ING Bank Śląski S.A. Group

Quarterly consolidated report

for the 1st quarter 2021

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(PLN million)

SELECTED FINANCIAL DATA FROM FINANCIAL STATEMENTS

Performance highlights

	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020
Net interest income	1,141.6	1,152.1
Net commission income	428.3	359.1
Net income on basic activities	1,595.6	1,558.3
Gross profit	526.2	377.0
Net profit attributable to shareholders of ING Bank Śląski S.A.	385.6	267.3
Earnings per ordinary share (PLN)	2.96	2.05

	as at 31 Mar 2021	as at 31 Dec 2020	as at 31 Mar 2020
Loans and other receivables to customers measured at amortised cost (net)	129,453.2	124,655.3	123,459.7
Liabilities to customers	158,931.1	151,028.5	139,648.7
Total assets	194,821.3	186,595.7	171,241.6
Equity attributable to shareholders of ING Bank Śląski	17,560.3	18,618.3	17,341.0
Share capital	130.1	130.1	130.1

Key performance indicators

	as at 31 Mar 2021	as at 31 Dec 2020	as at 31 Mar 2020
C/I - cost/income ratio (%)	51.4%	44.5%	49.7%
ROA - return on assets (%)	0.8%	0.8%	1.0%
ROE - return on equity (%)	8.1%	7.6%	10.6%
NIM - net interest margin (%)	2.52%	2.63%	2.93%
L/D - loans-to-deposits ratio (%)	81.5%	82.5%	88.4%
Total capital ratio (%)	18.80%	19.52%*	15.76%

*) On 15 April 2021, the Bank's General Meeting approved the distribution of the profit for 2020. Including the net profit generated in 2020 as equity as at 31 December 2020 resulted in an increase in the Group's total capital ratio (TCR) to 19.52%. According to the value presented in the annual consolidated financial statements for 2020, the Group's total capital ratio as at 31 December 2020 was 18.72%.

Explanations:

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

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

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

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

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

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

(PLN million)

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

Interim condensed consolidated income statement

	Note	**1 quarter 2021** the period from 01 Jan 2021 to 31 Mar 2021	**1 quarter 2020** the period from 01 Jan 2020 to 31 Mar 2020
Interest income		1,267.6	1,386.6
calculated using effective interest rate method		1,267.3	1,385.8
other interest income		0.3	0.8
Interest expenses		126.0	234.5
Net interest income	7.1	**1,141.6**	**1,152.1**
Commission income		531.7	460.6
Commission expenses		103.4	101.5
Net commission income	7.2	**428.3**	**359.1**
Net income on financial instruments measured at fair value through profit or loss and FX result	7.3	34.3	13.9
Net income on the sale of securities measured at amortised cost	7.4	0.0	7.3
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	7.4	0.0	1.8
Net (loss)/income on hedge accounting	7.5	-10.9	23.7
Net (loss)/income on other basic activities		2.3	0.4
Net income on basic activities		**1,595.6**	**1,558.3**
General and administrative expenses	7.6	820.8	775.0
Impairment for expected credit losses	7.7	128.8	294.7
including profit on sale of receivables		0.0	4.1
Cost of legal risk of FX mortgage loans		0.0	0.0
Tax on certain financial institutions		125.9	116.0
Share of profit/(loss) of associates accounted for using the equity method		6.1	4.4
Gross profit		**526.2**	**377.0**
Income tax		140.6	109.7
Net profit		**385.6**	**267.3**
attributable to shareholders of ING Bank Śląski S.A.		**385.6**	**267.3**
attributable to non-controlling interests		0.0	0.0
Net profit attributable to shareholders of ING Bank Śląski S.A.		385.6	267.3
Weighted average number of ordinary shares		130,100,000	130,100,000
Earnings per ordinary share (PLN)		2.96	2.05

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

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

(PLN million)

Interim condensed consolidated statement of comprehensive income

	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020
Net profit for the period	**385.6**	**267.3**
Total other comprehensive income, including:	**-1,443.6**	**1,850.4**
Items which can be reclassified to income statement, including:	**-1,443.3**	**1,850.3**
debt instruments measured at fair value through other comprehensive income – gains on revaluation carried through equity	123.4	-232.8
debt instruments measured at fair value through other comprehensive income – reclassification to financial result due to sale	0.0	-1.5
cash flow hedging – gains on revaluation carried through equity	-1,348.4	2,174.4
cash flow hedging – reclassification to profit or loss	-218.3	-89.8
Items which will not be reclassified to income statement, including:	**-0.3**	**0.1**
fixed assets revaluation	-0.3	0.1
Net comprehensive income for the reporting period	**-1,058.0**	**2,117.7**
attributable to shareholders of ING Bank Śląski S.A.	-1,058.0	2,117.7

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

(PLN million)

Interim condensed consolidated statement of financial position

as at

	Note	31 Mar 2021	31 Dec 2020	31 Mar 2020
Assets				
Cash in hand and balances with the Central Bank		899.8	867.3	1,740.5
Loans and other receivables to other banks	7.8	1,336.4	704.6	1,082.3
Financial assets measured at fair value through profit or loss	7.9	1,610.1	2,017.7	1,511.7
Derivative hedge instruments		873.6	1,194.8	1,075.8
Investment securities	7.10	58,314.3	54,933.5	40,196.1
Loans and other receivables to customers measured at amortised cost	7.11	129,453.2	124,655.3	123,459.7
Investments in associates accounted for using the equity method		180.2	174.1	185.4
Property, plant and equipment		884.8	913.1	950.6
Intangible assets		415.8	426.6	424.3
Assets held for sale		5.4	3.6	2.2
Current income tax assets		2.2	2.7	0.0
Deferred tax assets		558.1	423.2	377.7
Other assets		287.4	279.2	235.3
Total assets		**194,821.3**	**186,595.7**	**171,241.6**
Liabilities				
Liabilities to other banks	7.13	10,333.8	8,228.0	6,624.3
Financial liabilities measured at fair value through profit or loss	7.14	1,194.3	1,530.8	1,027.6
Derivative hedge instruments		549.6	558.5	510.4
Liabilities to customers	7.15	158,931.1	151,028.5	139,648.7
Liabilities from debt securities issued		596.5	1,370.5	397.6
Subordinated liabilities		2,331.9	2,309.2	2,278.1
Provisions	7.16	240.1	256.3	186.3
Current income tax liabilities		200.0	389.6	700.3
Deferred tax liabilities		0.0	0.0	5.2
Other liabilities	7.17	2,883.7	2,306.0	2,522.1
Total liabilities		**177,261.0**	**167,977.4**	**153,900.6**
Equity				
Share capital		130.1	130.1	130.1
Share premium		956.3	956.3	956.3
Accumulated other comprehensive income		2,479.8	3,923.4	3,717.7
Retained earnings		13,994.1	13,608.5	12,536.9
Equity attributable to shareholders of ING Bank Śląski		**17,560.3**	**18,618.3**	**17,341.0**
Non-controlling interests		0.0	0.0	0.0
Total equity		**17,560.3**	**18,618.3**	**17,341.0**
Total equity and liabilities		**194,821.3**	**186,595.7**	**171,241.6**
Carrying amount		17,560.3	18,618.3	17,341.0
Number of shares		130,100,000	130,100,000	130,100,000
Carrying amount per share (PLN)		134.98	143.11	133.29

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

(PLN million)

Interim condensed consolidated statement of changes in equity

1 quarter 2021

the period from 01 Jan 2021 to 31 Mar 2021

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	**Total equity**
Opening balance of equity	**130.1**	**956.3**	**3,923.4**	**13,608.5**	**0.0**	**18,618.3**
Profit for the current period	-	-	-	385.6	-	**385.6**
Other net comprehensive income, including:	**0.0**	**0.0**	**-1,443.6**	**0.0**	**0.0**	**-1,443.6**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	123.4	-	-	123.4
cash flow hedging – gains on revaluation carried through equity	-	-	-1,348.4	-	-	-1,348.4
cash flow hedging – reclassification to profit or loss	-	-	-218.3	-	-	-218.3
fixed assets revaluation	-	-	-0.3	-	-	-0.3
Closing balance of equity	**130.1**	**956.3**	**2,479.8**	**13,994.1**	**0.0**	**17,560.3**

year 2020

the period from 01 Jan 2020 to 31 Dec 2020

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	**Total equity**
Opening balance of equity	**130.1**	**956.3**	**1,867.3**	**12,269.6**	**0.0**	**15,223.3**
Profit for the current period	-	-	-	1,337.6	-	**1,337.6**
Other net comprehensive income, including:	**0.0**	**0.0**	**2,056.1**	**1.3**	**0.0**	**2,057.4**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	133.7	-	-	133.7
debt instruments measured at fair value through other comprehensive income – reclassification to financial result due to sale	-	-	-18.3	-	-	-18.3
cash flow hedging – gains on revaluation carried through equity	-	-	2,562.5	-	-	2,562.5
cash flow hedging – reclassification to profit or loss	-	-	-617.1	-	-	-617.1
disposal of fixed assets	-	-	-1.3	1.3	-	0.0
actuarial gains/losses	-	-	-3.4	-	-	-3.4
Closing balance of equity	**130.1**	**956.3**	**3,923.4**	**13,608.5**	**0.0**	**18,618.3**

