of which:	518.9	-493.6
tax loss - Bank	518.4	-517.2
tax loss - subsidiaries	0.5	23.6
Total	1,279.1	688.7

The amount presented under tax losses includes:

- Settlement of tax losses incurred by the Bank in previous years - respectively 50% of the tax loss incurred as at 31 December 2021 was settled and 50% of the tax loss incurred as at 31 December 2022 was settled - the losses were settled in the amount of PLN 2,728.4 million and at the same time deferred tax in the amount of PLN 518.4 million was settled. The Bank forecasts that other losses (50% of 2021 and 50% of 2022 losses) will be deducted in tax settlement in 2024.
- Tax losses incurred by subsidiaries, including:
 - Settlement of the tax loss incurred by the subsidiary ING Lease (Polska) Sp. z o.o., incurred as at 31 December 2020 - the loss was settled in the amount of PLN 16.1 million and at the same time deferred tax was settled in the amount of PLN 3.1 million.
 - The tax loss incurred by the subsidiary ING Bank Hipoteczny S.A. - a tax loss of PLN -13.6 million, recognised in full in deferred tax, i.e. in the amount of PLN -2.6 million, resulted from a decrease in tax income on interest on receivables resulting from mortgage loans. In the Group's opinion, as at 31 December 2023, there is no risk of impairment of a deferred tax asset.

Current tax for the financial year

for the year ended 31 December		
	2023	2022
Current tax for the financial year included in the consolidated income statement	661.0	1,211.7
Current tax for the financial year included in consolidated equity	578.1	-1,141.7
Total	1,239.1	70.0

The Bank has two sources of current tax, a tax calculated on the profit and loss account and a tax calculated on the unrealised valuation of hedging instruments (IRS), recorded in other comprehensive income and pertaining to instruments settled in accordance with the STM (settled-to-market) approach. The negative value in 2022 reflects the receivables that resulted from the increase in the negative unrealised valuation of IRS hedging instruments settled under STM as a result of an increase in interest rates. The significant increase in negative valuation was the main reason for the tax loss for 2022 and 2021.

Current income tax assets / liabilities

as at 31 December		
	2023	2022
Current income tax assets	0.6	572.2
Current income tax liabilities	114.8	19.9

For 2021, the Bank used a simplified form of paying corporate income tax advances. In 2021, the Bank recorded a tax loss and therefore, due to the simplified form of paying income tax advances, the advance payments were the Bank's receivable from the Tax Office. From 2022, the Bank resigned from the simplified form of paying the aforementioned advances and due to the fact that in 2022 it recorded a tax loss, it did not pay the advances to the Tax Office. The decrease in current income tax receivables in 2023 results from the deduction of tax liabilities from other taxes (tax on certain financial institutions and value added tax) from the overpayment for 2021.



Calculation of the effective tax rate

The deviation in the effective tax rate above 19% in 2023 was mainly due to:

- increase, including:
 - tax on certain financial institutions in the amount of PLN 644.3 million (PLN 646.9 million in 2022),
 - a fee for the BFG (contribution to the resolution fund) in the amount of PLN 153.6 million (in 2022 it was PLN 227.1 million and included a contribution to the guarantee fund of banks and contribution to the resolution fund),
 - creation of provisions for legal risk of mortgage loans in foreign currencies in the amount of PLN 105.1 million (PLN 294.3 million in 2022).

for the year ended 31 December		
	2023	2022
A. Profit before tax	5,720.0	2,403.1
B. 19% of profit before tax	1,086.8	456.6
C. Increases – non-deductible expenses, including:	198.8	246.6
tax on certain financial institutions	122.4	122.9
prudential fee in favour of BGF	29.2	43.1
provisions for legal risk of foreign currency mortgage loans and commission returns	20.0	55.6
costs of derecognition of credit and non-credit receivables from the balance sheet	3.0	4.3
impairment loss on receivables in a part not covered with the deferred tax	10.4	2.5
provisions for disputable debt claims and other assets	4.9	8.7
State Fund for Rehabilitation of Disabled Persons (PFRON) payments	1.5	1.7
representation expenses	1.0	0.6
other	6.4	7.2
D. Decreases – tax exempt income, including:	6.5	14.5
valuation using the equity method of subsidiaries	5.6	4.9
release of provisions for disputed claims	0.8	0.7
recognition of a deferred tax asset due to a change in the method of accounting for securities in income tax	0.0	8.3
other	0.1	0.6
E. Income tax from the income statement (B+C-D)	1,279.1	688.7
Effective tax rate (E : A)	22.36%	28.66%

13. Earnings and book value per ordinary share

Basic earnings per share

The calculation of basic earnings per share of the parent entity for 2023 was based on net profit of PLN 4,440.9 million (year 2022: PLN 1,714.4 million) and the weighted average number of ordinary shares outstanding at the end of 2023 totalling 130,117,872 shares (year-end: 130,100,000 shares).

for the year ended 31 December		
	2023	2022
Net profit attributable to shareholders of ING Bank Śląski S.A.	4,440.9	1,714.4
Weighted average number of ordinary shares	130,117,872	130,100,000
Earnings per ordinary share (in PLN)	34.13	13.18

Diluted earnings per share

In 2023 as well as in 2022, there were no factors that would dilute the profit per one share. In the described periods, ING Bank Śląski S.A. issued neither bonds convertible to shares nor options for shares. The share capital comprises ordinary shares only (no preference shares). Therefore, the diluted earnings per share are the same as the underlying profit per share.

Book value per share

The calculation of the book value per share of the parent entity for 2023 was based on the amount of equity attributable to the shareholders of ING Bank Śląski S.A. in the amount of PLN 16,736.0 million (year 2022: PLN 9,344.3 million) and the number of shares at the end of 2023 and 2022 in the number of 130,100,000 shares.

as at 31 December		
	2023	2022
Book value	16,736.0	9,344.3
Number of shares	130,100,000	130,100,000
Book value per share (PLN)	128.64	71.82



14. Cash in hand and balances with the Central Bank

as at 31 December		
	2023	2022
Cash in hand	782.4	932.6
Balances with the Central Bank	5,969.0	1,405.0
Total	6,751.4	2,337.6

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

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

- PLN 7,255.9 million for the period from 30 November 2023 to 1 January 2024.,
- PLN 6,532.2 million for the period from 30 November 2022 to 1 January 2023.

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

15. Loans and other receivables to other banks

as at 31 December		
	2023	2022
Current accounts	146.6	329.1
Interbank deposits:	137.8	398.8
including O/N deposits	72.9	21.9
Loans and advances	555.3	312.8
Reverse repo transactions	19,000.3	3,759.5
Placed call deposits	69.1	361.1
Total (gross)	19,909.1	5,161.3
Impairment for expected credit losses	0.0	-0.2
Total (net)	19,909.1	5,161.1

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

Loans and receivables to other banks by maturity

as at 31 December		
	2023	2022
without specified maturity	144.9	329.1
up to 1 month	13,461.0	4,469.5
over 1 month and up to 3 months	6,026.5	27.5
over 3 months and up to 1 year	275.1	136.3
over 1 year and up to 5 years	1.6	198.9
Total (gross)	19,909.1	5,161.3



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

as at 31 December

	2023			2022		
	transferred debt securities	other financial assets measured at fair value through profit or loss	Total	transferred debt securities	other financial assets measured at fair value through profit or loss	Total
Financial assets held for trading, including:	165.2	2,234.9	2,400.1	163.8	1,895.8	2,059.6
valuation of derivatives	-	899.8	899.8	-	974.9	974.9
other financial assets held for trading, including:	165.2	1,335.1	1,500.3	163.8	920.9	1,084.7
debt securities:	165.2	719.3	884.5	163.8	443.3	607.1
Treasury bonds in PLN	133.1	599.7	732.8	125.2	441.7	566.9
Czech Treasury bonds in CZK	32.1	119.1	151.2	38.6	1.2	39.8
European Investment Bank bonds	-	0.5	0.5	-	0.4	0.4
repo transactions	-	615.8	615.8	-	477.6	477.6
Financial assets other than those held for trading, measured at fair value through profit or loss, including:	-	39.0	39.0	-	56.5	56.5
loans obligatorily measured at fair value through profit or loss	-	38.6	38.6	-	54.6	54.6
equity instruments	-	0.4	0.4	-	1.9	1.9
Total	165.2	2,273.9	2,439.1	163.8	1,952.3	2,116.1

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

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

In 2023, the Group did not sell equity instruments from the portfolio of financial assets measured at fair value through profit or loss. In 2022, the Group sold instruments from this portfolio. These were shares in one company, acquired in 2021 as part of a settlement for the sale of shares in another company. In 2022, the Group reported a loss of - PLN 4.7 million due to the sale of the shares, which is presented in note 4. *Net income on financial instruments measured at fair value through profit or loss and FX result*.

Financial assets measured at fair value through profit or loss (excluding the valuation of derivatives) by maturity

as at 31 December

	2023				2022			
	other financial assets held for trading	loans are obligatorily measured at fair value through profit or loss	equity instruments measured at fair value through profit or loss	Total	other financial assets held for trading	loans are obligatorily measured at fair value through profit or loss	equity instruments measured at fair value through profit or loss	Total
without specified maturity	-	-	0.4	0.4	-	-	1.9	1.9
up to 1 month	615.8	0.9	-	616.7	510.9	-	-	510.9
over 1 month and up to 3 months	-	0.3	-	0.3	-	2.8	-	2.8
over 3 months and up to 1 year	41.6	8.4	-	50.0	57.1	9.7	-	66.8
over 1 year and up to 5 years	489.8	17.8	-	507.6	402.6	29.2	-	431.8
over 5 years	353.1	0.3	-	353.4	114.1	1.5	-	115.6
for which the maturity has expired	-	10.9	-	10.9	-	11.4	-	11.4
Total	1,500.3	38.6	0.4	1,539.3	1,084.7	54.6	1.9	1,141.2



17. Valuation of derivatives

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

2023

as at 31 December

	Fair value		Nominal value of instruments with remaining maturity			
	Assets	Liabilities	up to 3 months	from 3 months	over 1 year	Total
Interest rate derivatives, including:	347.4	625.2	125,668.0	242,589.6	550,143.2	918,400.8
settled via CCP	222.5	255.3	124,912.4	240,261.7	541,166.7	906,340.8
contracts for the future FRA interest rate – PLN	7.6	13.0	59,408.0	73,894.5	38,225.0	171,527.5
Interest rate swaps (IRS PLN) fixed – float	257.3	443.8	43,086.9	160,427.6	461,737.4	665,251.9
Interest rate swaps (IRS EUR) fixed – float	51.5	135.8	17,376.6	7,006.5	35,553.6	59,936.7
Interest rate swaps (IRS USD) fixed – float	2.1	2.9	5,296.5	239.6	3,439.5	8,975.6
Interest rate swaps (IRS CZK) fixed - float	20.8	21.4	0.0	31.7	9,611.9	9,643.6
Interest rate swaps (IRS GBP) fixed - float	0.2	0.4	500.0	440.0	884.9	1,824.9
Interest rate swaps (IRS HUF) fixed - float	1.0	1.0	0.0	0.0	56.8	56.8
CAP options – EUR	6.9	6.9	0.0	549.7	612.4	1,162.1
CAP options – PLN	0.0	0.0	0.0	0.0	21.7	21.7
Currency derivatives, including:	548.8	431.1	30,934.9	12,092.0	9,548.8	52,575.7
currency contracts (swap, forward), including:	471.4	351.8	30,576.3	11,717.5	2,894.2	45,188.0
currency contracts (swap, forward) EUR / PLN	240.9	199.5	10,452.0	5,064.6	722.2	16,238.8
currency contracts (swap, forward) USD / PLN	124.8	45.7	4,643.9	2,937.9	713.7	8,295.5
currency contracts (swap, forward) EUR / USD	22.2	20.7	11,699.5	1,262.0	572.3	13,533.8
currency contracts - other currency pairs	83.5	85.9	3,780.9	2,453.0	886.0	7,119.9
CIRS, including:	77.4	79.3	358.6	374.5	6,654.6	7,387.7
CIRS EUR/PLN (float-float)	61.7	18.8	210.8	374.5	4,286.4	4,871.7
CIRS EUR/PLN (float-fixed)	15.7	60.5	147.8	0.0	2,368.2	2,516.0
Current off-balance sheet transactions, including:	3.6	4.0	23,660.7	-	-	23,660.7
foreign exchange operations	3.6	4.0	2,549.1	-	-	2,549.1
operations in securities	0.0	0.0	21,111.6	-	-	21,111.6
Total	899.8	1,060.3	180,263.6	254,681.6	559,692.0	994,637.2

2022

as at 31 December

	Fair value		Nominal value of instruments with remaining maturity			
	Assets	Liabilities	up to 3 months	from 3 months	over 1 year	Total
Interest rate derivatives, including:	266.9	929.7	103,751.1	180,595.4	450,278.1	734,624.6
settled via CCP	191.2	164.8	103,097.4	179,157.5	439,859.1	722,114.0
contracts for the future FRA interest rate – PLN	14.5	14.3	66,723.0	54,684.0	5,464.0	126,871.0
Interest rate swaps (IRS PLN) fixed – float	218.2	624.2	32,455.4	118,353.8	407,573.8	558,383.0
Interest rate swaps (IRS EUR) fixed – float	11.2	271.8	1,480.1	6,964.6	26,226.6	34,671.3
Interest rate swaps (IRS USD) fixed – float	2.1	1.2	2,936.0	240.4	5,571.2	8,747.6
Interest rate swaps (IRS CZK) fixed - float	13.6	11.1	0.0	328.2	3,782.1	4,110.3
Interest rate swaps (IRS GBP) fixed - float	0.2	0.0	0.0	0.0	995.6	995.6
CAP options – EUR	6.7	6.7	156.6	0.0	620.9	777.5
CAP options – PLN	0.4	0.4	0.0	24.4	43.9	68.3
Currency derivatives, including:	705.8	670.7	35,143.5	27,570.3	8,890.0	71,603.8
currency contracts (swap, forward), including:	641.2	605.3	35,143.5	27,570.3	3,451.6	66,165.4
currency contracts (swap, forward) EUR / PLN	113.1	114.3	8,988.3	8,425.4	1,571.1	18,984.8
currency contracts (swap, forward) USD / PLN	260.1	229.5	15,941.4	8,316.9	16.4	24,274.7
currency contracts (swap, forward) EUR / USD	51.7	94.6	5,743.9	2,347.2	189.0	8,280.1
currency contracts - other currency pairs	216.3	166.9	4,469.9	8,480.8	1,675.1	14,625.8
CIRS, including:	64.6	65.4	0.0	0.0	5,438.4	5,438.4
CIRS EUR/PLN (float-float)	57.3	50.3	0.0	0.0	3,933.7	3,933.7
CIRS EUR/PLN (float-fixed)	7.3	15.1	0.0	0.0	1,504.7	1,504.7
Current off-balance sheet transactions, including:	2.2	1.9	8,306.7	-	-	8,306.7
foreign exchange operations	2.2	1.9	2,865.8	-	-	2,865.8
operations in securities	0.0	0.0	5,440.9	-	-	5,440.9
Other off-balance sheet financial instruments	0.0	0.0	1,219.4	-	-	1,219.4
Total	974.9	1,602.3	148,420.7	208,165.7	459,168.1	815,754.5



Interest rate derivatives IRS/FRA settled-to-market

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

18. Derivative hedging instruments

In the consolidated financial statements prepared for 2023 (similarly to 2022), the Group applies fair value hedge accounting and cash flow hedge accounting. The table below presents the valuation of hedging instruments, broken down into instruments securing the fair value of securities and cash flow hedging instruments. The valuation of hedging instruments is presented in the item Derivative hedge instruments in assets (positive valuation) and liabilities (negative valuation) of the consolidated statement of financial position of the Group.

as at 31 December	2023		2022	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedging instruments	204.8	273.5	139.2	367.2
Instruments hedging the fair value of securities	3.6	6.8	0.0	2.3
Total hedging instruments	208.4	280.3	139.2	369.5

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

19. Investment securities

as at 31 December	2023	2022
Measured at fair value through other comprehensive income, including:	23,916.2	15,812.7
debt securities, including:	23,680.3	15,691.8
Treasury bonds in PLN	21,345.4	12,153.8
Treasury bonds in EUR	546.1	1,803.4
European Investment Bank bonds	1,377.7	1,308.9
Austrian government bonds	411.1	425.7
equity instruments	235.9	120.9
Measured at amortised cost, including:	32,697.5	32,620.1
debt securities, including:	32,697.5	32,620.1
Treasury bonds in PLN	13,095.0	13,352.5
Treasury bonds in EUR	2,940.4	3,192.1
European Investment Bank bonds	6,700.4	6,815.7
Bonds of the Polish Development Fund (PFR)	3,859.7	3,858.4
Bank Gospodarstwa Krajowego bonds	1,804.8	1,802.1
NBP bills	4,297.2	3,599.3
Total	56,613.7	48,432.8

The value presented in the item equity instruments in the category of assets measured at fair value through other comprehensive income (FVOCI) includes investments in shares issued by entities that are considered to be material from the perspective of the Group's operations. The approach to the fair value measurement of these instruments is described in the further part of the report in note [36. Fair value](#). In 2023, the Group received income in the form of dividends in the amount of PLN 7.4 million (PLN 6.8 million in 2022), which was presented in the consolidated profit and loss account under *Net income on the sale of securities measured at fair value through other comprehensive income and dividend income*.

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



Investment securities by maturity

as at 31 December						
	2023			2022		
	measured at fair value through other comprehensive income	measured at amortised cost	Total	measured at fair value through other comprehensive income	measured at amortised cost	Total
without specified maturity	235.9	-	235.9	120.9	-	120.9
up to 1 month	-	4,400.0	4,400.0	48.5	3,599.3	3,647.8
over 3 months and up to 1 year	466.2	5,159.7	5,625.9	-	180.6	180.6
over 1 year and up to 5 years	20,650.1	19,818.7	40,468.8	10,203.2	22,615.2	32,818.4
over 5 years	2,564.0	3,319.1	5,883.1	5,440.1	6,225.0	11,665.1
Total	23,916.2	32,697.5	56,613.7	15,812.7	32,620.1	48,432.8

20. Assets securing liabilities

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

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

As at 31 December 2023 (similar to 31 December 2022), the Group held assets securing liabilities in the portfolio of financial assets measured at fair value through profit or loss.

as at 31 December		
	2023	2022
Bods securing liabilities arising from securities sold with a repurchase agreement (sell-buy-back transactions), including:		
Treasury bonds in PLN	133.1	125.2
Czech Treasury bonds in CZK	32.1	38.6
Total	165.2	163.8



Other assets securing liabilities

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

as at 31 December						
2023			2022			
	portfolio of financial assets measured at fair value through other comprehensive income	portfolio of financial assets measured at amortised cost	Total	portfolio of financial assets measured at fair value through other comprehensive income	portfolio of financial assets measured at amortised cost	Total
Treasury bonds in PLN, including:	275.1	831.1	1,106.2	255.9	842.8	1,098.7
providing security for the benefit of the Bank Guarantee Fund	-	528.7	528.7	-	581.4	581.4
constituting a block on the obligation to pay a contribution to the guarantee fund of banks	-	200.1	200.1	-	199.6	199.6
constituting a blocking of the obligation to pay a contribution to the banks' compulsory restructuring fund	245.1	-	245.1	240.9	-	240.9
constituting the lodging of securities collateral for initial margin	-	30.7	30.7	-	30.9	30.9
representing the payment of securities collateral for the initial margin for the ATS Market	-	61.4	61.4	-	20.6	20.6
providing security for the KDPW CCP settlement fund	-	10.2	10.2	-	10.3	10.3
pledged as collateral in the cover register of mortgage bonds	30.0	-	30.0	15.0	-	15.0
Treasury bonds in EUR, including:	-	67.7	67.7	-	73.5	73.5
constituting the margin for the settlement of EUREX transactions	-	67.7	67.7	-	73.5	73.5
European Investment Bank bonds, including:	202.0	397.4	599.4	283.7	504.1	787.8
providing security for settlements with LCH	-	256.7	256.7	78.1	354.1	432.2
constituting the margin for the settlement of EUREX transactions	202.0	115.1	317.1	205.6	124.4	330.0
in the Euroclear account, earmarked as collateral for transactions not submitted to clearing houses	-	25.6	25.6	-	25.6	25.6
Austrian Government bonds securing the settlements made with LCH	411.1	-	411.1	425.7	-	425.7
mortgage receivables securing the covered bonds	-	2,417.6	2,417.6	-	1,984.9	1,984.9
Total	888.2	3,713.8	4,602.0	965.3	3,405.3	4,370.6

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

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

The Group has liabilities due to the issue of mortgage bonds which are secured with the above-mentioned mortgage claims. At the end of 2023 and 2022, the nominal value of the issued covered bonds was PLN 400 million. Detailed information on the issued mortgage bonds can be found in note 30. *Liabilities from debt securities issued.*

The Group has deposited call-type margins as security for derivative transactions. Receivables in this respect are presented in note 15. *Loans and other receivables to other banks* and in note 21. *Loans and other receivables to customers measured at amortised cost.*



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

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

The market value of buy-sell-back / reverse repo securities was PLN 607.4 million as at 31 December 2023 compared to PLN 471.2 million as at 31 December 2022. As at 31 December 2023, securities worth PLN 595.7 million were further resold (compared to PLN 433.7 million as at 31 December 2022).

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

as at 31 December

	2023			2022		
	gross	impairment for expected credit loss	net	gross	impairment for expected credit loss	net
Loan portfolio, of which:	158,255.8	-3,508.1	154,747.7	156,360.4	-3,269.2	153,091.2
Corporate banking	93,364.1	-2,525.1	90,839.0	92,478.0	-2,192.2	90,285.8
loans in the current account	13,739.3	-140.1	13,599.2	15,444.8	-484.0	14,960.8
term loans and advances	55,373.1	-2,201.0	53,172.1	53,021.0	-1,518.9	51,502.1
lease receivables	13,208.5	-78.1	13,130.4	12,479.1	-115.6	12,363.5
factoring receivables	6,851.5	-104.2	6,747.3	7,751.0	-69.0	7,682.0
debt securities (corporate and municipal)	4,191.7	-1.7	4,190.0	3,782.1	-4.7	3,777.4
Retail banking	64,891.7	-983.0	63,908.7	63,882.4	-1,077.0	62,805.4
mortgages	55,718.5	-226.3	55,492.2	55,155.6	-269.1	54,886.5
loans in the current account	706.4	-62.7	643.7	697.5	-63.5	634.0
other loans and advances	8,466.8	-694.0	7,772.8	8,029.3	-744.4	7,284.9
Other receivables, of which:	1,773.0	0.0	1,773.0	1,883.4	0.0	1,883.4
call deposits placed	606.9	0.0	606.9	827.6	0.0	827.6
other	1,166.1	0.0	1,166.1	1,055.8	0.0	1,055.8
Total	160,028.8	-3,508.1	156,520.7	158,243.8	-3,269.2	154,974.6

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

Loans and receivables to customers by maturity

as at 31 December

	2023	2022
without specified maturity	17,174.9	15,669.0
up to 1 month	7,041.2	5,848.8
over 1 month and up to 3 months	8,761.1	8,811.0
over 3 months and up to 1 year	18,854.3	20,767.4
over 1 year and up to 5 years	51,533.7	52,554.8
over 5 years	54,649.4	52,910.9
for which the maturity has expired	2,014.2	1,681.9
Total (gross)	160,028.8	158,243.8

Finance lease receivables

As at 31 December 2023, vehicles accounted for the largest share in the portfolio of leased items (52.0% of the portfolio value), while compared to the end of 2022, vehicle financing agreements increased by 9.6%.

Machines and equipment also account for a significant share in the portfolio (34.5% of the portfolio value) with a simultaneous increase by 4.4% compared to the value of the financed machinery and equipment at the end of 2022, other movables accounted for 9.1% of the portfolio value (an increase of 14.0% compared to the end of 2022).

At the same time, in 2023, the share in the real estate leasing portfolio decreased by 1.5 p.p. to 4.0% (portfolio value decreased by 22.3% compared to the end of 2022).



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

as at 31 December		
	2023	2022
up to 1 year	4,821.2	4,627.1
over 1 year and up to 2 years	3,344.7	3,168.0
over 2 years and up to 3 years	2,566.7	2,213.6
over 3 years and up to 4 years	1,391.2	1,482.5
over 4 years and up to 5 years	690.5	629.4
over 5 years	394.2	358.5
Total	13,208.5	12,479.1

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

as at 31 December		
	2023	2022
up to 1 year	5,543.0	5,293.0
over 1 year and up to 2 years	3,798.0	3,576.9
over 2 years and up to 3 years	2,816.7	2,439.1
over 3 years and up to 4 years	1,509.6	1,589.2
over 4 years and up to 5 years	738.3	670.4
over 5 years	429.0	385.0
Total	14,834.6	13,953.6

The present value of minimum lease instalments is as follows:

as at 31 December		
	2023	2022
(Gross) receivables under financial lease	14,834.6	13,953.6
Undue interest	1,626.1	1,474.5
Present value of minimum lease instalments	13,208.5	12,479.1

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

for the year ended 31 December		
	2023	2022
Profit from the sale of fixed assets (leasing items)	6.4	3.4
Net interest income from leasing investment	892.5	638.0
Variable leasing fees (commission fees)	22.2	20.8
Total	921.1	662.2

In 2023, as in 2022, no cases of significant modifications to finance lease agreements were identified.

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

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

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



22. Investments in associates accounted for using the equity method

ING Bank Śląski S.A. holds an indirect share in the share capital of Goldman Sachs TFI S.A. (until 23 April 2023 under the name NN Investment Partners TFI S.A.) through its subsidiary, ING Investment Holding (Poland) S.A. The company’s line of business is the creation and management of investment funds and portfolios. The Group recognises the interest as an investment in an associate and measures it using the equity method in accordance with IAS 28. The carrying amount of the share in Goldman Sachs TFI S.A. was PLN 180.9 million at the end of 2023, compared to PLN 178.9 million at the end of 2022.

Selected data regarding the associate

	2023	2022
	Goldman Sachs TFI S.A.	
Share in the capital of the entity	45%	45%
Assets, including:	191.4	177.4
Short-term	175.3	119.7
Long-term	16.1	57.7
Liabilities and provisions for liabilities, including:	61.3	57.5
Short-term	45.3	50.1
Long-term	16.0	7.4
Net assets	130.1	119.9
Profit (loss)	71.2	61.0
Revenues	155.1	137.8
Total comprehensive income	71.2	61.0
Cash and cash equivalents	86.8	79.3
Short-term financial liabilities (excluding trade and other liabilities and provisions)	10.7	14.8
Long-term financial liabilities (excluding trade and other liabilities and provisions)	11.3	7.4
Depreciation and amortisation	1.1	1.2
Interest income	4.2	3.3
Interest expenses	0.2	0.1
Income tax charge or income	17.7	14.8

The reconciliation of the carrying amount of the investment in an associate for 2023 and 2022 is presented below.

	2023	2022
for the year ended 31 December		
Opening balance	178.9	184.8
Valuation using the equity method in the period	29.5	25.6
Devidends received	-27.5	-31.5
Closing balance	180.9	178.9

23. Property, plant and equipment

	2023	2022
as at 31 December		
Right of use assets, including:	461.8	409.1
real estate	441.4	393.2
means of transport	20.4	15.8
other assets	0.0	0.1
Own real estate	215.3	245.0
Investments in non-owned fixed assets	98.4	88.1
Computer hardware	101.0	122.6
Other property, plant and equipment	68.8	58.8
Fixed assets under construction	57.1	26.4
Total	1,002.4	950.0

There are no legal constraints on property, plant and equipment at the end of 2023 and 2022.

Contractual obligations to purchase property, plant and equipment

In 2023, the Group concluded agreements with business partners resulting in future increase in the value of property, plant and equipment in the total amount of PLN 6.5 million. Due to the framework nature of some of the contracts, this amount is not targeted - its amount will result from cost estimates calculated during the implementation. The agreements pertain to real estate (buildings and structures), investments in external fixed assets, fixed assets under construction and other fixed assets. At the end of 2022, the Group had agreements (partly framework agreements) on real estate (buildings and structures), investments in external fixed assets, fixed assets under construction and other fixed assets for the total amount of PLN 20.0 million.



The tables present changes in gross value and accumulated depreciation for individual groups of property, plant and equipment in 2023 and 2022.

2023

for the year ended 31 December

	right of use assets				own real estate	investments in non-owned fixed assets	computer hardware	other property, plant and equipment	fixed assets under construction	Total
	real estate	means of transport	other assets	Total						
Opening gross value	731.5	44.7	1.3	777.5	419.8	476.5	459.6	385.5	26.4	2,545.3
Additions, including:	205.2	16.1	0.2	221.5	12.1	52.0	32.2	26.7	117.0	461.5
new contracts for the right of use	79.8	14.7	-	94.5	-	-	-	-	-	94.5
adjustment of the asset in connection with the recalculation of the lease	125.4	1.4	0.2	127.0	-	-	-	-	-	127.0
purchases	-	-	-	0.0	-	36.4	0.8	1.6	117.0	155.8
investment takeovers	-	-	-	0.0	8.8	15.6	31.0	24.2	-	79.6
reclassification from non-current assets held for sale	-	-	-	0.0	3.3	-	-	0.9	-	4.2
acquisition of an organised part of an enterprise	-	-	-	0.0	-	-	0.4	-	-	0.4
Reductions, including:	-56.6	-10.1	0.0	-66.7	0.0	-11.9	-1.1	-0.3	-86.3	-166.3
early termination of the contract	-34.5	-10.1	-	-44.6	-	-	-	-	-	-44.6
adjustment of the asset in connection with the recalculation of the lease	-22.1	-	-	-22.1	-	-	-	-	-	-22.1
sale and liquidation	-	-	-	0.0	-	-1.1	-1.1	-0.3	-	-2.5
investment takeovers	-	-	-	0.0	-	-	-	-	-79.6	-79.6
other	-	-	-	0.0	-	-10.8	-	-	-6.7	-17.5
Fair value change, including:	0.0	0.0	0.0	0.0	-26.0	0.0	0.0	0.0	0.0	-26.0
included in other comprehensive income	-	-	-	0.0	-0.1	-	-	-	-	-0.1
included in income statement*	-	-	-	0.0	-25.9	-	-	-	-	-25.9
Closing gross value	880.1	50.7	1.5	932.3	405.9	516.6	490.7	411.9	57.1	2,814.5
Opening accumulated depreciation	-338.3	-28.9	-1.2	-368.4	-174.8	-388.4	-337.0	-326.7	0.0	-1,595.3
Changes in the period, including:	-100.4	-1.4	-0.3	-102.1	-15.8	-29.8	-52.7	-16.4	0.0	-216.8
depreciation charges	-115.7	-11.2	-0.3	-127.2	-14.8	-29.8	-51.9	-15.5	-	-239.2
reduction in scope and early termination of the contract	15.3	9.8	-	25.1	-	-	-	-	-	25.1
reclassification from non-current assets held for sale	-	-	-	0.0	-1.0	-	-	-0.9	-	-1.9
acquisition of an organised part of an enterprise	-	-	-	0.0	-	-	-0.2	-	-	-0.2
other	-	-	-	0.0	-	-	-0.6	-	-	-0.6
Closing accumulated depreciation	-438.7	-30.3	-1.5	-470.5	-190.6	-418.2	-389.7	-343.1	0.0	-1,812.1
Closing net value	441.4	20.4	0.0	461.8	215.3	98.4	101.0	68.8	57.1	1,002.4

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



2022

for the year ended 31 December

	right of use assets				own real estate	investments in non-owned fixed assets	computer hardware	other property, plant and equipment	fixed assets under construction	Total
	real estate	means of transport	other assets	Total						
Opening gross value	566.9	40.8	0.9	608.6	422.1	347.5	378.4	450.9	38.6	2,246.1
Additions, including:	196.8	8.3	0.4	205.5	12.9	132.8	82.4	20.8	121.1	575.5
new contracts for the right of use	53.8	6.9	-	60.7	-	-	-	-	-	60.7
adjustment of the asset in connection with the recalculation of the lease	143.0	1.4	0.4	144.8	-	-	-	-	-	144.8
purchases	-	-	-	0.0	-	28.4	0.1	0.5	121.1	150.1
investment takeovers	-	-	-	0.0	12.5	12.5	82.3	18.7	-	126.0
reclassification to/from another category of property, plant and equipment	-	-	-	0.0	0.4	91.9	-	1.6	-	93.9
Reductions, including:	-32.2	-4.4	0.0	-36.6	-8.1	-3.8	-1.2	-86.2	-133.3	-269.2
early termination of the contract	-23.9	-3.7	-	-27.6	-	-	-	-	-	-27.6
adjustment of the asset in connection with the recalculation of the lease	-8.3	-0.7	-	-9.0	-	-	-	-	-	-9.0
sale and liquidation	-	-	-	0.0	-2.2	-1.4	-1.2	-0.3	-	-5.1
investment takeovers	-	-	-	0.0	-	-	-	-	-126.0	-126.0
reclassification to non-current assets held for sale	-	-	-	0.0	-5.4	-0.1	-	-0.9	-	-6.4
reclassification to/from another category of property, plant and equipment	-	-	-	0.0	-0.5	-1.5	-	-85.0	-6.9	-93.9
other	-	-	-	0.0	-	-0.8	-	-	-0.4	-1.2
Fair value change, including:	0.0	0.0	0.0	0.0	-7.1	0.0	0.0	0.0	0.0	-7.1
included in income statement*	-	-	-	0.0	-7.1	-	-	-	-	-7.1
Closing gross value	731.5	44.7	1.3	777.5	419.8	476.5	459.6	385.5	26.4	2,545.3
Opening accumulated depreciation	-262.0	-22.3	-0.9	-285.2	-162.9	-296.1	-293.6	-377.1	0.0	-1,414.9
Changes in the period, including:	-76.3	-6.6	-0.3	-83.2	-11.9	-92.3	-43.4	50.4	0.0	-180.4
depreciation charges	-93.1	-10.7	-0.3	-104.1	-14.2	-29.3	-43.9	-13.1	-	-204.6
reduction in scope and early termination of the contract	16.8	4.1	-	20.9	-	-	-	-	-	20.9
reclassification to non-current assets held for sale	-	-	-	0.0	1.8	0.1	-	0.9	-	2.8
reclassification to/from another category of property, plant and equipment	-	-	-	0.0	0.5	-63.1	-	62.6	-	0.0
other	-	-	-	0.0	-	-	0.5	-	-	0.5
Closing accumulated depreciation	-338.3	-28.9	-1.2	-368.4	-174.8	-388.4	-337.0	-326.7	0.0	-1,595.3
Closing net value	393.2	15.8	0.1	409.1	245.0	88.1	122.6	58.8	26.4	950.0

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



24. Intangible assets

as at 31 December

	2023	2022
Goodwill obtained as a result of a branch of ING Bank NV contributed in kind	223.3	223.3
Software	232.4	169.2
Outlays for intangible assets	37.0	23.3
Other intangible assets	1.4	1.4
Total	494.1	417.2

Changes in 2023 and 2022 in particular groups of intangible assets are presented below.

2023

for the year ended 31 December

	Goodwill	Software	Outlays for intangible assets	Other intangible assets	Total
Opening gross value	223.3	1,413.2	23.3	19.3	1,679.1
Additions, including:	0.0	176.7	144.7	1.4	322.8
purchases	-	18.3	144.7	-	163.0
investment takeovers	-	128.8	-	1.4	130.2
acquisition of an organised part of an enterprise	-	29.6	-	-	29.6
Reductions, including:	0.0	-0.4	-131.0	0.0	-131.4
investment takeovers	-	-	-130.2	-	-130.2
other	-	-0.4	-0.8	-	-1.2
Impairment	-	-2.0	-	-	-2.0
Closing gross value	223.3	1,587.5	37.0	20.7	1,868.5
Opening accumulated depreciation	0.0	-1,244.0	0.0	-17.9	-1,261.9
Changes in the period, including:	0.0	-111.1	0.0	-1.4	-112.5
depreciation charges	-	-86.8	-	-1.4	-88.2
acquisition of an organised part of an enterprise	-	-26.5	-	-	-26.5
other	-	2.2	-	-	2.2
Closing accumulated depreciation	0.0	-1,355.1	0.0	-19.3	-1,374.4
Closing net value	223.3	232.4	37.0	1.4	494.1

2022

for the year ended 31 December

	Goodwill	Software	Outlays for intangible assets	Other intangible assets	Total
Opening gross value	223.3	1,309.2	14.1	18.0	1,564.6
Additions, including:	0.0	106.6	118.1	1.3	226.0
purchases	-	-	118.1	-	118.1
investment takeovers	-	106.6	-	1.3	107.9
Reductions, including:	0.0	-2.0	-108.9	0.0	-110.9
investment takeovers	-	-	-107.9	-	-107.9
other	-	-2.0	-1.0	-	-3.0
Impairment	-	-0.6	-	-	-0.6
Closing gross value	223.3	1,413.2	23.3	19.3	1,679.1
Opening accumulated depreciation	0.0	-1,170.3	0.0	-16.9	-1,187.2
Changes in the period, including:	0.0	-73.7	0.0	-1.0	-74.7
depreciation charges	-	-73.7	-	-1.0	-74.7
Closing accumulated depreciation	0.0	-1,244.0	0.0	-17.9	-1,261.9
Closing net value	223.3	169.2	23.3	1.4	417.2



Contractual obligations to purchase intangible assets

In 2023, the Group concluded agreements with contractors for the future purchase of intangible assets for a total amount of PLN 39.2 million, however, due to the framework nature of some of the agreements, this amount is not the target amount. These agreements, as in the previous year, concern the purchase of licenses and the implementation of computer software.

At the end of 2022, the Group had contracts (partly of a framework nature) for the purchase of licenses and software implementation for a total amount of PLN 70.9 million.

Impairment test of cash generating units with respective goodwill

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

At the Bank, the impairment test covered the goodwill obtained as a result of a branch of ING Bank NV contributed in kind, which was assigned to the corporate activity of the Group. The smallest identifiable cash-generating units were determined and goodwill totalling PLN 223.3 million was assigned thereto. No other additional elements of intangible value and indefinite useful life were identified that could be assigned to the identified cash-generating units.

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

A discount rate of 11.42% representing the weighted average cost of capital, estimated on the basis of the risk-free rate (5.20%), beta factor (1.13) and share price risk premium (5.50%), was used to discount the flows as at 2023 yearend. As at 2022 yearend, the discount rate used to discount the flows was 13.34% and was estimated based on a risk-free rate of 6.86%, a beta factor of 1.08 and a share price risk premium of 6.00%. Other assumptions include the nominal growth rate after the forecast period (3.5% at the end of 2023 as well as at the end of 2022).