(PLN million)

1 quarter 2020

the period from 01 Jan 2020 to 31 Mar 2020

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

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

(PLN million)

Interim condensed consolidated cash flow statement

	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020
Net profit	**385.6**	**267.3**
Adjustments, including:	**2,500.5**	**4,867.2**
Share of profit/(loss) of associates accounted for using the equity method	-6.1	-4.4
Depreciation and amortisation	71.4	71.5
Interest accrued (from the income statement)	-1,141.6	-1,152.1
Interest paid	-118.1	-220.5
Interest received	1,084.2	1,080.4
Gains (losses) on investing activities	0.1	18.7
Income tax (from the income statement)	140.6	109.7
Income tax paid	-126.0	-151.8
Change in provisions	-16.2	-19.4
Change in loans and other receivables to other banks	3.3	-55.0
Change in financial assets measured at fair value through profit or loss	410.3	-125.1
Change in debt securities measured at fair value through other comprehensive income	-1,608.8	-1,545.4
Change in hedge derivatives	-1,621.9	2,313.9
Change in loans and other receivables to customers measured at amortised cost	-4,762.4	-5,187.9
Change in other assets	-24.2	314.8
Change in liabilities to other banks	2,020.2	214.5
Change in liabilities measured at fair value through profit or loss	-336.5	112.5
Change in liabilities to customers	7,904.1	9,177.6
Change in other liabilities	628.1	-84.8
Net cash flow from operating activities	**2,886.1**	**5,134.5**
Purchase of property, plant and equipment	-10.2	-10.3
Disposal of property, plant and equipment	0.5	0.3
Purchase of intangible assets	-10.7	-14.8
Disposal of assets held for sale	0.0	0.1
Purchase of equity instruments measured at fair value through other comprehensive income	0.0	-15.3
Purchase of debt securities measured at amortised cost	-1,644.6	-7,985.8
Disposal of debt securities measured at amortised cost	171.4	3,044.3
Net cash flows from investing activities	**-1,493.6**	**-4,981.5**
Long-term loans received	396.5	497.6
Long-term loans repaid	-310.9	-54.5
Interest on long-term loans repaid	-7.5	-5.2
Issue of debt securities	150.0	0.0
Redemption of debt securities	-925.0	0.0
Interests from issued debt securities	-0.9	0.0
Repayment of lease liabilities	-27.7	-26.1
Net cash flows from financing activities	**-725.5**	**411.8**
Effect of exchange rate changes on cash and cash equivalents	150.8	161.1
Net increase/(decrease) in cash and cash equivalents	**667.0**	**564.8**
Opening balance of cash and cash equivalents	**1,228.2**	**1,997.4**
Closing balance of cash and cash equivalents	**1,895.2**	**2,562.2**

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

Additional information

1. Bank and the Group details

1.1. Key Bank data

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

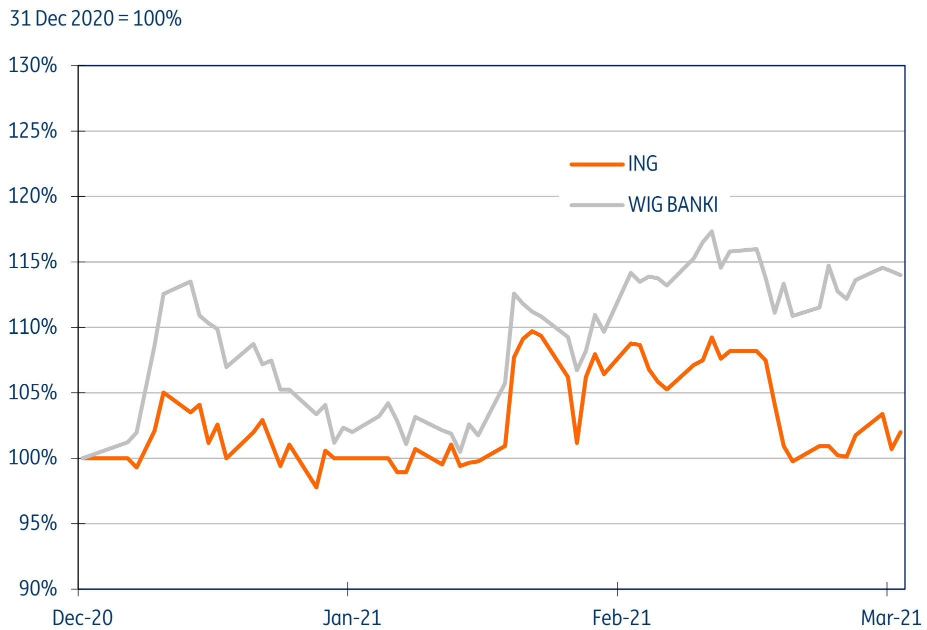
1.2. Scope and duration of operations

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

1.3. Share capital

The share capital of ING Bank Śląski S.A. is PLN 130,100,000 and is divided in 130,100,000 ordinary bearer shares of a par value of PLN 1.00 each. Bank's shares are quoted on the Warsaw Stock Exchange (sector: banks).

As at 31 March 2021, the share price of ING Bank Śląski S.A. was PLN 174.4, whereas as of 31 December 2020 and 31 March 2020 was at the level of PLN 171.0 and 148.8 respectively. During the 3 months period of 2021, the price of ING Bank Śląski S.A. shares was as follows:



(PLN million)

1.4. Shereholding structure of ING Bank Śląski S.A.

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 31 March 2021 held 75% share in the share capital of ING Bank Śląski S.A. and 75% shares in the total number of votes at the General Meeting. ING Bank NV belongs to the Group, herein referred to as ING Group.

The remaining part of the Bank's shares (25.0%) is in free float. They are owned by institutional investors - in particular Polish pension funds and domestic and foreign investment funds, as well as individual investors. The largest of them as at 31 March 2021 was AVIVA Otwarty Fundusz Emerytalny AVIVA Santander, which, according to the list of shareholders entitled to participate in the General Meeting of ING Bank Śląski S.A. ("GM") convened for April 15, 2021, held 8.45% of the share capital and the total number of votes at the GM.

No.	Entity	Number of shares and votes	% of total number of shares and votes at General Meeting
1.	ING Bank NV	97 575 000	75.00
2.	AVIVA Otwarty Fundusz Emerytalny AVIVA Santander	11 000 000	8.45

1.5. ING Bank Śląski S.A. Group

ING Bank Śląski S.A. is the parent company of the ING Bank Śląski S.A. Group ("Capital Group", "Group"). As at 31 March 2021, the composition of ING Bank Śląski S.A. Group was the following:

name	type of activity	registered office	% of the Group share in equity	% of the Group share in the General Meeting votes	type of capital relationship	recognition in the Group Financial Statements
ING Investment Holding (Polska) S.A., that holds shares at the following subsidiaries and associates:	financial holding	Katowice	100	100	subsidiary	full consolidation
ING Commercial Finance S.A.	factoring services	Warsaw	100	100	subsidiary	full consolidation
ING Lease (Polska) Sp. z o.o.*	leasing services	Warsaw	100	100	subsidiary	full consolidation
NN Investment Partners TFI S.A.	investment funds	Warsaw	45	45	associated	consolidation with the equity method
ING Bank Hipoteczny S.A.	banking services	Katowice	100	100	subsidiary	full consolidation
ING Usługi dla Biznesu S.A.	accountancy services, payroll services	Katowice	100	100	subsidiary	full consolidation
Solver Sp. z o.o.	holiday and training courses organisation	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

*) The ING Lease (Polska) Sp. z o.o Group incorporates 5 special-purpose vehicles wherein ING Lease (Polska) Sp. z o.o holds 100% of shares.