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

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

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

N As at 31 December 2023, the sensitivity analysis of the goodwill impairment test shows that:

- increasing the discount rate by 1 p.p. would result in a decrease in the surplus of net cash flows over the net book value of the cash-generating unit by 18% (compared to 28% at the end of 2022),
- reduction of the discount rate by 1 p.p. would result in an increase in the surplus of net cash flows over the net book value of the cash-generating unit by 24% (compared to 34% at the end of 2022).



25. Deferred tax

Movements in temporary differences during the year

2023

for the year ended 31 December

	opening balance	changes carried through profit or loss	changes carried through other comprehensive income	closing balance
Deferred tax assets				
impairment for expected credit losses	404.0	25.1	-	429.1
valuation of operational leasing	165.7	56.5	-	222.2
revaluation of financial instruments	141.9	9.5	-67.7	83.7
employee benefits	76.9	10.6	-	87.5
provision for restructuring	8.6	13.0	-	21.6
other provisions	134.3	7.7	-	142.0
settlement of the difference between tax and balance sheet depreciation	18.1	8.4	0.2	26.7
finance lease	0.0	6.5	-	6.5
tax losses	1,038.1	-518.9	-	519.2
effective interest rate adjustment	90.9	-90.9	-	0.0
other	12.5	-11.0	-	1.5
Total	2,091.0	-483.5	-67.5	1,540.0
Deferred tax losses				
revaluation of financial instruments	100.7	-0.3	47.2	147.6
accrued interest	160.6	71.4	-	232.0
effective interest rate adjustment	0.0	62.3	-	62.3
settlement of prepayments/accruals due to depreciation/ amortisation resulting from the investment relief	0.7	0.0	-	0.7
valuation of financial leasing	0.6	-0.4	-	0.2
other	0.2	0.2	-	0.4
Total	262.8	133.2	47.2	443.2
Deferred tax disclosed in the balance sheet, of which:	1,828.2	-616.7	-114.7	1,096.8
Deferred tax assets				1,096.8

2022

for the year ended 31 December

	opening balance	changes carried through profit or loss	changes carried through other comprehensive income	closing balance
Deferred tax assets				
impairment for expected credit losses	340.3	63.7	-	404.0
valuation of operational leasing	116.7	49.0	-	165.7
revaluation of financial instruments	421.8	-338.5	58.6	141.9
employee benefits	75.9	1.0	-	76.9
provision for restructuring	11.2	-2.6	-	8.6
other provisions	93.9	40.4	-	134.3
settlement of the difference between tax and balance sheet depreciation	14.5	3.6	-	18.1
tax losses	544.5	493.6	-	1,038.1
effective interest rate adjustment	0.0	90.9	-	90.9
other	12.2	0.3	-	12.5
Total	1,631.0	401.4	58.6	2,091.0
Deferred tax losses				
revaluation of financial instruments	123.2	-	-22.5	100.7
accrued interest	213.3	-52.7	-	160.6
effective interest rate adjustment	45.7	-45.7	-	0.0
settlement of prepayments/accruals due to depreciation/ amortisation resulting from the investment relief	0.9	-0.2	-	0.7
valuation of financial leasing	1.3	-0.7	-	0.6
other	1.6	-1.4	-	0.2
Total	386.0	-100.7	-22.5	262.8
Deferred tax disclosed in the balance sheet, of which:	1,245.0	502.1	81.1	1,828.2
Deferred tax assets				1,828.6
Deferred tax losses				0.4



Deferred tax recognised directly in equity

as at 31 December	2023	2022
Deferred tax in accumulated other comprehensive income, due to:	84.7	-27.4
financial assets valued through other comprehensive income - debt instruments	67.1	-12.0
financial assets valued through other comprehensive income - equity instruments	40.3	18.4
property, plant and equipment	0.1	0.1
cash flow hedges	-16.2	-29.6
actuarial gains/losses	-6.6	-4.3
Deferred tax in retained earnings due to:	3.9	1.3
incentive employee programs	4.1	1.3
undistributed profit of previous years	-0.2	0.0
Total	88.6	-26.1

26. Other assets

as at 31 December	2023	2022
Prepayments, including:	105.7	105.1
accrued income	48.7	55.6
due to commissions	2.6	2.0
due to general and administrative expenses	54.4	47.5
Other assets, including:	38.5	52.7
settlements with recipients	23.7	17.0
public and legal settlements	12.5	23.7
non-current assets held for sale	0.0	2.2
other	2.3	9.8
Total	144.2	157.8
including financial assets	38.5	50.5
Expected settlement period of other assets		
up to 1 year	142.0	156.1
over 1 year	2.2	1.7

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

27. Liabilities to other banks

as at 31 December	2023	2022
Current accounts	633.4	487.7
Interbank deposits	167.8	71.5
Loans received*	12,534.8	4,994.0
Received call deposits	316.4	80.0
Other liabilities	2.4	6.4
Total	13,654.8	5,639.6

*) The financing of the long-term lease contracts in EUR (“the matched funding”) received by the subsidiary ING Lease Polska Sp. z o.o. from ING Bank NV and other banks not related to the Group is presented in item *Loans received*. As at 31 December 2023, this item also includes liabilities due to two non-preferred senior loans (NPS) received by ING Bank Śląski S.A. from ING Bank N.V. More information on NPS loans can be found in the *Risk and capital management* section, in chapter [I.4. MREL requirements](#).

Liabilities to other banks by maturity

as at 31 December	2023	2022
without specified maturity	763.7	491.4
up to 1 month	996.3	663.4
over 1 month and up to 3 months	886.7	875.4
over 3 months and up to 1 year	2,924.2	2,775.1
over 1 year and up to 5 years	5,879.4	635.1
over 5 years	2,204.5	199.2
Total	13,654.8	5,639.6

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

as at 31 December		
	2023	2022
Financial liabilities held for trading, including:		
valuation of derivatives	1,060.3	1,602.3
other financial liabilities held for trading, including::	761.3	601.5
book short position in trading securities	595.6	437.3
repo transactions	165.7	164.2
Total	1,821.6	2,203.8

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

Financial liabilities at fair value through profit or loss (excluding valuation of derivatives) by maturity

as at 31 December		
	2023	2022
up to 1 month	165.7	164.2
over 1 year and up to 5 years	244.1	263.6
over 5 years	351.5	173.7
Total	761.3	601.5

29. Liabilities to customers

as at 31 December		
	2023	2022
Deposits, including:	202,208.5	189,538.3
Corporate banking	90,122.6	84,738.9
current deposits	60,649.4	53,716.8
including O/N deposits	6,453.0	2,529.3
saving deposits	19,440.8	18,053.5
term deposits	10,032.4	12,968.6
Retail banking	112,085.9	104,799.4
current deposits	28,816.0	27,530.3
saving deposits	67,713.1	69,381.1
term deposits	15,556.8	7,888.0
Other liabilities, including:	3,081.4	3,193.0
liabilities under monetary hedges	823.2	742.9
call deposits	10.8	11.4
other liabilities	2,247.4	2,438.7
Total	205,289.9	192,731.3

Starting from 2023, the Group changed the presentation of data in this note (mostly these are the balances of closed customer accounts), transferring to deposits (current and term) the amounts presented in previous financial statements under *Other liabilities - other*. Data as at 31 December 2022 have been restated to ensure comparability.

Liabilities to customers by maturity

as at 31 December		
	2023	2022
without specified maturity	173,505.7	169,461.8
up to 1 month	17,266.6	12,403.0
over 1 month and up to 3 months	5,616.4	5,237.6
over 3 months and up to 1 year	8,866.1	5,587.0
over 1 year and up to 5 years	34.6	41.5
over 5 years	0.5	0.4
Total	205,289.9	192,731.3



30. Liabilities from debt securities issued

as at 31 December		
	2023	2022
Liabilities under issue of debt securities, including:		
Covered bonds issued by ING Bank Hipoteczny S.A.	404.4	404.8
Total	404.4	404.8

Liabilities under issue of debt securities by maturity

as at 31 December		
	2023	2022
over 3 months up to 1 year	404.4	0.0
over 1 year and up to 5 years	0.0	404.8
Total	404.4	404.8

Covered bonds

At the end of 2023 and 2022, the Group had liabilities arising from the issue of covered bonds issued as part of the ING Bank Hipoteczny S.A. covered bond issue programme established in 2019 (Covered Bond Programme). The purpose of establishing the Programme was to create a legal infrastructure under which the Group will be able to issue covered bonds both on the local and foreign market. The funds obtained from the inaugural 5-year "green" issue, carried out under the Program, will be used to refinance PLN mortgage loans of natural persons secured on real estate belonging to 15% of the most energy-efficient buildings in Poland. The issue will be redeemed in October 2024.

Bond Programme

In 2023, as in 2022, under the Bond Issue Programme (Bond Programme), ING Bank Hipoteczny S.A., a subsidiary of the Group, issued 3 series of bonds (3 series in 2022), which were entirely purchased by an entity from the Bank's Capital Group. The bonds were registered with the National Depository for Securities in Warsaw and their total nominal value amounted to PLN 376 million (PLN 361 million in 2022).

In 2023 ING Bank Hipoteczny S.A. redeemed bonds, acquired by an entity from the Bank's Capital Group, for the total amount of PLN 510 million, of which 1 series of bonds issued in 2022 and 3 series of bonds issued in 2023.

In 2022 ING Bank Hipoteczny S.A. redeemed 2 series of bonds issued in 2022 and all bonds (i.e. 3 series) issued in 2021. The nominal value of the redeemed bonds amounted to PLN 881 million, of which PLN 306 million concerned

bonds purchased by an entity from the Bank's Capital Group, and PLN 575 million concerned bonds issued in 2021 and purchased by entities from outside the Group.

At the end of 2023, similar to the end of 2022, the total nominal value of own bonds issued and not redeemed by entities outside the Group was PLN 0 million.

31. Subordinated liabilities

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

- The agreement concluded on 30 September 2019 in the amount of EUR 250.0 million. On 28 November 2019, the Bank obtained the PFSA's consent to include the amount of the loan in the Tier 2 capital.
- Agreement concluded on 30 October 2018 for the amount of EUR 100.0 million. On 30 January 2019, the Bank obtained the consent of the Polish Financial Supervision Authority to include the amount of the loan in the Tier 2 capital.

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

At the end of 2023, the total carrying amount of subordinated loans was PLN 1,526.2 million (PLN 1,643.9 million at the end of 2022).



32. Provisions

as at 31 December

	2023	2022
Provision for off-balance sheet liabilities	115.6	107.9
Provision for retirement benefits	93.3	74.0
Provision for disputes	38.6	34.9
Provision for restructuring	116.1	49.4
Provision for legal risk of FX mortgage loans *	128.4	53.7
Other provisions	49.8	39.1
Total	541.8	359.0

*) The presented values constitute a provision that applies to CHF-indexed mortgage loans removed from the statement of financial position and parts of loans recognised in the statement of financial position for which the estimated loss value exceeds the gross exposure. In addition, with respect to CHF-indexed mortgage loans recognised in the statement of financial position, the Group estimates the adjustment to the gross carrying amount and recognises it in the consolidated statement of financial position in the item *Loans and other receivables to customers measured at amortised cost*. In chapter III. *Significant accounting principles*, in item 3.6. *Write-downs and portfolio provisions related to the portfolio of mortgage loans indexed to the CHF exchange rate* are presented the change in 2023 and 2022 of both provisions and adjustment to the gross carrying amount due to the legal risk of CHF-indexed mortgages.

The tables below present the movements in the individual provisions in 2023 and 2022.

2023

for the year ended 31 December

	Provision for off-balance sheet liabilities				Provision for retirement benefits	Provision for disputes	Provision for restructuring	Provision for legal risk	Other provisions	Total
	Stage 1	Stage 2	Stage 3	Total						
Opening balance	39.3	54.0	14.6	107.9	74.0	34.9	49.4	53.7	39.1	359.0
provisions recognised/ reversed	-5.4	-28.9	43.5	9.2	7.1	7.9	86.1	11.6	15.5	137.4
ransfer within provisions	-	-	-	0.0	-	-	-	73.1	-	73.1
utilisation	-	-	-	0.0	-	-4.2	-19.4	-10.0	-4.8	-38.4
actuarial gains/losses	-	-	-	0.0	12.2	-	-	-	-	12.2
other	-0.8	-0.5	-0.2	-1.5	-	-	-	-	-	-1.5
Closing balance	33.1	24.6	57.9	115.6	93.3	38.6	116.1	128.4	49.8	541.8

Expected provision settlement period:

up to 1 year	0.0	5.8	16.5	38.5	0.0	6.0	66.8
over 1 year	115.6	87.5	22.1	77.6	128.4	43.8	475.0

2022

for the year ended 31 December

	Provision for off-balance sheet liabilities				Provision for retirement benefits	Provision for disputes	Provision for restructuring	Provision for legal risk	Other provisions	Total
	Stage 1	Stage 2	Stage 3	Total						
Opening balance	32.8	22.4	23.4	78.6	73.9	42.4	67.6	37.6	36.8	336.9
provisions recognised/ reversed	6.5	31.6	-8.8	29.3	4.8	24.1	-	21.4	6.2	85.8
reclassification due to full repayment of loans	-	-	-	0.0	-	-	-	3.0	-	3.0
utilisation	-	-	-	0.0	-0.1	-31.6	-18.2	-8.3	-3.9	-62.1
actuarial gains/losses	-	-	-	0.0	-4.6	-	-	-	-	-4.6
Closing balance	39.3	54.0	14.6	107.9	74.0	34.9	49.4	53.7	39.1	359.0

Expected provision settlement period:

up to 1 year	0.0	5.5	13.6	4.1	0.0	12.8	36.0
over 1 year	107.9	68.5	21.3	45.3	53.7	26.3	323.0



Provision for retirement benefits

Provisions for retirement severance pay are estimated on the basis of actuarial valuation using the discount rate, which was adopted at the level of 5.4% at the end of 2023 (7% at the end of 2022). Provisions resulting from actuarial valuation are recognised and revalued in annual periods.

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

for the year ended 31 December	2023	2022
Opening balance	74.0	73.9
Costs included in the income statement, including:	9.7	6.8
regular employment costs	4.8	4.8
costs of interest	4.9	2.0
Actuarial gains / losses	12.2	-4.9
Paid benefits	-2.6	-1.8
Closing balance	93.3	74.0

Provision for disputes

The value of the proceedings conducted in 2023 concerning liabilities and debt claims did not exceed 10% of the Group’s equity. The Group is of the opinion that none of the proceedings conducted in 2023 before court, competent authority for arbitration proceedings or public administration authority, pose a risk to the Group’s financial liquidity, individually or in total.

Provision for restructuring

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

In 2023, a restructuring provision was created in the amount of PLN 86.1 million, which is intended to cover personnel costs. It was recognised in the consolidated statement of profit or loss under *General and administrative expenses - personnel expenses*.

Legal risk related to the portfolio of loans indexed to CHF

Significant assumptions regarding the calculation as at 31 December 2023 of the amount of the adjustment to the gross carrying amount resulting from legal risk for the portfolio of CHF-indexed mortgage loans presented in the statement of financial position and the amount of provisions for CHF-indexed mortgage loans are described in chapter III. *Significant accounting principles*, in point 3.6.

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

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

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



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

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

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

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

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

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

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

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

- On 7 December 2023, the CJEU issued another adverse judgement for banks, which, however, does not bring anything groundbreaking. The CJEU stated that the consumer does not have to declare that he is aware of the consequences of the cancellation of the contract before the courts, and that the consumer has the right to reimbursement of the full value of the claims, without deducting capital interest.
- In its judgement of 14 December 2023, the CJEU stated that the limitation period must be symmetrical for both parties. Therefore, the limitation period for client claims cannot start earlier than the limitation period for bank claims. The CJEU confirmed the sanction of permanent ineffectiveness, which means that the limitation period for both parties should be counted from the customer's express statement that he knows the consequences of cancellation of the contract. This is in line with the current case law of Polish courts after the resolution of the 7 judges of the Supreme Court of 7 May 2021.

Settlement programme

From 25 October 2021, the Bank offers the possibility for borrowers to conclude voluntary settlements in accordance with the proposal presented in December 2020 by the Chairman of the Polish Financial Supervision Authority. The Bank's customers may submit a request for mediation through the Mediation Center of the Court of Arbitration of the Polish Financial Supervision Authority. The mediation process can be used by customers who have a housing mortgage loan or a housing construction and mortgage loan indexed with the CHF exchange rate at the Bank for their own housing purposes, excluding mortgage loans and the above-mentioned loans, where one of the



purposes of lending was to consolidate non-housing liabilities. A mediation agreement can only be signed for one of the active housing loans. The conversion takes place on the terms presented by the Chairman of the Polish Financial Supervision Authority. Detailed rules for the settlement of the loan and determination of the type of interest rate for the future are the subject of arrangements in the mediation process before the Polish Financial Supervision Authority in accordance with the current offer of settlements offered by the Bank. From the moment the settlement programme was launched until the end of 2023, the Bank concluded 705 agreements under the programme.

Other provisions

Provision for commission refunds on prepaid consumer loans

On 11 September 2019, the CJEU announced its judgment on consumer credit agreements. Information on the judgment and the related position of the President of UOKiK is presented in chapter III. *Significant accounting principles*, in point 3.7.)

On 9 October 2019, the Bank was served with a notice of initiation by the Office of Competition and Consumer Protection and a request to provide information on banking products on offer from 16 May 2016, to which the provisions of the Consumer Credit Act, including Art. 49 of this act. The explanatory proceeding concerns the settlement by the Bank of commission refunds in cases of early repayment of consumer loans. The Bank provided the requested information to the Office of Competition and Consumer Protection by letter of 29 October 2019. On 24 December 2019, the Bank received another letter from the Office of Competition and Consumer Protection in the same procedure with the request for additional information. The Bank replied with a letter of 3 January 2020.

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

PFSA proceedings

- On 12 October 2018, the Polish Financial Supervision Authority imposed a fine on the Bank in the amount of PLN 0.5 million, pursuant to Art. 232 sec. 1 of the Act on Investment Funds and Alternative Investment Funds Management, in the wording before the amendment made by the Act of 31 March 2016, in connection with the breach of depositary's obligations set out in Art. 72 of the Act in connection with the Bank acting as the depositary of the Inventum Premium SFIO and Inventum Parasol FIO funds with separate sub-funds. In the course of reconsidering the case, the PFSA confirmed the violations and did not identify any circumstances that would justify reducing the fine. In connection with the proceedings, a provision in the amount of PLN 0.5

million was created in December 2018. The Bank paid the imposed fine in the third quarter of 2020. On 1 October 2020, the Bank appealed against the said decision to the Provincial Administrative Court. In the judgment of 7 April 2021, the Provincial Administrative Court overruled the decision of 12 October 2018 and the decision of the Polish Financial Supervision Authority of 12 August 2020 upholding this decision. The PFSA filed a complaint with the Supreme Administrative Court on 27 July 2021. On 25 August 2021, the Bank responded to the complaint. The date of the hearing before the Supreme Administrative Court has not been set.

- On 17 June 2020, the Polish Financial Supervision Authority (PFSA, KNF) initiated administrative proceedings to impose a penalty on ING Bank Śląski S.A, in connection with suspicion of breach of depositary duties defined in art. 72 of the Act on investment funds and management of alternative investment funds in connection with the Bank's function of depositary of specific funds and Article 9(2) of the above mentioned act. The proceedings ended on 17 December 2021 with the issuance of a Decision under which the PFSA imposed an administrative penalty of PLN 4.3 million on the Bank. The fine of PLN 4.3 million was paid. On 21 November 2022, the Bank filed a complaint with the Provincial Administrative Court. Pursuant to the content of the complaint, the Bank demands that the Decision imposing an administrative penalty be repealed in its entirety. In a judgment of 8 March 2023, the Provincial Administrative Court dismissed the Bank's complaint in its entirety. The justification for the judgment was received on 21 June 2023, after analyzing it, the Bank decided to file a cassation complaint with the Supreme Administrative Court. The complaint was prepared and submitted on time. The date of the hearing before the Supreme Administrative Court has not been set.
- On 22 November 2023, the Polish Financial Supervision Authority initiated an administrative proceeding regarding the imposition of a fine on ING Bank Śląski S.A. pursuant to Art. 176i sec. 1 point 4 of the Act on Trading in Financial Instruments. At this stage of the proceedings, it is not possible to reliably estimate the amount of the potential penalty.

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

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

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



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

- non-reimbursement to consumers within D+1 of the consumer requesting the return of the unauthorized transaction or restoring the account to the condition that would have existed if the unauthorized payment transaction had not taken place; the only exceptions, according to the UOKiK, are situations where the Bank informs the law enforcement authorities of the suspicion of a criminal offense by the consumer or 13 months have elapsed from the date on which the transaction was debited or the day on which the transaction was to be executed; UOKiK claims that this may infringe Article 46(1) of the Payment Services Act and compromise the collective interests of consumers and, and may therefore constitute a practice that would be affected;
- providing misleading information in response to a complaint by suggesting that the use of individual credentials means correct authentication, which in turn means demonstrating a correct authorization of transactions, which may mislead consumers regarding the obligations of the trader under Article 46 of the Act and the distribution of the burden of proof that the payment transaction has been authorized - which, according to the UOKiK, may constitute an unfair market practice and undermine the collective interests of consumers, and consequently constitute a practice that infringes the collective interests of consumers;
- providing consumers with misleading, incorrect information about the correct authorization of transactions in response to a complaint, while pointing out the lack of consent of consumers to carry out a transaction (i.e. a lack of authorization) by indicating that the customer has led to the transaction as a result of a breach of one of the obligations referred to in Article 42 of the Act and that the customer is therefore fully liable for the transaction being advertised, and the recovery is possible as a result of action by the law enforcement authorities at the request of the injured party, which may constitute an unfair market practice and, consequently, constitute a practice which infringes the collective interests of consumers.

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

In connection with the proceedings, as at 31 December 2023, the Group created a provision in the amount of PLN 19.8 million.

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

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

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

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

In the letter of 13 May 2021, the Office for Competition and Consumer Protection notified the Bank that the collection of evidence had been completed. The Office for Competition and Consumer Protection decided to extend the deadline for the completion of the proceedings until 31 December 2023.

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

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

After conducting antitrust proceedings against ING Bank Śląski S.A. and other banks, at the request of the Polish Trade and Distribution Organization - the Employers' Association (POHiD), the President of the Office of Competition and Consumer Protection issued a decision on 29 December 2006 stating that the Bank had committed practices restricting competition. As restricting competition, UOKiK found the practice consisting in the participation by various Polish banks, including the Bank, in an agreement restricting competition on the acquiring services market



related to the settlement of consumers' obligations towards merchants, for payments for goods and services purchased by consumers, with the use of payment cards on territory of Poland by jointly setting the amount of the interchange fee charged for transactions made with Visa and MasterCard cards in Poland. Due to the finding of competition restricting practices, UOKiK imposed fines, including penalties on the Bank in the amount of PLN 14.1 million.

From this decision, among others The bank appealed to the Court of Competition and Consumer Protection (SOKiK). By ruling on 12 November 2008, SOKiK changed the decision of UOKiK, so that it did not find any practice restricting competition. On 22 April 2010, this judgment was quashed by a judgment of the Court of Appeal, which referred the case to SOKiK for re-examination. On 27 April 2021, the files of the main case regarding the interchange fee were submitted to SOKiK. After an exchange of pleadings between the parties, a hearing was held on 29 November 2022. The next hearing took place on 14 September 2023.

Due to the lack of final decisions, the amount of the refunded penalty was not recognized in the profit and loss account. As at 31 December 2023, the value of the provision was PLN 14.1 million.

Other proceedings

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

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

33. Other liabilities

as at 31 December		
	2023	2022
Accruals, including:	1,163.2	952.0
due to employee benefits	375.1	333.4
of which variable remuneration programme	60.1	64.6
due to commissions	206.5	193.5
due to general and administrative expenses	581.6	425.1
Other liabilities, including:	3,828.4	3,597.6
lease liabilities	484.2	422.9
interbank settlements	2,462.4	2,355.9
settlements with suppliers	169.2	138.2
public and legal settlements	161.9	172.3
liability to pay to the BFG guarantee fund	171.6	171.6
liability to pay to the BFG resolution fund	199.0	199.0
other:	180.1	137.7
Total	4,991.6	4,549.6
Including financial liabilities	3,828.4	3,597.6
Expected settlement period of other liabilities		
up to 1 year	4,258.9	3,903.5
over 1 year	732.7	646.1



34. Equity

34.1. Share capital

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

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

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

34.2. Accumulated other comprehensive income

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

as at 31 December	2023	2022
Accumulated other comprehensive income, including:		
from financial assets measured through other comprehensive income – debt instruments, including:	-69.4	-347.5
deferred tax	-67.1	12.0
current tax *	83.4	69.2
from financial assets measured through other comprehensive income – equity instruments, including:	171.4	78.2
deferred tax	-40.3	-18.4
from property, plant and equipment, including:	0.5	0.4
deferred tax	-0.1	-0.1
from cash flow hedges, including:	-5,168.8	-7,751.9
deferred tax	16.2	29.6
current tax **	1,196.2	1,788.7
from actuarial gains / losses, including:	-28.4	-18.5
deferred tax	6.6	4.3
Total	-5,094.7	-8,039.3

*) current tax on the valuation of debt instruments

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

**) current tax on the valuation of hedging derivatives

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



2023

for the year ended 31 December

	changes in the fair value of financial assets measured through other comprehensive income		property, plant and equipment	cash flow hedges	actuarial gains / losses	Total
	debt instruments	equity instruments				
Accumulated other comprehensive income - opening balance	-347.5	78.2	0.4	-7,751.9	-18.5	-8,039.3
gains/losses on revaluation carried through equity	273.0	93.2	-	425.0	-	791.2
transfer to financial result in connection with the sale	5.1	-	-	2,158.1	-	2,163.2
fixed assets revaluation	-	-	0.1	-	-	0.1
actuarial gains/losses	-	-	-	-	-9.9	-9.9
Accumulated other comprehensive income - closing balance	-69.4	171.4	0.5	-5,168.8	-28.4	-5,094.7

In the item *financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity* in relation to debt securities, changes in the fair value of items classified in this category have been presented, without taking into account the changes resulting from the valuation of the hedged risk , in terms of items covered by the fair value hedge accounting.

With respect to cash flow hedges:

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

The rules relating to the above items are described in detail in chapter III. *Significant accounting principles*, in item 13.9.1. and in the section *Risk and capital management*, in chapter II.3.8. *Hedge accounting*.

2022

for the year ended 31 December

	changes in the fair value of financial assets measured through other comprehensive income		property, plant and equipment	cash flow hedges	actuarial gains / losses	Total
	debt instruments	equity instruments				
Accumulated other comprehensive income - opening balance	79.7	115.9	0.3	-2,994.5	-22.4	-2,821.0
gains/losses on revaluation carried through equity	-411.3	-37.7	-	-6,064.6	-	-6,513.6
transfer to financial result in connection with the sale	-15.9	-	-	1,307.2	-	1,291.3
fixed assets revaluation	-	-	0.1	-	-	0.1
actuarial gains/losses	-	-	-	-	3.9	3.9
Accumulated other comprehensive income - closing balance	-347.5	78.2	0.4	-7,751.9	-18.5	-8,039.3



34.3. Retained earnings

as at 31 December		
	2023	2022
Other supplementary capital	314.7	314.7
Reserve capital	14,699.2	12,994.3
General risk fund	1,215.2	1,215.2
Valuation of share-based payments, including:	71.5	58.6
deferred tax	-4.1	-1.3
Retained earnings from previous years, including:	8.1	0.0
deferred tax	0.2	0.0
current tax	0.1	0.0
Result for the current year	4,440.9	1,714.4
Total	20,749.6	16,297.2

Supplementary capital

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

Reserve capital

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

General Risk Fund

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

Dividend payout

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

2023

for the year ended 31 December							
	Other supplementary capital	Reserve capital	General risk fund	Valuation of share-based payments	Retained earnings from previous years	Result for the current year	Total
Retained earnings - opening balance	314.7	12,994.3	1,215.2	58.6	1,714.4	0.0	16,297.2
net result for the current period	-	-	-	-	-	4,440.9	4,440.9
profit written off to reserve capital	-	1,714.4	-	-	-1,714.4	-	0.0
valuation of share-based payments	-	-	-	16.5	-	-	16.5
using the reserve capital created for the implementation of the employee incentive programme	-	-9.5	-	-	9.5	-	0.0
settlement of the acquisition and transfer of own shares to employees	-	-	-	-3.6	-0.5	-	-4.1
accounting for the acquisition of an organised part of an enterprise	-	-	-	-	-0.9	-	-0.9
Retained earnings - closing balance	314.7	14,699.2	1,215.2	71.5	8.1	4,440.9	20,749.6

2022

for the year ended 31 December							
	Other supplementary capital	Reserve capital	General risk fund	Valuation of share-based payments	Retained earnings from previous years	Result for the current year	Total
Retained earnings - opening balance	314.7	10,868.8	1,215.2	52.3	2,815.0	0.0	15,266.0
net result for the current period	-	-	-	-	-	1,714.4	1,714.4
profit written off to reserve capital	-	2,125.5	-	-	-2,125.5	-	0.0
dividend payment *	-	-	-	-	-689.5	-	-689.5
valuation of share-based payments	-	-	-	6.3	-	-	6.3
Retained earnings - closing balance	314.7	12,994.3	1,215.2	58.6	0.0	1,714.4	16,297.2

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



35. Contingent liabilities

35.1. Contingent liabilities granted

as at 31 December		
	2023	2022
Undrawn credit facilities	41,696.8	37,223.5
Guarantees	8,112.9	7,455.1
Undrawn overdrafts in current account	1,418.1	1,549.7
Credit card limits	1,692.9	1,548.2
Letters of credit	277.2	381.7
Total	53,197.9	48,158.2

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

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

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

Financial guarantee contracts by maturity

as at 31 December		
	2023	2022
up to 1 month	458.2	301.3
over 1 month and up to 3 months	1,072.6	726.0
over 3 months and up to 1 year	2,790.7	3,037.7
over 1 year and up to 5 years	2,989.0	2,555.6
over 5 years	802.4	834.5
Total	8,112.9	7,455.1

35.2. Contingent liabilities received

as at 31 December		
	2023	2022
Guarantees received	19,225.1	16,737.4
Financing	1,091.9	743.8
Total	20,317.0	17,481.2

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

36. Fair value

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

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

In 2023, as in 2022, there were no transfers between levels of the valuation hierarchy.

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



2023

as at 31 December

	Level 1	Level 2	Level 3	Total
Financial assets, including:	24,564.8	1,724.0	274.9	26,563.7
Financial assets held for trading, including:	719.3	1,515.6	-	2,234.9
valuation of derivatives	-	899.8	-	899.8
other financial assets held for trading, including:	719.3	615.8	-	1,335.1
debt securities, including:	719.3	0.0	-	719.3
treasury bonds in PLN	599.7	-	-	599.7
Czech Treasury bonds	119.1	-	-	119.1
European Investment Bank bonds	0.5	-	-	0.5
repo transactions	-	615.8	-	615.8
Financial assets other than those held for trading, measured at fair value through profit or loss, including:	-	-	39.0	39.0
loans are obligatorily measured at fair value through profit or loss	-	-	38.6	38.6
equity instruments	-	-	0.4	0.4
Derivative hedge instruments	-	208.4	-	208.4
Financial assets measured at fair value through other comprehensive income, including:	23,680.3	-	235.9	23,916.2
debt securities, including:	23,680.3	-	-	23,680.3
treasury bonds in PLN	21,345.4	-	-	21,345.4
treasury bonds in EUR	546.1	-	-	546.1
European Investment Bank bonds	1,377.7	-	-	1,377.7
Austrian government bonds	411.1	-	-	411.1
equity instruments	-	-	235.9	235.9
Transferred assets, including:	165.2	-	-	165.2
Treasury bonds in PLN from the portfolio of financial assets measured at fair value through profit or loss	133.1	-	-	133.1
bonds of the Czech State Treasury in CZK from the portfolio of financial assets measured at fair value through profit or loss	32.1	-	-	32.1
Financial liabilities, including:	595.6	1,506.3	0.0	2,101.9
Financial liabilities held for trading, including:	595.6	1,226.0	-	1,821.6
valuation of derivatives	-	1,060.3	-	1,060.3
book short position in trading securities	595.6	-	-	595.6
repo transactions	-	165.7	-	165.7
Derivative hedge instruments	-	280.3	-	280.3

2022

as at 31 December

	Level 1	Level 2	Level 3	Total
Financial assets, including:	16,300.7	1,591.7	175.6	18,068.0
Financial assets held for trading, including:	443.3	1,452.5	-	1,895.8
valuation of derivatives	-	974.9	-	974.9
other financial assets held for trading, including:	443.3	477.6	-	920.9
debt securities, including:	443.3	-	-	443.3
treasury bonds in PLN	441.7	-	-	441.7
Czech Treasury bonds	1.2	-	-	1.2
European Investment Bank bonds	0.4	-	-	0.4
repo transactions	-	477.6	-	477.6
Financial assets other than those held for trading, measured at fair value through profit or loss, including:	1.8	-	54.7	56.5
loans are obligatorily measured at fair value through profit or loss	-	-	54.6	54.6
equity instruments	1.8	-	0.1	1.9
Derivative hedge instruments	-	139.2	-	139.2
Financial assets measured at fair value through other comprehensive income, including:	15,691.8	-	120.9	15,812.7
debt securities, including:	15,691.8	-	-	15,691.8
treasury bonds in PLN	12,153.8	-	-	12,153.8
treasury bonds in EUR	1,803.4	-	-	1,803.4
European Investment Bank bonds	1,308.9	-	-	1,308.9
Austrian government bonds	425.7	-	-	425.7
equity instruments	-	-	120.9	120.9
Transferred assets, including:	163.8	-	-	163.8
Treasury bonds in PLN from the portfolio of financial assets measured at fair value through profit or loss	125.2	-	-	125.2
bonds of the Czech State Treasury in CZK from the portfolio of financial assets measured at fair value through profit or loss	38.6	-	-	38.6
Financial liabilities, including:	437.3	2,136.0	0.0	2,573.3
Financial liabilities held for trading, including:	437.3	1,766.5	-	2,203.8
valuation of derivatives	-	1,602.3	-	1,602.3
book short position in trading securities	437.3	-	-	437.3
repo transactions	-	164.2	-	164.2
Derivative hedge instruments	-	369.5	-	369.5



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

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

Derivatives

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

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

The following are the input data for the models:

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

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

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

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

Repo transactions

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

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

The financial assets classified to level 3 of the valuation as at 31 December 2023 and as at 31 December 2022 include unlisted equity instruments and loans that did not meet the SPPI criterion according to IFRS 9.

Equity instruments

Fair value measurement of unquoted equity interests in other companies is based on the discounted cash flow, dividend or economic value added model. Estimates of future cash flows were prepared based on medium-term profitability forecasts prepared by the Management Boards of these companies. The discount rate is based on the cost of equity estimated using the CAPM (Capital Asset Pricing Model). At the end of 2023, it was in the range of 11.4%-13.4%, depending on the company, compared to 13.2%-15.2% at the end of 2022. Fair value measurement of unquoted equity interests in other companies as at 31 December 2023 and 31 December 2022 covered the following entities: Biuro Informacji Kredytowej S.A., Krajowa Izba Rozliczeniowa S.A. and Polski Standard Płatności sp. z o.o.

As at 31 December 2023, the sensitivity analysis of the valuation of equity instruments shows that:

- adoption of the target dividend payment rate by +10p.p. / -10p.p. compared to the base scenario, would result in a valuation increase / decrease of 10% (by 10% as at 31 December 2022);
- adopting the cost of equity by -0.5p.p. / +0.5p.p. compared to the base scenario, would result in a valuation increase / decrease by 7% (increase by 6% / decrease by 5% as at 31 December 2022);
- a combination of effects from points 1) and 2), would result in respectively an increase of valuation by 18% / decrease of valuation by 15% (17%/15% as at 31 December 2022).

In 2023, the change in the valuation of equity instruments classified to level 3 included in other comprehensive income amounted to PLN 93.2 million (in 2022: PLN -37.7 million).



Loans

The fair value methodology of the loan portfolio is based on the discounted cash flow method. Under this method, for each contract being valued, expected cash flows are estimated, discount factors for particular payment dates and the value of discounted cash flows is determined as at the valuation date. Valuation models are powered by business parameters for individual contracts and parameters observable by the market, such as interest rate curves, liquidity cost and cost of capital. The change in the parameters adopted for the valuation did not have a significant impact on the valuation value as at 31 December 2023.

At the end of 2023, the discount rates for the above loans were around 6.3% (compared with around 6.7% at the end of 2022), while the sensitivity analysis of fair value as at 31 December 2023 and 31 December 2022 indicates that with a change in the discount rate by +1/-1 p.p., with no change in expected flows, it causes a change in fair value by around +/- 1%.

Both in 2023 and in 2022, the impact of the valuation of loans classified to level 3 of measurement was insignificant (PLN 0.5 million in 2023 and PLN 0 million in 2022) and was included in the statement of profit or loss in the item *Net income on financial instruments measured at fair value through profit or loss and FX result*.

Change in financial assets classified to level 3 of measurement

2023

for the year ended 31 December			
	loans obligatorily measured at fair value through profit or loss	equity instruments measured at fair value through profit or loss	equity instruments measured at fair value through other comprehensive income
Opening balance	54.6	0.1	120.9
Additions, including:	0.5	0.4	115.0
acquisition of equity instruments	-	0.4	-
valuation referred to accumulated other comprehensive income	-	-	115.0
valuation taken to the profit and loss account*	0.5	-	-
Reductions, including:	-16.5	-0.1	0.0
loan repayments	-16.5	-	-
valuation referred to accumulated other comprehensive income	-	-	-
valuation taken to the profit and loss account**	-	-0.1	-
Closing balance	38.6	0.4	235.9

*) presented under *Net income on financial instruments measured at fair value through profit or loss and FX result*, in the detailed item *Net income on measurement of loans to customers*.

**) presented under *Net income on financial instruments measured at fair value through profit or loss and FX result*, in the detailed item *Net income on equity instruments*.

2022

for the year ended 31 December			
	loans obligatorily measured at fair value through profit or loss	equity instruments measured at fair value through profit or loss	equity instruments measured at fair value through other comprehensive income
Opening balance	78.4	0.1	167.4
Reductions, including:	-23.8	0.0	-46.5
loan repayments	-23.8	-	-
valuation referred to accumulated other comprehensive income	-	-	-46.5
Closing balance	54.6	0.1	120.9



36.2. Non-financial assets measured at fair value in the statement of financial position

as at 31 December		
	2023	2022
	Level 3	Level 3
Own real property	215.3	245.0
Non-current assets held for sale	-	2.2
Total	215.3	247.2

Changes in own real property is presented in these statements in explanatory note 23. *Property, plant and equipment*.

Fair value measurement

Own real property

The Group measures its property measured at fair value. Valuation is carried out by an independent appraiser using the income method in accordance with the applicable rules of property valuation.

As at 31 December 2023, the sensitivity analysis of the valuation of own property indicates that, assuming a capitalisation rate of -0.5p.p. / +0.5p.p. compared to the base scenario, it would result in a valuation increase of 6.4% (PLN 17.1 million) / a valuation decrease of 5.6% (PLN 15.0 million), respectively.

As at 31 December 2022, the sensitivity analysis of the valuation of own property indicated that, assuming a capitalisation rate of -0.5p.p. / +0.5p.p. compared to the base scenario, it would result in a valuation increase of 7% (PLN 19.5 million) / a valuation decrease of 6% (PLN 16.9 million), respectively.

The results of real properties appraisals were presented in the income statement in the item General and administrative expenses (in note 8., in detailed item *maintenance costs of buildings and real estate valuation to fair value*).

As at 31 December 2023, the amount of PLN 0.1million (including deferred tax) related to real estate measured at fair value was recorded in accumulated other comprehensive income. As at 31 December 2022, this amount was also PLN 0.1 million.

The value of the property measured at historical cost, taking into account impairment and amortization charges, would amount to PLN 214.7 million as at 31 December 2023, compared to PLN 244.5 million as at 31 December 2022.

Non-current assets held for sale

The Group recognises non-current assets held for sale at the lower of: carrying amount and fair value less costs to sell these assets. As at 31 December 2023, the Group did not have any non-current assets held for sale.

As at 31 December 2022, the non-current assets held for sale included one property, reclassified from property, plant and equipment.

36.3. Financial assets and liabilities not measured at fair value in statement of financial position

The tables present a comparison of the carrying amount with the fair value for investment securities measured at amortized cost, the loan portfolio and amounts due to customers, liabilities arising from the issue of securities and subordinated liabilities. For other financial assets and liabilities as well as guarantees and off-balance sheet liabilities not measured at fair value in the statement of financial position, the fair value is close to the carrying amount.

In 2023, there were no transfers between levels of the valuation hierarchy. In 2022, the Group changed the level of the valuation hierarchy for bonds for the National Road Fund issued by Bank Gospodarstwa Krajowego. In previous periods, they were presented in Level 1 and starting from 2022 the Group presents them in Level 2 of the valuation hierarchy.



2023

as at 31 December

	Carrying amount	Level 1	Fair value		Total
			Level 2	Level 3	
Investment securities at amortised cost	32,697.5	21,570.9	9,505.2	0.0	31,076.1
treasury bonds in PLN	13,095.0	12,409.0	-	-	12,409.0
treasury bonds in EUR	2,940.4	2,744.3	-	-	2,744.3
European Investment Bank bonds	6,700.4	6,417.6	-	-	6,417.6
bonds of the Polish Development Fund (PFR)	3,859.7	-	3,507.3	-	3,507.3
Bank Gospodarstwa Krajowego bonds	1,804.8	-	1,702.7	-	1,702.7
NBP bills	4,297.2	-	4,295.2	-	4,295.2
Loans and receivables to customers at amortised cost, including:	156,520.7	0.0	0.0	156,755.5	156,755.5
Corporate banking segment, including:	90,839.0	0.0	0.0	91,155.1	91,155.1
loans and advances (in the current account and term ones)	66,771.3	-	-	67,452.2	67,452.2
lease receivables	13,130.4	-	-	12,940.3	12,940.3
factoring receivables	6,747.3	-	-	6,747.3	6,747.3
corporate and municipal debt securities	4,190.0	-	-	4,015.3	4,015.3
Retail banking segment, including:	63,908.7	0.0	0.0	63,827.4	63,827.4
mortgages	55,492.2	-	-	55,115.4	55,115.4
other loans and advances	8,416.5	-	-	8,712.0	8,712.0
Other receivables	1,773.0	-	-	1,773.0	1,773.0
Liabilities to customers	205,289.9	-	-	205,253.3	205,253.3
Liabilities from debt securities issued	404.4	-	-	405.7	405.7
Subordinated liabilities	1,526.2	-	-	1,260.8	1,260.8

2022

as at 31 December

	Carrying amount	Level 1	Fair value		Total
			Level 2	Level 3	
Investment securities at amortised cost	32,620.1	20,778.2	8,287.3	0.0	29,065.5
treasury bonds in PLN	13,352.5	11,892.2	-	-	11,892.2
treasury bonds in EUR	3,192.1	2,838.1	-	-	2,838.1
European Investment Bank bonds	6,815.7	6,047.9	-	-	6,047.9
bonds of the Polish Development Fund (PFR)	3,858.4	-	3,124.8	-	3,124.8
Bank Gospodarstwa Krajowego bonds	1,802.1	-	1,564.0	-	1,564.0
NBP bills	3,599.3	-	3,598.5	-	3,598.5
Loans and receivables to customers at amortised cost, including:	154,974.6	0.0	0.0	156,104.1	156,104.1
Corporate banking segment, including:	90,285.8	0.0	0.0	91,692.1	91,692.1
loans and advances (in the current account and term ones)	66,462.9	-	-	67,771.6	67,771.6
lease receivables	12,363.5	-	-	12,406.4	12,406.4
factoring receivables	7,682.0	-	-	7,682.0	7,682.0
corporate and municipal debt securities	3,777.4	-	-	3,832.1	3,832.1
Retail banking segment, including:	62,805.4	0.0	0.0	62,528.6	62,528.6
mortgages	54,886.5	-	-	54,024.6	54,024.6
other loans and advances	7,918.9	-	-	8,504.0	8,504.0
Other receivables	1,883.4	-	-	1,883.4	1,883.4
Liabilities to customers	192,731.3	-	-	192,670.3	192,670.3
Liabilities from debt securities issued	404.8	-	-	409.8	409.8
Subordinated liabilities	1,643.9	-	-	1,298.8	1,298.8



The Group discloses the data on the fair value of loans and deposits recognised respectively in the groups of financial assets and financial liabilities carried at amortised cost considering the effective interest rate.

For the purposes of calculating the fair value of the mortgage loan portfolio, the yield curve is applied with transfer prices calculated on the basis of:

- PLN: BID rates up to 9M (inclusive) being WIBID and over 1Y adequate IRS rates; OFFER rates up to 9M (inclusive) being WIBOR and over 1Y adequate IRS rates.
- EUR: BID rates up to 9M (inclusive) being EURIBOR and over 1Y adequate IRS rates; OFFER rates up to 9M (inclusive) being EURIBOR and over 1Y adequate IRS rates.
- USD and CHF: BID rates up to 9M (inclusive) being LIBOR and over 1Y adequate IRS rates; OFFER rates up to 9M (inclusive) being LIBOR and over 1Y adequate IRS rates.

To compute fair value of other assets and deposits measured at amortised cost and financial liabilities measured at amortised cost considering the effective interest rate the transfer price is applied. The transfer price is calculated as:

- PLN: BID rates being WIBID overnight, OFFER rates being WIBOR overnight.
- EUR: BID rates being EURIBOR overnight, OFFER rates being EURIBOR overnight.
- USD and CHF: BID rates being LIBOR overnight, OFFER rates being LIBOR overnight.

BID rates are used to compute fair value of financial liabilities measured at amortised cost; in the case of financial assets measured at amortised cost OFFER rates are applied. All intermediate points on the curves are interpolated linearly.

Credit loss estimations reflect the credit loss provisioning model in place at the Group in the model of impairment for expected credit losses.

In certain aspects, the model adopted by the Group is based on the assumptions that do not confirm the prices of verifiable current market transactions referring to the same instrument – the model does not take into account restructuring-based changes either.

Loans and other receivables

The credit portfolio including securities classified to financial assets measured at amortised cost is divided into sub-portfolios according to the product type, client segment and the currency.

In the case of those sub-portfolios, the discounting factor is used for each cash flow.

For loans/securities, the discounting factor is assumed as the total of:

- the market rate based on the yield curve as at the balance sheet date, and
- the average margin based on the portfolio of loans granted in the last two-month period.

For that purpose, the following assumptions are adopted:

- use of the loans granted in the last two months for calculation,
- division into the abovementioned product groups, and
- the spot at the yield curve on the basis of which the relevant market rate is set is reflected by the revaluation date for each loan.

As a result for loans and other receivables, the fair value, that arises during calculation, is the total of the net present value of cash flows of a single loan/ security (in the case of the mortgage portfolio, the fair value is the total of the net present value of cash flows of the aggregated mortgage portfolio).

In the case of the portfolio of mortgage loans in PLN, the income method is used to measure them at fair value.

Key assumptions:

- for the needs of the valuation, the original schedule of principal and interest repayments is adjusted by taking into account prepayments, credit risk and adopting a timely structure of interest rates,
- credit risk parameters, i.e. PD lifetime and LGD, discounted for the purposes of the valuation, are included in the expected cash flows,
- for the purposes of estimating cash flows, prepayments are taken into account, estimated based on the analysis of historical data on the basis of the prepayment model used,
- the calculation of the discount rate adopted to estimate the value of cash flows takes into account all risks and costs, excluding the prepayment risk and credit risk costs reflected in the flows,
- prepayment risk and credit risk costs are reflected in cash flows,
- application of a calibration margin determined on the basis of the most recent production of the portfolio of mortgage loans, analogous to the portfolio being valued, adjusted by the credit spread for the WIBOR rate.

As at 31 December 2022, the cash flows reflect the estimates of borrowers' use of loan moratoria in 2023.

As at 31 December 2023, in connection with the ongoing legislative process regarding the amendment of the Act on crowdfunding for business ventures and assistance to borrowers, the Group took into account in the valuation of PLN mortgages, the potential impact of extending loan moratoria for 2024. As at 31 December 2023, taking into



account the status of the legislative process, the Group’s calculation was based on the expert assumption that market participants assumed a 75% probability of the Act coming into force in the version published in the draft.

The fair value of the loan is calculated as the sum of discounted cash flows from principal repayments and interest payments, taking into account the prepaid capital and the cost of credit risk.

In the case of loans without any repayment schedules and loans from the impaired group, it is assumed that the fair value for those loans equals their book value.

Investment securities measured at amortised cost

In the case of investment securities measured at amortized cost, the fair value of disclosure securities that are quoted on an active market is determined based on the price in this market, for other securities in this portfolio the model described above in *Loans and other receivables* is used.

37. Offsetting of financial instruments

The following disclosure relates to offsetting financial assets and financial liabilities that are subject to an enforceable contingent master agreement. ISDA agreements (for derivative transactions) and GMRA (for securities repo and reverse repo transactions) are the main framework agreements concluded by the Group. Additional collateral for derivative exposures are security deposits, which the Group makes and receives as part of the so-called Credit Support Annex (CSA), i.e. attachments to ISDA agreements.

2023

Financial assets

as at 31 December					
	Gross amounts of recognised financial assets	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
			Financial instruments	Cash collateral received	
Derivatives, including:	1,188.3	1,108.2	-589.6	-326.1	192.5
valuation of derivatives	944.1	899.8	-405.2	0.0	494.6
derivative hedge instruments	244.2	208.4	-184.4	0.0	24.0
derivatives collateral	0.0	0.0	0.0	-326.1	-326.1
Securities loans with repurchase agreements received, including:	19,616.1	19,616.1	0.0	-19,688.6	-72.5
transactions classified as loans and other receivables to other banks	19,000.3	19,000.3	0.0	-19,081.2	-80.9
transactions classified as held for trading financial assets	615.8	615.8	0.0	-607.4	8.4
Total					120.0

Financial Liabilities

as at 31 December					
	Gross amounts of recognised financial liabilities	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
			Financial instruments	Cash collateral pledged	
Derivatives, including	1,420.6	1,340.6	-589.6	-93.4	657.6
valuation of derivatives	1,096.5	1,060.3	-405.2	0.0	655.1
derivative hedge instruments	324.1	280.3	-184.4	0.0	95.9
derivatives collateral	0.0	0.0	0.0	-93.4	-93.4
Securities loans with repurchase agreements received, including:	165.7	165.7	0.0	-164.7	1.0
transactions classified as held for trading financial liabilities	165.7	165.7	0.0	-164.7	1.0
Total					658.6



2022

Financial assets

as at 31 December

	Gross amounts of recognised financial assets	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
			Financial instruments	Cash collateral received	
Derivatives, including:	1,304.2	1,114.1	-678.0	-90.2	345.9
valuation of derivatives	1,044.8	974.9	-552.7	0.0	422.2
derivative hedge instruments	259.4	139.2	-125.3	0.0	13.9
derivatives collateral	0.0	0.0	0.0	-90.2	-90.2
Securities loans with repurchase agreements received, including:	4,237.1	4,237.1	0.0	-4,129.6	107.5
transactions classified as loans and other receivables to other banks	3,759.5	3,759.5	0.0	-3,658.4	101.1
transactions classified as held for trading financial assets	477.6	477.6	0.0	-471.2	6.4
Total					453.4

Financial Liabilities

as at 31 December

	Gross amounts of recognised financial liabilities	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
			Financial instruments	Cash collateral pledged	
Derivatives, including	2,161.9	1,971.8	-678.0	-420.1	873.7
valuation of derivatives	1,727.4	1,602.3	-552.7	0.0	1,049.6
derivative hedge instruments	434.5	369.5	-125.3	0.0	244.2
derivatives collateral	0.0	0.0	0.0	-420.1	-420.1
Securities loans with repurchase agreements received, including:	164.2	164.2	0.0	-161.8	2.4
transactions classified as held for trading financial liabilities	164.2	164.2	0.0	-161.8	2.4
Total					876.1

38. Custody activities

As at 31 December 2023, the Group maintained 301 securities accounts with securities held for the Group's clients (485 as at 31 December 2022). These accounts do not meet the definition of assets and are not presented in the Group's consolidated financial statements.

At the end of 2023, the Group's parent company acted as a custodian bank for 80 investment funds and sub-funds, 2 pension funds and measured the net asset value and net asset value per participation unit of 8 insurance capital funds (90 funds in total). For comparison, at the end of 2022, the Group's parent company acted as a custodian bank for 108 investment funds and subfunds, 2 pension funds and measured the net asset value and net asset value per participation unit of 8 insurance capital funds (118 funds in total).

39. Supplementary information to the consolidated statement of cash flows

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include the balance sheet amount of cash and current account balances with other banks.

as at 31 December

	2023	2022
Cash in hand (presented in note 14)	782.4	932.6
Balances with the Central Bank (presented in note 14)	5,969.0	1,405.0
Current accounts in other banks (presented in note 15)	146.6	329.1
O/N deposits in other banks (presented in note 15)	72.9	21.9
Other current receivables in other banks (presented in note 15)	69.1	361.1
Total	7,040.0	3,049.7



Explanation of the classification of the Group’s activities into operating, investment and financial activities in the consolidated cash flow statement

Operating activity includes the core activities of the Group, not classified as investment or financial activities.

Investing activities include the acquisition and sale of property, plant and equipment, intangible assets and debt securities measured at amortised cost (excluding short-term treasury bills and NBP bills). Inflows from investment activities also include dividends received on account of the holding of shares in other entities.

Financial activities concern long-term (over 1 year) financial operations carried out with financial entities. Inflows from financial activities indicate the sources of financing of the Group, obtained e.g. by taking long-term loans and borrowings from other banks and from financial entities other than banks or by issuing debt securities. Outflows from financing activities mainly concern repayments of long-term liabilities by the Group (i.a. repayments of loans and interest received, redemption of issued debt securities and interest payments on them, repayments of lease liabilities), and also include dividend payments to owners and acquisition of own shares for the purposes of the employee incentive programme.

Reasons for differences between changes in certain items recognised in consolidated statement of financial position and in consolidated cash flow statement

Below are presented the differences between the changes in the balance resulting from the consolidated statement of financial position and the changes reported in the consolidated cash flow statement.

The explanations for the reasons for the differences are as follows:

Difference no	Explanation of the reasons for the difference
Difference 1	Changes in the balance of individual assets and liabilities have been adjusted for interest, which is presented in the item <i>Interest received</i> (from assets) or <i>Interest paid</i> (from liabilities).
Difference 2	The change in receivables equivalent to cash (overnight accounts and deposits with other banks) was excluded from the <i>change in loans and other receivables to other banks</i> and presented in the item <i>Net increase/(decrease) in cash and cash equivalents</i> .
Difference 3	Changes in the valuation of fair value recognized in other comprehensive income are excluded from the changes in the balances of individual assets and liabilities.
Difference 4	Changes in the balances of <i>Investment Securities</i> and <i>Transferred assets</i> exclude changes related to the purchase and sale or redemption of debt securities valued at amortized cost (excluding short-term Treasury bills and NBP money bills). These changes were presented as cash flows from investing activities.
Difference 5	The <i>change in other assets</i> includes non-monetary - except depreciation - changes in the carrying amount of property, plant and equipment and intangible assets (cash changes related to these items are presented in cash flows from investing activities).
Difference 6	The <i>change in other assets</i> includes the change in current income tax receivables resulting from the deduction from overpayment for 2021 of tax liabilities due to other taxes (tax on certain financial institutions and tax on goods and services).
Difference 7	The amount of lease liabilities repaid was excluded from the <i>change in other liabilities</i> , which was presented in cash flows on financing activities.
Difference 8	The amounts of borrowings and the amounts of repayments of loans for long-term financing, which together with the amount of interest payments on these loans, were presented in cash flows on financing activities, were excluded from the <i>change in liabilities to other banks</i> .
Difference 9	Changes in the balance of individual assets and liabilities exclude changes resulting from the takeover of an organized part of the enterprise in 2023.
Difference 10	The amount of the settlement of the acquisition of own shares for the purposes of the incentive scheme, which was recognised in retained earnings, was excluded from the <i>change in other liabilities</i> .
Difference 11	Changes in liabilities from debt securities issued related to redemption of issued securities have been excluded from the <i>Change in liabilities from debt securities issued</i> . These changes, together with the amount of interest payments on these instruments, are presented in cash flows on financing activities.

In the tables on subsequent pages, individual differences have been numbered according to the list presented in the table above.



2023
for the year ended 31 December

	change of balance		difference, including:	Difference 1	Difference 2	Difference 3	Difference 4	Difference 5	Difference 6	Difference 7	Difference 8	Difference 9	Difference 10
	in consolidated statement of financial position	in consolidated cash flow statement											
change in provisions	182.8	170.4	-12.4	-	-	-12.2	-	-	-	-	-	-0.2	-
change in loans and other receivables to other banks	-14,748.0	-15,149.0	-401.0	22.5	-423.5	-	-	-	-	-	-	-	-
change in financial assets measured at fair value through profit or loss	-321.6	-315.4	6.2	6.2	-	-	-	-	-	-	-	-	-
change in hedge derivatives	-158.4	3,030.6	3,189.0	-	-	3,189.0	-	-	-	-	-	-	-
change in investment securities	-8,180.9	-7,125.9	1,055.0	83.8	-	458.1	513.1		-	-	-	-	-
change in transferred assets	-1.4	-2.9	-1.5	-1.5	-	-	-	-	-	-	-	-	-
change in loans and other receivables to customers measured at amortised cost	-1,546.1	-1,268.4	277.7	277.7	-	-	-	-	-	-	-	-	-
change in other assets, including:		472.3											
change in 'other assets' in the consolidated statement of financial position	13.6	13.6	0.0	-	-	-	-	-	-	-	-	-	-
other changes	-	458.7	458.7	-	-	-	-	-108.4	566.0	-	-	1.1	-
change in liabilities to other banks	8,015.2	562.8	-7,452.4	-32.5	-	-	-	-	-	-	-7,419.9	-	-
change in liabilities to customers	12,558.6	12,528.6	-30.0	-30.0	-	-	-	-	-	-	-	-	-
change in other liabilities, including:		557.6											
change in 'other liabilities' in the consolidated statement of financial position	442.0	543.7	101.7	-	-	-	-	-	-	101.7	-	-	-
other changes	-	13.9	13.9	-	-	19.3	-	-	-	-	-	-5.5	0.1



2022
for the year ended 31 December

	change of balance		difference, including:	Difference 1	Difference 2	Difference 3	Difference 4	Difference 5	Difference 6	Difference 7	Difference 8	Difference 11
	in consolidated statement of financial position	in consolidated cash flow statement										
change in provisions	22.1	26.7	4.6	-	-	4.6	-	-	-	-	-	-
change in loans and other receivables to other banks	-4,456.3	-4,014.9	441.4	6.9	434.5	-	-	-	-	-	-	-
change in financial assets measured at fair value through profit or loss	-414.0	-405.1	8.9	8.9	-	-	-	-	-	-	-	-
change in hedge derivatives	245.3	-5,628.1	-5,873.4	-	-	-5,873.4	-	-	-	-	-	-
change in investment securities	-2,848.4	-1,800.0	1,048.4	135.3	-	-573.7	1,486.8		-	-	-	-
change in transferred assets	2,117.1	1,345.8	-771.3	-	-	-	-771.3	-	-	-	-	-
change in loans and other receivables to customers measured at amortised cost	-8,438.6	-8,197.2	241.4	241.4	-	-	-	-	-	-	-	-
change in other assets, including:		238.3										
change in 'other assets' in the consolidated statement of financial position	128.7	128.7	0.0	-	-	-	-	-	-	-	-	-
other changes	-	109.6	109.6	-	-	-	-	-144.6	254.2	-	-	-
change in liabilities to other banks	-4,411.4	-5,517.5	-1,106.1	-5.1	-	-	-	-	-	-	-1,101.0	-
change in liabilities to customers	22,121.4	21,735.6	-385.8	-385.8	-	-	-	-	-	-	-	-
change in liabilities from debt securities issued	-567.6	1.5	569.1	-5.9	-	-	-	-	-	-	-	575.0
change in subordinated liabilities	33.6	31.7	-1.9	-1.9	-	-	-	-	-	-	-	-
change in other liabilities, including:		2,038.2										
change in 'other liabilities' in the consolidated statement of financial position	1,926.2	2,030.6	104.4	-	-	-	-	-	-	104.4	-	-
other changes	-	7.6	7.6	-	-	7.6	-	-	-	-	-	-



Change in the balance of liabilities presented in financial activities of the consolidated statement of cash flows

2023

for the year ended 31 December

	loans received	liabilities from debt securities issued	subordinated liabilities	lease liabilities
Opening balance	4,994.0	404.8	1,643.9	422.9
changes from cash flows recognised in financing activities of the consolidated statement of cash flows, of which:	7,372.2	-31.0	-73.6	-101.7
incurring liabilities	9,680.9	-	-	-
repayment of liabilities	-2,113.2	-	-	-101.7
interest payments on liabilities	-195.5	-31.0	-73.6	-
non-cash changes included in operating activities of the consolidated statement of cash flows	168.6	30.6	-44.1	163.0
Closing balance	12,534.8	404.4	1,526.2	484.2

2022

for the year ended 31 December

	loans received	liabilities from debt securities issued	subordinated liabilities	lease liabilities
Opening balance	3,871.7	972.4	1,610.3	335.6
changes from cash flows recognised in financing activities of the consolidated statement of cash flows, of which:	1,101.0	-589.9	-24.0	-104.4
incurring liabilities / issuing debt securities	2,423.8	-	-	-
repayment of liabilities / redemption of debt securities	-1,311.2	-575.0	-	-104.4
interest payments on liabilities	-11.6	-14.9	-24.0	-
non-cash changes included in operating activities of the consolidated statement of cash flows	21.3	22.3	57.6	191.7
Closing balance	4,994.0	404.8	1,643.9	422.9

40. Related entities

ING Bank Śląski S.A. is a subsidiary of ING Bank N.V., which as at 31 December 2023 held 75% of the share capital of ING Bank Śląski and 75% of the total number of votes at the General Meeting of ING Bank Śląski S.A. The ultimate parent company is ING Groep N.V. with its registered office in the Netherlands.

ING Bank Śląski S.A. conducts transactions with ING Bank N.V. and its subsidiaries on the interbank market. These are both short-term deposits and loans as well as derivatives operations. The Bank also maintains bank accounts of ING Group entities.

ING Lease Sp. z o.o., a subsidiary, received from ING Bank N.V. long-term financing of leasing contracts in EUR (so-called "matched funding"). In addition, the Bank has two subordinated loans and two non-preferred senior loans (NPS) in its balance sheet, which result from agreements concluded with ING Bank N.V. The first non-preferred senior loan agreement was concluded on 22 December 2022, but due to the implementation date, which was 5 January 2023, at the end of 2022 the loan amount was included in the Item *Off-balance sheet liabilities received*. The Bank concluded the second loan agreement with NPS on 22 December 2023.

All the above-mentioned transactions are carried out on market terms.

The operating costs incurred by the Bank on behalf of the Parent Entity result primarily from contracts for the provision of consulting and advisory services, data processing and analysis, providing software licences and IT support. As regards costs incurred by the Bank on behalf of other related parties, outsourcing agreements concerning the provision of system resource hosting services for various applications, lease of IT equipment, monitoring of availability and performance of IT applications and infrastructure, as well as penetration tests and IT security monitoring play a dominant role.

Costs are presented at net value (excluding VAT).

As at 31 December 2023, similarly as at 31 December 2022, ING Bank Śląski S.A. had an exposure to one of the members of the Supervisory Board. The exposure value was immaterial and pertained to the used credit card limit.



The tables below present figures relating to receivables and liabilities, revenues and costs as well as outlays on fixed assets, which result from transactions concluded between the Group and its related entities.

as at 31 December

	2023			2022		
	ING Bank N.V.	Other ING Group entities	Associates	ING Bank N.V.	Other ING Group entities	Associates
Assets						
Nostro accounts	17.5	0.8	-	2.2	174.4	-
Deposits placed	72.9	-	-	227.7	-	-
Loans	-	0.9	-	-	10.5	-
Positive valuation of derivatives	137.6	-	-	207.4	-	-
Reverse repo	19,000.3	-	-	3,759.3	-	-
Other receivables	3.8	8.4	-	4.4	3.8	-
Liabilities						
Deposits received	130.8	128.8	40.3	11.0	156.4	9.3
Loans received, including:	12,534.8	-	-	4,994.0	-	-
non-preferred senior loans (NPS)	7,680.7	-	-	-	-	-
Subordinated loan	1,526.2	-	-	1,643.8	-	-
Loro accounts	61.1	155.7	-	59.5	32.4	-
Negative valuation of derivatives	69.9	0.0	-	208.2	-	-
Other liabilities	251.6	16.1	-	92.0	9.7	-
Off-balance-sheet operations						
Off-balance sheet liabilities granted	599.4	384.4	0.1	532.2	759.2	0.1
Off-balance sheet liabilities received*	922.2	-	-	2,405.9	21.6	-
FX transactions	16,988.1	-	-	16,307.9	-	-
IRS	191.0	-	-	187.1	-	-
Options	591.9	-	-	400.5	-	-

*) The amount of *Off-balance sheet liabilities received* at the end of 2022 included PLN 1,219.4 million due to a non-preferred senior loan (NPS), which the Bank concluded with ING Bank N.V. on 22 December 2022, and which took place on 5 January 2023.

for the year ended 31 December

	2023			2022		
	ING Bank N.V.	Other ING Group entities	Associates	ING Bank N.V.	Other ING Group entities	Associates
Income and expenses						
Income, including:	68.0	7.5	41.5	-232.1	3.1	39.0
net interest and commission income	-1.2	8.1	41.5	-57.1	7.6	39.0
net income on financial instruments	62.0	-0.9	-	-177.3	-5.4	-
net (loss)/income on other basic activities	7.2	0.3	-	2.3	0.9	-
General and administrative expenses	-264.6	-61.8	-	-176.8	-42.7	-
Outlays for non-current assets						
Outlays for intangible assets	-	0.1	-	3.1	-	-

41. Transactions with the management staff and employees**Loans to Bank employees and senior management**

Employees of the ING Bank Śląski S.A. Group use loans on the same terms as the Bank's other clients (there are no preferential loans for employees). Loans to employees are included in the amount of loans to customers and as at 31 December 2023 amounted to PLN 207.3 million (excluding loans from the Company Social Benefit Fund). As at 31 December 2022, their value amounted to PLN 390.5 million.

Granting a loan, cash loan, bank guarantee and surety for persons in the Bank's management is defined by a separate procedure and monitoring in accordance with the Regulation of the President of ING Bank Śląski S.A.

The financial statements for 2023 include bank loans, cash loans, guarantees and sureties granted to the Bank's management (within the meaning of Article 79 of the Banking Law) in the amount of PLN 28.6 million. As at 31 December 2022, their value amounted to PLN 56.2 million.

In-House Social Benefits Fund

Employees may take advantage of various forms of social assistance within the framework of Social Benefits Funds established in entities of the Group. The balance of loans granted from the Company Social Benefit Fund as at 31 December 2023 was PLN 0.8 million, compared to PLN 1.1 million as at 31 December 2022. The balance of the Company Social Benefit Fund as at 31 December 2023 was PLN 17.2 million, compared to PLN 19.0 million as at 31 December 2022.



Remuneration of ING Bank Śląski S.A. Management Board Members

The composition of ING Bank Śląski S.A. Management Board as at the end of 2023 was presented in the chapter I. Bank and the Group details in point 7. ING Bank Śląski S.A. Management Board and Supervisory Board composition.

Emoluments of ING Bank Śląski S.A. Management Board Members

	2023	2022
Short-term employee benefits, including:		
remuneration	12.8	11.8
benefits	2.4	2.2
Total	15.2	14.0

Short-term employee benefits comprise: base remuneration, insurance, mutual fund contributions, medical care and other benefits awarded by the Supervisory Board.

Emoluments of ING Bank Śląski S.A. Management Board Members under the Variable Remuneration Programme

	2023		2022	
	Short-term benefits	Long-term benefits	Short-term benefits	Long-term benefits
Cash payments	3.6	2.8	3.0	2.2
Phantom stock	0.0	0.0	1.5	1.1
Own stock	4.2	3.4	1.6	1.2
Total	7.8	6.2	6.1	4.5

Short-term benefits comprise the benefits under the Variable Remuneration Programme – the non-deferred part. Long-term benefits comprise the benefits under the Variable Remuneration Programme – the deferred part. Emoluments of Members of the ING Bank Śląski S.A. Management Board for 2023 under the Variable Remuneration Programme have not yet been awarded.

In accordance with the Bank’s remuneration system, Members of the Bank’s Management Board may be entitled to a bonus for 2023, part of which will be paid in 2024, and part of which will be deferred for subsequent years (2025-2031). The maximum possible amount of the bonus for 2023, for which the provision was created, is PLN 14.0 million, including PLN 3.6 million for cash withdrawals in 2024, and PLN 10.4 million for the deferred part of the bonus. The final decision regarding the amount of bonus will be made by the Supervisory Board of the Bank.

As at 31 December 2022, the provision for cash payment of the bonus for Members of the Bank’s Management Board was PLN 10.6 million. The bonus for 2022 approved by the Supervisory Board in 2023 amounted to PLN 9.0 million.

In the years ended 31 December 2023 and 31 December 2022, no post-employment benefits were paid to Management Board Members.

Members of the Management Board have entered into non-competition agreements after they cease to perform functions in the Bank’s Management Board. In the event of failure to appoint for a new term of office or dismissal, Management Board Members are entitled to a severance pay. Information on severance pay for Management Board Members is included in their employment contracts and is due only in the case of termination of the employment contract by the Bank for reasons other than those entitling it to terminate the employment contract without notice.

Remuneration of ING Bank Śląski S.A. Supervisory Board Members

The composition of ING Bank Śląski S.A. Supervisory Board as at the end of 2023 was presented in the chapter I. Bank and the Group details in point 7. ING Bank Śląski S.A. Management Board and Supervisory Board composition.

Emoluments of ING Bank Śląski S.A. Supervisory Board Members

	2023	2022
Short-term employee benefits, including:		
remuneration	1.0	0.9
Total	1.0	0.9

The Management Board Members and other persons employed by ING Bank Śląski S.A. do not receive any remuneration or awards for performing functions in the governing bodies of subsidiaries and affiliated entities of the ING Bank Śląski S.A. Group.



Volume of ING Bank Śląski shares held by Bank Management Board and Supervisory Board Members

As part of the Incentive Programme addressed to persons having a significant impact on the Bank’s risk profile, the Bank grants free-of-charge own shares as a component of variable remuneration. In the period from 12 May to 19 June 2023, the Bank carried out the repurchase of the first tranche of its own shares, as a result of which on 3 July 2023 Members of the Bank’s Management Board purchased non-deferred own shares for the period from 1 July to 31 December 2022 in the total number of 7,772 shares.

As at 31 December 2022, Members of the Bank’s Management Board and the Bank’s Supervisory Board did not hold shares in ING Bank Śląski S.A.

42. Headcount

The headcount in the Group at the end of 2023 and 2022 was, respectively:

as at 31 December	2023	2022
Individuals	8,379	8,363
FTEs	8,332.9	8,322.4

43. Significant events after the balance sheet date

Resignation of a Member of the Bank’s Supervisory Board

On 12 February 2024 the Bank has received from Ms Katarzyna Zajdel-Kurowska a letter of resignation from the capacity as Member of the Bank Supervisory Board, effective as at 29 February 2024. The reason for resignation is the appointment to a position with the international financial institution.

Individual recommendation from the Polish Financial Supervision Authority regarding satisfaction of criteria for dividend payout from the 2023 net profit

On 21 February 2024 the Bank received a letter from the Polish Financial Supervision Authority (“PFSA”) wherein the PFSA stated that the Bank satisfied the criteria for dividend payout of up to 75% of the 2023 net profit, while the maximum dividend amount should not exceed the amount of the annual profit less profit earned in 2023 and recognised under own funds. Bank did not recognise interim profit during 2023 under own funds, therefore, the maximum dividend from the 2023 profit for the Bank equals 75%. At the same time, the PFSA recommended that the Bank mitigate the inherent risk of operations by refraining from taking any other actions without prior consultation with the supervision authority, in particular being beyond the ordinary business and operational activity which may result in a reduction in own funds, including possible dividend payments from undivided profit from previous years and own shares buy-backs.

The intention of the Bank’s Management Board is to recommend the General Meeting to adopt a resolution on earmarking approximately 75% of the 2023 standalone profit of the Bank for dividend payout and PLN 1,008.3 million of the reserve capital earmarked for the dividend payout. The PFSA confirmed that it was possible to pay out dividend from the reserve capital earmarked for the dividend payout, as communicated by the Bank in current report no. 27/2023 of 1 December 2023.



Risk and capital management

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Risk and capital management

I. Capital management

- 1. Introduction
- 2. Minimum capital requirements
- 3. Capital adequacy
 - 3.1. Capital adequacy objectives
 - 3.2. Own funds
 - 3.3. Capital requirement
 - 3.4. Capital ratios
- 4. MREL requirements
- 5. Dividend policy

1. Introduction

Capital management at ING Bank Śląski S.A. is aimed at enabling and facilitating the Bank’s development in accordance with the adopted strategy and business model. In addition, it allows you to actively manage capital, taking into account the size and dynamics of changes, both now and in the future (including in a stressful situation). Capital management takes place in three perspectives: normative/regulatory perspective, economic capital perspective and stress perspective.

The overriding goal of capital management in the Bank is to have a sufficient and effective capitalisation of the Bank to meet the business strategy and development plans, while meeting all internal and external prudential requirements. This means financial flexibility in the current and future environment to adapt to changing market and regulatory conditions.

As part of capital management, the Bank:

- identifies and assesses the materiality of the risks occurring in its operations,
- conducts activities aimed at estimating and monitoring economic capital, capital requirement and own funds,
- monitors potential risks to capital adequacy,
- allocates economic capital to business lines,
- sets internal limits in order to limit the generated capital requirements and economic capital,
- pursues an appropriate investment policy,
- establish an adequate pricing policy,
- pursues a dividend policy resulting from the long-term capital objective and preferred capital structure,
- plans economic capital and capital requirement and own funds,
- prepares contingency capital plans defining the steps to be taken in the event of a risk to capital adequacy,
- analyses the impact of macroeconomic factors on capital adequacy in accordance with the "Stress Test Policy".

The superior document regulating capital management in the Bank is the *Capital Management Policy at ING Bank Śląski S.A.*

2. Minimum capital requirements

In accordance with the Communication of the Polish Financial Supervision Authority of 20 November 2023, the Bank will continue to maintain a systemically important institution buffer equivalent to 0.5% of the total risk exposure amount.

On 14 December 2023, the Bank received a letter from the Polish Financial Supervision Authority on the recommendation to mitigate the risk of the Bank’s operations by maintaining own funds to cover an additional capital charge (P2G) in order to absorb potential losses resulting from the occurrence of stress conditions, in the amount of 0.31 p.p. at the consolidated level and 0.32 p.p. at the individual level. The Bank’s recommendation should meet above the value of each of the own funds requirements (referred to in Article 92 paragraph 1 letter a-c of Regulation No. 575/2013), increased by an additional own funds requirement (P2R referred to in Article 138 paragraph 2 point 2 of the Banking Law Act) and by a combined buffer requirement (referred to in Article 55 paragraph 4 of the Act on macro-prudential supervision). The P2G capital add-on should consist entirely of Common Equity Tier 1 capital.



Consequently, as at 31 December 2023, the minimum capital requirements for the Group are:

- CET1 \geq 7.82%,
- T1 \geq 9.32%,
- TCR \geq 11.32%.

3. Capital adequacy

3.1. Capital adequacy objectives

The risk appetite determines the maximum amount of risk that the Group is prepared to accept, thus supporting stability and further development. As part of risk and capital management, the Group defines risk appetite parameters (RAS - Risk Appetite Statement) and strategic capital targets of the Group, which enable the Group to implement its Strategy, including dividend targets.

For capital strategic purposes, the Bank maintains a systemic risk buffer and a management buffer, enabling the implementation of the strategy in the conditions of unexpected regulatory and business changes.

The minimum level of capital adequacy results from the obligation to maintain minimum levels of capital ratios resulting from the following external regulations:

- Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (4.5% for CET1, 6% for T1 and 8% for TCR),
- Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial system sanctioning additional capital buffers, including:
 - capital conservation buffer, which in 2023 (as in 2022) was 2.5%,
 - other systemically important institution buffer of 0.5% imposed by PFSA decision, received on 20 December 2022 (no changes in 2023),
 - countercyclical capital buffer applicable to exposures to which such buffer has been imposed by the competent authorities. The countercyclical buffer is variable over time depending on the structure of the exposures concerned and the levels of countercyclical buffer rates imposed on the exposures concerned (as at the end of December 2023, the countercyclical buffer was effectively 0.012%, compared to 0.005% as at the end of December 2022),

- Regulation of the Minister of Development and Finance of 18 March 2020 repealing the Regulation on the systemic risk buffer; however, following a cautious approach, the Bank monitors capital ratios taking into account the size of the systemic risk buffer.