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

As at 31 March 2021, neither Management Board nor Supervisory Board members held shares of ING Bank Śląski S.A. So was the situation also at the date of rendering the financial statements for the previous reporting period into the public domain.

1.7. Approval of financial statements

The annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2020 to 31 December 2020 were approved by the General Meeting on 15 April 2021.

These interim condensed consolidated financial statements have been approved by the Bank's Management Board on 5 May 2021.

2. Significant events in 1st quarter 2021

- *Decision of the Management Board of the Bank regarding compliance with the individual recommendation of the Polish Financial Supervision Authority regarding the dividend policy in the first half of 2021*

On 15 January 2021, the Management Board of the Bank adopted a resolution in which it declared that it would take steps to apply the individual recommendation of the Polish Financial Supervision Authority (PFSA) regarding the Bank's dividend policy in the first half of 2021. This resolution was adopted in connection with the recommendations of the PFSA, which were formulated in the letter received by the Bank on 14 January 2021. In this letter, the PFSA recommends:

- the Bank suspends the payment of dividends in the first half of 2021 (including retained earnings from previous years),
- the Bank's failure to undertake, in the first half of 2021, without prior consultation with the supervisory authority, other activities beyond the scope of current business and operating activities, which may result in a reduction in the capital base, including buyouts of own shares.

As part of this letter, the PFSA also informed that its position on the dividend policy of commercial banks in the second half of 2021 will be presented separately after analysing the situation of the banking sector in the first half of the year.

3. Significant events after balance sheet date

- *Amount of the 2021 annual contribution to the resolution fund of the Bank Guarantee Fund*

On 20 April 2021 the Bank's Management Board received a notice from the Bank Guarantee Fund on the amount of the 2021 annual contribution to the resolution fund of banks. The contribution of Bank's Capital Group amounts to PLN 132.6 million, including an adjustment of the contributions for 2020. The entire amount was recognised in costs for the first quarter of 2021. The value attributable to the Bank is PLN 127.9 million, and to ING Bank Hipoteczny S.A. is PLN 4.7 million.

- *General Meeting of ING Bank Śląski S.A.*

On 15 April 2021 the General Meeting of ING Bank Śląski S.A. was held and the following resolutions were adopted:

- on approving of the annual financial statements for 2020 (both standalone and consolidated),
- on approving of the Management Board Report on Operations of ING Bank Śląski S.A. Group in 2020 covering the Report on Operations of ING Bank Śląski S.A., including the Management Board statement on the application of corporate governance rules, as well as approving the Report on non-financial information of ING Bank Śląski S.A. Group for 2020, including non-financial information of ING Bank Śląski S.A.,
- on acknowledging 2020 reports of Supervisory Board, the opinion on the Supervisory Board's report on the ING Bank Śląski S.A. Supervisory Board and Management Board Members remuneration in 2019 and 2020 and on the assessment of Bank's remuneration policy,
- on acknowledging fulfilment of duties in 2020 by Members of the Management Board and Supervisory Board,
- on distribution of 2020 profit and past-year undivided profit,

(PLN million)

- on amending the *Charter of ING Bank Śląski S.A.*,
- on amending the *Bylaw of the General Meeting of ING Bank Śląski S.A.*,
- on approving the *Policy of appointing and recalling Members of the Supervisory Board of ING Bank Śląski S.A.*,
- on assessing satisfaction by the members of the Supervisory Board of the requirements referred to in Article 22aa of the Banking Law Act (suitability assessment),
- on amending the *ING Bank Śląski S.A. Supervisory Board and Management Board Members Remuneration Policy*.

4. Compliance with International Financial Reporting Standards

These interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for the 1st quarter 2021 were prepared under the International Accounting Standards (IAS) 34 *Interim Financial Reporting* in a version approved by the European Commission and effective as at the reporting date, that is 31 March 2021 as well as in accordance with the Ordinance of Finance Minister of 29 March 2018 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws of 2018, item 757).

Presented financial statements have been prepared in a condensed version. The interim condensed financial statements do not provide all data or disclosures required in the annual financial statements and should be interpreted together with the annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2020 to 31 December 2020, approved on 15 April 2021 by the Bank's General Meeting.

Interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated cash flow statement for the period from 1 January 2021 to 31 March 2021 and interim condensed consolidated statement of financial position as at 31 March 2021, together with comparable data were prepared according to the same principles of accounting for each period.

4.1. Changes in accounting standards

In these interim condensed consolidated financial statements, the same accounting standards have been applied as in the case of annual consolidated financial statements for the year 2020 (Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Capital Group for the period started 1 Jan 2020 and ended 31 Dec 2020) and the standards and interpretations adopted by the European Union and applicable to the annual periods starting 1 January 2021 or afterwards. i.e.:

amendments	impact on Group's financial statements
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	The implementation of changes entails the possibility of continuing the recognition and presentation of financial instruments affected by the benchmark rate reform and the increasing the scope of disclosures. The application of the amendment does not have a significant impact on the financial statements of the Group.
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9	The application of the amendment did not affect the financial statements of the Group.

The standards and interpretations which were already issued but are still ineffective since not approved by the European Union or approved by the European Union but not previously applied by the Group were presented in the 2020 Group Annual Consolidated Financial Statements. In the 1st quarter 2021 the following changes in accounting standards were published:

amendments **(the expected IASB effective date in brackets)**	**impact on Group's financial statements**
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (the financial year starting on or after 1 January 2023)	Change in the scope of disclosure of significant accounting principles in the financial statements. Pursuant to the introduced changes, only the accounting principles that have a significant impact on the information contained in the financial statements will be disclosed. The practical stand attached to the amendment contains a detailed illustrative example. The implementation of the change will have a significant impact on the scope of disclosures of significant accounting principles in the Group's financial statements.
Amendments to IAS 8: Definition of Accounting Estimates (the financial year starting on or after 1 January 2023)	Amendment to clarify the definition of estimated values, i.e. monetary amounts recognized in the financial statements that are subject to measurement uncertainty. The implementation of the change will not have a significant impact on the financial statements of the Group.
Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (the financial year starting on or after 1 April 2021)	Change in the scope of leasing modification, the purpose of which is to extend by 1 year the period of withdrawal from the evaluation of leasing modification, in a situation where the change in leasing payments is a direct consequence of the Covid-19 pandemic. The application of the amendment will not have an impact on the financial statements of the Group.

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.

4.2. Going concern

These interim condensed consolidated financial statements of the ING Bank Śląski S.A. Capital Group have been prepared on a going-concern basis as regards the foreseeable future, namely as regards the period of minimum 12 months from the approval date, i.e. from 5 May 2021. As at the approval date hereof, the Bank Management Board have not identified any events that could pose a threat to the Group members continuing their operations during the period of 12 months from the approval date as a result of intentional or forced abandonment or significant limitation of its operations by the Capital Group.

4.3. Discontinued operations

No material operations were discontinued during the 1 quarter 2021 and 1 quarter 2020.

4.4. Financial statements scope and currency

These interim condensed consolidated financial statements of the Group for the 1 quarter 2021 contain data of the Bank and its subsidiaries and associates (collectively referred to as the "Group"). These interim condensed consolidated financial statements have been prepared in Polish zlotys ('PLN'). Unless provided for otherwise, all values were given rounded up to PLN million. Therefore, there may be cases of mathematical inconsistency in the summaries or between individual notes.

4.5. Comparative data

The comparative data cover the period from 1 Jan 2020 to 31 Mar 2020 for the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income and the interim condensed consolidated cash flow statement, additionally for the period from

1 Jan 2020 to 31 Dec 2020 for the interim condensed consolidated statement of changes in equity and in the case of the interim condensed consolidated statement of financial position data as at 31 Dec 2020 and 31 Mar 2020.

5. Significant accounting principles and key estimates

Detailed accounting principles and key estimates are presented in the annual consolidated financial statements of the of ING Bank Śląski S.A. Group for the period from 1 January 2020 to 31 December 2020, published on 12 March 2021 and available on the website of ING Bank Śląski S.A. (www.ingbank.pl).

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

In the first quarter of 2021, no significant changes in the accounting principles applied by the Group were introduced.

At the same time, as a result of the Covid-19 coronavirus epidemic, changes were made to the key estimates, which are described below.

Impairment for expected credit losses

The methodology for calculating the expected losses was presented in the annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2020 to 31 December 2020. In the first quarter of 2021, the Group continued the adopted approach, including the probability-weighted macroeconomic scenarios, complementing them with management adjustments where, in the opinion of management, recent economic events were not fully captured.

Macroeconomic forecasts

Credit risk models for the purposes of IFRS 9 were built on the basis of historical relationships between changes in economic parameters (ie GDP or Inflation) and their subsequent effect in the implementation of changes in the level of credit risk (PD / LGD). So far, changes in macroeconomic forecasts have been realized relatively slowly, moving smoothly from one phase of the cycle to the next. The current crisis has completely different characteristics, a rapid and deep decline in GDP followed by a rapid and equally dynamic rebound of the economy. It was noted that, unlike in the previous crisis, the decline in GDP growth and the peak of insolvency will not occur at the same time. In addition, due to the effect of aid programs, liquidity and employment maintenance programs (i.e. support from BGK, PFR, statutory and non-statutory moratoria), the effect of changing macroeconomic forecasts was somewhat "stretched and softened" in relation to what the macroeconomic indicators alone would show.

As of 31 March 2021, the Group revised its forecasts of macroeconomic indicators, which also included the effect of Covid-19. The macroeconomic assumptions used to calculate expected credit losses are based on a consensus built on macroeconomic forecasts collected from a wide range of institutions.

Due to the dynamic development of the pandemic and high uncertainty, the forecasts adopted by the Group may not fully covered the impact of the macroeconomic situation on the level of expected losses, both in the short and long term. In making its estimate, the Group considered the International Accounting Standards Board's statement of 27 March 2020 regarding the recognition of IFRS 9 expected losses, taking into account the uncertainty associated with the Covid-19 pandemic. The Group made appropriate judgments, however, taking into account the existing significant uncertainty, in particular with regard to 1) future macroeconomic conditions and the impact of government actions in counteracting the effects of the pandemic, and 2) assessing whether there has been a significant increase in credit risk for credit exposures.

Management adjustments

In times of volatility and uncertainty, when portfolio quality and the economic environment change rapidly, models have a reduced ability to accurately predict losses. To reduce the model risk, additional adjustments can be made to address data quality issues, model issues, or expert judgment. They also include adjustments where the impact of updated macroeconomic scenarios is overestimated or underestimated by IFRS 9 models.

Due to the ongoing pandemic, at the end of the first quarter of 2021, the Bank maintained additional write-offs made in 2020 for the expected increased losses resulting from statutory and non-statutory moratoria in the total amount of PLN 50.7 million.

In the first quarter of 2021, an improvement in macroeconomic forecasts was observed, which had a positive impact on the amount of provisions determined on the basis of models, while we are still dealing with uncertainty as to the occurrence of another wave of disease, unknown duration of a pandemic or vaccination rate. In this situation, sudden write-offs do not necessarily correlate with the improvement of the clients' situation. In addition, aid programs as well as liquidity and employment maintenance programs, especially in the corporate segment, may result in the risk of delaying the moment of insolvency of borrowers. In this situation, the Group decided to create an additional write-off aimed at mitigating the effect of releasing provisions in connection with the improving macroeconomic forecasts. Its amount at the end of the first quarter of 2021, based on expert estimates, was set at PLN 133.0 million (compared to PLN 33.1 million at the end of 2020).

6. Comparability of financial data

Changes in data presentation

In these interim condensed consolidated financial statements for the period from 1 January 2021 to 31 March 2021, the Group changed the presentation of individual items of the consolidated statement of financial position in relation to the interim condensed consolidated financial statements for prior periods. The Group created a new item in the assets of the consolidated statement of financial position called *Financial assets measured at fair value through profit or loss*, to which the obligatory loans measured at fair value through profit or loss were transferred (previously presented under *Loans and other receivables to customers*), equity instruments designated to be measured at fair value through profit or loss and *Financial assets held for trading*. The change was aimed at recognizing in one item of the consolidated statement of financial position all financial assets measured at fair value with the measurement effect recognised in the income statement. Simultaneously with this change, the names of some items of the consolidated statement of financial position were made more precise, which, in the Group's opinion, will increase the transparency of the financial statements.

(PLN million)

The table below presents the individual items of the consolidated statement of financial position according to the values presented in the interim consolidated financial statements for the period from 1 January 2020 to 31 March 2020 and according to the values presented in these interim consolidated financial statements.

as at **31 Mar 2020**

in the interim consolidated financial statements for the period from 1 January 2020 to 31 March 2020 (approved data)		change	in the interim consolidated financial statements for the period from 1 January 2021 to 31 March 2021 (comparable data)	
Assets			**Assets**	
Cash in hand and balances with the Central Bank	1,740.5		Cash in hand and balances with the Central Bank	1,740.5
Loans and other receivables to other banks	1,082.3		Loans and other receivables to other banks	1,082.3
Financial assets held for trading	1,362.9	148.8	Financial assets measured at fair value through profit or loss	1,511.7
Derivative hedge instruments	1,075.8		Derivative hedge instruments	1,075.8
Investment securities	40,196.2	-0.1	Investment securities	40,196.1
Loans and other receivables to customers	123,608.4	-148.7	Loans and other receivables to customers measured at amortised cost	123,459.7
Investments in associates	185.4		Investments in associates accounted for using the equity method	185.4
Property, plant and equipment	950.6		Property, plant and equipment	950.6
Intangible assets	424.3		Intangible assets	424.3
Assets held for sale	2.2		Assets held for sale	2.2
Deferred tax assets	377.7		Deferred tax assets	377.7
Other assets	235.3		Other assets	235.3
Total assets	**171,241.6**	**0.0**	**Total assets**	**171,241.6**
Liabilities			**Liabilities**	
Liabilities to other banks	6,624.3		Liabilities to other banks	6,624.3
Financial liabilities measured at fair value through income statement	1,027.6		Financial liabilities measured at fair value through profit or loss	1,027.6
Derivative hedge instruments	510.4		Derivative hedge instruments	510.4
Liabilities to customers	139,648.7		Liabilities to customers	139,648.7
Liabilities from debt securities issued	397.6		Liabilities from debt securities issued	397.6
Subordinated liabilities	2,278.1		Subordinated liabilities	2,278.1
Provisions	186.3		Provisions	186.3
Current income tax liabilities	700.3		Current income tax liabilities	700.3
Deferred tax liabilities	5.2		Deferred tax liabilities	5.2
Other liabilities	2,522.1		Other liabilities	2,522.1
Total liabilities	**153,900.6**	**0.0**	**Total liabilities**	**153,900.6**
Total equity	**17,341.0**	**0.0**	**Total equity**	**17,341.0**
Total equity and liabilities	**171,241.6**	**0.0**	**Total equity and liabilities**	**171,241.6**

Change in accounting principles regarding the recognition of provisions resulting from legal risk for the portfolio of CHF indexed mortgage loans

As described in the annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2020 to 31 December 2020, the Group changed the recognition of expected losses due to legal risk on the portfolio of CHF indexed mortgage loans, which in the financial statements for 2019 were recognized as write-offs for expected credit losses in the statement of financial position in correspondence with the costs of expected losses in the profit and loss account.

The Group applied the provisions of IFRS 9.B.5.4.6 to recognize these losses and recognized them as an adjustment to the gross carrying amount of the portfolio of CHF-indexed mortgage loans. In accordance with IFRS 9.B.5.4.6, when an entity changes its estimate of payments or receipts (excluding immaterial modifications and changes to the estimate of expected credit losses), it adjusts the gross carrying amount of the asset or group of financial instruments so that it reflects the actual and changed estimated cash flows under the contract.

This change has no impact on the statement of financial position as it does not change the carrying amount (net) of the CHF-indexed mortgage portfolio. However, it does affect additional disclosures, in Note 7.11 to this report, regarding gross amounts and expected loss provisions for the CHF-indexed mortgage portfolio. The data as at 31 March 2020, presented in Note 7.11, have been restated to ensure comparability.

In the income statement, the Group introduced an additional line *Cost of legal risk of FX mortgage loans*, which presents the costs related to the legal risk of CHF-indexed mortgage loans included in the statement of financial position and loans derecognised from the statement of financial position (repaid loans). In the first quarter of 2021, as in the first quarter of 2020, the Group did not recognize the legal risk costs of mortgage loans in foreign currencies.