The Capital Adequacy RAS also defines capital limits for specific risks.

3.2. Own funds

The Group's own funds consist of:

- Common Equity Tier 1 capital, which at the end of 2023 amounted to PLN 16,321.7 million (PLN 16,154.8 million at the end of 2022),
- Tier 2 capital, which at the end of 2023 amounted to PLN 1,507.0 million (PLN 1,657.3 million at the end of 2022).

As at 31 December 2023, as at 31 December 2022, no Tier 1 additional capital (AT1) is identified in the Group.



Own funds accepted for calculation of the total capital ratio

as at 31 December	2023	2022*
Tier 1	16,321.7	16,154.8
Tier 1 core capital	16,321.7	16,154.8
equity instruments qualifying as Tier 1 core capital	1,081.1	1,086.4
retained earnings, including:	79.6	1,773.0
retained earnings in previous years	79.6	58.6
recognized profit	0.0	1,714.4
accumulated other comprehensive income	74.1	-287.4
reserve capital	15,013.9	13,309.0
general bank risk funds	1,215.2	1,215.2
value adjustments due to prudent valuation requirements	-28.2	-20.1
goodwill and other intangible assets	-436.4	-467.6
deferred tax assets based on future profitability and not arising from temporary differences after deducting related income tax liabilities	-519.2	-1,038.1
shortfall in credit risk adjustments against expected losses under the IRB approach	-281.6	0.0
shortfall in coverage for non-performing exposures	-22.9	-10.1
transitional adjustments to common equity Tier 1 capital	146.1	594.5
Tier 2	1,507.0	1,641.4
equity instruments qualifying as Tier 2 capital	1,507.0	1,641.4
Own funds taken into account in total capital ratio calculation	17,828.7	17,796.2

*) On 26 April 2023, the Bank’s General Meeting approved the distribution of profit for 2022. The inclusion of the net profit generated in 2022 in own funds as at 31 December 2022 resulted in an increase in own funds to the level of PLN 17,796.2 million, which is presented in the table above. According to the value presented in the annual consolidated financial statements for 2022, the level of own funds was PLN 16,462.1 million.

3.3. Capital requirement

For reporting purposes, in 2023 and 2022, the Group used the Advanced Internal Ratings-Based Approach and the Standardised Approach to calculate the capital requirement for credit risk. The Group has obtained the approval of the Polish Financial Supervision Authority and the National Bank of the Netherlands for the use of the Advanced Internal Ratings Based (AIRB) method for exposure classes: companies and credit institutions for the Bank and ING Lease Sp. z o.o.

In the area of operational risk, since June 2020, the Group has been using the STA (the standardised approach) method.

In the area of market risk, the Group uses the base method and the method of updated average return period (depending on the type of risk).

The Group also sets capital requirements for concentration risk, settlement risk and credit valuation adjustment (CVA) risk. In all cases, requirements are set in accordance with the CRR Regulation.

The total capital requirement is dominated by the credit risk requirement. At the end of 2023, as at the end of 2022, it accounted for 87% of the total requirement.

3.4. Capital ratios

As at 31 December 2023, the total capital ratio (TCR) for the ING Bank Śląski Capital Group was 16.73% and the Tier 1 ratio was 15.32% compared to 16.22% and 14.72% at the end of 2022.

The main drivers of the change in the total capital ratio are:

- as part of Common Equity Tier 1:
 - reduction of the negative impact of deferred tax assets based on future profitability and not resulting from temporary differences, in connection with the realised tax loss for 2021 and 2022 as a result of the valuation of the IRS instruments portfolio - increase of the total capital ratio by 0.49 p.p.,
 - decrease of negative impact on unrealised gains and losses on the portfolio measured at fair value through other comprehensive income - increase of the total capital ratio by 0.12 p.p.,
 - temporary increase of the shortage of credit risk adjustments in view of expected losses according to the IRB method - decrease of the total capital ratio by 0.26 p.p.,
 - reduction of positive inflows due to transitional periods related to the IFRS 9 standard - decrease of the total capital ratio by 0.21 p.p.,
- under Tier 2 capital:
 - reduction in the value of subordinated loans contracted in EUR as a result of exchange rate changes between reporting periods - decrease in the total capital ratio by 0.11 p.p.,
- under the capital requirement:
 - reduction of risk-weighted assets, including positive changes related to risk migration - increase of the total capital ratio by 0.48 p.p.



The surplus of the total capital ratio over the regulatory requirement (together with P2G) increased from 4.71 p.p. to 5.41 p.p. and the surplus of Tier 1 ratio increased from 5.22 p.p. to 6.00 p.p.

Total capital ratio and Tier 1 capital ratio

as at 31 December		
	2023	2022*
Own funds taken into account in total capital ratio calculation	17,828.7	17,796.2
Capital requirements		
wymóg kapitałowy z tytułu ryzyka kredytowego i ryzyka kredytowego kontrahenta	7,401.7	7,653.4
wymogi kapitałowe z tytułu ryzyka pozycji, ryzyka walutowego i ryzyka cen towarów	108.2	113.0
wymóg kapitałowy z tytułu ryzyka operacyjnego	1,005.3	1,005.3
wymóg kapitałowy z tytułu ryzyka korekty wyceny kredytowej (CVA)	9.2	7.4
Total capital requirement	8,524.4	8,779.1
Total capital ratio	16.73%	16.22%
Minimum required level	11.322%	11.505%
Surplus TCR ratio	5.41 p.p.	4.71 p.p.
Tier 1 capital ratio	15.32%	14.72%
Minimum required level	9.322%	9.505%
Surplus T1 ratio	6.00 p.p.	5.22 p.p.

*) On 26 April 2023, the Bank's General Meeting approved the distribution of profit for 2022. The inclusion of net profit generated in 2022 in own funds as at 31 December 2022 resulted in an increase in TCR and Tier1 ratios to 16.22% and 14.72%, respectively, which is presented in the table above. As at 31 December 2022, the Group's TCR and Tier1 ratios were 15.23% and 13.70%, respectively, in the consolidated annual financial statements for 2022.

Transitional provisions

In the calculation of capital ratios, the Group used transitional provisions to mitigate the impact of the implementation of IFRS 9 on the level of own funds. As at 31 December 2022, the Group additionally applied the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in accordance with Article 468 of the CRR.

as at 31 December		
	2023	2022
	the level of capital ratios without transitional provisions for the:	
	1. mitigating the impact of IFRS 9 implementation on the level of own funds	1. mitigating the impact of IFRS 9 implementation on the level of own funds and 2. temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in accordance with Article 468 of the CRR
Total capital ratio (TCR)	16.60%	15.81%
Tier 1 capital ratio	15.19%	14.21%

4. MREL requirements

	2023	2022
MREL - TREA	25.79%	17.84%
minimum required level (including combined buffer requirement)	19.30%	17.19%
surplus (+) / deficiency (-) of the MREL – TREA ratio	6.49 p.p.	0.65 p.p.
minimum required level (not including combined buffer requirement)	16.29%	14.18%
surplus (+) / deficiency (-) of the MREL – TREA ratio	9.50 p.p.	3.66 p.p.
MREL - TEM	10.51%	8.32%
minimum required level	5.91%	4.46%
surplus (+) / deficiency (-) of the MREL – TEM ratio	4.60 p.p.	3.86 p.p.



On 17 April 2023, 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 19.30% of the total risk exposure amount (TREA) - taking into account the combined buffer requirement of 3.01% as at the end of 2023 and 5.91% of the total exposure measure (TEM) at the individual level. The Bank is obliged to meet the MREL requirement by 31 December 2023 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 8.29% TREA and 2.91% TEM.

At the same time, the BFG indicated that the Common Equity Tier 1 (CET1) instruments held by the Bank for the purpose of the combined buffer requirement cannot be included in the MREL requirement expressed as a percentage of the total risk exposure amount (TREA).

At the end of 2023, the Bank had two non-preferred senior loans (NPS) from ING Bank N.V., with a nominal value of EUR 1.760 million. This value includes:

- a loan of EUR 1.5 billion for a period of 4 years (with the right to early repayment after 3 years) and
- a loan of EUR 260 million for a period of 6 years (with the right to early repayment after 5 years).

Both 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 2023, the carrying amount of liabilities due to NPS loans amounted to PLN 7,680.7 million and was recognised in the statement of financial position in the item *Liabilities to other banks*.

5. Dividend policy

The most important assumptions of the Bank's dividend policy are as follows:

- stable realisation of dividend payments in a foreseeable perspective in the amount of up to 50% of the Bank’s annual net profit in compliance with the prudent management principle and all regulatory requirements the Bank is obliged to comply with, and taking into account the adopted Best Practice for WSE Listed Companies 2021,
- a proposal to pay dividends in an amount higher than the ratio indicated above is possible if justified by the bank’s financial situation (e.g. from retained earnings) and provided that all other requirements of the law and the dividend policy are met.
- possibility of dividend payouts from capital surplus over the minimum capital adequacy ratios and above the minimum levels of capital ratios determined by the Polish Financial Supervision Authority for dividend payouts.

When deciding on the proposed amount of dividend payment, the Bank’s Management Board takes into account the supervisory requirements communicated within the framework of the official communication of the PFSA concerning the dividend policy of banks, as well as the following considerations:

- the current economic and financial condition of the Bank and the Bank’s Group, including limitations when financial losses are generated or in case of low profitability (low return on assets / equity),
- assumptions of the management and risk management strategy of the Bank and the Bank’s Capital Group,
- restrictions resulting from Art. 56 of the Act on Macro-prudential Supervision over the Financial System and Crisis Management in the Financial System of 5 August 2015,
- the need to reduce current period profits or unapproved annual profits included in own funds by foreseeable dividends, in accordance with Article 26 of EU Regulation No 575/2013,
- macroeconomic environment.

PFSA’s guidelines with respect to dividend for 2023

On 14 December 2023, the Polish Financial Supervision Authority published its position on the dividend policy in 2024. Up to 50% of the 2023 profit can be paid out only by banks that simultaneously meet the following criteria:

- do not implement a recovery programme,
- are positively assessed as part of the Supervisory Review and Evaluation process (final BION rating not worse than 2.5),



- have a leverage level (LR) of more than 5%,
- have a Common Equity Tier 1 (CET1) ratio not lower than the required minimum: $4.5\% + 56.25\% \times P2R$ requirement + combined buffer requirement + $P2G^1$,
- have a Tier 1 capital ratio (T1) not lower than the required minimum: $6\% + 75\% \times P2R$ requirement + combined buffer requirement + $P2G$,
- have a total capital ratio (TCR) not lower than the minimum required: $8\% + P2R + \text{combined buffer} + P2G$.

The amount of up to 75% of the 2023 profit can be paid out only by banks that meet the criteria for a 50% payout, and at the same time whose portfolio of receivables from the non-financial sector is characterised by good credit quality (the share of NPL, including debt instruments, at a level not exceeding 5%).

The Bank should meet the criteria set out above both on an individual and consolidated level, as at the end of 2023 and on the date of the decision on the payment of dividend by the General Meeting.

The maximum dividend level possible to pay is limited to 75%, due to the expectation of strengthening the capital base in order to absorb the possible materialisation of risks accumulated in the environment of the Polish banking sector.

On 1 December 2023, the Bank received a letter from the Polish Financial Supervision Authority in which the PFSA indicated that it had no objections regarding the possibility of the Bank paying out a dividend (advance dividend) in the amount of PLN 1,008.3 million from the reserve capital intended for the payment of dividends. The above-mentioned amount consists of PLN 494.4 million from the 2019 profit and PLN 513.9 million from the 2022 profit, allocated by the decisions of the General Meeting to a reserve capital for the payment of dividends.

Declared and paid dividends

- The Management Board of ING Bank Śląski S.A. intends to recommend to the General Meeting of the Bank the adoption of a resolution on allocation of approx. 75% of the Bank’s separate profit for 2023, i.e. the amount of PLN 3,330.56 million and the amount of PLN 1,008.27 million from the reserve capital intended for payment of dividend, in total PLN 4,338.83 million. The proposed total dividend per share is PLN 33.35 gross. The proposed dividend date is 17 April 2024, and the proposed dividend payment date is 6 May 2024. As at the date of preparation of these financial statements, the Bank meets the criteria and requirements of the PFSA allowing for the payment of a dividend from the profit for 2023 to the amount of 75%, which was confirmed by the PFSA in an individual dividend recommendation received on 21 February 2024. The amount of the proposed dividend takes into account both the current financial and capital situation of the Bank and its development plans.
- On the basis of the KNF’s position on the dividend policy of banks for 2022, on 7 April 2022 the Ordinary General Meeting of the Bank adopted a resolution on the payment of dividend from the profit for 2021. On the basis of this resolution, on 4 May 2022, the Bank paid a dividend in the total amount of PLN 689.5 million, i.e. PLN 5.30 gross per share.

¹ Pilla II Guidance or additional capital recommendation - measures the Bank’s sensitivity to an unfavourable macroeconomic scenario using the results of stress supervisory tests. Sensitivity defined as: relative change in CET1 calculated between the lowest level of CET1 in the scenario horizon and CET1 at the start of the test, taking into account supervisory adjustments.



II. Risk management

1. Introduction

- 1.1. Risk categories
- 1.2. Risk management organisation
- 1.3. Risk management system
- 1.4. Risk management rules
- 1.5. Risk appetite

- 2. Credit risk
- 3. Market risk
- 4. Liquidity and funding risk
- 5. Operational risk
- 6. ESG risk
- 7. Other risks

1. Introduction

1.1. Risk categories

The most important risks in the Group’s operations include:

- credit risk,
- market risk,
- liquidity and funding risk,
- operational risk.

In addition, as material risks in its operations, the Group identifies:

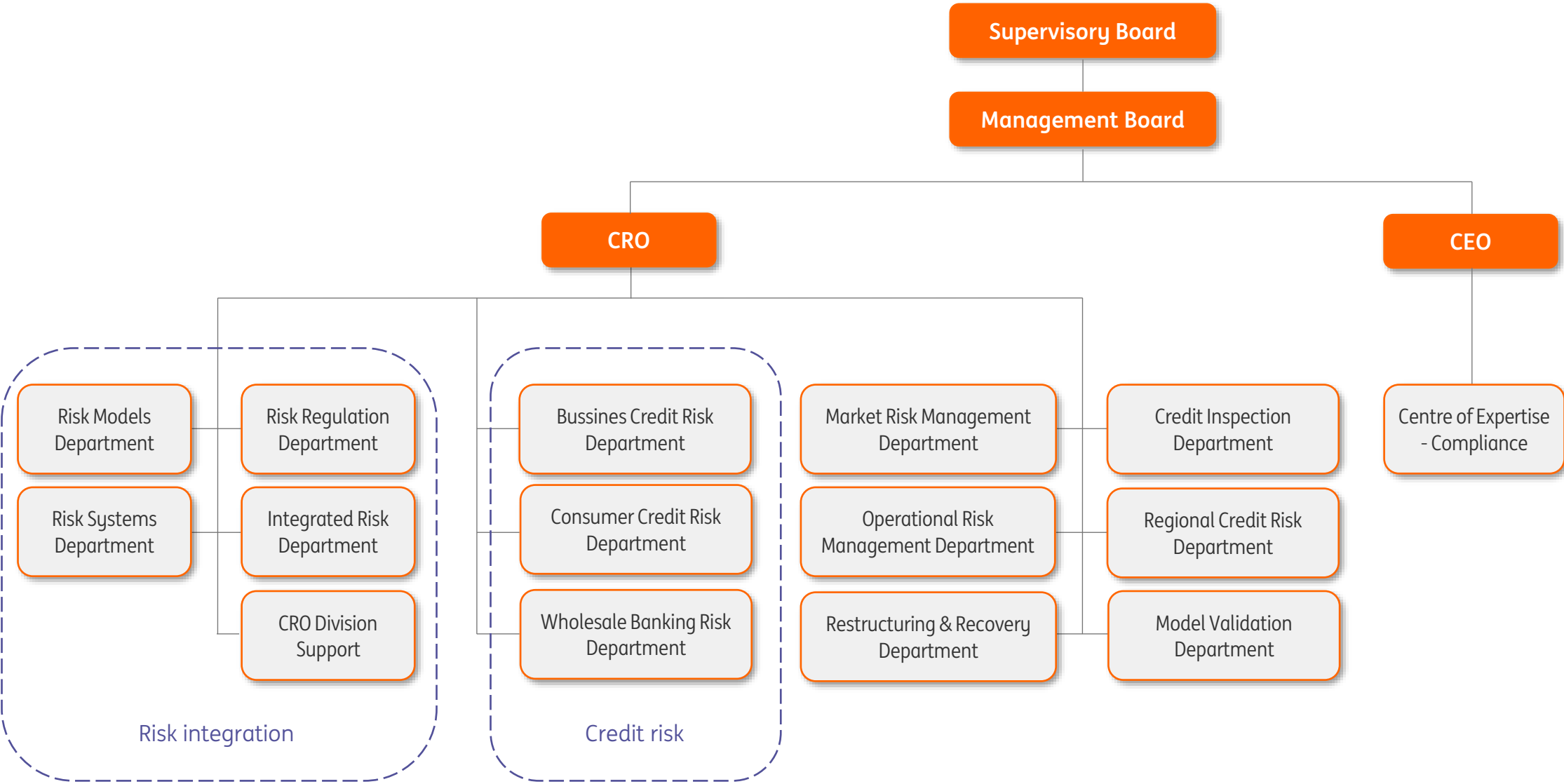
- compliance risk (compliance),
- model risk,
- business risk,
- risks related to transaction security and stability of IT systems,
- risks related to the security of personal data.

ESG risks deserve special attention, which are not treated by the Group as a separate risk category, but rather as a factor strengthening the Group’s basic risk categories (i.e. financial risks - credit, market, liquidity and funding risks, and non-financial risks).

A detailed description of each of the above risks is presented below.

1.2. Risk management organisation

The Bank’s Management Board and Supervisory Board play a special role in the risk management process. The Bank also has a number of committees that play an active role in managing individual risk types. The following diagrams present the organisational structure of risk management.





1.3. Risk management system

The risk management system is an integrated set of rules, mechanisms and tools (including, among others, policies and procedures) relating to risk processes. The role of the risk management system is risk management, adequate to the size and profile of the risk incurred by the Group, through constant identification, measurement or evaluation, monitoring, risk control, including risk mitigation, and risk reporting along with assessment of the effectiveness of risk mitigation actions taken. As part of risk control, the Group hedges against risk or mitigates it by introducing appropriate control mechanisms, a system of limits and an adequate level of provisions (provisions), as well as capital and liquidity buffers.

As part of the risk management system, the Group:

- has a specified frequency of risk measurement or assessment that is adequate to the scale and complexity of the business,
- apply formalised rules for determining the amount of risk taken and rules for risk management,
- apply formalised procedures to identify, measure or estimate and monitor risk, which also take into account the expected level of risk in the future,
- apply formalised risk limits and rules of conduct in the event of exceeding limits, including introducing methods and measures to eliminate exceeding limits in the future,
- applies the adopted management reporting system that enables monitoring of the level of risk,
- has an organisational structure adapted to the size and profile of the risk incurred,

- has qualified staff of risk management units and provides training for employees of the first and second lines of defence.

The risk management system is defined in the *General Policy of Risk Management at ING Bank Śląski S.A.*

Three Lines of Defence Model

The risk and control structure in the Group is based on the three lines of defence model. This model aims to provide a stable and effective framework for risk management by defining and implementing three 'levels' of risk management, with different roles, responsibilities and responsibilities for supervision.

First line of defence	Second line of defence	Third line of defence
<ul style="list-style-type: none">• The Bank's business and organisational units providing operational and technological support to Business and the units responsible for environmental risk.	<ul style="list-style-type: none">• selected entities in the area of risk and finance,• entities in the area of compliance and legal risk,• units in the area of human resources management.	<ul style="list-style-type: none">• Internal Audit Department
<p>Among other things, it is responsible for:</p> <ul style="list-style-type: none">– compliance with the principles arising from approved policies, regulations, instructions and procedures,– analysis, control and management of risks in processes, including in relation to outsourced activities.	<ul style="list-style-type: none">– It is responsible, among other things, for issuing regulations and providing risk management methods and tools, including supporting the first line of defence during this process,– As part of its control activities, it performs its own independent assessment of the effectiveness of the first line of defence through: inspections, tests, reviews and other forms of control.– Supports the first line of defence in terms of control mechanisms.	<ul style="list-style-type: none">– It provides an independent assessment of the adequacy and effectiveness of the risk management system and the internal control system in the first and second line of defence.

The internal control system is defined in the policy *Internal control system at ING Bank Śląski S.A.*



1.4. Risk management rules

ING Bank Śląski S.A. manages credit, market, liquidity and funding and non-financial (operational and compliance) risks in accordance with the principles set out by the standards of Polish law, the regulations of the Polish Financial Supervision Authority (KNF) and other authorised bodies, as well as in accordance with the standards set by the ING Group to the extent that it does not lead to a breach of the aforementioned regulations and best practice documents.

Irrespective of the need to ensure regulatory and legal compliance (compliance), the Group considers the management of credit, market, liquidity and operational and financial risks as a fundamental and integral part of the overall Group management.

1.5. Risk appetite

The risk appetite determines the maximum amount of risk that the Group is prepared to accept, thus supporting stability and further development. As part of risk and capital management, the Group determines risk appetite parameters (RAS - Risk Appetite Statement) in the following key areas:

- RAS on capital adequacy,
- RAS on liquidity and funding and market risk,
- RAS for credit risk
- RAS for non-financial risks (operational, compliance and models).

2. Credit risk

- 2.1. Introduction
- 2.2. Credit risk management objectives
- 2.3. Credit risk management strategy
- 2.4. Credit risk management system
- 2.5. Organisational structure of credit risk management
- 2.6. Risk appetite RAS
- 2.7. Principles of credit activity
- 2.8. Credit risk management rules
- 2.9. Risk management rules in subsidiaries
- 2.10. Quantitative disclosure on credit risk

2.1. Introduction

The Group treats credit risk management as a fundamental and integral part of the overall management of the Group.

Credit risk is understood as:

- a risk of a financial loss that may be suffered by the Group as a result of default by debtors in whole and at the agreed time on their credit obligations to the Group, or
- a risk of reduced economic value of credit exposures or groups of credit exposures as a result of impaired ability of debtors to service their debt at the agreed time.

2.2. Credit risk management objectives

The Group’s primary objective in the credit risk management process is to support the effective achievement of business objectives through proactive risk management and organic growth activities, while:

- maintaining a safe level of capital and liquidity ratios standards and an appropriate level of provisions,
- ensuring compliance with legal regulations and requirements of supervisory authorities.

The specific objectives of credit risk management are:

- supporting business initiatives,



- maintaining credit losses at the assumed level,
- continuous verification, assessment of the adequacy and development of applied procedures, models and other elements of the risk management system,
- adapting operations to changing external conditions,
- maintaining an appropriate level of capital requirements for credit risk and provisions,
- ensuring compliance with the requirements of the regulator.

2.3. Credit risk management strategy

The credit risk management strategy supports business objectives while maintaining a safe level of solvency and liquidity of the Bank and an adequate level of provisions. It is designated in order to ensure the optimal development of the loan portfolio, while maintaining the appropriate quality and profitability of credit operations and capital allocation. The primary objective of defining the credit risk management strategy is to optimise the relationship between risk and return on capital, taking into account information about the current and prospective macroeconomic environment, the Bank's portfolio and the level of implementation of RAS limits.

The credit risk management strategy takes into account the "look to the future", including the need to maintain competitiveness, attractiveness and development of the Bank's offer.

2.4. Credit risk management system

The overriding documents governing credit risk management are: *General Risk Management Principles at ING Bank Śląski* and *Credit Risk Management Policy at ING Bank Śląski*.

The Bank's credit risk management system consists of:

- general principles of credit risk management and mitigation,
- RAS strategies and limits,
- credit risk management policies, instructions and procedures,
- credit risk systems, tools and models,
- management reporting system enabling monitoring of the level of credit risk,
- organisational structure adjusted to the size and profile of the credit risk incurred by the Bank.

The activities that the Bank undertakes as part of the risk management system may include:

- risk avoidance - liquidation or limitation of activities that generate an excessively high level of risk or a type of risk that cannot be effectively controlled,
- risk mitigation - taking actions aimed at reducing the probability of adverse events or limiting the effects of such events,
- risk transfer - transferring all or part of the risk to another entity, e.g. through insurance or securitisation of a loan portfolio,
- accepting risk - refraining from undertaking the above activities for economic or practical reasons, as part of the Bank's risk appetite.

In addition, the Bank has a properly defined credit risk assessment and measurement process, independent of the lending function, including:

- an effective rating system,
- effective process of obtaining relevant information, including forecasts, used to measure expected credit losses,
- an assessment policy that ensures that the measurement of expected credit losses is carried out on an individual or collective basis,
- an effective model validation process that ensures that models generate accurate, consistent and objective forecasts and estimates on an ongoing basis,
- clear, formal communication and coordination of all employees involved in the process of risk assessment and valuation of expected credit losses.

The Bank's credit risk management system, including the organisational structure, organisation of the credit process, internal regulation system, tools and models used, is subject to ongoing verification and adaptation to ensure the implementation of the Bank's strategy, including the risk appetite. In this way, the Bank achieves the goal of maintaining the adequacy of its activities in the area of identification, assessment, measurement, monitoring and management of activities subject to credit risk, as well as maintaining consistency and compliance with regulatory requirements.

The Group's risk policy for the credit exposure portfolio takes into account the fact that the activity generating credit risk may also be related to other types of risks, i.e., among others: liquidity, market, operational, legal and reputation risk, which may mutually reinforce each other and takes into account ESG risk.

The Group optimises and limits losses due to incurred credit risk by:



- setting internal limits,
- appropriate design of credit products,
- application of security measures,
- use of functional control,
- efficient monitoring, restructuring and recovery,
- monitoring changes in clients' creditworthiness and creditworthiness,
- regular monitoring and validation of models used to identify and measure credit risk
- conducting analyses of trends and values of key risk indicators.

Credit risk is managed by the Group in an integrated manner based on:

- strategic planning,
- a coherent system of limits, policies and procedures, and
- risk management tools, including risk identification, measurement and control.

This integrated system consists of all processes in the Group carried out in connection with lending activities.

The systems and models supporting the assessment of the clients' creditworthiness and credit reliability:

- from Business Clients and Wholesale Banking – are built and monitored in accordance with the requirements of the Advanced Capital Requirements Approach for credit risk and ING Group standards (excluding SE&Micro and Easy Lending clients),
- from the Business Clients Division (SE&Micro and Easy Lending clients) – are application and behavioural scoring models reflecting the statistical level of client risk, built in accordance with the requirements contained in supervisory regulations,
- from the Retail Division – are scoring models (application models, behavioural models and BIK scoring) reflecting the statistical level of client risk, built in accordance with the requirements contained in supervisory regulations.

In its assessment of credit risk, the Bank uses the following models:

- PD (Probability of Default),
- LGD (Loss given Default),

- EAD (Exposure at Default).

The models are designed in compliance with the requirements set forth in supervisory regulations and are applied inter alia to determine the volume of provisions, economic capital for credit risk for internal and external reporting requirements, reporting to the supervisory authority, to determine loan pricing and client profitability. The effectiveness of the models is reviewed on the basis of monitoring and validation processes.

Credit risk management in the Bank is carried out on the basis of advanced credit risk assessment models. In the credit risk reporting process, information relating to IRB models is included with a frequency adjusted to the materiality and type of information presented and the position of the recipient. As a rule, detailed information relating to IRB models is presented to senior management, in particular to:

- The Bank's Management Board – results of monitoring of the correctness of functioning of the AIRB approach in compliance with the *Policy of Changes and Monitoring of the Internal Rating Method at ING Bank Śląski S.A.*,
- the Credit Policy Committee – results of monitoring of credit risk models, in compliance with the *Credit risk model management instruction at ING Bank Śląski S.A.* and the results of model validation in compliance with the *Risk model validation policy*.
- the Assets and Liabilities Committee (ALCO) – stress tests in accordance with the *Stress Testing Policy*.

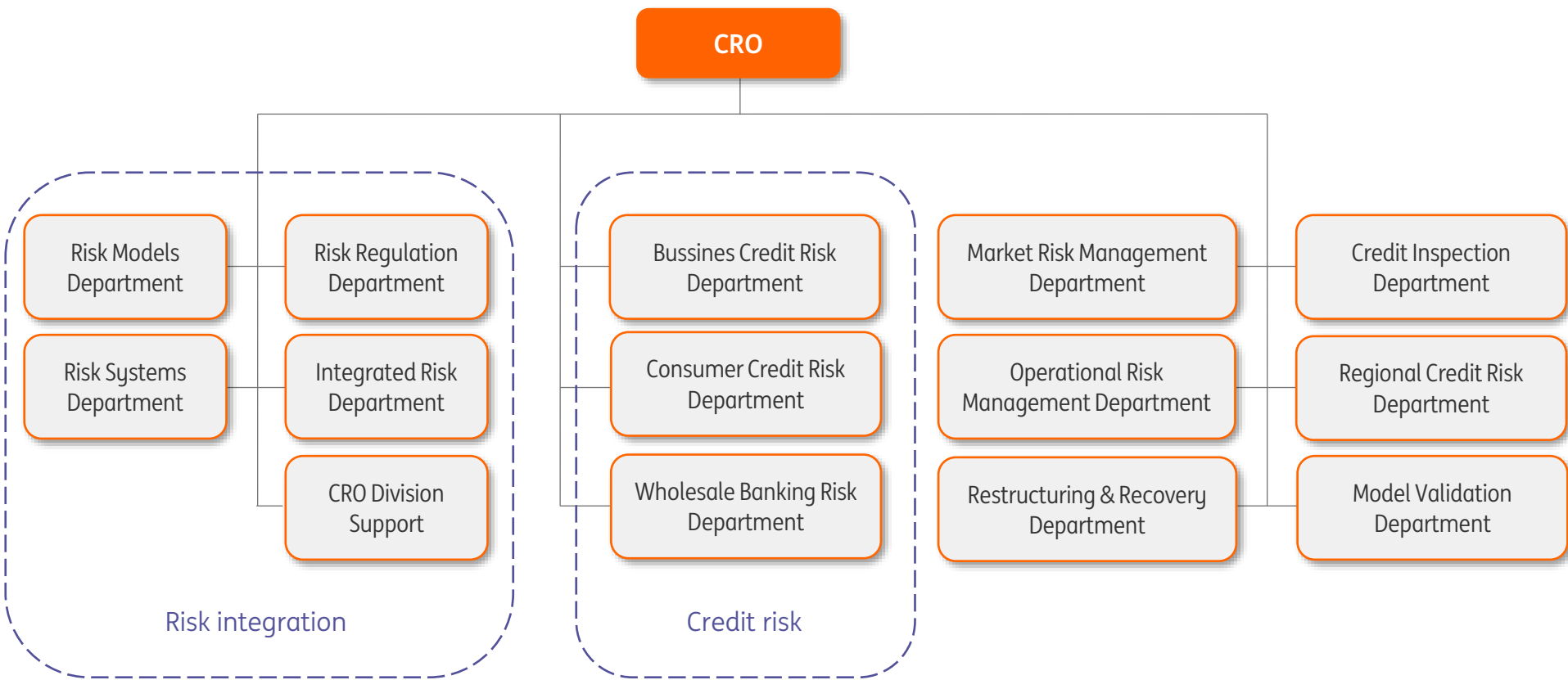
As part of the Risk Division's quarterly report, the results of the analysis of the credit risk profile of the corporate and retail mortgage-backed exposure portfolios are presented to the Bank's Management Board and the Risk Committee of the Supervisory Board in accordance with the model monitoring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

- risk profiles by categories,
- migration among the categories,
- estimation of relevant parameters in individual categories,
- comparison of realised factors of default, realised LGD values, and realised credit conversion factors (CCF) with expected values.

The Bank also takes into account in the credit risk management process data on impairment losses (credit provisions), which are presented in a dedicated report. The monthly report in a shortened version is presented to the Bank's Management Board and the quarterly report in a full and shortened version is presented to the Bank's Supervisory Board.



2.5. Organisational structure of credit risk management



Each of these areas controls and supervises the scope of the Bank’s activity entrusted to it and the risk management process.

2.6. Risk appetite RAS

RAS is a bank-wide risk appetite of the Bank, which is defined by setting strategic limits. Based on them, operational limits and internal limits as well as other risk measures (risk appetite instruments) are determined. Determining and monitoring the bank-wide risk appetite (including its instruments) is an integral part of the Bank’s planning process and the Bank’s concentration risk management.

Types of RAS for credit risk:

- sales limits and portfolio size,
- portfolio quality limits/ for risk parameter values,
- monitoring and recovery efficiency limits,
- sectoral limits,

- concentration limits, including limits for the portfolio of mortgage-backed credit exposures resulting from the requirements of Recommendation S,
- quality parameters of RAS for ESG risk.

In addition to RAS limits, the Bank sets limits for credit risk for individual areas, business lines, products and transaction limits, which are accepted by the relevant credit decision maker. In addition, internal concentration limits are set for industries of the economy, accepted forms of collateral, regions and mortgage-backed credit exposures. The ongoing performance of RAS limits is monitored and reported during the year, on a monthly basis.

In the further part of the chapter, in the section containing quantitative disclosures, a breakdown of the Group’s largest exposures to entities / groups of related entities and concentration of exposures to corporate clients in the national economy industries is presented. The Group does not identify any other significant risk concentrations than those mentioned above and those presented in this chapter and in the notes to the consolidated financial statements.

2.7. Principles of credit activity

The basic principle that the Bank follows in its lending activities is compliance with the law and external regulations related to lending activities, i.e.:

- The Banking Law Act,
- Macprudential Supervision Act,
- Foreign exchange law,
- Recommendations issued by KNF,
- EBA LOM (Loan Origination and Monitoring) guidelines,
- The CRR Regulation,
- anti-money laundering regulations, etc.

The Bank does not engage in credit transactions and does not engage in activities whose ethical aspect raises doubts and which could harm the good name of the Bank.

The following principles shall apply in the course of carrying out credit activities:

- the Bank acquires and maintains in the loan portfolio credit exposures, which ensure security of the Bank’s deposits and capital,



- the Bank acts in the interest of the client, taking into account both his needs and capabilities; it avoids a situation in which the granted financing would contribute to the client entering a debt spiral,
- the Bank attracts clients in accordance with the applicable regulations and requirements regarding the provision of necessary information, documentation and compliance with procedures,
- the Bank provides credit services effectively and professionally, respecting the interest of customers and the expectations of the Bank's shareholders as regards the increase in the value of ING Bank Śląski S.A. and taking into account the requirements resulting from the competitive environment,
- the Bank does not conclude transactions or credit exposures without learning and understanding the economic basis of the transaction,
- the Bank accepts credit risk if it is able to effectively control it and - in the event of default - performs debt recovery procedures,
- the Bank does not provide exposures in cases where it exposes itself to reputation risk,
- the Bank makes decisions regarding new types or directions of credit exposures (e.g. new markets, market segments, customer groups, products) after prior analysis and assessment of new opportunities and related risks,
- in business relations, the Bank applies the principle of "equal rights", i.e. it requires the same documents and information from the same clients - from a credit risk perspective - and pays particular attention to their equal treatment,
- the Bank maintains open communication with clients regarding information requirements in the credit process.
- as part of cooperation with business partners, the Bank observes the following principles:
 - conducts verification of business partners with whom it cooperates in the process of granting loans,
 - has procedures for the circulation of documentation between the client, business partner and the Bank,
 - has procedures for quality control of business partners,
 - does not grant a power of attorney or the right to make credit decisions in the name and on behalf of the Bank when granting (distributing) loans,
 - determines the acceptable level of risk for individual sales channels,
 - monitors the quality of the loan portfolio granted through individual business partners.

2.8. Credit risk management rules

Credit risk management is a continuous process consisting of all the Bank's activities related to the performance of credit activities. All units and persons who perform tasks within the credit process work closely together to:

- improving the efficiency of risk management, and
- maintaining risk at a level consistent with the strategy, approved risk appetite (RAS) and the Bank's financial plans.

The credit risk management process is carried out in the Bank through three functionally and organisationally independent lines of defence.

The Bank applies organisational solutions taking into account the separation of the function of selling banking products from the function of risk acceptance at all levels of the organisational structure, including the Bank's Management Board. The separation of the function of monitoring and controlling the risk of credit exposures (including concentration risk) from the function of selling banking products and the risk acceptance function is maintained at all levels of the Bank's organisational structure below the level of the Bank's Management Board, and for retail credit exposures also at the level of the Management Board.

In the case of simplified, automated credit process paths, the separation of the sales function of banking products from the risk acceptance function of credit exposures is based on the independence of the process of building and validating tools supporting the risk acceptance process from the sales and operational functions. Competence in credit decisions relating to individual credit transactions is separate from decision-making competences in the sphere of shaping credit policy and credit risk management rules.

Credit risk is managed by the Bank both at the level of the loan exposure portfolio and at the level of individual transactions.

Risk management of the credit exposure portfolio

Credit risk management of the credit exposure portfolio is carried out by:

- refining the credit risk management strategy,
- reconciliation of quality parameters and quantitative parameters of RAS/their level with the business side,
- development, implementation and monitoring of the credit policy,
- analysing the macroeconomic situation and individual industries and formulating guidelines for lending directions,



- development and implementation of credit products,
- determination of competence levels for acceptance of credit policy and product deviations,
- development and implementation of tools supporting risk measurement and assessment,
- analysis and assessment of the method of credit process implementation and the scope of functional control,
- portfolio management of credit exposures,
- training of employees participating in the credit process,
- development and maintenance of an employee incentive system aimed at compliance with internal credit standards.

Bank managing the credit risk profile:

- sets, monitors and reports internal concentration limits for industries, types of collateral, regions and mortgage-backed credit exposures,
- monitors and analyses the quality of adopted collateral,
- monitor and report compliance with prudential standards resulting from Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No. 648/2012 and the Banking Law Act,
- sets, monitors and reports internal concentration limits, taking into account individual sub-portfolios,
- defines changes in credit policy and product offer, taking into account the cyclical nature of the economy and changes taking place on the real estate market,
- obtains market data about the quality of loan portfolios and compares them with own loan portfolios.