(PLN million)

7. Supplementary notes to interim condensed consolidated financial statements

7.1. Net interest income

	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020
Interest income, including:	**1,267.6**	**1,386.6**
Interest income calculated using effective interest rate method, including:	**1,267.3**	**1,385.8**
interest on financial instruments measured at amortised cost	1,228.8	1,269.4
interest on loans and other receivables to other banks	2.4	10.2
interest on loans and other receivables to customers	1,113.5	1,200.2
interest on investment securities	112.9	59.0
interest on investment securities measured at fair value through other comprehensive income	38.5	116.4
Other interest income, including:	**0.3**	**0.8**
interest on loans and other receivables to customers measured at fair value through profit or loss	0.3	0.8
Interest expenses, including:	**126.0**	**234.5**
interest on deposits from other banks	1.3	12.8
interest on deposits from customers	115.5	210.3
interest on issue of debt securities	1.9	2.8
interest on subordinated liabilities	6.9	7.4
interest on lease liabilities	0.4	1.2
Net interest income	**1,141.6**	**1,152.1**

7.2. Net commission income

	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020
Commission income, including:	**531.7**	**460.6**
transaction margin on currency exchange transactions	115.2	105.5
account maintenance fees	103.6	80.1
lending commissions	102.0	92.9
payment and credit cards fees	91.1	84.4
participation units distribution fees	20.8	20.1
insurance product offering commissions	43.5	38.4
factoring and lease contracts commissions	8.1	7.3
brokerage activity fees	24.3	10.7
fiduciary and custodian fees	3.9	8.0
foreign commercial business	10.4	6.5
other commission	8.8	6.7
Commission expenses	**103.4**	**101.5**
including payment and credit cards	57.5	55.9
Net commission income	**428.3**	**359.1**

(PLN million)

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

	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020
FX result and net income on interest rate derivatives, including	19.9	23.6
FX result	189.0	-6.7
currency derivatives	-169.1	30.3
Net income on interest rate derivatives	13.2	-33.0
Net income on debt instruments held for trading	1.4	23.1
Net income on measurement of loans to customers which are measured at fair value through profit or loss	-0.2	0.2
Total	**34.3**	**13.9**

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

	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020
Net income on the sale of securities measured at amortised cost	0.0	7.3
Net income on sale of securities measured at fair value through other comprehensive income and dividend income, including:	0.0	1.8
sale of debt securities	0.0	1.8
Total	**0.0**	**9.1**

7.5. Net (loss)/income on hedge accounting

	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020
Net income on hedge accounting	**-10.9**	**29.6**
valuation of the hedged transaction	-343.0	314.6
valuation of the hedging transaction	332.1	-285.0
Cash flow hedge accounting	**0.0**	**-5.9**
ineffectiveness under cash flow hedges	0.0	-5.9
Net (loss)/income on hedge accounting	**-10.9**	**23.7**

(PLN million)

7.6. General and administrative expenses

	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020
Personnel expenses	355.0	308.2
Other general and administrative expenses, including:	465.8	466.8
cost of marketing and promotion	34.0	27.6
depreciation and amortisation	71.4	71.5
obligatory Bank Guarantee Fund payments, of which:	160.3	162.9
resolution fund	132.6	124.4
bank guarantee fund	27.7	38.5
fees to the Financial Supervisory Commission	19.2	13.3
IT costs	62.8	68.9
maintenance of buildings	27.8	24.6
costs of short-term leasing and low-value leasing	2.7	3.8
other	87.6	94.2
Total	**820.8**	**775.0**

7.6.1. Number of employees

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

	as at 31 Mar 2021	as at 31 Dec 2020	as at 31 Mar 2020
FTEs	8,640.5	8,451.2	8,135.2
Individuals	8,692	8,507	8,187

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

	as at 31 Mar 2021	as at 31 Dec 2020	as at 31 Mar 2020
FTEs	8,198.3	8,013.0	7,704.7
Individuals	8,234	8,053	7,744

7.7. Impairment for expected credit losses

	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020
Corporate banking segment	60.9	185.2
Retail banking segment	67.9	109.5
Total	**128.8**	**294.7**

(PLN million)

7.8. Loans and other receivables to other banks

	as at 31 Mar 2021	as at 31 Dec 2020	as at 31 Mar 2020
Current accounts	835.3	92.1	521.2
Interbank deposits	0.0	0.0	111.9
Loans and advances	270.2	344.3	205.4
Placed call deposits	160.1	268.7	243.8
Total (gross)	**1,336.6**	**705.1**	**1,082.3**
Impairment for expected credit losses, including:	-0.2	-0.5	0.0
concerning loans and advances	-0.2	-0.5	0.0
Total (net)	**1,336.4**	**704.6**	**1,082.3**

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

	as at 31 Mar 2021	as at 31 Dec 2020	as at 31 Mar 2020
Financial assets held for trading	**1,509.1**	**1,910.7**	**1,362.9**
valuation of derivatives	1,134.3	1,199.8	1,090.5
other financial assets held for trading, including:	374.8	710.9	272.4
debt securities:	346.2	436.0	228.1
Treasury bonds	329.5	419.2	210.2
European Investment Bank bonds	16.7	16.8	17.9
repo transactions	28.6	274.9	44.3
Financial assets other than those held for trading, measured at fair value through profit or loss, including:	**101.0**	**107.0**	**148.8**
loans are obligatorily measured at fair value through profit or loss	100.2	106.2	148.7
equity instruments	0.8	0.8	0.1
Total	**1,610.1**	**2,017.7**	**1,511.7**

Starting from the consolidated financial statements for 2020 the Group created a new item in the assets of the consolidated statement of financial position called *Financial assets measured at fair value through profit or loss*, to which the obligatory loans measured at fair value through profit or loss were transferred (previously presented under *Loans and other receivables to customers*), equity instruments designated to be measured at fair value through profit or loss and financial assets held for trading. Data as at 31 March 2020 have been transformed in order to bring them comparable. The change is described in Chapter 6 *Comparability of financial data*.

(PLN million)

7.10. Investment securities

	as at 31 Mar 2021	as at 31 Dec 2020	as at 31 Mar 2020
Measured at fair value through other comprehensive income	**23,220.9**	**21,393.4**	**22,392.2**
debt securities, including:	23,063.3	21,235.7	22,280.5
Treasury bonds	20,451.7	18,608.0	19,743.9
State Treasury bonds in EUR	1,049.5	1,057.7	1,023.6
European Investment Bank bonds	1,066.5	1,078.1	1,034.3
Austrian government bonds	495.6	491.9	478.7
equity instruments, including:	157.6	157.7	111.7
Biuro Informacji Kredytowej S.A.	70.3	70.3	63.8
Krajowa Izba Rozliczeniowa S.A.	19.2	19.2	14.7
other	68.1	68.2	33.2
Measured at amortised cost, including:	**35,093.4**	**33,540.1**	**17,803.9**
debt securities, including:	35,093.4	33,540.1	17,803.9
Treasury bonds	18,777.8	17,982.2	10,541.6
Treasury bonds in EUR	4,080.7	4,094.3	4,036.9
Bank Gospodarstwa Krajowego bonds	2,114.9	2,103.4	514.3
European Investment Bank bonds	6,186.0	6,170.9	2,639.1
Bonds of the Polish Development Fund (PFR)	3,864.0	3,016.7	0.0
Treasury bills	0.0	172.6	0.0
NBP money market bills	70.0	0.0	72.0
Total, of which:	**58,314.3**	**54,933.5**	**40,196.1**
total debt securities	58,156.7	54,775.8	40,084.4
total equity instruments	157.6	157.7	111.7

(PLN million)

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

	as at 31 Mar 2021			as at 31 Dec 2020			as at 31 Mar 2020		
	gross	impairment for expected credit losses	**net**	gross	impairment for expected credit losses	**net**	gross	impairment for expected credit losses	**net**
Loan portfolio, of which:	**130,904.3**	**-3,390.0**	**127,514.3**	**125,992.4**	**-3,270.3**	**122,722.1**	**123,869.2**	**-2,766.2**	**121,103.0**
households	68,072.4	-1,796.6	66,275.8	65,039.7	-1,694.7	63,345.0	61,282.6	-1,378.8	59,903.8
business entities	59,592.6	-1,592.9	57,999.7	57,634.6	-1,574.9	56,059.7	59,611.3	-1,387.2	58,224.1
the government and self-government institutions' sector	3,239.3	-0.5	3,238.8	3,318.1	-0.7	3,317.4	2,975.3	-0.2	2,975.1
Total, including:	**130,904.3**	**-3,390.0**	**127,514.3**	**125,992.4**	**-3,270.3**	**122,722.1**	**123,869.2**	**-2,766.2**	**121,103.0**
Corporate banking	**72,299.0**	**-2,235.1**	**70,063.9**	**70,159.9**	**-2,183.2**	**67,976.7**	**72,928.8**	**-1,891.8**	**71,037.0**
loans in the current account	10,892.0	-564.7	10,327.3	9,549.9	-567.8	8,982.1	11,871.7	-550.1	11,321.6
term loans and advances	43,293.6	-1,476.9	41,816.7	42,928.5	-1,417.7	41,510.8	43,599.3	-1,211.8	42,387.5
lease receivables	10,154.0	-129.6	10,024.4	9,832.1	-134.5	9,697.6	9,608.4	-81.9	9,526.5
factoring receivables	5,118.2	-63.6	5,054.6	4,857.1	-62.6	4,794.5	5,373.9	-47.4	5,326.5
debt securities (corporate and municipal)	2,841.2	-0.3	2,840.9	2,992.3	-0.6	2,991.7	2,475.5	-0.6	2,474.9
Retail banking	**58,605.3**	**-1,154.9**	**57,450.4**	**55,832.5**	**-1,087.1**	**54,745.4**	**50,940.4**	**-874.4**	**50,066.0**
mortgages	50,406.0	-289.2	50,116.8	47,901.1	-279.3	47,621.8	43,178.9	-202.0	42,976.9
loans in the current account	647.1	-64.1	583.0	655.0	-60.7	594.3	627.3	-54.4	572.9
other loans and advances	7,552.2	-801.6	6,750.6	7,276.4	-747.1	6,529.3	7,134.2	-618.0	6,516.2
Other receivables, of which:	**1,938.9**	**0.0**	**1,938.9**	**1,933.3**	**-0.1**	**1,933.2**	**2,356.7**	**0.0**	**2,356.7**
call deposits placed	1,325.0	0.0	1,325.0	1,272.2	0.0	1,272.2	1,936.5	0.0	1,936.5
other receivables	613.9	0.0	613.9	661.1	-0.1	661.0	420.2	0.0	420.2
Total	**132,843.2**	**-3,390.0**	**129,453.2**	**127,925.7**	**-3,270.4**	**124,655.3**	**126,225.9**	**-2,766.2**	**123,459.7**

(PLN million)

Quality of loan portfolio

	as at 31 Mar 2021			as at 31 Dec 2020			as at 31 Mar 2020		
	gross	impairment for expected credit losses	**net**	gross	impairment for expected credit losses	**net**	gross	impairment for expected credit losses	**net**
Corporate banking	**72,299.0**	**-2,235.1**	**70,063.9**	**70,159.9**	**-2,183.2**	**67,976.7**	**72,928.8**	**-1,891.8**	**71,037.0**
assets in stage 1	62,437.1	-193.5	62,243.6	59,222.1	-192.1	59,030.0	63,155.4	-125.7	63,029.7
assets in stage 2	6,814.8	-244.0	6,570.8	7,842.2	-227.7	7,614.5	6,759.9	-190.0	6,569.9
assets in stage 3	3,045.5	-1,797.6	1,247.9	3,094.3	-1,763.4	1,330.9	3,012.2	-1,576.1	1,436.1
POCI assets	1.6	0.0	1.6	1.3	0.0	1.3	1.3	0.0	1.3
Retail banking	**58,605.3**	**-1,154.9**	**57,450.4**	**55,832.5**	**-1,087.1**	**54,745.4**	**50,940.4**	**-874.4**	**50,066.0**
assets in stage 1	55,449.2	-144.4	55,304.8	52,646.0	-150.2	52,495.8	46,334.6	-64.3	46,270.3
assets in stage 2	1,979.7	-172.5	1,807.2	2,129.6	-181.8	1,947.8	3,915.1	-297.8	3,617.3
assets in stage 3	1,174.3	-838.0	336.3	1,054.7	-755.1	299.6	690.7	-512.3	178.4
POCI assets	2.1	0.0	2.1	2.2	0.0	2.2	0.0	0.0	0.0
Total	**130,904.3**	**-3,390.0**	**127,514.3**	**125,992.4**	**-3,270.3**	**122,722.1**	**123,869.2**	**-2,766.2**	**121,103.0**
total assets in stage 1	117,886.3	-337.9	117,548.4	111,868.1	-342.3	111,525.8	109,490.0	-190.0	109,300.0
total assets in stage 2	8,794.5	-416.5	8,378.0	9,971.8	-409.5	9,562.3	10,675.0	-487.8	10,187.2
total assets in stage 3	4,219.8	-2,635.6	1,584.2	4,149.0	-2,518.5	1,630.5	3,702.9	-2,088.4	1,614.5
total POCI assets	3.7	0.0	3.7	3.5	0.0	3.5	1.3	0.0	1.3

The Group identifies POCI financial assets whose carrying value as at 31 March 2021 is PLN 3.7 million (PLN 3.5 million as at 31 December 2020). These are exposures due to impaired receivables acquired in connection with the acquisition of SKOK Bieszczadzka in 2017 and exposures that were significantly modified as a result of restructuring, which involved the need to remove the original credit commitment and re-recognition of the asset in the statement of financial position.

(PLN million)

Changes in impairment for expected credit losses

	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021				1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020			
	Stage 1	Stage 2	Stage 3	**Total**	Stage 1	Stage 2	Stage 3	**Total**
Opening balance impairment	**342.3**	**409.5**	**2,518.5**	**3,270.3**	**123.2**	**413.8**	**1,909.0**	**2,446.0**
Changes in the period, including:	**-4.4**	**7.0**	**117.1**	**119.7**	**66.8**	**74.0**	**179.4**	**320.2**
impairments for granted loans during the period	44.2	-	-	**44.2**	39.3	-,	-,	**39.3**
transfer to Stage 1	15.8	-62.8	-4.1	**-51.1**	10.4	-54.7	-1.0	**-45.3**
transfer to Stage 2	-15.9	102.8	-14.1	**72.8**	-19.0	133.0	-9.1	**104.9**
transfer to Stage 3	-2.2	-34.9	172.0	**134.9**	-0.9	-36.4	150.5	**113.2**
changed provisioning under impairment for expected credit losses	-44.1	1.5	-9.4	**-52.0**	36.4	30.2	32.9	**99.5**
derecognition from the balance sheet (write-downs, sale)	-	-	-35.3	**-35.3**	-,	-,	-15.1	**-15.1**
calculation and write-off of effective interest	-	-	11.5	**11.5**	,-	-,	21.8	**21.8**
other	-2.2	0.4	-3.5	**-5.3**	0.6	1.9	-0.6	**1.9**
Closing balance impairment	**337.9**	**416.5**	**2,635.6**	**3,390.0**	**190.0**	**487.8**	**2,088.4**	**2,766.2**

(PLN million)

Exposures covered by aid tools due to Covid-19

In connection with the Covid-19 pandemic, in 2020 the Group made the following assistance tools available to its clients:

- non-statutory moratorium, i.e. tools resulting from the banks' position regarding the unification of the rules for offering support tools for banking sector clients (non-statutory moratorium within the meaning of the guidelines of the European Banking Authority - EBA),
- the so-called statutory moratorium, i.e. support under the anti-crisis shield.

The introduced moratorium significantly improved the financial condition of borrowers. Non-statutory moratorium meeting the EBA guidelines were classified to Stage 1, the remaining, depending on individual assessment, to Stage 2 or 3. Statutory moratorium, due to the identified loss of the main source of income, were classified to Stage 3. In the corporate segment, due to the lack of statutory moratorium, only non-statutory moratorium were available. Non-statutory moratorium meeting the EBA guidelines were classified under Stage 1.

In the first quarter of 2021, the Group continued to offer its retail clients the opportunity to take advantage of statutory moratoria. On the other hand, corporate clients were offered the opportunity to take advantage of the renewed non-statutory moratorium, after in December 2020 the European Banking Authority (EBA) decided to reactivate the "Guidelines on statutory and non-statutory loan repayment moratoria applied in the face of the crisis caused by Covid-19". A new deadline for the application of moratoria has been introduced - i.e. until 31 March 2021, in place of the previous one (30 September 2020). The reactivation of the EBA guidelines was the subject of arrangements within the banking sector, which resulted in the adoption in December 2020 of the Banks' positions on the unification of the rules for offering assistance tools to banking sector customers and then - in February 2021 - introducing changes to the said Position.

The aid tools under the renewed non-statutory moratorium were intended for entrepreneurs from specific industries eligible for benefits from the PFR 2.0 Financial Shield. The aid tools consisted in deferring the repayments of principal or principal and interest installments for a maximum period of 9 months, with the detailed solutions differing depending on the type of client (micro, small, medium or large entrepreneur) or type of product (loans, leasing, factoring, renewable products).