Capital adequacy and creation of provisions for credit risk

The Group secures impairment of credit exposures by recognising impairment for expected credit losses. The Group further secures fluctuating losses versus the average levels of expected losses (that is unexpected losses) by ensuring an adequate level of regulatory capital and economic capital.

Risk-weighted assets and capital requirements are calculated by the Bank as follows:

- for exposures from the retail segment and SE/Micro and Easy Lending customers - in accordance with the standard method,

- for corporate credit exposures - in accordance with the advanced internal ratings based method, excluding exposures to governments, central banks, local government units, public sector entities and all exposures of ING Commercial Finance S.A., for which the Group applies the standardised method.

Calculation of impairment for expected credit losses in the Bank for all credit exposures is performed in accordance with International Financial Reporting Standards.

Credit risk management of individually significant credit exposures

Credit risk management of individually significant credit exposures includes:

- determination of the credit risk management process for credit risk-bearing transactions,
- managing documentation requirements for the Bank’s credit client,
- definition of a credit analysis standard,
- setting a maximum level of DSTI/DSI, LTV, and a minimum level of own contribution for specific products, types of transactions,
- development of rules for making credit decisions and management of credit competencies,
- managing the following rules:
 - determining risk measures using risk models used by the Bank,
 - verify the timeliness of repayments,
 - monitoring the economic and financial situation of the client,
 - monitoring the customer’s compliance with contractual conditions,
 - monitoring of other defined warning signals,
 - accepting and monitoring collateral accepted by the Bank,
 - use and monitoring of limits available at the Bank.
- rules for recognising impairment losses on credit exposures and provisions for off-balance sheet liabilities,
- credit risk management for clients from the portfolio in Stage 3.

The following activities are carried out as part of the process of granting and managing individually significant credit exposures:

- client and transaction risk assessment,



- taking credit decision,
- monitoring,
- restructuring and recovery.

Client and transaction risk assessment

The most important elements in the assessment of customer credit risk and transactions include:

- assessment of clients’ creditworthiness,
- assessment of creditworthiness (quantitative assessment),
- collateral assessment,
- transaction risk assessment.

Assessment of clients’ creditworthiness

The Bank reviews clients’ creditworthiness by:

- verifying compliance with minimum criteria,
- determining clients’ rating or score in the rating or scoring process respectively.

Measurement of the client’s risk in the rating or scoring process is based on the estimated PD (default probability). The condition for providing financing to the client is to establish a rating or scoring assessment for the client at a specific minimum level for a given type of client, credit process or product.

Review of creditworthiness of corporate clients in the rating process is made on the basis of:

- rating awarded to entities applying for credit exposure, providing collateral (e.g. sureties, guarantors) and other entities, if required by the specificity of the collateral or transaction (e.g. debtors of receivables assigned to the Bank),
- the principle of two pairs of eyes, i.e. inter alia:
 - commercial functions are separated from the rating approval function that is performed by the Risk Division units, or
 - the rules of operation of automatic rating models, which are approved by the Credit Policy Committee.

Review of creditworthiness of retail clients is made on the basis of:

- scoring,

- analysis of history of repayment of obligations to the Bank and other financial institutions,
- features of the borrowers that have material impact on compliance with the existing credit obligations (quality analysis), e.g.:
 - client's personal features: age, marital status, number of persons maintained, housing and financial status, education, employment history, form of employment, profession pursued, etc.,
 - history of the client's cooperation with the Bank: period of cooperation and history of account maintenance.

The Bank applies scoring models (application, behavioural models and BIK scoring) reflecting the client’s statistical risk level. The applied clients’ creditworthiness review models are subject to regular monitoring and validation to ensure good quality of the tools.

Assessment of creditworthiness (quantitative assessment)

Creditworthiness is reviewed by identifying the source of repayment and the amount and stability thereof throughout the lending process. This is an assessment of repayment potential by the clients of their credit exposures in the specified amounts, times and subject to terms and conditions determined by the Bank. The clients’ potential is subject to a review of clients’ creditworthiness in the rating and scoring process. The review of creditworthiness also provides for the FX risk and interest rate risk to which the debtors are exposed.

The analysis of the creditworthiness of a business client and WB (Wholesale Banking) may cover the following areas:

- ownership structure of the client,
- the type of activity pursued,
- business and investment strategy,
- market position,
- outlets and suppliers,
- financial analysis, including financial forecast,
- identification and assessment of sources of repayment,
- financial position compared to comparable entities in the industry,
- factors from the global, macroeconomic, regional and industry environment that currently affect and may have a significant impact on the financial condition of the enterprise in the future.



The analysis of individual clients' creditworthiness covers:

- determination of the amount and stability of income obtained (quantitative analysis),
- determination of the amount of the client's financial liabilities (both credit and non-credit),
- determination of household expenditure.

In assessing creditworthiness, financial measures based on mathematical formulas are used.

Collateral assessment

The Bank applies collateral to mitigate credit risk and the amount of losses that may be suffered when clients' default on loan repayment. Before collateral is accepted, the Bank assesses the collateral and its value and effectiveness.

Apart from classic forms of collateral (material and personal), the Bank applies additional instruments to mitigate the risk of loss in the form of contractual conditions and clauses.

In order to calculate the capital requirement, the Bank applies the approved LGD models in which each collateral is assigned with an adequate recovery rate. Is the Group's policy to grant loans in amounts and subject to terms and conditions that ensure regular repayments without the need to resort to collateral.

Transaction risk assessment

Assessing transactions, the Bank takes the following into account:

- results of the clients' creditworthiness and credit reliability,
- compliance with credit policy,
- purpose of lending,
- adequacy of the requested product,
- other risks such as:
 - business risks – macroeconomic, market, sectoral, seasonal risks,
 - structural risks – transaction structure, values of LTV and LGD, client's own contribution (if required), effectiveness of clauses, Bank's position versus other lenders,
 - management staff – employment history, experience, substitution risk of decision makers and succession risk,
 - financial risks – including FX and interest rate risks,

- concentration risk – is the requested growth of exposure related to the utilisation of a limit set internally by the Bank,
 - reputational risk – can cooperation with the client adversely affect the Bank's reputation.
- relation of risk level to pricing conditions, etc.

Taking credit decision

The decision-making procedure does not relieve any of the participants in the decision-making process of personal responsibility for the decisions taken.

Credit decision-makers are granted individually personal credit competences within a two-person decision-making procedure, the amount of which depends on their knowledge and experience. The competence level correlates with the level of credit risk. If the credit risk is higher, decisions are made by people with more experience. The rules for granting and revoking credit competences are separate within individual customer segments. In determining the appropriate level of credit competence for business customers (excluding SE/Micro customers) and Wholesale Banking, the Group's total exposure to the group of related entities to which the customer belongs, and in the case of natural persons and natural persons conducting business activity, the level of competence results from the Bank's total exposure to this customer, is taken into account. Acceptance of all transactions is made in accordance with clearly defined rules of decision making and credit competence.

The scope of competence to make credit decisions in the scope of risk acceptance of individual credit exposures is determined by the Credit Policy Committee. The lack of data necessary for risk assessment precludes its acceptance and decision making.

Commitments to lower amounts, shorter deadlines, with lower risk, are undertaken at lower competence levels. As credit risk increases - i.e. single or aggregate credit exposure increases, lending extensions, non-standard elements in the proposal or deviations from existing internal regulations - decisions are taken at higher levels of credit competence.

Risk assessment and acceptance is based on expert assessment based on the results of risk measurement using supporting tools defined by credit policy and procedures. The exception are the so-called automatic decisions, taken by an IT system or semi-automatic decisions made as part of simplified credit process paths.

Credit decisions are made in the right path, based on a comprehensive analysis of transaction risk depending on the complexity and amount of the transaction. For paths with a higher level of automation, transaction risk analysis is



based on clearly defined criteria, including behavioural and automatic calculation of a credit limit based on an algorithm approved by the Credit Policy Committee.

Retail segment (mortgage and retail segments) and SE/Micro clients

Credit decisions for the regular portfolio are made:

- in automatic mode - in accordance with specified criteria,
- in single or double mode - by units from the Operations Division,
- in two-person mode - in the higher risk analysis unit, at the level of directors or members of the management board - this applies to cases characterised by higher credit risk and non-standard cases.

Irregular portfolio decisions are made in a dedicated recovery and restructuring unit.

Business customer segment excluding SE/Micro customers

Loan decisions for the portfolio in Stages 1 and 2 (excluding automatic paths) are made:

- collectively, through the Bank's Credit Committee or the Restructuring Committee - this applies to the largest credit exposures,
- in two-person mode - by business units and transactional credit risk units or dedicated restructuring units,
- in a single-member mode - by the Risk Manager for small credit exposures.

Business Customer Segment Wholesale Banking

Loan decisions for the portfolio in Stages 1 and 2 are made:

- in two-person mode - by business units and transactional credit risk units or dedicated restructuring units.

Credit decisions for the portfolio of business clients (Easy Lending) are made depending on the process path:

- automatically based on:
 - verification of the defined qualification criteria,
 - customer verification in BRNK, BIK and BIG databases,
 - calculation of the EL transaction limit calculated in accordance with the algorithm approved by the NCP,or
- expertly by the decision-maker of the crediting unit (Front Office) with appropriate credit competencies.

Loan decisions concerning the portfolio in Stage 3 are taken in a single person mode, in a double person mode or by the Restructuring Committee.

The decision-making procedure does not relieve any of the participants in the decision-making process of personal responsibility for the decisions taken.

Monitoring

All credit exposures generating credit risk, including concentration risk and financial market transactions, are monitored. The purpose of monitoring is early identification of warning signals and taking actions to prevent the occurrence of difficult credit and early identification of indications or objective evidence of impairment of the credit exposure and taking actions to reduce the Bank's losses. Monitoring of the granted credit exposure includes:

- the course of repayment of the Bank's receivables (punctuality),
- the Client's performance of other contractual terms and conditions,
- the financial standing and/or assets of the client,
- the course of cash use in accordance with the purpose of financing (if specified),
- the degree of investment realisation (in case of investment loans),
- verification of client or transaction warning signals,
- objective evidence or indications of impairment,
- periodic assessment of the quality and value of collateral.

Restructuring and collection

The Bank supports its clients at every stage of financing. The Bank offers products tailored to their needs and offers flexible repayment schedules in the event of minor delays in repayment of liabilities. In the event of greater difficulties in repayment, the Bank may propose debt restructuring. Then, together with the client, the Bank determines the best form of support or conclusion of a settlement.

The main objective of restructuring activities is to minimise the risk of the Bank's losses or to minimise the size of the loss.

The Bank adopts the following behavioural strategies:

- Debt restructuring - based on cooperation with the client, which may in particular consist in changing the contractual terms to adjust the terms of debt repayment to the client's financial capabilities, e.g.:



- extending the repayment period,
- temporary suspension of instalments in the principal part / entire instalment,
- conversion of a renewable product into an instalment product,
- sale of assets (not applicable to the retail segment),
- sale of a part of the borrower’s business activity (not applicable to the retail segment),
- partial write-off of financial liabilities (not applicable to the retail segment),
- the Bank’s participation in restructuring based on the provisions of the *Restructuring Law*.

The decision to start restructuring is made after a detailed assessment and approval by the relevant decision-making body in the Bank. After a successfully completed restructuring process, the borrower is again subject to standard credit risk monitoring procedures.

- Debt collection - i.e. recovery by the Bank of receivables from established legal securities or from other assets of the client or from assets of obligated third parties. The Bank may pursue its receivables by initiating enforcement proceedings or participating in bankruptcy proceedings or, in relation to retail clients, by way of amicable recovery, i.e. enabling the client to make voluntary repayments under the debt collection strategy.

Forbearance

Forbearance occurs if the Bank considers that the client will not be able to meet his financial obligations due to financial difficulties (established or expected) and decides to grant him amenities.

Forbearance shall be identified if the following cumulative conditions are met:

- the customer is unable to meet its financial obligations under the loan agreement at the Bank due to existing or expected financial difficulties,
- the Bank shall grant a relaxation facility that would not have been granted if the customer had not experienced financial difficulties.

Financial difficulties are understood as the situation of a client who is experiencing or will soon begin to experience difficulties in fulfilling his financial obligations.

Retail exposures meeting the criteria of statutory moratoria were classified to Stage 3 with simultaneous recognition of emergency restructuring.

Detailed quantitative disclosures regarding the distribution of the loan portfolio between the performing and non-performing, detailing exposures with forbearance facilities granted, are presented later in the chapter in section 2.10.5.

2.9. Risk management rules in subsidiaries

Credit risk management in subsidiaries ING Lease (Polska) Sp. z o.o., ING Commercial Finance S.A. and ING Bank Hipoteczny S.A. is subject to the same main rules as in ING Bank Śląski S.A., taking into account the specificity of the activities of these entities.

As part of the risk management process, the Bank supervises:

- the credit portfolio of subsidiaries by assessing the size and risk profile of the credit portfolio related to their activities,
- the principles of identifying, measuring and mitigating risk and credit risk management of individual credit transactions of subsidiaries,
- the level of market risk (including liquidity risk) in subsidiaries through setting limits and monitoring positions.

Supervision of related entities is exercised by the Bank through:

- application of uniform credit risk models in the rating process,
- application of uniform principles for analysing and assessing transactions at credit risk, taking into account the specificity of the related party,
- application of harmonised rules and levels of credit competence,
- granting authorisations to make credit decisions,
- establishing contractual terms and conditions of mutual cooperation in the field of granting financing in the case of selected types of transactions with credit risk,
- exchange of information on the Bank’s preferred solutions and tools supporting credit risk management,
- providing information on the Bank’s sectoral policy, directions of lending and other industry documents,
- cooperation in the preparation of credit risk reports,
- monitoring and assessing the level of risk, including the quality of the companies’ portfolio by the NCPs,
- advising on significant initiatives in the area of credit risk management by the NCP.



In the area of determining and reporting impairment losses on credit exposures and provisions for off-balance sheet credit exposures, related entities are obliged to apply the principles binding at the Bank. The levels of impairment allowances and provisions set by related entities are presented at quarterly meetings of the LLP Committee. In addition, the Bank's representatives are members of the Supervisory Boards of subsidiaries, because the companies' activities, similarly to the Bank's activities, are related to generating credit risk.

Additional aspects of risk management in subsidiaries

- ING Lease Polska Sp. z o.o.:
 - is the owner of the items financed under the leasing agreement, which are the basic collateral for the transaction,
 - after terminating the lease agreement, may take physical control over the collateral and sell it, which reduces or completely eliminates the loss on the credit exposure,
 - has an extensive procedure for verifying the supplier and the leased item in order to reduce the risk of fraud and the risk associated with financing the item with a physical or legal defect,
 - within the scope of internal procedures, it verifies both the supplier (if necessary also entities related to the supplier) / the intermediary trading in the financed asset, which minimises the risk of delivery of the financed asset.
- ING Commercial Finance Polska S.A.:
 - the main source of repayment of the exposure are receivables covered by the factoring agreement, both in the case of factoring with and without recourse,
 - as a rule, acquires receivables with the assumption of the solvency risk of recipients after prior insurance of these receivables,
 - offers factoring to clients with the assumption of the solvency risk of recipients on the terms of insurance contracts concluded by clients with insurers, so-called 'Entering into the rights and obligations of the customer's insurance contract'.
- ING Bank Hipoteczny S.A.:
 - ING Bank Hipoteczny S.A. acquires from ING Bank Śląski S.A. receivables which, after assessing their suitability as collateral for loans granted and determining the mortgage lending value of the real estate, secure the issue of covered bonds,

- ING Bank Hipoteczny S.A. bases its operations on ongoing and close cooperation with the CRO Division and the COO Division of Bank Śląski S.A.

2.10. Quantitative disclosure on credit risk

- 2.10.1. Maximum exposure to credit risk
- 2.10.2. Quality of the loan portfolio
- 2.10.3. Concentration of exposures
- 2.10.4. Collaterals
- 2.10.5. Loan portfolio performing and non-performing and exposures with forbearance granted
- 2.10.6. Credit quality of other financial assets
- 2.10.7. Modification of contractual cash flows



2.10.1. Maximum exposure to credit risk

	2023	2022
Loans and other receivables to other banks	19,909.1	5,161.1
Financial assets measured at fair value through profit or loss (excluding derivatives and equity instruments), including:	2,438.7	2,114.2
Financial assets held for trading	2,400.1	2,059.6
valuation of derivatives	899.8	974.9
other financial assets held for trading, including:	1,500.3	1,084.7
debt securities, including:	884.5	607.1
Treasury bonds in PLN	732.8	566.9
Czech Treasury bonds	151.2	39.8
European Investment Bank bonds	0.5	0.4
repo transactions	615.8	477.6
Financial assets other than those held for trading, measured at fair value through profit or loss, including:	38.6	54.6
loans obligatorily measured at fair value through profit or loss	38.6	54.6
Derivative hedge instruments	208.4	139.2
Investment securities (excluding equity instruments), including:	56,377.8	48,311.9
Measured at fair value through other comprehensive income, including:	23,680.3	15,691.8
Treasury bonds in PLN	21,345.4	12,153.8
Treasury bonds in EUR	546.1	1,803.4
European Investment Bank bonds	1,377.7	1,308.9
Austrian government bonds	411.1	425.7
Measured at amortised cost, including:	32,697.5	32,620.1
Treasury bonds in PLN	13,095.0	13,352.5
Treasury bonds in EUR	2,940.4	3,192.1
European Investment Bank bonds	6,700.4	6,815.7
Bonds of the Polish Development Fund (PFR)	3,859.7	3,858.4
Bank Gospodarstwa Krajowego bonds	1,804.8	1,802.1
NBP bills	4,297.2	3,599.3

Loans and other receivables to customers measured at amortised cost, including:	156,520.7	154,974.6
Corporate banking	90,839.0	90,285.8
loans in the current account	13,599.2	14,960.8
term loans and advances	53,172.1	51,502.1
lease receivables	13,130.4	12,363.5
factoring receivables	6,747.3	7,682.0
corporate and municipal debt securities	4,190.0	3,777.4
Retail banking	63,908.7	62,805.4
mortgages	55,492.2	54,886.5
loans in the current account	643.7	634.0
other loans and advances	7,772.8	7,284.9
Other receivables	1,773.0	1,883.4
Receivables under other assets	38.5	50.5
Granted off-balance sheet liabilities, of which:	53,197.9	48,158.2
Undrawn credit lines	41,696.8	37,223.5
guarantees	8,112.9	7,455.1
undrawn overdrafts in current account	1,418.1	1,549.7
credit card limits	1,692.9	1,548.2
letters of credit	277.2	381.7
Total	288,691.1	258,909.7



2.10.2. Quality of the loan portfolio

The loan portfolio includes receivables from customers, which consist of loans (both term and overdrafts or card accounts) and other credit claims, such as leasing receivables, factoring receivables and corporate and municipal bonds.

Loan portfolio - balance sheet value and impairment for expected credit losses by Stages

as at 31 December

	2023			2022		
	gross	impairment for expected credit loss	net	gross	impairment for expected credit loss	net
Corporate banking	93,364.1	-2,525.1	90,839.0	92,478.0	-2,192.2	90,285.8
assets in Stage 1	77,535.9	-188.4	77,347.5	75,521.7	-196.5	75,325.2
assets in Stage 2	12,625.7	-413.1	12,212.6	14,301.7	-491.0	13,810.7
assets in Stage 3	3,151.4	-1,923.6	1,227.8	2,601.8	-1,504.7	1,097.1
including individually significant assets	1,742.8	-1,068.7	674.1	1,478.4	-910.7	567.7
POCI assets	51.1	0.0	51.1	52.8	0.0	52.8
Retail banking, including:	64,891.7	-983.0	63,908.7	63,882.4	-1,077.0	62,805.4
mortgages	55,718.5	-226.3	55,492.2	55,155.6	-269.1	54,886.5
assets in Stage 1	50,413.8	-25.1	50,388.7	49,741.1	-45.6	49,695.5
assets in Stage 2	4,981.2	-76.4	4,904.8	5,135.0	-106.5	5,028.5
assets in Stage 3	322.7	-124.8	197.9	279.5	-117.0	162.5
POCI assets	0.8	0.0	0.8	0.0	0.0	0.0
other loans	9,173.2	-756.7	8,416.5	8,726.8	-807.9	7,918.9
assets in Stage 1	7,842.7	-102.8	7,739.9	7,201.2	-145.4	7,055.8
assets in Stage 2	624.9	-123.7	501.2	878.7	-185.8	692.9
assets in Stage 3	703.7	-530.2	173.5	644.8	-476.7	168.1
POCI assets	1.9	0.0	1.9	2.1	0.0	2.1
Total, including:	158,255.8	-3,508.1	154,747.7	156,360.4	-3,269.2	153,091.2
assets in Stage 1	135,792.4	-316.3	135,476.1	132,464.0	-387.5	132,076.5
assets in Stage 2	18,231.8	-613.2	17,618.6	20,315.4	-783.3	19,532.1
assets in Stage 3	4,177.8	-2,578.6	1,599.2	3,526.1	-2,098.4	1,427.7
POCI assets	53.0	0.0	53.0	54.9	0.0	54.9

The Group identifies POCI financial assets whose balance-sheet value as at 31 December 2023 was PLN 53.0 million (PLN 54.9 million as at 31 December 2022). These are exposures to impaired receivables purchased in connection with the acquisition of Bieszczadzka SKOK in 2017 and exposures which were significantly modified as a result of restructuring, which involved the need to remove the original credit or leasing exposure and re-recognise the asset in the statement of financial position.

Sale of non-performing receivables

In 2023, the Group concluded an agreement for the sale of receivables from the non-performing portfolio, which included receivables of retail and corporate customers from the entrepreneurs subsegment. As a result of the transaction non-performing receivables portfolio decreased by PLN 234.2 million and positive impact of the transaction on the Group's gross result amounted to PLN 24.5 million.

In 2022, the Group carried out three transactions of sale of non-performing receivables. The Group concluded the following agreements regarding the sale of receivables from the impaired portfolio:

- Agreement on the sale of corporate receivables, as a result of which the portfolio of impaired receivables decreased by PLN 106.7 million. The positive impact of the transaction on the Group's gross result amounted to PLN 8.6 million.
- Agreement on the sale of retail receivables, as a result of which the portfolio of impaired receivables decreased by PLN 218.9 million. The positive impact of the transaction on the Group's gross result amounted to PLN 64.9 million.
- Agreement for the sale of corporate receivables, as a result of which the portfolio of impaired receivables decreased by PLN 211.8 million. The positive impact of the transaction on the Group's gross result amounted to PLN 9.2 million.

The result on the sale of receivables is presented in the line *Profit on the sale of receivables* under *Impairment for expected credit losses* in the income statement.



Reconciliation of the gross carrying amount (GCA) and changes in impairment for expected credit losses (ECL)

2023

for the year ended 31 December

	Corporate banking										Retail banking										Total	
	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL
	Stage 1		Stage 2		Stage 3		POCI		Total		Stage 1		Stage 2		Stage 3		POCI		Total		GCA	ECL
Opening balance	75,521.7	-196.5	14,301.7	-491.0	2,601.8	-1,504.7	52.8	0.0	92,478.0	-2,192.2	56,942.3	-191.0	6,013.7	-292.3	924.3	-593.7	2.1	0.0	63,882.4	-1,077.0	156,360.4	-3,269.2
Changes in the period, including:	2,014.2	8.1	-1,676.0	77.9	549.6	-418.9	-1.7	0.0	886.1	-332.9	1,314.2	63.1	-407.6	92.2	102.1	-61.3	0.6	0.0	1,009.3	94.0	1,895.4	-238.9
loans granted in the period	28,588.8	-129.5	-	-	-	-	-	-	28,588.8	-129.5	9,262.6	-55.3	-	-	-	-	0.6	-	9,263.2	-55.3	37,852.0	-184.8
transfer to and from Stage 1	4,384.0	-14.7	-4,376.1	107.5	-7.9	3.1	-	-	0.0	95.9	916.2	-6.7	-901.7	68.2	-14.5	11.5	-	-	0.0	73.0	0.0	168.9
transfer to and from Stage 2	-7,915.7	55.6	7,962.0	-230.1	-46.3	11.2	-	-	0.0	-163.3	-1,312.7	15.0	1,387.3	-99.8	-74.6	47.2	-	-	0.0	-37.6	0.0	-200.9
transfer to and from Stage 3	-720.5	8.4	-519.2	62.4	1,239.7	-462.2	-	-	0.0	-391.4	-251.9	9.8	-204.5	58.9	456.4	-233.0	-	-	0.0	-164.3	0.0	-555.7
repayment (total and partial) and the release of new tranches	-22,322.4	37.2	-4,742.7	117.1	-484.4	143.8	-1.7	-	-27,551.2	298.1	-7,360.3	40.5	-704.6	32.8	-146.3	63.9	-	-	-8,211.2	137.2	-35,762.4	435.3
changed provisioning under impairment for expected credit losses	-	35.2	-	-136.1	-	-145.1	-	-	0.0	-246.0	-	35.7	-	-7.5	-	62.2	-	-	0.0	90.4	0.0	-155.6
management adjustments	-	14.1	-	152.3	-	-106.5	-	-	0.0	59.9	-	24.1	-	39.4	-	-113.5	-	-	0.0	-50.0	0.0	9.9
Total impairment for expected credit losses in the profit and loss account		6.3		73.1		-555.7		0.0		-476.3		63.1		92.0		-161.7		0.0		-6.6		-482.9
derecognition from the balance sheet (write-downs, sale)	-	-	-	-	-151.5	151.5	-	-	-151.5	151.5	-	-	-	-	-114.1	114.1	-	-	-114.1	114.1	-265.6	265.6
calculation of penalty interest (for late payment)	-	-	-	-	231.1	-	-	-	231.1	0.0	-	-	-	-	58.0	-	-	-	58.0	0.0	289.1	0.0
writing down penalty interest (for late payment)	-	-	-	-	-231.1	-	-	-	-231.1	0.0	-	-	-	-	-58.0	-	-	-	-58.0	0.0	-289.1	0.0
value adjustment for legal risk of CHF mortgage loans	-	-	-	-	-	-	-	-	0.0	0.0	60.3	-	15.9	-	-4.8	-	-	-	71.4	0.0	71.4	0.0
calculation and write-off of effective interest	-	-	-	-	-	-47.0	-	-	0.0	-47.0	-	-	-	-	-	-11.2	-	-	0.0	-11.2	0.0	-58.2
other	-	1.8	-	4.8	-	32.3	-	-	0.0	38.9	-	-	-	0.2	-	-2.5	-	-	0.0	-2.3	0.0	36.6
Closing balance	77,535.9	-188.4	12,625.7	-413.1	3,151.4	-1,923.6	51.1	0.0	93,364.1	-2,525.1	58,256.5	-127.9	5,606.1	-200.1	1,026.4	-655.0	2.7	0.0	64,891.7	-983.0	158,255.8	-3,508.1



Consolidated income statement

Consolidated statement of comprehensive income

Consolidated statement of financial position

Consolidated statement of changes in equity

Consolidated cash flow statement

Accounting policy and additional notes

Risk and capital management

2022

for the year ended 31 December

	Corporate banking										Retail banking										Total	
	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL
	Stage 1		Stage 2		Stage 3		POCI		Total		Stage 1		Stage 2		Stage 3		POCI		Total		GCA	ECL
Opening balance	70,654.1	-168.7	6,466.2	-218.4	2,743.1	-1,771.1	51.1	0.0	79,914.5	-2,158.2	64,102.6	-107.0	1,370.8	-139.4	1,010.2	-709.0	2.2	0.0	66,485.8	-955.4	146,400.3	-3,113.6
Changes in the period, including:	4,867.6	-27.8	7,835.5	-272.6	-141.3	266.4	1.7	0.0	12,563.5	-34.0	-7,160.3	-84.0	4,642.9	-152.9	-85.9	115.3	-0.1	0.0	-2,603.4	-121.6	9,960.1	-155.6
loans granted in the period	19,973.5	-98.1	-	-	-	-	1.7	-	19,975.2	-98.1	23,049.3	-75.5	-	-	-	-	-	-	23,049.3	-75.5	43,024.5	-173.6
transfer to and from Stage 1	1,155.6	-4.4	-1,152.3	24.6	-3.3	2.0	-	-	0.0	22.2	249.8	-4.0	-233.9	25.0	-15.9	13.7	-	-	0.0	34.7	0.0	56.9
transfer to and from Stage 2	-11,170.7	39.3	11,195.1	-314.9	-24.4	22.0	-	-	0.0	-253.6	-5,131.2	14.4	5,289.8	-204.5	-158.7	86.4	-	-	-0.1	-103.7	-0.1	-357.3
transfer to and from Stage 3	-381.9	3.5	-278.3	25.0	660.2	-235.3	-	-	0.0	-206.8	-320.1	5.8	-137.4	28.8	457.6	-248.9	-	-	0.1	-214.3	0.1	-421.1
repayment (total and partial) and the release of new tranches	-4,708.9	23.7	-1,929.0	61.2	-408.5	122.4	-	-	-7,046.4	207.3	-23,192.4	25.7	-214.9	19.1	-189.7	101.1	-0.1	-	-23,597.1	145.9	-30,643.5	353.2
changed provisioning under impairment for expected credit losses	-	-14.3	-	58.0	-	-45.1	-	-	0.0	-1.4	-	-0.6	-	45.5	-	-125.2	-	-	0.0	-80.3	0.0	-81.7
management adjustments	-	23.3	-	-126.4	-	15.4	-	-	0.0	-87.7	-	-49.8	-	-65.9	-	120.3	-	-	0.0	4.6	0.0	-83.1
Total impairment for expected credit losses in the profit and loss account		-27.0		-272.5		-118.6		0.0		-418.1		-84.0		-152.0		-52.6		0.0		-288.6		-706.7
derecognition from the balance sheet (write-downs, sale)	-	-	-	-	-365.3	365.3	-	-	-365.3	365.3	-	-	-	-	-174.7	174.7	-	-	-174.7	174.7	-540.0	540.0
calculation of penalty interest (for late payment)	-	-	-	-	118.4	-	-	-	118.4	0.0	-	-	-	-	50.1	-	-	-	50.1	0.0	168.5	0.0
writing down penalty interest (for late payment)	-	-	-	-	-118.4	-	-	-	-118.4	0.0	-	-	-	-	-50.1	-	-	-	-50.1	0.0	-168.5	0.0
value adjustment due to credit holidays	-	-	-	-	-	-	-	-	0.0	0.0	-1,613.9		-26.5		-4.5	-	-	-	-1,644.9	0.0	-1,644.9	0.0
value adjustment for legal risk of CHF mortgage loans	-	-	-	-	-	-	-	-	0.0	0.0	-201.8	-	-34.2	-	-	-	-	-	-236.0	0.0	-236.0	0.0
calculation and write-off of effective interest	-	-	-	-	-	20.4	-	-	0.0	20.4	-	-	-	-	-	5.7	-	-	0.0	5.7	0.0	26.1
other	-	-0.8	-	-0.1	-	-0.7	-	-	0.0	-1.6	-	0.0	-	-0.9	-	-12.5	-	-	0.0	-13.4	0.0	-15.0
Closing balance	75,521.7	-196.5	14,301.7	-491.0	2,601.8	-1,504.7	52.8	0.0	92,478.0	-2,192.2	56,942.3	-191.0	6,013.7	-292.3	924.3	-593.7	2.1	0.0	63,882.4	-1,077.0	156,360.4	-3,269.2



Changes in the gross carrying amount of the loan portfolio affect the level of impairment for expected credit losses primarily through the disbursement of loans in the period, transfers between Stages and repayments made by borrowers.

In 2023, among loans granted during the year, the most important item are mortgage loans for natural persons (PLN 5,732.5 million), in addition, cash loans for natural persons (PLN 3,348.6 million). A significant part of them are also short-term loans: revolving (PLN 2,547.1 million), working capital loans (PLN 4,812.9 million) and overdrafts (PLN 841.0 million). In the portfolio of loans granted during 2023, there are also leasing receivables (PLN 5,630.7 million) and factoring receivables (PLN 4,097.2 million). Additionally, during 2023, penalty interest of PLN 289.0 million was accrued to the gross carrying amount of loans and other receivables granted to customers, which were written off in full. At the end of 2023, the amount of written-off penalty interest that is subject to debt collection activities was PLN 708.9 million.

In 2022, among loans granted during the year, the most important item was mortgage loans for individuals (PLN 7,708.7 million), in addition, cash loans for individuals (PLN 2,787.9 million). A significant part of them are also short-term loans: revolving (PLN 1,082.9 million), working capital loans (PLN 5,977.0 million) and overdrafts (PLN 2,494.3 million). In the portfolio of loans granted during 2022, there were also leasing receivables (PLN 5,287.6 million) and factoring receivables (PLN 5,813.9 million). Additionally, during 2022, penalty interest of PLN 168.5 million was accrued to the gross carrying amount of loans and other receivables granted to customers, which were written off in full. At the end of 2022, the amount of written-off penalty interest that was subject to debt collection activities was PLN 498.6 million.

Loan portfolio - on- and off-balance sheet exposures by risk classes

The Group divides risk classes into four basic groups. The risk classes are divided into short-term Moody's ratings, as shown in the table below.

No	risk class group	risk class range	short-term rating of Moody's
1.	a group of classes corresponding to investment grade	1-10	od Aaa do Baa3
2.	a group of classes corresponding to speculative ratings	11-17	od Ba1 do Caa3
3.	a group of classes of potentially non-performing exposures	18-19	od Ca do C
4.	a group of classes of non-regular exposures	20-22	-

For ratings 20-22, the probability of default is 100%.



2023

Exposures to corporate clients

as at 31 December										
risk class range	Stage 1		Stage 2		Stage 3		POCI		Total	
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet
1-10	32,109.3	20,070.9	350.0	276.6	0.3	0.0	0.0	0.0	32,459.6	20,347.5
11-17	45,048.9	24,963.9	9,512.6	2,266.7	26.2	1.9	0.0	0.0	54,587.7	27,232.5
18-19	377.7	268.7	2,761.7	261.8	11.8	2.7	0.0	0.0	3,151.2	533.2
20-22	0.0	0.0	1.4	0.0	3,113.1	89.2	51.1	0.0	3,165.6	89.2
Total Gross	77,535.9	45,303.5	12,625.7	2,805.1	3,151.4	93.8	51.1	0.0	93,364.1	48,202.4
ECL	-188.4	-27.8	-413.1	-21.6	-1,923.6	-55.2	0.0	0.0	-2,525.1	-104.6
Net total	77,347.5	45,275.7	12,212.6	2,783.5	1,227.8	38.6	51.1	0.0	90,839.0	48,097.8

Exposure to retail clients – total

as at 31 December										
risk class range	Stage 1		Stage 2		Stage 3		POCI		Total	
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet
1-10	50,100.1	2,806.4	4,000.3	95.5	0.0	0.0	0.0	0.0	54,100.4	2,901.9
11-17	8,151.1	395.7	1,244.6	22.9	0.0	0.0	1.8	0.0	9,397.5	418.6
18-19	5.3	0.0	361.2	2.4	0.0	0.0	0.1	0.0	366.6	2.4
20-22	0.0	0.0	0.0	0.0	1,026.4	2.6	0.8	0.0	1,027.2	2.6
Total Gross	58,256.5	3,202.1	5,606.1	120.8	1,026.4	2.6	2.7	0.0	64,891.7	3,325.5
ECL	-127.9	-5.4	-200.1	-2.9	-655.0	-2.7	0.0	0.0	-983.0	-11.0
Net total	58,128.6	3,196.7	5,406.0	117.9	371.4	-0.1	2.7	0.0	63,908.7	3,314.5

Exposure to retail clients - mortgage loans and advances

as at 31 December										
risk class range	Stage 1		Stage 2		Stage 3		POCI		Total	
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet
1-10	49,210.3	1,248.9	3,982.9	3.7	0.0	0.0	0.0	0.0	53,193.2	1,252.6
11-17	1,203.5	45.6	865.1	0.8	0.0	0.0	0.0	0.0	2,068.6	46.4
18-19	0.0	0.0	133.2	1.3	0.0	0.0	0.0	0.0	133.2	1.3
20-22	0.0	0.0	0.0	0.0	322.7	0.0	0.8	0.0	323.5	0.0
Total Gross	50,413.8	1,294.5	4,981.2	5.8	322.7	0.0	0.8	0.0	55,718.5	1,300.3
ECL	-25.1	-0.3	-76.4	-0.1	-124.8	0.0	0.0	0.0	-226.3	-0.4
Net total	50,388.7	1,294.2	4,904.8	5.7	197.9	0.0	0.8	0.0	55,492.2	1,299.9

Exposure to retail clients - other loans and advances

as at 31 December										
risk class range	Stage 1		Stage 2		Stage 3		POCI		Total	
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet
1-10	889.8	1,557.5	17.4	91.8	0.0	0.0	0.0	0.0	907.2	1,649.3
11-17	6,947.6	350.1	379.5	22.1	0.0	0.0	1.8	0.0	7,328.9	372.2
18-19	5.3	0.0	228.0	1.1	0.0	0.0	0.1	0.0	233.4	1.1
20-22	0.0	0.0	0.0	0.0	703.7	2.6	0.0	0.0	703.7	2.6
Total Gross	7,842.7	1,907.6	624.9	115.0	703.7	2.6	1.9	0.0	9,173.2	2,025.2
ECL	-102.8	-5.1	-123.7	-2.8	-530.2	-2.7	0.0	0.0	-756.7	-10.6
Net total	7,739.9	1,902.5	501.2	112.2	173.5	-0.1	1.9	0.0	8,416.5	2,014.6



2022

Exposures to corporate clients

as at 31 December										
risk class range	Stage 1		Stage 2		Stage 3		POCI		Total	
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet
1-10	28,563.9	16,853.2	3,360.7	2,215.3	0.0	0.1	0.0	0.0	31,924.6	19,068.6
11-17	46,945.6	21,366.9	9,921.1	2,366.9	367.0	2.1	0.0	0.0	57,233.7	23,735.9
18-19	12.2	302.6	1,019.9	204.6	14.2	3.1	0.0	0.0	1,046.3	510.3
20-22	0.0	0.0	0.0	0.0	2,220.6	80.2	52.8	0.0	2,273.4	80.2
Total Gross	75,521.7	38,522.7	14,301.7	4,786.8	2,601.8	85.5	52.8	0.0	92,478.0	43,395.0
ECL	-196.5	-11.5	-491.0	-30.3	-1,504.7	-2.7	0.0	0.0	-2,192.2	-44.5
Net total	75,325.2	38,511.2	13,810.7	4,756.5	1,097.1	82.8	52.8	0.0	90,285.8	43,350.5

Exposure to retail clients – total

as at 31 December										
risk class range	Stage 1		Stage 2		Stage 3		POCI		Total	
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet
1-10	49,588.8	2,914.4	4,180.2	132.6	0.0	0.0	0.0	0.0	53,769.0	3,047.0
11-17	7,349.8	356.3	1,514.3	54.6	0.0	0.0	1.8	0.0	8,865.9	410.9
18-19	3.7	0.2	319.2	1.5	0.0	0.0	0.1	0.0	323.0	1.7
20-22	0.0	0.0	0.0	0.0	924.3	4.1	0.2	0.0	924.5	4.1
Total Gross	56,942.3	3,270.9	6,013.7	188.7	924.3	4.1	2.1	0.0	63,882.4	3,463.7
ECL	-191.0	-27.8	-292.3	-23.6	-593.7	-11.9	0.0	0.0	-1,077.0	-63.3
Net total	56,751.3	3,243.1	5,721.4	165.1	330.6	-7.8	2.1	0.0	62,805.4	3,400.4

Exposure to retail clients - mortgage loans and advances

as at 31 December										
risk class range	Stage 1		Stage 2		Stage 3		POCI		Total	
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet
1-10	48,807.6	1,490.9	4,152.3	12.7	0.0	0.0	0.0	0.0	52,959.9	1,503.6
11-17	933.2	38.5	891.9	0.9	0.0	0.0	0.0	0.0	1,825.1	39.4
18-19	0.3	0.0	90.8	0.4	0.0	0.0	0.0	0.0	91.1	0.4
20-22	0.0	0.0	0.0	0.0	279.5	0.4	0.0	0.0	279.5	0.4
Total Gross	49,741.1	1,529.4	5,135.0	14.0	279.5	0.4	0.0	0.0	55,155.6	1,543.8
ECL	-45.6	-0.7	-106.5	-0.1	-117.0	-0.1	0.0	0.0	-269.1	-0.9
Net total	49,695.5	1,528.7	5,028.5	13.9	162.5	0.3	0.0	0.0	54,886.5	1,542.9

Exposure to retail clients - other loans and advances

as at 31 December										
risk class range	Stage 1		Stage 2		Stage 3		POCI		Total	
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet
1-10	781.2	1,423.5	27.9	119.9	0.0	0.0	0.0	0.0	809.1	1,543.4
11-17	6,416.6	317.8	622.4	53.7	0.0	0.0	1.8	0.0	7,040.8	371.5
18-19	3.4	0.2	228.4	1.1	0.0	0.0	0.1	0.0	231.9	1.3
20-22	0.0	0.0	0.0	0.0	644.8	3.7	0.2	0.0	645.0	3.7
Total Gross	7,201.2	1,741.5	878.7	174.7	644.8	3.7	2.1	0.0	8,726.8	1,919.9
ECL	-145.4	-27.1	-185.8	-23.5	-476.7	-11.8	0.0	0.0	-807.9	-62.4
Net total	7,055.8	1,714.4	692.9	151.2	168.1	-8.1	2.1	0.0	7,918.9	1,857.5



Exposures to clients by DPD

2023

Exposures to corporate clients

as at 31 December										
number of days past due	Stage 1		Stage 2		Stage 3		POCI		Total	
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet
0	76,058.3	45,303.5	11,534.0	2,750.8	645.1	86.9	51.1	0.0	88,288.5	48,141.2
1-30	1,474.9	0.0	861.9	54.3	141.6	6.8	0.0	0.0	2,478.4	61.1
31-60	1.8	0.0	172.5	0.0	76.8	0.0	0.0	0.0	251.1	0.0
61-90	0.5	0.0	56.0	0.0	64.5	0.0	0.0	0.0	121.0	0.0
91-180	0.4	0.0	0.5	0.0	211.0	0.0	0.0	0.0	211.9	0.0
181-365	0.0	0.0	0.2	0.0	451.5	0.1	0.0	0.0	451.7	0.1
>365	0.0	0.0	0.6	0.0	1,560.9	0.0	0.0	0.0	1,561.5	0.0
Total Gross	77,535.9	45,303.5	12,625.7	2,805.1	3,151.4	93.8	51.1	0.0	93,364.1	48,202.4

Exposure to retail clients – total

as at 31 December										
number of days past due	Stage 1		Stage 2		Stage 3		POCI		Total	
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet
0	57,952.4	3,202.1	4,892.0	120.8	324.7	2.6	2.3	0.0	63,171.4	3,325.5
1-30	304.1	0.0	562.8	0.0	54.9	0.0	0.4	0.0	922.2	0.0
31-60	0.0	0.0	121.5	0.0	22.7	0.0	0.0	0.0	144.2	0.0
61-90	0.0	0.0	29.7	0.0	18.7	0.0	0.0	0.0	48.4	0.0
91-180	0.0	0.0	0.1	0.0	88.3	0.0	0.0	0.0	88.4	0.0
181-365	0.0	0.0	0.0	0.0	140.1	0.0	0.0	0.0	140.1	0.0
>365	0.0	0.0	0.0	0.0	377.0	0.0	0.0	0.0	377.0	0.0
Total Gross	58,256.5	3,202.1	5,606.1	120.8	1,026.4	2.6	2.7	0.0	64,891.7	3,325.5

Exposure to retail clients - mortgage loans and advances

as at 31 December										
number of days past due	Stage 1		Stage 2		Stage 3		POCI		Total	
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet
0	50,202.7	1,294.5	4,548.5	5.8	134.3	0.0	0.8	0.0	54,886.3	1,300.3
1-30	211.1	0.0	324.9	0.0	16.2	0.0	0.0	0.0	552.2	0.0
31-60	0.0	0.0	93.2	0.0	9.1	0.0	0.0	0.0	102.3	0.0
61-90	0.0	0.0	14.5	0.0	6.4	0.0	0.0	0.0	20.9	0.0
91-180	0.0	0.0	0.1	0.0	31.0	0.0	0.0	0.0	31.1	0.0
181-365	0.0	0.0	0.0	0.0	31.6	0.0	0.0	0.0	31.6	0.0
>365	0.0	0.0	0.0	0.0	94.1	0.0	0.0	0.0	94.1	0.0
Total Gross	50,413.8	1,294.5	4,981.2	5.8	322.7	0.0	0.8	0.0	55,718.5	1,300.3

Exposure to retail clients - other loans and advances

as at 31 December										
number of days past due	Stage 1		Stage 2		Stage 3		POCI		Total	
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet
0	7,749.7	1,907.6	343.5	115.0	190.4	2.6	1.5	0.0	8,285.1	2,025.2
1-30	93.0	0.0	237.9	0.0	38.7	0.0	0.4	0.0	370.0	0.0
31-60	0.0	0.0	28.3	0.0	13.6	0.0	0.0	0.0	41.9	0.0
61-90	0.0	0.0	15.2	0.0	12.3	0.0	0.0	0.0	27.5	0.0
91-180	0.0	0.0	0.0	0.0	57.3	0.0	0.0	0.0	57.3	0.0
181-365	0.0	0.0	0.0	0.0	108.5	0.0	0.0	0.0	108.5	0.0
>365	0.0	0.0	0.0	0.0	282.9	0.0	0.0	0.0	282.9	0.0
Total Gross	7,842.7	1,907.6	624.9	115.0	703.7	2.6	1.9	0.0	9,173.2	2,025.2



2022

Exposures to corporate clients

as at 31 December										
number of days past due	Stage 1		Stage 2		Stage 3		POCI		Total	
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet
0	74,035.8	38,521.4	13,780.9	4,786.8	707.3	85.5	52.8	0.0	88,576.8	43,393.7
1-30	1,484.2	1.3	362.4	0.0	75.3	0.0	0.0	0.0	1,921.9	1.3
31-60	1.0	0.0	127.1	0.0	62.0	0.0	0.0	0.0	190.1	0.0
61-90	0.5	0.0	28.1	0.0	59.8	0.0	0.0	0.0	88.4	0.0
91-180	0.2	0.0	2.5	0.0	121.2	0.0	0.0	0.0	123.9	0.0
181-365	0.0	0.0	0.7	0.0	173.5	0.0	0.0	0.0	174.2	0.0
>365	0.0	0.0	0.0	0.0	1,402.7	0.0	0.0	0.0	1,402.7	0.0
Total Gross	75,521.7	38,522.7	14,301.7	4,786.8	2,601.8	85.5	52.8	0.0	92,478.0	43,395.0

Exposure to retail clients – total

as at 31 December										
number of days past due	Stage 1		Stage 2		Stage 3		POCI		Total	
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet
0	56,719.4	3,270.9	5,332.4	188.7	306.4	4.1	1.6	0.0	62,359.8	3,463.7
1-30	222.9	0.0	567.0	0.0	49.9	0.0	0.3	0.0	840.1	0.0
31-60	0.0	0.0	86.1	0.0	20.4	0.0	0.1	0.0	106.6	0.0
61-90	0.0	0.0	28.1	0.0	20.6	0.0	0.0	0.0	48.7	0.0
91-180	0.0	0.0	0.1	0.0	84.5	0.0	0.0	0.0	84.6	0.0
181-365	0.0	0.0	0.0	0.0	123.4	0.0	0.0	0.0	123.4	0.0
>365	0.0	0.0	0.0	0.0	319.1	0.0	0.1	0.0	319.2	0.0
Total Gross	56,942.3	3,270.9	6,013.7	188.7	924.3	4.1	2.1	0.0	63,882.4	3,463.7

Exposure to retail clients - mortgage loans and advances

as at 31 December										
number of days past due	Stage 1		Stage 2		Stage 3		POCI		Total	
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet
0	49,567.2	1,529.4	4,750.1	14.0	136.1	0.4	0.0	0.0	54,453.4	1,543.8
1-30	173.9	0.0	322.2	0.0	15.5	0.0	0.0	0.0	511.6	0.0
31-60	0.0	0.0	51.6	0.0	6.0	0.0	0.0	0.0	57.6	0.0
61-90	0.0	0.0	11.0	0.0	6.2	0.0	0.0	0.0	17.2	0.0
91-180	0.0	0.0	0.1	0.0	14.6	0.0	0.0	0.0	14.7	0.0
181-365	0.0	0.0	0.0	0.0	13.5	0.0	0.0	0.0	13.5	0.0
>365	0.0	0.0	0.0	0.0	87.6	0.0	0.0	0.0	87.6	0.0
Total Gross	49,741.1	1,529.4	5,135.0	14.0	279.5	0.4	0.0	0.0	55,155.6	1,543.8

Exposure to retail clients - other loans and advances

as at 31 December										
number of days past due	Stage 1		Stage 2		Stage 3		POCI		Total	
	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet	on-balance sheet	off-balance sheet
0	7,152.2	1,741.5	582.3	174.7	170.3	3.7	1.6	0.0	7,906.4	1,919.9
1-30	49.0	0.0	244.8	0.0	34.4	0.0	0.3	0.0	328.5	0.0
31-60	0.0	0.0	34.5	0.0	14.4	0.0	0.1	0.0	49.0	0.0
61-90	0.0	0.0	17.1	0.0	14.4	0.0	0.0	0.0	31.5	0.0
91-180	0.0	0.0	0.0	0.0	69.9	0.0	0.0	0.0	69.9	0.0
181-365	0.0	0.0	0.0	0.0	109.9	0.0	0.0	0.0	109.9	0.0
>365	0.0	0.0	0.0	0.0	231.5	0.0	0.1	0.0	231.6	0.0
Total Gross	7,201.2	1,741.5	878.7	174.7	644.8	3.7	2.1	0.0	8,726.8	1,919.9



2.10.3. Concentration of exposures

Concentration of exposures to corporate clients in national economy sectors

2023

as at 31 December					
National economy sector	balance sheet and off-balance sheet exposure in PLN million (gross carrying amount)				share in the total exposure
	Stage 1	Stage 2	Stage 3	Total	(in %)
wholesale trade	14,817.1	1,985.0	474.3	17,276.4	12.2%
construction	8,307.9	1,019.2	359.6	9,686.7	6.8%
property services	7,239.6	1,368.5	249.8	8,857.9	6.3%
other business operations	7,166.2	1,139.1	156.5	8,461.8	6.0%
financial intermediation	8,131.6	7.5	16.2	8,155.3	5.8%
retail trade	6,065.4	546.6	243.6	6,855.6	4.8%
land and pipeline transport	5,036.2	922.2	189.4	6,147.8	4.3%
production of foodstuffs and beverages	4,906.6	978.8	243.4	6,128.8	4.3%
manufacturing of metal final products	4,938.3	928.0	169.3	6,035.6	4.3%
rubber industry	4,294.6	560.8	94.2	4,949.6	3.5%
production of chemicals, chemical products	3,323.3	1,132.4	21.5	4,477.2	3.2%
rental of equipment	3,504.9	290.6	37.2	3,832.7	2.7%
power generation	3,167.6	318.4	99.6	3,585.6	2.5%
wood and paper industry	3,189.0	251.9	119.0	3,559.9	2.5%
post and telecommunications	3,437.9	33.3	17.7	3,488.9	2.5%
sales, repair and maintenance of motor vehicles	3,093.7	238.0	75.0	3,406.7	2.4%
public administration and national defence	2,677.0	283.8	0.0	2,960.8	2.1%
machine industry	2,494.0	301.8	72.1	2,867.9	2.0%
agriculture, forestry, fishery	1,943.2	452.7	148.0	2,543.9	1.8%
others	25,105.2	2,672.2	510.0	28,287.4	20.0%
Total	122,839.3	15,430.8	3,296.4	141,566.5	100%

2022

as at 31 December					
National economy sector	balance sheet and off-balance sheet exposure in PLN million (gross carrying amount)				share in the total exposure
	Stage 1	Stage 2	Stage 3	Total	(in %)
wholesale trade	14,470.2	1,995.3	403.4	16,868.9	12.4%
property services	7,744.5	2,033.3	259.5	10,037.3	7.4%
construction	7,309.6	1,065.2	272.4	8,647.2	6.4%
retail trade	6,900.9	525.9	154.6	7,581.4	5.6%
other business operations	6,003.5	1,190.7	152.4	7,346.6	5.4%
financial intermediation	6,118.3	862.7	1.3	6,982.3	5.1%
production of foodstuffs and beverages	5,375.5	863.3	258.3	6,497.1	4.8%
manufacturing of metal final products	5,238.7	667.6	142.7	6,049.0	4.5%
land and pipeline transport	4,631.3	907.2	170.7	5,709.2	4.2%
rubber industry	4,172.5	498.3	46.6	4,717.4	3.5%
production of chemicals, chemical products	2,359.2	2,074.3	2.3	4,435.8	3.3%
power generation	3,869.8	14.0	111.4	3,995.2	2.9%
wood and paper industry	3,253.2	290.1	66.4	3,609.7	2.7%
rental of equipment	2,715.2	436.1	13.9	3,165.2	2.3%
public administration and national defence	1,416.5	1,682.0	0.0	3,098.5	2.3%
post and telecommunications	2,938.6	48.5	17.0	3,004.1	2.2%
sales, repair and maintenance of motor vehicles	2,591.5	267.5	73.6	2,932.6	2.2%
agriculture, forestry, fishery	2,043.0	292.6	111.7	2,447.3	1.8%
machine industry	2,067.4	251.3	54.1	2,372.8	1.7%
others	22,825.1	3,122.6	427.7	26,375.4	19.4%
Total	114,044.5	19,088.5	2,740.0	135,873.0	100%



Group's largest exposures

The table below presents the 20 largest exposures of the Group to entities / groups of related parties (including groups of entities in which the Bank is the parent entity).

The amount of exposures includes the value of on-balance sheet assets (loans granted, deposits submitted, debt securities), off-balance sheet liabilities granted and the value of balance sheet equivalent of derivatives. Exposures were reduced by the amounts of exemptions allowed in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR). The list does not include exposures to the State Treasury, but among the mentioned groups of entities there are those in which the State Treasury exercises control.

Entity/group of related entities	Group's exposures	
	2023	2022
Group 1	2,752.1	2,453.8
Group 2	2,118.0	1,659.6
Group 3 (banking)	2,101.2	2,181.0
Group 4 (banking) *	1,751.8	1,647.4
Group 5	1,542.3	962.3
Group 6	1,511.4	2,264.2
Group 7	1,352.0	1,431.2
Group 8	1,248.9	930.4
Group 9 (banking)	1,216.4	1,323.6
Group 10	1,180.4	1,233.4
Group 11	1,057.2	1,069.8
Group 12	1,026.2	0.0
Group 13	1,016.9	998.0
Group 14	1,015.0	858.4
Group 15	923.3	868.9
Group 16	750.8	496.1
Group 17	740.1	1,290.4
Group 18	727.6	754.0
Group 19	680.2	272.8
Group 20 (banking) *	668.6	542.6

* exclusions of exposures from concentration limits were applied on the basis of the provisions of Article 400 CRR

In addition, the Group has exposures to the State Treasury, the total value of which, without taking into account the exemptions allowed by the CRR, amounted to PLN 44,807.2 million as at 31 December 2023 (compared to PLN 37,472.5 million as at 31 December 2022). The exposure consists mainly of the value of State Treasury bonds, bonds of the Polish Development Fund and bonds of Bank Gospodarstwa Krajowego as well as the value of buy-sell-back transactions, nostro accounts and guarantees and sureties of Korporacja Ubezpieczeń Kredytów Eksportowych (KUKE) S.A.

2.10.4. Collaterals

Maximum recognisable amount of collateral or guarantee

The Group applies collateral on the following assets: cash (deposit in the Bank or another bank), liquid securities, real estate, means of transport, receivables, machinery and equipment, inventories, intangible assets and other collateral.

The value of collateral for Stage 3 credit exposures in the amount not exceeding the balances of individual loans as at 31 December 2023 amounted to PLN 1,373.7 million compared to PLN 970.3 million at the end of 2022.

The tables on the next page show the value of collateral not exceeding the carrying amount of the related credit exposures. The presented values of collateral result from the assumptions adopted by the Group for determining the nominal value of collateral, the general principles of which for the main types of collateral are as follows:

- The value of real estate collateral is the lower of the two values, i.e. the value determined as a result of the Group's verification of the value of the real estate (not higher than the market value specified in the valuation report or internal valuation report) or determined in the cyclical monitoring / update process, after deducting the previously incurred mortgage charges and the value of the mortgage register entry.
- The value of collateral for machinery and equipment is the lower of the value of insurance for this item, the net book value and the highest amount of collateral in the case of a registered pledge agreement.
- The value of the collateral in the case of guarantees other than those of the parent or other related company is the lower of the two values, i.e. the amount to which the guarantee is issued or the amount of the credit exposure to which the collateral relates.



2023

as at 31 December

	Maximum recognisable amount of collateral or guarantee				financial guarantees received
	mortgage-backed loans		other secured loans		
	housing loans	commercial loans	cash funds (issued debt instruments)	others	
Loans and advances, of which:	52,566.0	18,544.3	110.0	21,612.5	9,716.0
other financial institutions	586.2	20.7	0.0	80.7	337.0
non-financial entities	492.5	16,666.3	107.6	18,860.9	7,822.0
households	51,487.3	1,850.7	2.4	2,541.2	1,557.0
including: loans to purchase residential properties	46,411.9	600.1	0.0	0.0	1.5
other entities (banks, budgetary sector)	0.0	6.6	0.0	129.7	0.0

2022

as at 31 December

	Maximum recognisable amount of collateral or guarantee				financial guarantees received
	mortgage-backed loans		other secured loans		
	housing loans	commercial loans	cash funds (issued debt instruments)	others	
Loans and advances, of which:	51,324.5	20,743.1	119.7	19,542.9	9,713.9
other financial institutions	627.8	20.0	0.0	19.7	259.5
non-financial entities	514.3	18,474.6	116.5	16,697.2	8,474.6
households	50,182.4	2,245.6	3.2	2,822.1	979.8
including: loans to purchase residential properties	45,594.3	584.5	0.0	0.0	1.5
other entities (banks, budgetary sector)	0.0	2.9	0.0	3.9	0.0

2.10.5. Loan portfolio performing and non-performing and exposures with forbearance granted

The tables below present the breakdown of the loan portfolio into the performing and non- performing portfolio with the breakdown of exposures with forbearance granted. The Group classifies exposures to the quarantine class for which facilities have been applied in the past, and which are currently in the observation period before full healing.

In the income statement for 2023, in *Interest income - interest on loans and other receivables to customers*, interest income on exposures with forbearance facilities was recognised in the amount of PLN 419.0 million (PLN 160.5 million for 2022), of which PLN 351.7 million relates to exposures in the performing portfolio and PLN 67.4 million to exposures in the non- performing portfolio (PLN 112.6 million and PLN 47.9 million, respectively, for 2022).



Loan portfolio - split into the performing and non-performing portfolio, detailing exposures with forbearance granted

2023

as at 31 December

	Performing exposures	including forbearance	modification of terms and conditions	refinancing	quarantine	Non-performing exposures	including forbearance	modification of terms and conditions	refinancing	overdue portfolio	impaired portfolio
Gross loan portfolio, of which:	154,024.2	4,531.5	4,108.2	423.4	4,287.6	4,231.6	1,521.0	1,518.9	2.2	1,045.1	1,527.7
Corporate banking, of which:	90,161.7	3,589.8	3,166.5	423.4	3,375.7	3,202.4	1,138.8	1,136.7	2.2	896.6	1,149.8
loans in the current account	13,568.7	470.0	470.0	0.0	469.7	170.6	93.7	93.7	0.0	28.5	93.7
term loans and advances	52,806.6	2,233.8	1,810.5	423.4	2,230.8	2,566.5	1,005.0	1,002.9	2.2	830.0	1,000.0
lease receivables	12,853.1	180.8	180.8	0.0	0.0	355.4	21.5	21.5	0.0	21.5	37.5
factoring receivables	6,741.6	705.2	705.2	0.0	675.2	109.9	18.6	18.6	0.0	16.6	18.6
corporate and municipal debt securities	4,191.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retail banking segment, including:	63,862.5	941.7	941.7	0.0	911.9	1,029.2	382.2	382.2	0.0	148.5	377.9
mortgages	55,394.9	790.8	790.8	0.0	761.0	323.6	137.9	137.9	0.0	37.0	133.6
loans in the current account	648.6	2.3	2.3	0.0	2.3	57.8	4.0	4.0	0.0	1.7	4.0
other loans and advances	7,819.0	148.6	148.6	0.0	148.6	647.8	240.3	240.3	0.0	109.8	240.3
Impairment for expected credit losses, including:	-929.5	-167.6	-167.5	-0.1	-165.3	-2,578.6	-904.2	-904.0	-0.3	-738.0	-885.3
Corporate banking, of which:	-601.5	-145.3	-145.2	-0.1	-143.1	-1,923.6	-687.9	-687.7	-0.3	-632.0	-670.0
loans in the current account	-81.4	-8.0	-8.0	0.0	-8.0	-58.7	-17.7	-17.7	0.0	-11.5	-17.7
term loans and advances	-466.1	-113.9	-113.8	-0.1	-113.9	-1,734.9	-654.3	-654.1	-0.3	-605.1	-630.1
lease receivables	-21.9	-2.0	-2.0	0.0	0.0	-56.2	-6.5	-6.5	0.0	-6.5	-12.8
factoring receivables	-30.4	-21.4	-21.4	0.0	-21.2	-73.8	-9.4	-9.4	0.0	-8.9	-9.4
corporate and municipal debt securities	-1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retail banking segment, including:	-328.0	-22.3	-22.3	0.0	-22.2	-655.0	-216.3	-216.3	0.0	-106.0	-215.3
mortgages	-101.5	-9.8	-9.8	0.0	-9.7	-124.8	-49.2	-49.2	0.0	-17.8	-48.2
loans in the current account	-24.6	-0.2	-0.2	0.0	-0.2	-38.1	-1.7	-1.7	0.0	-0.9	-1.7
other loans and advances	-201.9	-12.3	-12.3	0.0	-12.3	-492.1	-165.4	-165.4	0.0	-87.3	-165.4



2022

as at 31 December

	Performing exposures	including forbearance	modification of terms and conditions	refinancing	quarantine	Non-performing exposures	including forbearance	modification of terms and conditions	refinancing	overdue portfolio	impaired portfolio
Gross loan portfolio, of which:	152,779.5	2,298.7	2,298.7	0.0	2,132.7	3,580.9	1,470.2	1,467.8	2.5	902.2	1,454.3
Corporate banking, of which:	89,823.4	1,592.9	1,592.9	0.0	1,451.0	2,654.6	1,108.6	1,106.2	2.5	768.5	1,092.7
loans in the current account	14,867.7	177.5	177.5	0.0	176.6	577.1	173.5	173.5	0.0	108.5	173.5
term loans and advances	51,353.8	1,270.1	1,270.1	0.0	1,267.8	1,667.2	881.3	878.8	2.5	608.8	865.3
lease receivables	12,149.5	136.9	136.9	0.0	0.0	329.6	37.4	37.5	0.0	37.5	37.5
factoring receivables	7,670.3	8.4	8.4	0.0	6.6	80.7	16.4	16.4	0.0	13.7	16.4
corporate and municipal debt securities	3,782.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retail banking segment, including:	62,956.1	705.8	705.8	0.0	681.7	926.3	361.6	361.6	0.0	133.7	361.6
mortgages	54,876.2	571.9	571.9	0.0	547.8	279.4	143.3	143.3	0.0	34.4	143.3
loans in the current account	648.6	2.3	2.3	0.0	2.3	48.9	3.1	3.1	0.0	1.3	3.1
other loans and advances	7,431.3	131.6	131.6	0.0	131.6	598.0	215.2	215.2	0.0	98.0	215.2
Impairment for expected credit losses, including:	-1,170.8	-88.2	-88.2	0.0	-85.1	-2,098.4	-809.7	-809.6	-1.6	-598.1	-809.7
Corporate banking, of which:	-687.5	-62.2	-62.2	0.0	-59.1	-1,504.7	-611.0	-610.9	-0.2	-506.6	-611.0
loans in the current account	-121.0	-5.0	-5.0	0.0	-5.0	-363.0	-105.8	-105.8	0.0	-84.6	-105.8
term loans and advances	-494.4	-54.3	-54.3	0.0	-54.1	-1,024.5	-483.7	-483.6	-0.2	-401.4	-483.7
lease receivables	-50.7	-2.8	-2.8	0.0	0.0	-64.9	-12.8	-12.8	0.0	-12.8	-12.8
factoring receivables	-16.7	-0.1	-0.1	0.0	0.0	-52.3	-8.7	-8.7	0.0	-7.8	-8.7
corporate and municipal debt securities	-4.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retail banking segment, including:	-483.3	-26.0	-26.0	0.0	-26.0	-593.7	-198.7	-198.7	-1.4	-91.5	-198.7
mortgages	-152.0	-11.1	-11.1	0.0	-11.1	-117.1	-53.3	-53.3	-1.4	-16.9	-53.3
loans in the current account	-29.7	-0.2	-0.2	0.0	-0.2	-33.8	-1.7	-1.7	0.0	-0.9	-1.7
other loans and advances	-301.6	-14.7	-14.7	0.0	-14.7	-442.8	-143.7	-143.7	0.0	-73.7	-143.7



Exposures with forbearance granted by risk classes

2023

as at 31 December

risk class range	Corporate banking				Retail banking				Total			
	performing portfolio		non-performing portfolio		performing portfolio		non-performing portfolio		performing portfolio		non-performing portfolio	
	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure
1-10	1.5	0.0	0.0	0.0	696.8	0.5	0.0	0.0	698.3	0.5	0.0	0.0
11-17	1,298.6	88.7	0.0	0.0	218.9	0.1	0.0	0.0	1,517.5	88.8	0.0	0.0
18-19	2,288.8	313.7	1.8	0.0	26.0	0.0	0.1	0.0	2,314.8	313.7	1.9	0.0
20-22	0.9	0.0	1,137.0	10.8	0.0	0.0	382.1	0.0	0.9	0.0	1,519.1	10.8
Total (gross)	3,589.8	402.4	1,138.8	10.8	941.7	0.6	382.2	0.0	4,531.5	403.0	1,521.0	10.8

2022

as at 31 December

risk class range	Corporate banking				Retail banking				Total			
	performing portfolio		non-performing portfolio		performing portfolio		non-performing portfolio		performing portfolio		non-performing portfolio	
	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure
1-10	0.1	0.0	0.0	0.0	505.4	0.6	0.0	0.0	505.5	0.6	0.0	0.0
11-17	1,263.8	42.8	0.0	0.0	181.9	0.0	0.0	0.0	1,445.7	42.8	0.0	0.0
18-19	329.0	30.7	0.0	0.0	18.5	0.0	0.0	0.0	347.5	30.7	0.0	0.0
20-22	0.0	0.0	1,108.6	12.6	0.0	0.0	361.6	0.0	0.0	0.0	1,470.2	12.6
Total (gross)	1,592.9	73.5	1,108.6	12.6	705.8	0.6	361.6	0.0	2,298.7	74.1	1,470.2	12.6



Exposures with forbearance granted by DPD

2023

as at 31 December

number of days past due	Corporate banking				Retail banking				Total			
	performing portfolio		non-performing portfolio		performing portfolio		non-performing portfolio		performing portfolio		non-performing portfolio	
	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure
0	3,413.2	402.3	409.3	10.6	883.8	0.6	233.1	0.0	4,297.0	402.9	642.4	10.6
1-30	152.0	0.1	20.5	0.2	47.8	0.0	28.8	0.0	199.8	0.1	49.3	0.2
31-60	20.0	0.0	16.6	0.0	8.3	0.0	6.2	0.0	28.3	0.0	22.8	0.0
61-90	4.3	0.0	14.5	0.0	1.8	0.0	4.0	0.0	6.1	0.0	18.5	0.0
91-180	0.3	0.0	48.0	0.0	0.0	0.0	18.6	0.0	0.3	0.0	66.6	0.0
181-365	0.0	0.0	116.9	0.0	0.0	0.0	27.8	0.0	0.0	0.0	144.7	0.0
>365	0.0	0.0	513.0	0.0	0.0	0.0	63.7	0.0	0.0	0.0	576.7	0.0
Total (gross)	3,589.8	402.4	1,138.8	10.8	941.7	0.6	382.2	0.0	4,531.5	403.0	1,521.0	10.8

2022

as at 31 December

number of days past due	Corporate banking				Retail banking				Total			
	performing portfolio		non-performing portfolio		performing portfolio		non-performing portfolio		performing portfolio		non-performing portfolio	
	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure	on-balance sheet exposure	off-balance sheet exposure
0	1,560.1	73.5	525.2	12.6	662.2	0.6	232.3	0.0	2,222.3	74.1	757.5	12.6
1-30	10.7	0.0	17.0	0.0	36.1	0.0	29.8	0.0	46.8	0.0	46.8	0.0
31-60	22.0	0.0	14.3	0.0	6.2	0.0	7.2	0.0	28.2	0.0	21.5	0.0
61-90	0.1	0.0	18.9	0.0	1.3	0.0	7.1	0.0	1.4	0.0	26.0	0.0
91-180	0.0	0.0	17.9	0.0	0.0	0.0	16.7	0.0	0.0	0.0	34.6	0.0
181-365	0.0	0.0	40.8	0.0	0.0	0.0	22.6	0.0	0.0	0.0	63.4	0.0
>365	0.0	0.0	474.5	0.0	0.0	0.0	45.9	0.0	0.0	0.0	520.4	0.0
Total (gross)	1,592.9	73.5	1,108.6	12.6	705.8	0.6	361.6	0.0	2,298.7	74.1	1,470.2	12.6



2.10.6. Credit quality of other financial assets

Credit quality of loans and other receivables granted to other banks

As at 31 December 2023 and as at 31 December 2022, loans and other receivables due to other banks were in approx. 99% in low risk classes (rating 01-10), others in medium and higher risk classes with ratings from 11 to 19 (from 11 to 15 at the end of 2022). Exposures of PLN 19,906.0 million were in Stage 1 and PLN 3.1 million in Stage 2. As at 31 December 2022, total exposures of PLN 5,161.3 million were in Stage 1.

The change in the level of the allowance for expected credit losses in 2023 and 2022 resulted from changes in the credit parameters of the portfolio described above.

Credit quality of debt securities

As at 31 December 2023, all debt securities in the portfolio of financial assets held for trading and the portfolio of investment securities were in low risk classes with ratings from 01 to 10 (from 01 to 09 at the end of 2022). Both at the end of 2023 and at the end of 2022, all debt securities in the investment securities portfolio were in Stage 1.

The change in the level of the allowance for expected credit losses in 2023 and 2022 resulted from changes in the credit parameters of the portfolios described above. Additionally, due to the reconstruction of the IFRS model for low default portfolios, additional write-downs for expected credit losses in the amount of PLN 17.4 million were recognised.

In 2023, similarly to 2022, changes in the gross value of investment securities measured at fair value through other comprehensive income and measured at amortised cost did not have a significant impact on the level of allowances for expected credit losses.

In 2023 and 2022, there were no transfers of investment securities between stages with different ways of measuring expected credit losses.

Investment securities - carrying amount and the level of impairment for expected credit losses by Stages

as at 31 December

	2023			2022		
	Stage 1			Stage 1		
	carrying amount (gross)	impairment for expected credit losses		carrying amount (gross)	impairment for expected credit losses	carrying amount (net)
Debt securities at fair value through other comprehensive income*, including:	23,680.3	-12.2	-	15,691.8	-3.3	-
Treasury bonds in PLN	21,345.4	-11.2	-	12,153.8	-2.8	-
Treasury bonds in EUR	546.1	-0.3	-	1,803.4	-0.4	-
European Investment Bank bonds	1,377.7	-0.5	-	1,308.9	-0.1	-
Austrian government bonds	411.1	-0.2	-	425.7	0.0	-
Debt securities measured at amortised cost, including:	32,711.6	-14.1	32,697.5	32,627.3	-7.2	32,620.1
Treasury bonds in PLN	13,101.6	-6.6	13,095.0	13,355.1	-2.6	13,352.5
Treasury bonds in EUR	2,942.0	-1.6	2,940.4	3,193.4	-1.3	3,192.1
European Investment Bank bonds	6,702.8	-2.4	6,700.4	6,816.2	-0.5	6,815.7
Bonds of the Polish Development Fund (PFR)	3,861.9	-2.2	3,859.7	3,859.8	-1.4	3,858.4
Bank Gospodarstwa Krajowego bonds	1,806.1	-1.3	1,804.8	1,803.5	-1.4	1,802.1
NBP bills	4,297.2	0.0	4,297.2	3,599.3	0.0	3,599.3

*) In the case of financial assets measured at fair value through other comprehensive income, the carrying amount is not reduced by the allowance for expected credit losses.

**Investment securities – changes in impairment for expected credit losses****for the year ended 31 December**

	2023			2022		
	measured at fair value through other comprehensive income	measured at amortised cost	Total	measured at fair value through other comprehensive income	measured at amortised cost	Total
Opening balance impairment	3.3	7.2	10.5	4.6	7.4	12.0
Changes during the period, including:	8.9	6.9	15.8	-1.3	-0.2	-1.5
provisions recognised/ reversed	8.9	6.9	15.8	-1.3	-0.2	-1.5
Closing balance impairment	12.2	14.1	26.3	3.3	7.2	10.5

Quality of other financial assets**Other financial assets - gross carrying amount and the level of impairment for expected credit losses by Stages****as at 31 December**

	2023			2022		
	gross	impairment for expected credit loss	net	gross	impairment for expected credit loss	net
assets in Stage 1	38.5	0.0	38.5	50.5	0.0	50.5
assets in Stage 3	46.3	-46.3	0.0	44.0	-44.0	0.0
Total	84.8	-46.3	38.5	94.5	-44.0	50.5

Other financial assets - changes in impairment for expected credit losses**for the year ended 31 December**

	2023			2022		
	Stage 1	Stage 3	Total	Stage 1	Stage 3	Total
Opening balance impairment	0.0	44.0	44.0	0.0	42.6	42.6
Changes in the period, including:	0.0	2.3	2.3	0.0	1.4	1.4
additional provision for expected credit losses	0.0	6.4	6.4	0.0	7.0	7.0
exclusion from the statement of financial position as a result of write-down	0.0	-1.4	-1.4	0.0	-0.8	-0.8
exclusion from the statement of financial position due to repayment	0.0	-2.7	-2.7	0.0	-4.8	-4.8
Odpis na koniec okresu	0.0	46.3	46.3	0.0	44.0	44.0

Other financial assets - reconciliation of the gross carrying amount**for the year ended 31 December**

	2023			2022		
	Stage 1	Stage 3	Total	Stage 1	Stage 3	Total
Opening balance of gross carrying amount	50.5	44.0	94.5	122.3	42.6	164.9
Changes in the period, including:	-12.0	2.3	-9.7	-71.8	1.4	-70.4
transfer to and from Stage 3	-6.4	6.4	0.0	-7.0	7.0	0.0
exclusion from the statement of financial position due to write-down	0.0	-1.4	-1.4	0.0	-0.8	-0.8
recognition of new financial instruments, repayments and other changes	-5.6	-2.7	-8.3	-64.8	-4.8	-69.6
Closing gross value	38.5	46.3	84.8	50.5	44.0	94.5



2.10.7. Modification of contractual cash flows

In 2023, credit exposures in the amount of PLN 1,264.3 million (PLN 2,119.3 million in 2022) were subject to modification of contractual cash flows, which did not result in their deletion and re-recognition of a financial asset. In addition, exposures in the amount of PLN 53,378.7 million due to credit holidays were not excluded and rerecognised as a financial asset (PLN 56,079.0 million in 2022).

Modifications in contractual cash flows, which do not result in their deletion and re-recognition of a financial asset, i.e. lead to the recognition of gains or losses from the modification, result from business premises or credit risk events in the form of facilities (forbearance) granted to customers. If business indications occur, the method of determining the allowance for expected credit losses does not change. The granting of facilities to customers (forbearance) proves a significant increase in credit risk, resulting in classification to Stage 2, in the event of granting another facility, there is classification to Stage 3 in accordance with the principles for estimating impairment losses described in chapter III. *Significant accounting principles*, in point 13.12. *Expected credit losses*.