The tables below present the gross carrying amount of loans subject to statutory and non-statutory moratoria as at 31 March 2021 and 31 December 2020.

as at **31 Mar 2021**

	Number of debtors	Gross carrying amount					
			of which: statutory moratorium	expired	unexpired of which:	residual moratorium term under 3 months	residual moratorium term above 3 months
Loans on which a moratorium has been proposed	45 273	8,430.5					
Loans subject to moratorium (granted), of which:	44 700	8,183.6	213.9	8,082.4	101.2	96.3	4.9
Retail banking customers		2,794.7	213.9	2,734.3	60.4	60.3	0.1
of which: secured with residential property		1,954.0	132.3	1,920.3	33.7	33.6	0.1
Corporate banking customers		5,388.9	0.0	5,348.1	40.8	36.0	4.8
of which: secured with commercial properties		2,790.6	0.0	2,768.8	21.8	19.8	2.0

(PLN million)

	Gross carrying amount				Impairment for expected credit losses			
		performing		non-performing		performing		non-performing
			including: instruments for which there has been a significant increase in credit risk since their initial recognition, but which are not impaired due to credit risk (Stage 2)				including: instruments for which there has been a significant increase in credit risk since their initial recognition, but which are not impaired due to credit risk (Stage 2)	
Loans subject to moratorium, of which:	101.2	45.0	31.8	56.2	-24.0	-1.5	-1.5	-22.5
Retail banking customers	60.4	8.0	2.1	52.4	-21.7	-0.2	-0.2	-21.5
of which: secured with residential property	33.7	4.4	0.9	29.3	-9.9	0.0	0.0	-9.9
Corporate banking customers	40.8	37.0	29.7	3.8	-2.3	-1.3	-1.3	-1.0
of which: secured with commercial properties	21.8	19.7	13.7	2.1	-0.3	-0.2	-0.2	-0.1

as at **31 Dec 2020**

	Number of debtors	Gross carrying amount			
			of which: statutory moratorium	expired	unexpired residual moratorium term under 3 months
Loans on which a moratorium has been proposed	44,962	9,805.6			
Loans subject to moratorium (granted), of which:	44,394	8,667.4	164.2	8,426.2	241.2
Retail banking customers		2,890.0	164.2	2,688.9	201.1
of which: secured with residential property		2,011.4	104.7	1,891.6	119.8
Corporate banking customers		5,777.4	0.0	5,737.3	40.1
of which: secured with commercial properties		2,647.7	0.0	2,631.8	15.9

	Gross carrying amount				Impairment for expected credit losses			
		performing		non-performing		performing		non-performing
			including: instruments for which there has been a significant increase in credit risk since their initial recognition, but which are not impaired due to credit risk (Stage 2)				including: instruments for which there has been a significant increase in credit risk since their initial recognition, but which are not impaired due to credit risk (Stage 2)	
Loans subject to moratorium, of which:	241.2	162.3	29.3	78.9	-35.5	-4.5	-3.1	-31.0
Retail banking customers	201.1	130.0	22.0	71.1	-32.2	-3.7	-2.5	-28.5
of which: secured with residential property	119.8	74.7	10.0	45.1	-15.9	-0.9	-0.9	-15.0
Corporate banking customers	40.1	32.4	7.3	7.7	-3.3	-0.7	-0.6	-2.6
of which: secured with commercial properties	15.9	13.6	0.5	2.3	-0.4	0.0	0.0	-0.4

(PLN million)

7.12. Debt securities

	as at 31 Mar 2021	as at 31 Dec 2020	as at 31 Mar 2020
Debt securities measured at fair value through profit or loss (Note 7.9)	346.2	436.0	228.1
Debt securities measured at fair value through other comprehensive income in the investment securities portfolio (Note 7.10)	23,063.3	21,235.7	22,280.5
Debt securities measured at amortised cost in the investment securities portfolio (Note 7.10)	35,093.4	33,540.1	17,803.9
Debt securities measured at amortised cost in the loans and other receivables to customers portfolio (Note 7.11)	2,840.9	2,991.7	2,474.9
Total	**61,343.8**	**58,203.5**	**42,787.4**

7.13. Liabilities to other banks

	as at 31 Mar 2021	as at 31 Dec 2020	as at 31 Mar 2020
Current accounts	299.6	421.3	347.1
Interbank deposits	4,280.6	2,861.6	199.5
Loans received*	3,559.9	3,517.1	3,782.5
Repo transactions	1,579.8	762.9	1,535.7
Call deposits received	542.4	660.3	725.3
Other	71.5	4.8	34.2
Total	**10,333.8**	**8,228.0**	**6,624.3**

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

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

	as at 31 Mar 2021	as at 31 Dec 2020	as at 31 Mar 2020
Valuation of derivatives	1,166.3	1,065.3	974.5
Other financial liabilities measured at fair value through profit or loss, including:	28.0	465.5	53.1
book short position in trading securities	28.0	265.5	43.4
financial liabilities held for trading, including:	0.0	200.0	9.7
repo transactions	0.0	200.0	9.7
Total	**1,194.3**	**1,530.8**	**1,027.6**

(PLN million)

7.15. Liabilities to customers

	as at 31 Mar 2021	as at 31 Dec 2020	as at 31 Mar 2020
Deposits, including:	**154,959.7**	**149,269.9**	**137,489.4**
households	106,665.8	102,920.0	93,434.1
business entities	45,572.5	43,454.5	41,880.5
the government and self-government institutions' sector	2,721.4	2,895.4	2,174.8
Total, including:	**154,959.7**	**149,269.9**	**137,489.4**
Corporate banking	**60,604.9**	**58,755.4**	**52,497.3**
current deposits	46,913.0	45,250.6	36,864.7
saving deposits	13,033.6	12,920.5	14,371.8
term deposits	658.3	584.3	1,260.8
Retail banking	**94,354.8**	**90,514.5**	**84,992.1**
current deposits	24,598.2	22,924.1	17,720.6
saving deposits	68,183.8	65,896.2	64,941.0
term deposits	1,572.8	1,694.2	2,330.5
Other liabilities, including:	**3,971.4**	**1,758.6**	**2,159.3**
liabilities under cash collateral	574.1	547.1	411.3
other liabilities, including:	3,397.3	1,211.5	1,748.0
call deposits received	16.6	20.7	72.4
repo transactions	2,034.7	0.0	559.5
other	1,346.0	1,190.8	1,116.1
Total	**158,931.1**	**151,028.5**	**139,648.7**

7.16. Provisions

	as at 31 Mar 2021	as at 31 Dec 2020	as at 31 Mar 2020
Provision for off-balance sheet liabilities	71.0	86.9	89.7
Provision for retirement benefits	64.4	63.8	56.7
Provision for disputes*	25.1	21.4	18.1
Provision for restructuring	46.4	49.5	0.0
Other provisions*	33.2	34.7	21.8
Total	**240.1**	**256.3**	**186.3**

*) Detailed information on provisions for disputes and other provisions can be found further in the financial statements in point 12. *Settlements due to disputes and other provisions*.

7.17. Other liabilities

	as at 31 Mar 2021	as at 31 Dec 2020	as at 31 Mar 2020
Accruals, including:	**377.2**	**439.7**	**339.9**
due to employee benefits	160.6	274.8	148.2
due to commissions	207.5	154.0	186.3
other	9.1	10.9	5.4
Other liabilities, including:	**2,506.5**	**1,866.3**	**2,182.2**
lease liabilities	381.3	393.7	424.3
interbank settlements	1,115.9	611.7	889.2
settlements with suppliers	398.2	290.7	316.9
public and legal settlements	103.4	101.3	111.8
liability to pay to the BFG guarantee fund	130.1	121.8	82.8
liability to pay to the BFG resolution fund	109.6	113.5	77.7
liabilities due to the obligatory annual contribution to the BFG resolution fund	132.6	0.0	124.4
other	135.4	233.6	155.1
Total	**2,883.7**	**2,306.0**	**2,522.1**

(PLN million)

7.18. Fair value

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

The carrying amounts of financial assets and liabilities broken down by measurement categories (levels) are presented below. In the year 2021 there were no movements between valuation levels.