The table presents information on financial assets for which the contractual cash flows have been modified, while the corresponding allowance for expected credit losses was measured at an amount equal to lifetime expected credit losses (i.e. financial assets in Stages 2 and 3).

as at 31 December		
	2023	2022
Financial assets modified in the period		
amortised cost before modification	287.3	177.7
net loss due to modification	-0.3	-0.1
Financial assets that have been modified since their initial recognition		
the gross carrying amount of previously modified financial assets for which the allowance for expected credit losses has changed during the period to an amount equal to 12-month expected credit losses (i.e. these financial assets have been transferred to Stage 1)	98.9	11.6

3. Market risk

- 3.1. Introduction
- 3.2. Market risk management objectives
- 3.3. Market risk management policies
- 3.4. Market risk management process
- 3.5. Structure of books and methods of risk measurement
- 3.6. FX structure of assets and liabilities
- 3.7. Impact of the benchmark reform
- 3.8. Hedge accounting
- 3.9. The approach to risk management in subsidiaries

3.1. Introduction

Market risk is defined as a potential loss that may be incurred by the Bank due to unfavourable changes in market prices (such as yield curves, exchange rates, prices on the capital market), market parameters (market price volatility, correlation between movements of individual prices) and customer behaviour (e.g. early repayment of loans).

3.2. Market risk management objectives

The main objectives of market risk management at ING Bank Śląski S.A. are: to ensure that there is awareness and understanding of the Bank’s exposure to market risk and that this exposure is appropriately managed and, where applicable, within the limits set.

3.3. Market risk management policies

The Market Risk Management Department has normative documents that describe the scope, principles and responsibilities of the department. In order to optimise the market risk management process, the *Market Risk Management Policy* has been developed at ING Bank Śląski S.A. It describes the bank’s approach to market risk management. It defines the principles, methodology of management and measurement of market risk in the Bank, as well as the general principles of process management.



The document is a detailed document entitled *General principles of risk management at ING Bank Śląski S.A.*, which is approved by the Bank’s Supervisory Board, on the basis of a recommendation from the Risk Committee. The Policy is subject to approval by the Bank’s Management Board.

Another document is the policy describing the Bank’s approach to the process of defining the risk appetite in the area of market and liquidity risk (*Policy for determining and monitoring the risk appetite in the area of market and liquidity risk*). This policy is also approved by the Bank’s Management Board.

3.4. Market risk management process

The Bank’s market risk management process includes:

- identification,
- measurement,
- monitoring and
- risk reporting.

The Market Risk Management Department (MRM) provides managers of the Financial Markets Area of Wholesale Banking and the Centre of Expertise Treasury, selected members of the Management Board and the ALCO Committee with regular risk reports. Moreover, ALCO, the Bank’s Management Board and the Supervisory Board receive periodic reports containing the most important market risk measures. The approval of individual market risk limits is carried out at the level of ALCO Committee, the Bank’s Management Board or the Supervisory Board, in accordance with the division of responsibility in determining the levels of limits defined in the Policy for determining and monitoring risk appetite in the area of market and liquidity risk. The employees of the Market Risk Management Department are qualified specialists and the independence of the department is ensured by its separation from risk generating units.

The Bank’s market risk management also includes a Product Control function, which ensures the correct valuation of Financial Market products in the Wholesale Banking Division and the Centre of Expertise Treasury by monitoring the correctness of valuation models and controlling the quality of market data used for the valuation and calculation of financial result. Decisions related to issues related to the valuation process, such as: sources of market data used for valuation, calculation of adjustments to market valuation models (bid-offer spread and BVA), are taken by the Product Parameterisation Committee of the Wholesale Banking Financial Markets Division and the Centre of Expertise Treasury’

In the reporting period, the market risk profile and the manner of managing this risk did not change significantly.

3.5. Structure of books and methods of risk measurement

3.5.1. Structure of books

The Bank maintains a structure of books based on intent, which translates into many processes, including market risk management. The structure of the books reflects the types of market risk that are expected and accepted in individual areas of the Bank and where market risk should be internally transferred/hedged. The books shall be grouped according to the intention to maintain a position on:

- trading (positions taken in order to generate benefits in a short period of time due to market price fluctuations), and
- banking (all other positions).

Banking Books

The Banking Books are split into Banking Commercial Books and Banking Books of the Centre of Expertise Treasury (CoE Treasury). The Banking Commercial Books include books of the retail and corporate divisions containing deposits and commercial loans. The risks relating to those positions are transferred to:

- banking books of the Centre of Expertise Treasury (used to manage the interest rate risk of the banking book, the underlying risk and the liquidity risk as a whole), and
- commercial books of the Financial Markets Area in Wholesale Banking Division (for FX risk) via internal transactions.

The process ensures that the banking commercial books do not retain any material economic market risk. However, as described in more detail further below, the short-term financial result in those books is sensitive to changes of market rates. The commercial activity of the subsidiary companies are included in the Bank's commercial books.

Maintenance of open positions is permissible within the approved market risk limits:

- for the banking book - NIlaR (Net Interest Income at Risk), EVE (Economic Value of Equity), NPVaR (Net Present Value at Risk),
- for the trading book – VaR (Value at Risk), Slope risk (negative impact on the result caused by an uneven shift of the yield curve), CS01 (change in the market value of a security due to an increase in the credit spread), BPV (Basis Point Value),



- CS RRaR (Credit Spread Revaluation Reserve at Risk) – the measure shows the potential impact of changing credit spreads on the level of revaluation reserve,
- IR RRaR (Interest Rate Revaluation Reserve at Risk) – the measure shows the potential impact of changing interest rates on the level of revaluation reserve.

Hedge accounting is a tool supporting the management of interest rate risk in the banking book. The developed assumptions to the hedging strategy are applied consistently with the approach to market risk management within the approved market risk limits as described above. Detailed information on the assumptions underlying each strategy in hedge accounting are described in this chapter, in item [3.8. Hedge Accounting](#).

Trading books

Trading Books are the books of the Financial Markets Area in Wholesale Banking Division: FX and interest rate books. The books embrace positions maintained for a short time in order:

- to be resold, or
- to obtain financial benefits on the current price fluctuations or expected within a short time,
- or positions opened for arbitration purposes.

3.5.2. Measurement of interest rate risk in banking book

In measuring interest rate risk in the banking book, the Bank uses the measures required by the European Banking Supervision (EBA/GL/2022/14). The core measures are as follows:

- Net Interest Income at Risk – a measure of sensitivity of the reported results of positions recognised on an accrual basis on the basis of a set of interest rate scenarios which provide for various potential shifts of the profitability curve.
- Net Present Value at Risk – a measure of sensitivity of the economic value of interest rate positions to sudden interest rate changes on the basis of a set of interest rate scenarios which provide for various potential shifts of the profitability curve.
- net present value of discounted future flows at risk (Economic Value of Equity – EVE) – a measure of sensitivity of the economic value of interest rate positions to sudden interest rate changes.

Additionally, the Bank measures in its banking books:

- option risk – potential losses on the positions resulting from premature deposit withdrawal and/or loan prepayment,

- residual risk – a potential loss on those positions resulting from the application of non-standard pricing mechanisms that are transferred to the Centre of Expertise Treasury managing interest rate risk.

The above risks have an immaterial status (potential losses account for a very negligible proportion in historic and projected results).

Due to the fact that the positions of the Centre of Expertise Treasury are usually subject to valuation at amortised cost, the Bank monitors BPV which limits economic risk of interest rate positions. Additionally, fluctuations of the revaluation reserve are restricted with CS01, IR RRaR and CS RRa limits.

3.5.3. Market risk measurement in the trading book

The VaR measured by the Bank is compliant with the best market practices. In the calculation of VaR, the Bank applies the following assumptions:

- one-day positions, 99% confidentiality level,
- 260-day observation period.

In order to reinforce risk control, in the area of FX risk books the Bank has additionally implemented the measurement and monitoring of the risk in the context of the approved limits on intra-day basis.

The Bank calculates also Stressed VaR. Stressed VaR is a measure replicating the calculation of historic simulations with an assumption that the current portfolio is used for the measurement and historic market data from a continuous 12-month period characterised with major fluctuations of market parameters that are material for the portfolio.

Every year a general stress test is carried out covering, among others, market risk, liquidity risk and credit risk on the basis of the regulatory scenario and scenarios developed by the Bank’s economists and approved by ALCO. Additionally, a stress test of derivatives is carried out on a quarterly basis, which shows the impact of shock changes on the valuation of these instruments.



3.5.4. Sensitivity to currency risk in the trading book

The tables below present VaR* (PLN thousand) for 2023 and 2022:

FX area	Limit	at the end of year	Average	Min	Max
2023	1,739.2	76.3	257.6	7.5	991.8
2022	1,875.9	87.37	317.16	9.5	1,625.0

*) All VaR limits and their utilisation in ING Bank Śląski S.A. are expressed in EUR. The limits levels and their utilisation have been converted into PLN using the daily NBP fixing rates especially for the purposes of presentation in the financial statements; in the column "Limit" the amounts determined using the fixing rate from the last day of the year.

3.5.5. Sensitivity of net interest income to interest rate risk

To present the sensitivity of net interest income to interest rate changes, the Bank analysed the impact of shock changes in the yield curve (relative to that of 31 December 2023) on net interest income for 2024 compared to the base scenario. The analysis was carried out using two scenarios assuming parallel shifting of the curve up and down by 100 b.p., which would occur gradually in the next 12 months (monthly change by 1/12 from 100 b.p.). The baseline scenario assumes no change on the yield curve.

Impact on the net interest income (PLN million)	
	100 pb
parallel upward shift of the yield curve *	215.1
parallel downward shift of the yield curve*	-228.5

*) compared to the data for 31 December 2023

The above analysis assumes dynamic changes in the levels of balance sheets, consistent with the business plans in force as at 31 December 2023. These balance sheet changes are common to all scenarios analysed.

3.5.6. Sensitivity of the economic result and regulatory capital to interest rate risk

The sensitivity to interest rate risk is presented below:

- sensitivity of the results to interest rate changes resulting from the banking book - the observed changes in the EVE measurement result mainly from two factors:
 - changes (growth) in product volumes and
 - changes to model parameters used to determine the economic value of non-maturity product portfolios.

change in economic result when changing the curve *		
	-2%	2%
2023	207.3	-794.4
2022	-373.9	-122.5

*) Positive results in a given scenario are scaled with factor 0,5 in accordance with EBA guidelines in the IRRBB area

- sensitivity of equity to changes in interest rates resulting from debt instruments measured at fair value through other comprehensive income in the Center of Expertise Treasury portfolio:
 - slight changes in the sensitivity of the portfolio of debt instruments measured at fair value through other comprehensive income were observed compared to the previous year. The BPV measure of the portfolio (BPV short position) decreased from PLN 1.2 million to PLN 1.1 million.

approximate change in the regulatory capital base for curve movement				
	-2%	-1%	+1%	+2%
2023	220.9	110.5	-110.5	-220.9
2022	234.6	117.3	-117.3	-234.6



3.6. FX structure of assets and liabilities

The consolidated statement of financial position and off-balance sheet liabilities of the Group are presented below, with a breakdown by major currencies. The following exchange rates were used to calculate the value in the original currency:

exchange rate as at 31 December		
	2023	2022
EUR	4.3480	4.6899
USD	3.9350	4.4018
CHF	4.6828	4.7679

2023

as at 31 December									
	PLN	EUR		USD		CHF		other currencies	Total
		converted to PLN	in currency	converted to PLN	in currency	converted to PLN	in currency	converted to PLN	
Assets									
Cash in hand and balances with the Central Bank	6,358.3	250.6	57.6	104.4	26.5	6.5	1.4	31.6	6,751.4
Loans and other receivables to other banks	680.4	19,078.2	4,387.8	47.0	11.9	6.6	1.4	96.9	19,909.1
Financial assets measured at fair value through profit or loss	1,955.3	82.6	19.0	24.6	6.3	0.1	0.0	211.3	2,273.9
Derivative hedge instruments	134.7	73.7	17.0	0.0	0.0	0.0	0.0	0.0	208.4
Investment securities	51,435.1	5,178.6	1,191.0	0.0	0.0	0.0	0.0	0.0	56,613.7
Transferred assets	133.1	0.0	0.0	0.0	0.0	0.0	0.0	32.1	165.2
Loans and other receivables to customers measured at amortised cost	131,757.0	23,697.0	5,450.1	498.1	126.6	80.6	17.2	488.0	156,520.7
Investments in associates accounted for using the equity method	180.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	180.9
Property, plant and equipment	1,002.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,002.4
Intangible assets	494.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	494.1
Current income tax assets	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6
Deferred tax assets	1,096.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,096.8
Other assets	138.7	4.8	1.1	0.4	0.1	0.0	0.0	0.3	144.2
Total assets	195,367.4	48,365.5	11,123.6	674.5	171.4	93.8	20.0	860.2	245,361.4



2023

as at 31 December

	PLN	EUR		USD		CHF		other currencies	
		converted to PLN	in currency	converted to PLN	in currency	converted to PLN	in currency	converted to PLN	Total
Liabilities									
Liabilities to other banks	725.2	12,848.3	2,955.0	2.1	0.5	0.0	0.0	79.2	13,654.8
Financial liabilities measured at fair value through profit or loss	1,445.0	213.3	49.1	24.1	6.1	0.1	0.0	139.1	1,821.6
Derivative hedge instruments	194.4	85.9	19.8	0.0	0.0	0.0	0.0	0.0	280.3
Liabilities to customers	172,766.6	26,277.3	6,043.5	5,087.7	1,292.9	63.7	13.6	1,094.6	205,289.9
Liabilities from debt securities issued	404.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	404.4
Subordinated liabilities	0.0	1,526.2	351.0	0.0	0.0	0.0	0.0	0.0	1,526.2
Provisions	526.8	13.6	3.1	1.3	0.3	0.0	0.0	0.1	541.8
Current income tax liabilities	114.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	114.8
Other liabilities	4,665.3	324.3	74.6	1.4	0.4	0.5	0.1	0.1	4,991.6
Total liabilities	180,842.5	41,288.9	9,496.1	5,116.6	1,300.2	64.3	13.7	1,313.1	228,625.4
Equity									
Share capital	130.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	130.1
Share premium	956.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	956.3
Accumulated other comprehensive income	-5,060.0	-34.7	-8.0	0.0	0.0	0.0	0.0	0.0	-5,094.7
Retained earnings	16,908.7	5,149.4	1,184.3	-1,363.9	-346.6	24.0	5.1	31.4	20,749.6
Own shares for the purposes of the incentive program	-5.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-5.3
Total equity	12,929.8	5,114.7	1,176.3	-1,363.9	-346.6	24.0	5.1	31.4	16,736.0
Total equity and liabilities	193,772.3	46,403.6	10,672.4	3,752.7	953.6	88.3	18.8	1,344.5	245,361.4
Contingent liabilities granted	43,556.9	8,502.8	1,955.6	956.5	243.1	0.1	0.0	181.6	53,197.9
Contingent liabilities received	19,550.3	436.6	100.4	245.7	62.4	0.0	0.0	84.4	20,317.0



2022

as at 31 December

	PLN	EUR		USD		CHF		other currencies	Total
		converted to PLN	in currency	converted to PLN	in currency	converted to PLN	in currency	converted to PLN	
Assets									
Cash in hand and balances with the Central Bank	1,810.0	315.6	67.3	177.1	40.2	5.0	1.0	29.9	2,337.6
Loans and other receivables to other banks	760.2	4,066.0	867.0	73.1	16.6	1.5	0.3	260.3	5,161.1
Financial assets measured at fair value through profit or loss	1,699.2	75.0	16.0	54.3	12.3	0.0	0.0	123.8	1,952.3
Derivative hedge instruments	65.5	73.7	15.7	0.0	0.0	0.0	0.0	0.0	139.2
Investment securities	41,655.2	6,777.6	1,445.1	0.0	0.0	0.0	0.0	0.0	48,432.8
Transferred assets	125.2	0.0	0.0	0.0	0.0	0.0	0.0	38.6	163.8
Loans and other receivables to customers measured at amortised cost	129,654.5	23,695.2	5,052.4	758.7	172.4	132.6	27.8	733.6	154,974.6
Investments in associates accounted for using the equity method	178.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	178.9
Property, plant and equipment	950.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	950.0
Intangible assets	417.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	417.2
Current income tax assets	572.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	572.2
Deferred tax assets	1,828.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,828.6
Other assets	148.1	4.9	1.0	4.4	1.0	0.0	0.0	0.4	157.8
Total assets	179,864.8	35,008.0	7,464.5	1,067.6	242.5	139.1	29.1	1,186.6	217,266.1



2022

as at 31 December

	PLN	EUR		USD		CHF		other currencies	
		converted to PLN	in currency	converted to PLN	in currency	converted to PLN	in currency	converted to PLN	Total
Liabilities									
Liabilities to other banks	551.7	5,086.0	1,084.5	1.4	0.3	0.0	0.0	0.5	5,639.6
Financial liabilities measured at fair value through profit or loss	1,573.0	298.1	63.6	96.9	22.0	0.1	0.0	235.7	2,203.8
Derivative hedge instruments	282.1	87.4	18.6	0.0	0.0	0.0	0.0	0.0	369.5
Liabilities to customers	161,719.7	24,375.2	5,197.4	5,371.6	1,220.3	67.8	14.2	1,197.0	192,731.3
Liabilities from debt securities issued	404.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	404.8
Subordinated liabilities	0.0	1,643.9	350.5	0.0	0.0	0.0	0.0	0.0	1,643.9
Provisions	349.0	9.0	1.9	1.0	0.2	0.0	0.0	0.0	359.0
Current income tax liabilities	19.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.9
Deferred tax loss	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4
Other liabilities	4,250.1	296.4	63.2	2.1	0.5	1.0	0.2	0.0	4,549.6
Total liabilities	169,150.7	31,796.0	6,779.7	5,473.0	1,243.3	68.9	14.4	1,433.2	207,921.8
Equity									
Share capital	130.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	130.1
Share premium	956.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	956.3
Accumulated other comprehensive income	-7,970.9	-68.4	0.0	0.0	0.0	0.0	0.0	0.0	-8,039.3
Retained earnings	16,298.4	-0.7	-0.1	-0.5	-0.1	0.0	0.0	0.0	16,297.2
Total equity	9,413.9	-69.1	-0.1	-0.5	-0.1	0.0	0.0	0.0	9,344.3
Total equity and liabilities	178,564.6	31,726.9	6,779.6	5,472.5	1,243.2	68.9	14.4	1,433.2	217,266.1
Contingent liabilities granted	39,402.0	7,475.2	1,330.4	1,257.5	332.2	0.0	0.5	23.5	48,158.2
Contingent liabilities received	15,984.1	1,008.3	241.4	410.2	92.7	0.0	0.0	78.6	17,481.2



3.7. Impact of the benchmark reform

At present, the reform of only one reference rate is continuing (i.e. WIBOR), to which the Group has significant exposures as at 31 December 2023. The WIBOR rate is expected to be finalised and replaced by WIRON after 31 December 2027.

These changes to the reference rates affect the Group, its customers and the financial sector as a whole, and expose the Group to risks. These risks include legal, operational and financial risks. Legal risk is associated with all required changes in documentation for new and existing transactions. Operational risk is related to required changes in IT systems, reporting infrastructure and operational processes for new reference rates. Financial risk (largely limited to interest rate risk), as a consequence of changes in the valuation of financial instruments referring to these reference rates and decreasing market liquidity may have an impact on transactions directly or the ability to hedge the risk resulting from these transactions. Changes in valuation, interest calculation methodology or documentation may also result in customer complaints and litigation.

In order to mitigate these risks, the Group has established an implementation project, which has an extensive structure and the progress of work is monitored on an ongoing basis by the steering committee. The project analyses and coordinates the necessary actions to introduce the required changes to internal processes and systems, taking into account valuation, risk management, legal documentation and impact on customers. The Group continues to monitor market developments and the results of the analysis in terms of uncertainty resulting from the reform and regulatory standards related to the transformation, in order to assess the impact on the project, customers and related risks.

LIBOR USD

The process of annexing agreements referencing LIBOR USD was completed before the date of cessation of publication of this benchmark for all non-derivative and derivative on-balance sheet exposures with a revaluation date after the date of cessation of its publication (i.e.: 30 June 2023).

The Group applied the amendments to IFRS 9 IBOR Stage 2 to recognise all modifications of contractual terms of financial instruments for the purposes of implementing the USD LIBOR reform due to the fact that the change in terms was necessary to implement the IBOR reform and it was confirmed that the new basis for calculating cash flows is the "economic equivalent" of the existing one. As a result, the Group did not recognise any profit or loss on modification due to this change.

WIBOR

The planned replacement of the WIBOR rate causes uncertainty as to the occurrence of cash flows resulting from the WIBOR rate, which were designated to hedge as part of the hedging relationship of cash flows on the portfolio basis (Macro Cash Flow Hedge). As a result, the Group applied the amendment to IAS 39 Phase 1 and thus adopted the assumption that the reference rate on the basis of which the cash flows resulting from WIBOR are calculated in terms of the hedging instrument and the hedged item remain unchanged as a result of the reform. The same assumption is used to assess the probabilities of future transactions that are hedged against cash flows. As a result, the Group continues its hedging relationships. Amendments to IAS 39 Stage 1 will cease to apply when the uncertainty resulting from the change in the WIBOR rate ceases to exist in terms of the time and amounts resulting from the reference rate of a given instrument. The following table presents the nominal values of hedging instruments referencing WIBOR.

	net nominal value of the position on the hedging instrument			
	2023		2022	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedging instruments	88,496.1	13,345.3	87,728.0	31,206.7
Instruments hedging the fair value of securities	11,862.0	-	812.0	-

In addition, in connection with the announcement of the administrator of the WIBOR rate (GPW Benchmark S.A.) to cease publication of this rate in the 1Y tenor as of 2 January 2025, the Group initiated work on annexing agreements referring to WIBOR 1Y.

Structure of financial assets and liabilities according to reference rates

As at 31 December 2023, the following financial instruments refer to the WIBOR reference rate, which is expected to be discontinued and is material for the Group. Non-derivative financial assets and liabilities are presented at gross carrying amount, off-balance sheet items are presented at liability amount and derivatives are presented at nominal value.



Financial instruments referencing WIBOR (excluding WIBOR 1Y)

	2023		2022	
	with maturity date after 31 Dec 2023	with maturity date after 31 Dec 2027	with maturity date after 31 Dec 2022	with maturity date after 31 Dec 2027
Non-derivative financial assets	131,085.7	79,439.6	133,402.8	67,815.6
Non-derivative financial liabilities	583.7	0.0	2,752.4,	0.0
Derivatives	1,228,231.9	260,349.4	958,446.8,	164,626.0
Off-balance sheet items	13,720.2	1,596.1	8,269.1,	2,432.8

Financial instruments referencing WIBOR 1Y

	2023		2022	
	with maturity date after 31 Dec 2023	with maturity date after 31 Dec 2024	with maturity date after 31 Dec 2022	with maturity date after 31 Dec 2024
Non-derivative financial assets	29.1	12.7	55.1	12.4

3.8. Hedge accounting

3.8.1. Fair Value Hedge accounting

In fair value hedge accounting, the risk is equivalent to change in the fair value of a financial asset as a result of changes to interest rates. The hedge covers the fair value of debt instruments with a fixed interest rate that is a position (a part of position) in a security that is classified to a portfolio of assets kept to collect contractual cash flows or for sale (hereinafter: HTC&S) which at the time a hedge relationship is established holds a specific fair value recognised in other comprehensive income.

For the needs of the strategy, the recognition of a part change to the fair value due to the hedged risk is made on the basis of valuation models relying on assumptions that are similar to those applicable to valuation models of interest rate derivative instruments. The valuation curves applied in the model are designed on the basis of market rates corresponding to repricing tenors of variable interest rates of hedging instruments.

Interest Rate Swap, swapping fixed interest rate into variable interest rate is the hedging instrument. The above shows that changes to the fair value of the hedging instrument manifest a trend that is opposite to changes of the fair value of the hedged position. In this connection, as a result of the established hedge relationship, the profit and

loss account contains a compensating effect of changes to the fair value of the hedging instrument and the hedged position due to the hedged risk. In order to confirm the effectiveness of the strategy, the Group carries out:

- prospective effectiveness test:
 - qualitative based on the maturity of the hedged item and the hedging instrument, and
 - quantitative based on the BPV (basis point value) ratio of the hedged item and a hedging instrument,
- retrospective effectiveness test as the quotient of changes in the hedging instrument measurement and changes in the measurement of the hedged item due to the risk being hedged.

The sources of ineffectiveness of strategies that is manifested in the profit and loss account, may result from:

- differences in the timing of cash flows of the hedged positions versus the timing of cash flows under derivative hedging instruments,
- mismatch resulting from the use of various valuation curves (that is: interest rate derivative instruments are valued on the basis of valuation curves developed on the basis of daily hedges of valuation exposures – OIS discounting),
- changes to credit risk constituting a valuation component to fair value of the hedged position from the HTC&S portfolio,
- adjustments to valuation of hedging instruments due to pre-settlement credit risk (bilateral value adjustment); however, those do not have material impact on the presented values due to the fact that only interbank market transactions were designated as hedging instruments and that are additionally hedged with a deposit margin placed or received respectively, depending on the exposure type, as well as transactions forwarded for settlement on a daily basis via the Central Counterparty,
- component of the valuation of hedging instruments due to settlement of the price aligment amout resulting from “settled to marked” approach to settlement via the Central Counterparty.

Since hedging covers only one type of risk (interest rate risk), changes to the fair value of the hedged position classified as HTC&S resulting from other unhedged risks are recognised as other comprehensive income.

From the viewpoint of economic relationships, the Group’s existing hedging strategies contain two types of hedge relationships:

- hedge of the fair value of securities in PLN with a fixed interest coupon classified as HTC&S with IRS transactions “pay fixed, collect variable”, denominated in PLN,
- hedge of the fair value of securities in EUR with a fixed interest coupon classified as HTC&S with IRS transactions “pay fixed, collect variable”, denominated in EUR.



The table below presents the fair values and nominal values of hedging and hedged instruments in fair value hedge accounting.

2023

	item in the statement of of financial position – number of note	fair value		unrealised valuation result	cumulative valuation adjustment due to the hedged risk ka	cumulative part of valuation of unsecured risks recognised in other comprehensive income*	nominal value of instruments with remaining maturity			Total
		Assets	Liabilities				1 to 3 years	3 to 8 years	over 8 years	
Instruments hedging fair value of securities, of which:	Derivative hedge instruments	3.6	6.8	-190.0	-	-	5,112.0	6,750.0	908.7	12,770.7
settled via CCP		3.7	6.8	-190.0	-	-	5,112.0	6,750.0	908.7	12,770.7
Interest rate swaps (IRS PLN) fixed – float		1.1	6.8	-237.8	-	-	5,112.0	6,750.0	-	11,862.0
Interest rate swaps (IRS EUR) fixed – float		2.5	-	47.8	-	-	-	-	908.7	908.7
Hedged instruments, of which:		12,661.6	-	-8.7	174.6	-183.3	5,112.0	6,750.0	908.7	12,770.7
Investment securities measured at fair value through other comprehensive income, including:	Investment securities	12,661.6	-	-8.7	174.6	-183.3	5,112.0	6,750.0	908.7	12,770.7
State Treasury bonds in PLN	Note 19	11,031.4	-	126.4	265.1	-138.7	4,300.0	6,750.0	-	11,050.0
State Treasury bonds in EUR	Note 19	421.8	-	-50.6	-25.3	-25.3	-	-	430.4	430.4
European Investment Bank bonds in PLN	Note 19	764.4	-	-56.6	-41.0	-15.6	812.0	-	-	812.0
European Investment Bank bonds in EUR	Note 19	444.0	-	-27.9	-24.2	-3.7	-	-	478.3	478.3

*) presented in the comprehensive income statement in the position: debt securities measured at fair value via other comprehensive income – gains/losses on revaluation carried through equity

With respect to the IRS/FRA interest rate derivatives clearing approach, the Group applies the settled to market service, as specified in the regulations of Central Counterparties/CCP with which the Group cooperates. Detailed information is provided in explanatory note 17. *Valuation of derivatives*.



2022

	item in the statement of of financial position – number of note	fair value		unrealised valuation result	cumulative valuation adjustment due to the hedged risk ka	cumulative part of valuation of unsecured risks recognised in other comprehensive income	nominal value of instruments with remaining maturity		
		Assets	Liabilities				3 to 8 years	over 8 years	Total
Instruments hedging fair value of securities, of which:	Derivative hedge instruments	-	2.3	254.1	-	-	812.0	1,449.2	2,261.2
settled via CCP		-	0.8	254.1	-	-	812.0	1,449.2	2,261.2
Interest rate swaps (IRS PLN) fixed – float		-	2.3	92.7	-	-	812.0	-	812.0
Interest rate swaps (IRS EUR) fixed – float		-	-	161.5	-	-	0.0	1,449.2	1,449.2
Hedged instruments, of which:		2,013.5	-	-350.3	264.7	-615.0	812.0	1,449.2	2,261.2
Investment securities measured at fair value through other comprehensive income, including:	Investment securities	2,013.5	-	-350.3	264.7	-615.0	812.0	1,449.2	2,261.2
State Treasury bonds	Note 19	870.1	-	-164.1	115.0	-279.1	-	933.3	933.3
European Investment Bank bonds	Note 19	1,143.4	-	-186.2	149.7	-335.9	812.0	515.9	1,327.9

Time distribution profile of nominal amounts and the corresponding average interest rates of hedging instruments

2023

		nominal value of instruments with remaining maturity					
		1 to 3 years		3 to 8 years		over 8 years	
		nominal (PLN)	average %	nominal (PLN)	average %	nominal (PLN)	average %
Interest rate swaps (IRS PLN) fixed – float	fixed %	5,112.0	4.78%	6,750.0	5.45%	-	-
	variable %		6.28%		6.05%		-
Interest rate swaps (IRS EUR) fixed – float	fixed %	-	-	-	-	908.7	1.75%
	variable %		-		-		4.07%

2022

		nominal value of instruments with remaining maturity			
		3 to 8 years		over 8 years	
		nominal (PLN)	average %	nominal (PLN)	average %
Interest rate swaps (IRS PLN) fixed – float	fixed %	812.0	2.69%	-	-
	variable %		7.30%		-
Interest rate swaps (IRS EUR) fixed – float	fixed %	-	-	1,449.2	1.75%
	variable %		-		2.33%



Net interest on derivative hedging instruments is disclosed as interest on securities measured through other comprehensive income which presents net interest of positions hedged within the described strategy.

Measurements of hedging instruments including component due to the settlement of the price alignment amount and hedged transactions are presented in the Group’s consolidated income statement as *Net (loss)/income on hedge accounting* in note 6.

The split of the result of measurements of hedging and hedged transaction into individual hedging strategies is presented in the table below.

Type of economic relation	2023			2022		
	change in fair value used to test strategy effectiveness		ineffective part of the hedging relationship recognised in P&L	change in fair value used to test strategy effectiveness		ineffective part of the hedging relationship recognised in P&L
	hedged position	hedging instrument		hedged position	hedging instrument	
Hedging of debt securities in PLN	317.8	-327.0	-9.2	-357.0	331.3	-25.7
Hedging of debt securities in EUR	83.2	-82.8	0.4	-170.5	160.8	-9.7
Total	401.0	-409.8	-8.8	-527.6	492.2	-35.4

3.8.2. Cash flow hedge accounting

The Group applies hedge accounting principles for cash flows to a specified portfolio of assets / liabilities / highly probable planned financial transactions of the Group (e.g. extrapolations of financial flows resulting from renewable deposits / overdraft facilities). The applied hedging strategies are aimed at hedging the Group’s exposures against the risk of changes to future cash flows resulting from interest rate risk.

The hedge applies to a specified portfolio of financial assets and/or liabilities or a portfolio of planned transactions that cover variable interest rate financial instruments (financial products based on WIBOR/ EURIBOR) and thus that are exposed to the risk of changes to future cash flows due to changes to market rates – WIBOR/EURIBOR.

For its strategy relating to calculations of changes to the fair value of future cash flows in the hedged portfolio, the Group applies the method of a “hypothetical derivative” (being a method which provides for a possibility to reflect the hedged position and nature of the hedged risk in the form of a derivative instrument). The valuation principles are similar to the valuation principles of interest rate derivative instruments. Strategy effectiveness research also includes:

- prospective high-probability test of future cash flows,

- retrospective high-probability test of future cash flows confirming, on the basis of actual values, that the adopted model works correctly,
- retrospective test of homogeneity of the portfolio of the hedged item based on statistical analysis (regression method).

The sources of ineffectiveness of strategies that is manifested in the profit and loss account, may result from:

- differences in the timing of cash flows of the hedged positions versus the timing of cash flows under derivative hedging instruments,
- mismatch resulting from the use of various valuation curves of the hedging instrument and the hypothetical derivative into PLN denominated positions (that is: interest rate derivative hedging instruments are valued on the basis of valuation curves developed on the basis of daily hedges of valuation exposures – OIS discounting),
- adjustments to valuation of hedging instruments due to pre-settlement credit risk (bilateral value adjustment); however, those do not have material impact on the presented values due to the fact that only interbank market transactions were designated as hedging instruments and that are additionally hedged with a deposit margin placed or received respectively, depending on the exposure type.

From the viewpoint of economic relationships, the Group’s existing hedging strategies contain the following types of hedge relationships:

- the hedging instrument for active positions in the interest rate risk hedging strategy is the position on the Interest Rate Swap of the "pay floating, receive the fixed" type, while the
- hedging instrument hedging the liability is the position on the Interest Rate Swap of the "pay fixed, receive variable".

Due to the fact that the hedged position covered with specific strategies keeps affecting the profit and loss account) (by measurement at amortised cost), net interest of the derivative instruments hedging the portfolio:

- of financial assets is presented as interest on loans and other receivables granted to customers, measured at amortised cost,
- of financial liabilities is presented as interest on liabilities to customers.



The tables below present the fair values and nominal values of hedged instruments in cash flow hedge accounting. Notional amounts of the derivatives were presented in the amounts purchased.

2023

	fair value		nominal value of instruments with remaining maturity				
	Assets	Liabilities	under 1 year	1 to 3 years	3 to 8 years	over 8 years	Total
Cash flow hedges, of which:	204.8	273.5	88,252.4	148,218.9	186,554.5	8,883.5	431,909.3
settled via CCP	144.5	160.0	80,931.6	147,438.7	186,554.5	8,883.5	423,808.3
Interest rate swaps (IRS PLN) fixed – float	133.6	187.6	73,717.0	137,585.9	158,340.3	6,179.0	375,822.2
Interest rate swaps (IRS EUR) fixed – float	71.2	85.9	14,535.4	10,633.0	28,214.2	2,704.5	56,087.1

2022

	fair value		nominal value of instruments with remaining maturity				
	Assets	Liabilities	under 1 year	1 to 3 years	3 to 8 years	over 8 years	Total
Cash flow hedges, of which:	139.2	367.2	32,709.6	109,455.0	159,760.0	20,977.3	322,901.9
settled via CCP	64.0	65.6	30,706.2	101,067.2	159,760.0	20,977.3	312,510.7
Interest rate swaps (IRS PLN) fixed – float	65.6	279.8	31,123.5	91,138.6	131,217.3	16,137.3	269,616.7
Interest rate swaps (IRS EUR) fixed – float	73.6	87.4	1,586.1	18,316.4	28,542.7	4,840.0	53,285.2

As at 31 December 2023, PLN -5,168.8 million (including tax) was recorded in other comprehensive income regarding the effective part of the hedging relationship in cash flow hedge accounting (PLN -7,751.9 million as at 31 December 2022). The ineffective part of the hedging relationship resulting from the mismatch in offsetting changes in the fair value of the hedging instrument and the hedged item recognised in profit or loss in 2023 amounted to PLN 4.0 million compared to PLN -4.0 million in 2022.

**Impact of the application of cash flow hedge accounting on profit and loss account and other comprehensive income****2023**

	fair value		changes to fair value of hedging instruments used to review the effectiveness of the strategy			amount reclassified from other comprehensive income		
	Assets	Liabilities	unrealised result on revaluation recognised in the period*	the effective part of the hedge recognised in other comprehensive income in the period**	the ineffective part of the hedging relationship recognised in the profit and loss account***	resulting interest income from existing hedging relationships	amortization of the result of the completed strategy security	
Cash flow hedges, of which:	204.8	273.5	3,194.6	-3,190.6	4.0	-2,666.2	1.6	
Interest rate swaps (IRS) hedging the portfolio of financial assets in PLN	66.7	166.4	6,125.8	-6,088.4	37.4	-3,951.2	-	
Interest rate swaps (IRS) hedging the portfolio of financial assets in EUR	25.6	50.5	321.1	-321.1	0.0	-160.0	0.6	
Interest rate swaps (IRS) hedging the portfolio of financial liabilities in PLN	67.0	21.3	-3,219.9	3,186.5	-33.4	1,436.9	-	
Interest rate swaps (IRS) hedging the portfolio of financial liabilities in EUR	45.5	35.3	-32.4	32.4	0.0	8.1	-	
CIRS CHF/PLN resulting from decomposition of an actual CIRS transaction, hedging the portfolio of financial assets in CHF	-	-	-	-	-	-	0.2	
CIRS EUR/PLN resulting from decomposition of an actual transaction, hedging the portfolio of financial assets in EUR	-	-	-	-	-	-	0.8	

*) disclosed in the statement of financial position as *Derivative hedge instruments***) disclosed in the statement of financial position as *Accumulated other comprehensive income* and in note 34.2. (the amount in the table does not include tax)***) disclosed in the profit and loss account in the dedicated line item *Net (loss)/income on hedge accounting* and in note 6.**2022**

	fair value		changes to fair value of hedging instruments used to review the effectiveness of the strategy			amount reclassified from other comprehensive income		
	Assets	Liabilities	unrealised result on revaluation recognised in the period	the effective part of the hedge recognised in other comprehensive income in the period	the ineffective part of the hedging relationship recognised in the profit and loss account	resulting interest income from existing hedging relationships	amortization of the result of the completed strategy security	
Cash flow hedges, of which:	139.2	367.2	-5,875.5	5,871.5	-4.0	-1,616.3	1.9	
Interest rate swaps (IRS) hedging the portfolio of financial assets in PLN	34.1	263.3	-6,584.3	6,546.9	-37.4	-2,417.3	-	
Interest rate swaps (IRS) hedging the portfolio of financial assets in EUR	23.5	47.5	-756.5	756.5	0.0	28.1	0.8	
Interest rate swaps (IRS) hedging the portfolio of financial liabilities in PLN	31.5	16.5	1,314.4	-1,281.0	33.4	788.9	-	
Interest rate swaps (IRS) hedging the portfolio of financial liabilities in EUR	50.1	39.9	150.9	-150.9	0.0	-16.0	-	
CIRS CHF/PLN resulting from decomposition of an actual CIRS transaction, hedging the portfolio of financial assets in CHF	-	-	-	-	-	-	0.3	
CIRS EUR/PLN resulting from decomposition of an actual transaction, hedging the portfolio of financial assets in EUR	-	-	-	-	-	-	0.8	



Time distribution profile of nominal amounts and the corresponding average interest rates of hedging instruments

2023

		notional value of the position on the hedging instrument with a remaining maturity							
		up to 1 year		1 to 3 years		3 to 8 years		over 8 years	
		nominal (PLN)	average %	nominal (PLN)	average %	nominal (PLN)	average %	nominal (PLN)	average %
Interest rate swaps (IRS) hedging the portfolio of financial assets in PLN	fixed %	11,590.5	3.27%	22,655.3	2.86%	51,018.3	3.44%	3,232.0	5.25%
	variable %		6.02%		6.02%		6.02%		5.96%
Interest rate swaps (IRS) hedging the portfolio of financial liabilities in PLN	fixed %	-2,298.5	3.43%	-15,594.6	3.55%	28,291.4	5.04%	2,947.0	6.14%
	variable %		5.88%		5.91%		5.78%		5.76%
Interest rate swaps (IRS) hedging the portfolio of financial assets in EUR	fixed %	1,078.3	0.89%	3,824.1	0.40%	4,778.5	0.77%	730.5	2.40%
	variable %		3.94%		3.93%		3.93%		3.93%
Interest rate swaps (IRS) hedging the portfolio of financial liabilities in EUR	fixed %	-126.1	1.26%	108.7	0.30%	-156.5	0.85%	347.8	2.00%
	variable %		3.96%		3.99%		4.00%		3.99%

2022

		notional value of the position on the hedging instrument with a remaining maturity							
		up to 1 year		1 to 3 years		3 to 8 years		over 8 years	
		nominal (PLN)	average %	nominal (PLN)	average %	nominal (PLN)	average %	nominal (PLN)	average %
Interest rate swaps (IRS) hedging the portfolio of financial assets in PLN	fixed %	12,610.5	2.83%	27,531.8	2.45%	40,192.4	2.96%	7,393.3	4.03%
	variable %		7.37%		7.39%		7.40%		7.42%
Interest rate swaps (IRS) hedging the portfolio of financial liabilities in PLN	fixed %	-4,038.0	1.66%	12,156.8	2.09%	17,605.9	4.66%	5,482.0	5.22%
	variable %		7.43%		7.38%		7.42%		7.55%
Interest rate swaps (IRS) hedging the portfolio of financial assets in EUR	fixed %	85.4	0.74%	3,998.1	0.47%	3,390.8	0.30%	450.2	0.87%
	variable %		1.70%		1.71%		1.75%		1.83%
Interest rate swaps (IRS) hedging the portfolio of financial liabilities in EUR	fixed %	-	-	-65.7	1.03%	220.4	0.45%	919.2	1.59%
	variable %		-		1.20%		1.34%		1.67%



The periods in which the Group expects the hedged cash flows in cash flow hedge accounting and thus which will affect the financial profit are presented below.

2023

	cash flows in PLN (PLN million)			cash flows in EUR (EUR million)		
	inflows (assets)	outflows (liabilities)	net cash flows	inflows (assets)	outflows (liabilities)	net cash flows
up to 1 year	4,356.6	-813.2	3,543.4	76.9	-1.0	75.9
1-3 years	5,530.0	-2,463.0	3,067.0	72.5	-2.4	70.1
3-8 years	3,982.4	-3,155.9	826.5	48.9	-10.6	38.3
over 8 years	68.8	-66.2	2.6	3.5	-1.5	2.0

2022

	cash flows in PLN (PLN million)			cash flows in EUR (EUR million)		
	inflows (assets)	outflows (liabilities)	net cash flows	inflows (assets)	outflows (liabilities)	net cash flows
up to 1 year	5,875.1	-2,360.8	3,514.3	53.3	-7.0	46.3
1-3 years	7,495.0	-3,625.7	3,869.3	90.2	-14.4	75.8
3-8 years	7,446.4	-4,850.3	2,596.1	44.1	-32.6	11.5
over 8 years	420.0	-323.0	97.0	4.8	-5.8	-1.0

3.8.3. Impact of the reform of key interest rate benchmarks on the Group's hedging strategies

Group applies fair value and cash flow hedge accounting in accordance with IAS 39, and interest rate and foreign currency risks are designated as hedged risks in various micro and macro models. The hedged exposures are mainly loan portfolios, purchased debt securities and savings/deposits.

Group applied the amendments to IAS 39 issued in September 2019 to hedging relationships that are based on WIBOR due to the work already undertaken on the reform of this benchmark, inaccordance with the disclosures in the chapter [II.3.7. Impact of the benchmark rate reform](#).

3.9. The approach to risk management in subsidiaries

The policies of ING Bank Śląski S.A. with respect to market risk management in its subsidiary companies provides for maintaining market risk at a low level. The core market risk categories that may occur in connection with the

business of the subsidiary companies include FX risk and interest rate risk. Ongoing control and monitoring of market risk level is performed with periodic measurements of market risk categories related to the business of the subsidiary companies.

The company operating on an autonomous basis is ING Bank Hipoteczny S.A. This unit operates within the risk appetite accepted by ING Bank Śląski S.A. and managed at the level of ING Bank Hipoteczny S.A. The market risk management process at ING Bank Hipoteczny S.A. was built based on the best practices of ING Bank Śląski SA. Some technical activities are outsourced to ING Bank Śląski SA, in accordance with the signed SLA agreement between both banks. The ALCO Committee of ING Bank Śląski S.A. plays a supervisory role in relation to the ALCO Committee of ING Bank Hipoteczny S.A.

The Bank’s Management Board, ALCO, the Market Risk Management Department, the Centre of Expertise Finance Support and Innovations and other competent units of the Bank are involved in market risk management. Determination of limits mitigating market risk for each subsidiary company at a consolidated level is a major elements of the market risk management process in the Group of ING Bank Śląski S.A. The measurement techniques of market risk in the Group are the same as for the Bank. In accordance with the Bank’s policies, risk volumes and compliance with the approved risk limits are monitored on a monthly basis.



4. Liquidity and funding risk

- 4.1. Introduction
- 4.2. Liquidity and funding risk management objectives
- 4.3. Liquidity and funding risk management policies
- 4.4. Liquidity and funding risk management process
- 4.5. Types of liquidity and funding risk
- 4.6. Structure and organisation of the risk management process
- 4.7. Risk management framework
- 4.8. Centralisation of the risk management process
- 4.9. Liquidity risk reporting and measurement systems
- 4.10. Approach to risk management in subsidiaries
- 4.11. Analysis of the maturity of financial assets and liabilities according to contractual payment terms

4.1. Introduction

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

4.2. Liquidity and funding risk management objectives

The main objective of the liquidity and funding risk management process is to maintain an appropriate level of liquidity in order to ensure safe and stable operation of the Bank under normal market conditions and during the crisis.

4.3. Liquidity and funding risk management policies

In order to optimise the process of liquidity and financing risk management, the Bank has created the *Liquidity and Funding Risk Management Policy at ING Bank Śląski S.A.*, which aims to describe the rules ensuring appropriate sources of financing and minimising the risk and costs associated with funding. The Policy describes the general

approach to the process of liquidity risk management and funding in the Bank. The *Liquidity and Funding Risk Management Policy at ING Bank Śląski S.A.* is complemented by the *Instruction Contingency Financing Plan at ING Bank Śląski S.A.*, which defines the organisation and activities aimed at eliminating liquidity shortages in stressed conditions.

The Policy results from the business risk management strategy approved by the Supervisory Board (including the liquidity and funding risk management strategy). In particular, it reflects the risk appetite defined in the strategy and approved by the Supervisory Board.

The permissible level of liquidity and funding risk is defined through a multi-element system. This approach is consistent with the approach described in the *Policy for determining and monitoring risk appetite in the area of market risk and liquidity*.

4.4. Liquidity and funding risk management process

The general approach to liquidity and funding risk management is composed of five recurring activities:

- 1) risk identification,
- 2) risk assessment,
- 3) risk control,
- 4) monitoring and
- 5) reporting.

Risk identification and assessment

Risk identification shall be carried out annually or ad-hoc through the organisation of risk identification workshops. Each identified risk is assessed in order to determine the significance of such risk for the Bank. Risk identification is also carried out in the process of implementing new products. The valuation of risk and its materiality is assessed on the basis of the probability with which this risk occurs and the magnitude of the financial impact if this risk materialises.

Control

Risks are controlled through actions that reduce the probability of a risk materialising or actions that reduce the impact if a risk materialises. One of the elements of risk control is the definition of an acceptable level of risk.



Monitoring and reporting

n important element of risk management is continuous checking whether the implemented risk control is performed. Regular checks show that risk control measures are effective. An important element of the liquidity and financing risk management process is appropriate reporting, which provides managers with information necessary for risk management. The ability to show shareholders and partners that the Bank controls risk allows them to gain their trust, one of the most important elements in banking. Well-organised and designed regular inspections and monitoring are essential for good risk management.

In addition, the Bank prepares an ILAAP process report. It presents, in a comprehensive and consistent manner, key indicators and figures on the Bank’s liquidity risk profile. It takes into account the Bank’s strategy, financing plan and risk tolerance. The report results are approved by the Management Board, which informs the Supervisory Board of the assessment results.

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

The Bank pursues an active policy of liquidity management with reference to core currencies. For those currencies, liquidity risk measurement and limitation is made per currency and the management of operational liquidity is performed separately for each currency and it is incorporated in the risk transfer system.

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

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

The liquidity risk management procedures adopted at the Bank are presented annually to the relevant bank employees involved in the bank's liquidity management process. Persons involved in the bank's liquidity management process confirm that they have familiarized themselves with and understand the procedures used and control the correctness of their implementation.

4.5. Types of liquidity and funding risk

The Bank splits liquidity risk into two groups:

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

The Bank's goal is a conservative approach to liquidity risk management that will allow safely survive events specific for ING Bank Śląski S.A. and for the entire banking sector.

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

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

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

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

4.6. Structure and organisation of the risk management process

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

The Supervisory Board is responsible for:

- approving the liquidity risk tolerance, the overall accepted level of liquidity and funding risk (in HL RAS) presented to the Supervisory Board by the Management Board.



The Bank's Management Board is responsible for:

- designing a strategy related to liquidity and funding risk, the target liquidity position, the relevant funding methods and liquidity risk profile,
- determination of an acceptable risk level (risk appetite), tolerance of liquidity risk and submitting it for approval by the Supervisory Board,
- acceptance of changes to the limits of liquidity and funding risk (in MB RAS),
- acceptance of a liquidity and funding risk management policy and major modifications thereto, in particular limits adequate to the general level of acceptable risk approved by the Supervisory Board,
- ensuring the allocation of adequate human resources and ITC resources in the Bank to implement the policy.
- approving the levels of liquidity bonuses based on the level advised by the Centre of Expertise Treasury resulting from the liquidity premium review and / or adjusts it when deemed necessary due to strategic changes in the balance sheet or other factors.

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

- implementation of the Bank's strategy with respect to liquidity and funding risk,
- management of a liquidity buffer within the relevant policies and limits approved by the Bank's Management Board, the related operational actions are delegated to the Centre of Expertise Treasury,
- supervision and monitoring of liquidity risk levels as well as the funding structure in the Bank's balance sheet,
- monthly analysis of the short-, medium- and long-term liquidity profile (strategic liquidity positions) presented in reports defined by the regulator and internal reports, in the event of identified structural problems (e.g. the need for very high refinancing in the future) ALCO is responsible for issuing instructions to the appropriate business units in order to obtain an appropriate liquidity profile,
- acceptance of changes in liquidity and funding risk limits (in LCS and ALCO RAS),
- implementation of limits within the adopted risk appetite (approved in accordance with the division of responsibilities in determining the levels of limits defined in the *Policy for determining and monitoring risk appetite in the area of market risk and liquidity risk*), approving assumptions for reports and models,
- analysis of all proposed modifications to the liquidity and funding policies and submission of positively reviewed modifications to the Bank's Management Board,

- approving assumptions for reports and models used to measure, monitor and control liquidity and funding risk.

4.7. Risk management framework

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

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

Limits system and liquidity risk measurement

Formal limits are set by the regulator of the banking sector and/or the Bank for various liquidity risk measures. The acceptable level of funding and liquidity risk is defined by a several-element system: the general level of the Bank's acceptable risk, which is approved by the Bank's Supervisory Board, and the system of limits, which is approved in accordance with the division of responsibilities in determining the levels of limits defined in the *Policy for determining and monitoring risk appetite in the area of market risk and liquidity risk*. The Supervisory Board is provided with information on compliance with the measures, minimum on a quarterly basis.

The limit level is based on the Bank's strategic objectives, identified liquidity risks, results of stress tests and the principles set forth by regulatory authorities. The limits are taken into account in planning processes (implementation of the approved plans may not result in the limits being exceeded). In most instances, the limits have a pre-defined warning level, set above (or below) supervisory limits. The admissible liquidity risk level is determined and updated minimum once a year.

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



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

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

In accordance with the obligations and principles set out in Regulation (EU) No 575/2013 of the European Parliament and of the Council, as amended by Regulation (EU) No 2019/876 of the European Parliament and of the Council and Commission Delegated Regulations (EU) 2015/61, 2018/1620 and 2022/1994, the Bank calculates supervisory liquidity measures:

- short-term liquidity measures (LCR - Liquidity Covered Ratio) - it is to ensure that the Bank has an appropriate level of high-quality liquid assets that will cover liquidity needs over a period of 30 calendar days in stressed conditions. In 2023, a regulatory limit of 100% was in force,
- long-term liquidity measures (NSFR - Net Stable Funding Ratio) - it aims to ensure a minimum level of available funding in the medium and long term. In 2023, a regulatory limit of 100% was in force.

The Bank is obligated to report the liquidity measures to the regulator monthly and quarterly.

At the end of 2023 and 2022, the consolidated supervisory liquidity measures were:

Liquidity measures				
		Minimum value	2023	2022
LCR	Liquidity coverage ratio	100%	272%	152%
NSFR	Net stable funding ratio	100%	180%	155%

Below is a breakdown of Level 1 liquid assets used by the Group in the calculation of the LCR liquidity ratio (as defined in Commission Delegated Regulation (EU) 2015/61) as at the end of 2023 and 2022, respectively. Level 1 liquid assets include assets with exceptionally high liquidity and credit quality.

Level 1 liquid assets		
		2023
		2022
Cash		782.4
Cash in nostro accounts with the Central Bank net of the required reserve		4.4
Other exposures to the Central Bank (O/N deposit, cash bills)		6,759.6
Unencumbered Treasury bonds		39,957.8
Unencumbered European Investment Bank bonds		7,116.7
Unencumbered BGK bonds		1,692.0
Total		56,312.9
		43,077.6

In Level 1 liquid assets, securities are presented at their market value. The liquidity position of the Group is reduced by securities encumbered (underlying, locked) and increased by securities received as collateral in reverse-repo or buy-sell-back transactions.



Additional liquidity monitoring measures (ALMM)

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

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

Internal liquidity reports

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

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

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

Report of structural liquidity

	1-6 months	7-12 months	1-5 years	6-10 years	11-15 years	over 15 years
2023						
Liquidity gap	43,336.5	12,378.7	17,746.7	-12,826.5	-45,552.8	-15,082.7
Cumulative liquidity gap	43,336.5	55,715.2	73,462.0	60,635.5	15,082.7	0.0
2022						
Liquidity gap	23,006.2	12,685.1	33,137.4	-7,007.7	-51,524.8	-10,296.2
Cumulative liquidity gap	23,006.2	35,691.4	68,828.8	61,821.0	10,296.2	0.0

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

Monitoring of funding sources and concentration risk

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

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

- verify compliance with the strategy and financial plan,
- identify potential risks related to funding.

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

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

Periodical analyses also monitor the risk generated by related clients (within capital groups).



The existing funding structure is well diversified. Below is the funding structure as at 2023 and 2022 yearend, split into direct and mutual funding. Direct funding covers products where transaction is "one-sided": funds are taken and then repaid. Mutual funding covers products where funding is simultaneously given and taken (in separate currencies or in separate products). Direct funding is provided mainly by retail and corporate clients while mutual funding comprised primarily funds acquired from other banks.

Direct funding:

	2023		2022	
Core client segments	direct funding	share	direct funding	share
Banks	157	0.1%	128	0.1%
Corporate clients	76,951	32.8%	71,830	34.2%
Retail clients	125,539	53.6%	117,813	56.2%
Own issue / subordinated loan	9,574	4.1%	2,041	1.0%
Equity	22,089	9.4%	17,884	8.5%

Mutual funding:

	2023		2022	
Core client segments	mutual funding	share	mutual funding	share
Banks	16,061	94.9%	23,494	95.0%
Corporate clients	855	5.1%	1,235	5.0%

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 cumulative outflows and inflows within a relatively short time. It covers assets that are “unencumbered” and easily available to acquire liquidity. Unencumbered assets are understood as assets that are free of any legal, regulatory, contractual restrictions to have them disposed of by the Bank. The liquidity buffer is crucial in the times of a crisis when the Bank has to obtain liquidity in a short time when the standard funding sources are unavailable or insufficient.

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

The table below presents the structure of the liquid asset buffer as at 31 December 2023 and 31 December 2022:

	2023	2022
Structure of the liquidity buffer	share	share
Treasury bonds or bonds issued by the central bank (PLN)	68.8%	60.2%
Treasury bonds or bonds issued by the central bank (EUR)	9.2%	14.2%
bonds of BGK and EIB	22.0%	25.6%

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

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

Management of intraday liquidity

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

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

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

Management of hedging items

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



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

Within the strategy of setting margins for each counterparty to CSA, the transaction portfolio is measured daily for margin requirements.

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

4.8. Centralisation of the risk management process

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

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

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

4.9. Liquidity risk reporting and measurement systems

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

4.10. Approach to risk management in subsidiaries

ING Bank Hipoteczny S.A. performs an important role in managing the Group's long-term liquidity. Its role is to raise long-term liquidity so that the Group:

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

ING Bank Hipoteczny S.A. is a company operating on an autonomous basis. This unit operates within the risk appetite accepted by ING Bank Śląski S.A. and managed at the level of ING Bank Hipoteczny S.A.

Liquidity risk of the Bank's other subsidiary companies is maintained at a minimum level with funding being provided within the ING Group.



4.11. Analysis of the maturity of financial assets and liabilities according to contractual payment terms

The tables below present financial assets and liabilities (excluding valuation of derivatives) split by remaining (from the reporting date) contractual maturities. The presented values provide for future interest payments. With respect to contingent liabilities granted, the maturity analysis covers the closest possible performance of the liabilities by the Group.

2023

	without a specific date	up to 1 month	1- 12 months	1-5 years	over 5 years
Financial assets, including:	19,016.8	30,205.0	49,283.2	119,208.6	101,667.0
Cash in hand and balances with the Central Bank	4,287.3	2,464.1	0.0	0.0	0.0
Loans and other receivables to other banks	144.7	13,453.0	6,510.9	81.1	0.0
Financial assets measured at fair value through profit or loss (excluding the valuation of derivatives)	0.4	628.4	80.2	812.5	233.7
Investment securities	235.9	4,477.7	7,325.3	46,831.1	4,008.4
Loans and other receivables to customers measured at amortised cost	14,348.5	9,179.5	35,330.6	71,483.9	97,424.9
Other financial assets	0.0	2.3	36.2	0.0	0.0
Financial Liabilities, including:	173,732.2	16,915.9	24,073.3	8,696.6	4,630.6
Liabilities to other banks	763.7	1,014.5	4,258.1	7,334.0	2,205.3
Financial liabilities measured at fair value through profit or loss (excluding the valuation of derivatives)	0.0	165.7	27.6	488.6	258.3
Liabilities to customers	172,968.5	13,082.1	18,592.2	81.4	565.7
Liabilities from debt securities issued	0.0	0.0	424.5	0.0	0.0
Subordinated liabilities	0.0	5.7	79.0	772.4	1,132.9
Other financial liabilities	0.0	2,647.9	691.9	20.2	468.4
Contingent liabilities granted	3,378.7	1,610.0	21,835.3	15,955.7	10,418.3

2022

	without a specific date	up to 1 month	1- 12 months	1-5 years	over 5 years
Financial assets, including:	18,434.3	10,767.2	39,914.5	120,029.7	106,994.6
Cash in hand and balances with the Central Bank	2,297.7	0.0	0.0	0.0	0.0
Loans and other receivables to other banks	329.1	782.9	166.8	371.6	0.0
Financial assets measured at fair value through profit or loss (excluding the valuation of derivatives)	1.8	523.0	95.9	590.4	120.8
Investment securities	120.9	3,798.1	1,984.1	43,056.8	7,400.0
Loans and other receivables to customers measured at amortised cost	15,684.8	5,651.9	37,628.5	76,010.9	99,473.8
Other financial assets	0.0	11.3	39.2	0.0	0.0
Financial Liabilities, including:	169,616.7	10,538.1	20,276.2	1,844.1	2,956.8
Liabilities to other banks	571.4	573.1	3,660.9	635.1	199.2
Financial liabilities measured at fair value through profit or loss (excluding the valuation of derivatives)	0.0	164.2	12.1	412.1	178.7
Liabilities to customers	169,045.3	7,277.8	15,850.2	110.7	447.3
Liabilities from debt securities issued	0.0	0.0	32.1	432.2	0.0
Subordinated liabilities	0.0	3.3	55.9	237.5	1,735.2
Other financial liabilities	0.0	2,519.7	665.0	16.5	396.4
Contingent liabilities granted	3,197.5	1,192.8	19,296.5	15,108.2	9,363.2

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



Derivative financial instruments settled in net amounts

Derivative financial instruments settled by the Bank on a net basis cover IRS, FRA, options and FX Forward NDF transactions. The data in tables reflect – in case of IRS transactions – non-discounted future interest cash flows; in case of other transactions, the cash flows equivalent to the valuation as at 31 December 2023 and 31 December 2022 respectively.

2023

	up to 1 month	1- 12 months	1-5 years	over 5 years
IRS transactions, of which:	-1,932.4	-1,141.6	4,844.9	457.4
hedging transactions in hedge accounting	-726.7	-467.1	1,833.5	119.2
other derivatives	-21.4	-127.2	-12.8	0.0

2022

	up to 1 month	1- 12 months	1-5 years	over 5 years
IRS transactions, of which:	1,183.8	4,151.3	-2,028.7	-1,030.1
hedging transactions in hedge accounting	345.5	1,053.3	-1,045.6	-878.0
other derivatives	-27.5	-66.2	-29.5	0.0

Derivative financial instruments settled in gross amounts

Derivative financial instruments settled by the Bank on a gross basis cover FX Swap, FX Forward and CIRS transactions. The data in tables reflect non-discounted contractual cash outflows and inflows of nominals and – in case of CIRS transactions – as interest, as at 31 December 2023 and 31 December 2022 respectively.

2023

	up to 1 month	1- 12 months	1-5 years
outflows	-4,643.4	-3,109.1	-2,117.5
inflows	4,570.1	2,969.2	1,998.8

2022

	up to 1 month	1- 12 months	1-5 years
outflows	-5,244.5	-8,133.8	-2,160.2
inflows	5,143.3	7,726.5	2,126.2

5. Operational risk

5.1. Introduction

Operational risk is defined in the Bank as the possibility of direct or indirect loss resulting from maladjustment or failure of internal processes, people and systems or from external events. Operational risk also includes legal risk and model risk.

Operational risk management is an integral part of the Bank’s management process. The operational risk management process and business processes show mutual dependence, which means that information obtained in the operational risk management process is taken into account when making decisions concerning business activities, and the operational risk management process takes into account business decisions.

5.2. Operational risk management objectives

The operational risk management objectives, which are part of the Bank’s overall risk management strategy, are defined on the basis of:

- regulatory requirements,
- recommendations of the Bank’s Management Board and Supervisory Board,
- plans and good practices of the ING Group,
- the need to implement the risk mitigation measures identified in the course of external and internal evaluations and audits,
- improvement plans in the area of risk management.

The Bank’s Management Board - after obtaining the approval of the Supervisory Board - defined the operational risk management strategy. The strategy takes into account legal and regulatory requirements and builds on ING Group best practices.

In addition, in consultation with the Supervisory Board, in the risk appetite declaration the Management Board has specified the maximum permissible loss limits, capital limits and the scope of risk that it is willing to take in order to achieve the planned business objectives - in full compliance with the law and regulations. The level of utilisation of limits is monitored and periodically presented to the Management Board, Risk Committee and Supervisory Board.

The main objective in operational risk management is to continuously improve the safety of the Bank and its customers, reduce operating costs and improve operational efficiency.



In addition to the implementation of basic processes in the area of operational risk, in 2023 the Bank focused its activities on:

- building integrated tools for non-financial risks, also in the area of fraud,
- maintaining a uniform control framework covering the Bank’s subsidiaries,
- raising the level of maturity of risk culture among the Bank’s employees,
- integration of ESG risks into risk management processes,
- updating the risk management rules in the area of new technologies used in the Bank,
- proactive identification of high-risk areas,
- analysing the new approach to reporting non-financial risks, based on data metrics, and we continued to implement a new risk categorisation.

5.3. Operational risk management policies

With regard to operational risk management, the Bank has a consistent and continuously updated package of internal normative documents.

The principles and guidelines contained in the regulations are aimed at limiting the effects and probability of financial losses and reputational damage.

The Bank’s operational risk management system is based on:

- legal norms,
- requirements resulting from internal regulations being an element of the Bank’s strategy - *Non-financial Risk Appetite Declaration* and *Operational Risk Management Policy*, which defines the main operational risk management processes,
- other regulations at the level of Policies concerning the internal control system, counteracting fraud, IT risks as well as business continuity management, implementation, modification, review and liquidation of products intended for the bank’s customers (PARP), transfer of non-financial risk to the insurance market, outsourcing, security of persons and resources,
- more detailed rules, instructions and procedures of the Bank relating to risk management issues.

5.4. Organisational structure of operational risk management

The Bank has a management structure with clearly defined, transparent and consistent areas of responsibility based on the Three Lines of Defence model, it also defined the principles of cooperation with the parent entity.

The scope of responsibility is defined starting from the Supervisory Board and the Risk Committee supporting it, and the Bank’s Management Board, through all the Bank’s organisational units. In the scope of operational risk, there is also supervision of significant subsidiaries of the Bank.

For years, the Bank has had a permanent Non-Financial Risk Committee, whose main task is to provide ongoing support to the Management Board in managing non-financial risk.

5.5. Operational risk management process

The Bank has effective and consistent processes for identifying and controlling non-financial risk in all of the Bank’s products, activities, processes and systems.

The operational risk management system applies to all areas of the Bank’s operations and the Group’s operations, as well as cooperation with clients, suppliers and partners. It constitutes a coherent, continuing practice that includes the following elements:

- risk identification and assessment, including, among others, risk assessments, analysis of internal and external events or scenario analyses and stress tests,
- risk mitigation and monitoring of mitigation actions,
- carrying out inspections,
- monitoring and quality assurance.

6. ESG risk

6.1. Introduction

In accordance with the approach presented in the *ECB Guide on climate-related and environmental risks 2020* and the *EBA Report on management and supervision of ESG risks for credit institutions and investment firms 2021*, the Bank does not treat ESG risk as a separate risk category, but as a booster of the basic risk categories present in the Bank (credit, market, liquidity and financing risk and non-financial risk). The Bank defines ESG risk as the risk of the



negative financial impact of ESG factors on the Bank - the risk of their direct or indirect impact (indirect - through the impact of these factors on the Bank’s customers/counterparties).

The Bank manages ESG risk by incorporating mechanisms for its identification, measurement, assessment, mitigation, monitoring, reporting into standard processes as part of credit, market, operational, liquidity and financing risk and non-financial risk management. The organisational structure addresses concerns related to the expected intensification of ESG risk. It ensures effective supervision of ESG risk and the correct and timely conduct of work related to the implementation of ESG risk management mechanisms.

6.2. ESG risk management objectives

At the beginning of 2023, the Supervisory Board approved the Risk Management Strategy, in which the key objectives for 2023-2025 include the continuation of activities to better identify, measure and assess ESG risk, as well as activities to ensure that the bank’s policies, procedures and processes comply with the requirements resulting from external regulations.

6.3. ESG risk management policies

The Bank has in place the *ESG Risk Management Policy* - a document defining the manner of ESG risk management, including the manner of integrating ESG risk management into the existing framework for managing credit, market, liquidity and financing risk and non-financial risk.

6.4. Organisational structure of ESG risk management

The Bank’s Management Board, Supervisory Board and management staff attach particular importance to the issue of identifying risks and opportunities as well as managing ESG risk in the Bank. Among other things, the Management Board has initiated the creation of appropriate organisational structures that ensure a comprehensive approach to ESG from the point of view of risk management, business issues and reporting / disclosures, as well as an appropriate flow of information and sharing of knowledge between units responsible for individual ESG aspects, the Management Board and other employees.

The Management Board has established a comprehensive ESG Programme to coordinate ESG issues within separate working teams focussing on risk, business and reporting / disclosures. An ESG Data Model Project has also been established, and work is underway to ensure data availability and high-quality reporting.

Supervision of ESG risk management has been entrusted to the Member of the Bank’s Management Board supervising the CRO Division.

Since 2022, there has been an ESG Risk Committee in the form of a standing committee. The main tasks of the ESG Risk Committee are:

- creating an ESG risk management policy,
- approving the ESG risk management methodology,
- approval of tools used for ESG risk assessment,
- defining the standards of ESG credit risk analysis and the course of the ESG risk assessment and monitoring process, as well as the principles of including ESG risk in the valuation of collateral.

Within the CRO Division, an ESG Risk Team has been established in the Risk Regulation Department, responsible for managing ESG risk and initiating and coordinating further actions aimed at the comprehensive implementation of this risk management into the existing credit, market, liquidity and operational risk management system and the fulfilment of expectations indicated in supervisory documents.

6.5. Key ESG risks

The risks in the ESG area, which according to the Bank will have the greatest impact on its operations, are indicated below. They were presented in order of the most significant expected impact and grouped according to traditional risk categories.

ESG risk in credit risk

- transformation risk:
 - risk of deterioration in the quality of receivables from companies from high-emission industries due to a decrease in their revenues / an increase in costs / an increase in debt,
 - risk of a decrease in the value of properties with low energy efficiency accepted to secure them,
 - risk of deterioration of the quality of mortgage loans granted to individual customers using real estate with low energy efficiency,
 - risk of deterioration in the quality of receivables from loans financing commercial properties with low energy efficiency,
- physical climate risk:
 - risk of a decrease in the value of property accepted as collateral, exposed to sudden or long-term physical threats,



- the risk of deterioration in the quality of corporate receivables due to a decrease in their income / increase in costs / increase in debt due to their operations in a place exposed to sudden or long-term physical threats,
- physical, environmental and social risk - risk of deterioration of the quality of corporate receivables due to a decrease in their income / increase in costs / increase in debt due to their activities having a negative impact on the environment or a negative impact on employees / communities.

ESG risk in compliance risk

- regulatory compliance risk - risk of the Bank's financial loss as a result of regulatory sanctions for non-compliance of internal policies and instructions with external regulations in the ESG area, as well as for inadequacy of the processes aimed at ensuring this compliance,
- greenwashing risk - risk of the Bank's financial loss as a result of regulatory sanctions, losses in court proceedings, business disruption and loss of reputation due to ING's statements related to ESG risk with regard to social factors (S), environmental factors (E) or corporate governance area (G), which the client would perceive as false, opaque, misleading or unjustified,

ESG risk in liquidity risk

- transformation risk and physical climate risk - risk of the Bank's liquidity disturbance as a result of increased outflow of deposits from the Bank or increased credit needs of customers in connection with the need to cover additional expenses resulting from the materialisation of transformation risk or physical risk.

The Bank also manages the remaining ESG risks, although not all of them have been described due to, among others:

- the estimated low impact of these risks (e.g. ESG risk within market risk, operational risk of disrupting the continuity of operations and the security of people and resources due to physical climate risk,
- historically well-established and effective system of managing these risks in the Bank (e.g. social risk resulting from improper HR practices, social and environmental risk related to cooperation with suppliers).

6.6. Achieving ESG goals within the own economy

As part of its own economy, the Bank conducts activities and implements investments aimed at reducing emissions and reducing carbon footprint. The key actions implemented and planned in this respect include:

- Improving thermal efficiency of the Bank's Head Office buildings using modern technologies. In the Bank's headquarters building in Katowice, ventilation units are replaced with heat recovery units, which will contribute to reducing energy consumption.
- By modernising the existing heating and cooling installations in the building of its headquarters in Katowice, the Bank plans to reduce the use of technological heat obtained by burning coal.
- The installed CWU collectors for water heating will partially replace network heat with solar energy. The sun is also used to produce its own electricity - in the near future the Bank will install a photovoltaic skylight above the atrium of its headquarters in Katowice.
- The expansion and development of BMS in the buildings of the Bank's Head Office in Katowice will allow for a wise use of resources in buildings and the possibility of conducting control automation.
- The Bank's permanent list of activities also includes activities in the branch network, including modernisation of electrical installations to optimise room lighting and replacement of air conditioning equipment with heat recovery equipment (in order to reduce energy consumption and reduce greenhouse gas emissions by using the R32 factor).
- For several years, the Bank has been systematically building a network of chargers for electric and hybrid cars and successively replacing company cars.

The costs incurred in 2023 related to the implementation of the above tasks amounted to PLN 11.1 million. Planned expenditures for 2024-2026 will amount to PLN 53.4 million.



7. Other risks

7.1. Compliance risk

The Bank’s mission in terms of compliance is to build an organisational culture based on knowledge of and compliance with legal regulations, internal regulations, market standards as well as ING’s Values and Behaviours, specified in the so-called Orange Code.

Compliance risk is understood as the risk of the consequences of non-compliance with the Bank’s processes with the laws, internal regulations and market standards.

The Bank’s Supervisory Board supervises the compliance risk management, and the Bank’s Management Board is responsible for the effective compliance risk management, including:

- mplementation of organisational solutions, regulations and procedures enabling effective compliance risk management, and
- ensuring adequate resources and resources required for the performance of tasks.

Centre of Expertise - Compliance is an organisationally separate, independent unit responsible for the organisation and functioning of the compliance risk management process. The aim of the Centre of Expertise - Compliance is to shape solutions for identifying, assessing, controlling and monitoring the risk of non-compliance of the Bank’s operations with laws, internal regulations and market standards, and to present reports in this respect. Compliance activities are aimed at the active participation of the Bank’s employees in compliance risk management by shaping a risk culture based on knowledge of and compliance with laws, internal regulations and market standards.

7.2. Security of transactions and stability of IT systems

The security of clients’ and partners’ funds and data is a key issue that the Bank pays particular attention to in its daily operations. Monitors threats on an ongoing basis and analyses their impact on ICT infrastructure (applications, systems, networks), as well as business processes, processes of its partners and service providers and their potential impact on customers. On this basis, the Bank designs and implements appropriate organisational and technical solutions in the areas of prevention, detection and response. The Bank’s ICT systems protect multi-layered cybersecurity mechanisms and systems.

7.3. Security of personal data

The stability of IT systems also means the protection of personal data of customers, business partners and employees. However, in addition to IT security, the Bank also takes care of the physical security of the data and

information stored in the Bank and constantly improves its approach to personal data protection. The Bank’s internal regulations strictly define the admissibility and rules for the presence of third parties in offices and exclude the connection of unverified devices to the banking ICT network. Physical safeguards are regularly tested and the audit findings inspire change. Testing physical security and all methods of remote access to systems has become an integral part of APT tests at the Bank examining the resilience of the Bank’s cybersecurity.

In 2023, the Bank did not identify any substantiated complaints regarding breaches of client privacy, although administrative proceedings are pending before the Voivodship Administrative Court in five cases and the Supreme Administrative Court in three cases.

As part of the Polish Bank Association, the Bank cooperates with other banks to develop the *Principles of good practices in the processing and protection of personal data in the banking sector*, as well as to develop consistent solutions related to personal data protection.

7.4. Model risk

Model risk management is carried out in accordance with *the Model Risk Management Policy at ING Bank Śląski*. The Policy defines the key obligations with respect to risk management of models that must be observed for each type of model. These responsibilities are defined in relation to the general principles of model risk management as well as in relation to the various stages of the model life cycle.

The Model Validation Department provides a register of models, which is a repository of information on models operating in the Group, and which is updated by participants in the model risk management process, including model owners, validators and modellers. The register and model logs shall contain, inter alia, information on the relevance of the models, their risk levels and the results of monitoring their performance and the results of model validation.

The Group regularly assesses the risks of individual models and, if required, allocates capital charges for models in accordance with the principles adopted in internal regulations.

The performance of models is verified as part of the monitoring of model performance and model validation. Model validation is performed in accordance with the *Model Validation Policy at ING Bank Śląski* and validation instructions.

Management reporting to the Model Risk Committee, the Management Board and the Supervisory Board on the status of model management and validation activities includes, among others, assessment of the aggregated level of model risk in the context of the adopted level of model risk tolerance, results of model risk assessment and the status of the validation plan.



7.5. Business risk

The Group identifies one significant risk as the macroeconomic risk. Macroeconomic risk is the risk arising from changes in macroeconomic factors and their impact on the level of minimum capital requirements. The Group manages this risk by regularly conducting internal and supervisory stress tests in accordance with the *Stress Testing Policy*, which allows for ongoing monitoring of the sensitivity of the minimum capital requirements to macroeconomic factors.

Based on the results of internal stress tests, in accordance with the *Methodology for calculating economic capital for macroeconomic risk*, the Group estimates additional economic capital to hedge against the effects of materialisation of the tested scenario. Due to the events of recent years, including the war in Ukraine, dynamic changes in the macroeconomic and political environment and the results of stress tests, the Group continues to maintain additional economic capital for macroeconomic risk.



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

2024-03-06	Brunon Bartkiewicz President	The original Polish document is signed with a qualified electronic signature
2024-03-06	Joanna Erdman Vice-President	The original Polish document is signed with a qualified electronic signature
2024-03-06	Marcin Giżycki Vice-President	The original Polish document is signed with a qualified electronic signature
2024-03-06	Bożena Graczyk Vice-President	The original Polish document is signed with a qualified electronic signature
2024-03-06	Ewa Łuniewska Vice-President	The original Polish document is signed with a qualified electronic signature
2024-03-06	Michał H. Mrożek Vice-President	The original Polish document is signed with a qualified electronic signature
2024-03-06	Sławomir Soszyński Vice-President	The original Polish document is signed with a qualified electronic signature
2024-03-06	Alicja Żyła Vice-President	The original Polish document is signed with a qualified electronic signature

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2024-03-06	Jolanta Alvarado Rodriguez Lead of Centre of Expertise Accounting Policy and Financial Reporting	The original Polish document is signed with a qualified electronic signature
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