as at **31 Mar 2021**

	Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	**23,410.2**	**2,007.9**	**257.9**	**25,704.6**
Valuation of derivatives	-	1,134.3	-	1,134.3
Financial assets held for trading, including:	346.2	-	-	374.8
debt securities, including:	346.2	-	-	346.2
treasury bonds	329.5	-	-	329.5
European Investment Bank bonds	16.7	-	-	16.7
repo transactions	-	28.6	-	28.6
Financial assets other than those held for trading, measured at fair value through profit or loss, including:	0.7	-	100.3	101.0
loans are obligatorily measured at fair value through profit or loss	-	-	100.2	100.2
equity instruments	0.7	-	0.1	0.8
Derivative hedge instruments	-	873.6	-	873.6
Financial assets measured at fair value through other comprehensive income, including:	23,063.3	-	157.6	23,220.9
debt securities, including:	23,063.3	-	-	23,063.3
treasury bonds	20,451.7	-	-	20,451.7
State Treasury bonds in EUR	1,049.5	-	-	1,049.5
European Investment Bank bonds	1,066.5	-	-	1,066.5
Austrian government bonds	495.6	-	-	495.6
equity instruments	-	-	157.6	157.6
Financial liabilities, including:	**28.0**	**1,715.9**	**0.0**	**1,743.9**
Valuation of derivatives	-	1,166.3	-	1,166.3
Other financial liabilities measured at fair value through profit or loss, including:	28.0	-	-	28.0
book short position in trading securities	28.0	-	-	28.0
Derivative hedge instruments	-	549.6	-	549.6

(PLN million)

as at **31 Dec 2020**

	Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	**21,672.4**	**2,669.5**	**264.0**	**24,605.9**
Valuation of derivatives	-	1,199.8	-	1,199.8
Financial assets held for trading, including:	436.0	274.9	-	710.9
debt securities, including:	436.0	-	-	436.0
treasury bonds	419.2	-	-	419.2
European Investment Bank bonds	16.8	-	-	16.8
repo transactions	-	274.9	-	274.9
Financial assets other than those held for trading, measured at fair value through profit or loss, including:	0.7	-	106.3	107.0
loans are obligatorily measured at fair value through profit or loss	-	-	106.2	106.2
equity instruments	0.7	-	0.1	0.8
Derivative hedge instruments	-	1,194.8	-	1,194.8
Financial assets measured at fair value through other comprehensive income, including:	21,235.7	-	157.7	21,393.4
debt securities, including:	21,235.7	-	-	21,235.7
treasury bonds	18,608.0	-	-	18,608.0
State Treasury bonds in EUR	1,057.7	-	-	1,057.7
European Investment Bank bonds	1,078.1	-	-	1,078.1
Austrian government bonds	491.9	-	-	491.9
equity instruments	-	-	157.7	157.7
Financial liabilities, including:	**265.5**	**1,823.8**	**0.0**	**2,089.3**
Valuation of derivatives	-	1,065.3	-	1,065.3
Other financial liabilities measured at fair value through profit or loss, including:	265.5	200.0	-	465.5
book short position in trading securities	265.5	-	-	265.5
financial liabilities held for trading, including:	-	200.0	-	200.0
repo transactions	-	200.0	-	200.0
Derivative hedge instruments	-	558.5	-	558.5

In 1st quarter 2021 the measurement techniques for levels 1 and 2 did not change. The financial assets classified to measurement level 3 as at 31 March 2021 include unquoted equity instruments and loans which did not meet the SPPI criterion as per IFRS 9.

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 1st quarter 2021 similar to the end of 2020, it was in the range of 7.7% - 13.5% depending on the company. The fair value measurement of unlisted equity interests in other companies as at 31 March 2021 and 31 December 2020 included the following entities: Biuro Informacji Kredytowej S.A., Krajowa Izba Rozliczeniowa S.A., Polski Standard Płatności sp. z o.o. and Twisto Polska sp. z o.o.

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 March 2021.

In the first quarter of 2021, the valuation of equity instruments classified under level 3 valuation included in other comprehensive income did not change. The impact of the valuation of equity instruments and loans classified under level 3 on the income statement was immaterial.

(PLN million)

7.18.2. Financial assets and liabilities not measured at fair value in statement of financial position

as at **31 Mar 2021**

	Carrying amount	Fair value			
		Level 1	**Level 2**	**Level 3**	**TOTAL**
Investment securities at amortised cost	35,093.4	30,213.9	5,472.5	0.0	35,686.4
treasury bonds	18,777.8	19,213.7	-	-	19,213.7
State Treasury bonds in EUR	4,080.7	4,159.9	-	-	4,159.9
Bank Gospodarstwa Krajowego bonds	2,114.9	542.0	1,572.5	-	2,114.5
European Investment Bank bonds	6,186.0	6,298.3	-	-	6,298.3
bonds of the Polish Development Fund (PFR)	3,864.0	-	3,830.0	-	3,830.0
NBP bills	70.0	,	70.0	,	70.0
Loans and receivables to customers at amortised cost, including:	129,453.2	0.0	0.0	129,215.0	129,215.0
Corporate banking segment, including:	70,063.9	0.0	0.0	70,225.9	70,225.9
loans and advances (in the current account and term ones)	52,144.0	-	-	52,296.8	52,296.8
lease receivables	10,024.4	-	-	10,157.0	10,157.0
factoring receivables	5,054.6	-	-	5,054.6	5,054.6
corporate and municipal debt securities	2,840.9	-	-	2,717.5	2,717.5
Retail banking segment, including:	57,450.4	0.0	0.0	57,050.2	57,050.2
mortgages	50,116.8	-	-	49,690.7	49,690.7
other loans and advances	7,333.6	-	-	7,359.5	7,359.5
Other receivables	1,938.9	-	-	1,938.9	1,938.9
Liabilities to customers	158,931.1	-	-	158,934.4	158,934.4
Subordinated liabilities	2,331.9	-	-	2,345.9	2,345.9

as at **31 Dec 2020**

	Carrying amount	Fair value			
		Level 1	**Level 2**	**Level 3**	**TOTAL**
Investment securities at amortised cost	33,540.1	29,416.1	4,704.5	0.0	34,120.6
treasury bonds	17,982.2	18,462.8	-	-	18,462.8
State Treasury bonds in EUR	4,094.3	4,133.9	-	-	4,133.9
Bank Gospodarstwa Krajowego bonds	2,103.4	537.6	1,555.4	-	2,093.0
European Investment Bank bonds	6,170.9	6,281.8	-	-	6,281.8
bonds of the Polish Development Fund (PFR)	3,016.7	-	2,976.5	-	2,976.5
treasury bills	172.6	-	172.6	-	172.6
Loans and receivables to customers at amortised cost, including:	124,655.3	0.0	0.0	124,318.4	124,318.4
Corporate banking segment, including:	67,976.7	0.0	0.0	68,103.5	68,103.5
loans and advances (in the current account and term ones)	50,492.9	-	-	50,765.5	50,765.5
lease receivables	9,697.6	-	-	9,677.8	9,677.8
factoring receivables	4,794.5	-	-	4,794.5	4,794.5
corporate and municipal debt securities	2,991.7	-	-	2,865.7	2,865.7
Retail banking segment, including:	54,745.4	0.0	0.0	54,281.7	54,281.7
mortgages	47,621.8	-	-	47,127.0	47,127.0
other loans and advances	7,123.6	-	-	7,154.7	7,154.7
Other receivables	1,933.2	-	-	1,933.2	1,933.2
Liabilities to customers	151,028.5	-	-	151,032.9	151,032.9
Subordinated liabilities	2,309.2	-	-	2,160.0	2,160.0

(PLN million)

7.19. Total capital ratio

	as at 31 Mar 2021	as at 31 Dec 2020* (after taking into account the net profit generated in 2020 in own funds)	as at 31 Dec 2020 (according to the values reported in the annual consolidated financial statements for 2020)	as at 31 Mar 2020
Own funds				
A. Own equity in the statement of financial position, including:	**17,560.3**	**18,618.3**	**18,618.3**	**17,341.0**
A.I. Own equity included in the own funds calculation	15,261.4	15,138.3	14,266.1	12,616.7
A.II. Own equity excluded from own funds calculation	2,298.9	3,480.0	4,352.2	4,724.3
B. Other elements of own funds (decreases and increases), including:	**2,007.0**	**2,082.0**	**2,127.8**	**1,711.8**
subordinated debt	2,316.7	2,307.4	2,307.4	2,276.2
goodwill and other intangible assets	-457.5	-466.9	-466.9	-516.9
AIRB shortfall/surplus of credit risk adjustments to expected losses	0.0	0.0	0.0	-104.0
adjustment in the transitional period due to adaptation to IFRS 9 requirements	250.0	316.0	361.8	181.5
value adjustments due to the requirements for prudent valuation	-26.0	-24.9	-24.9	-125.0
deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-76.2	-49.6	-49.6	0.0
Own funds taken into account in total capital ratio calculation (A.I. + B), including:	**17,268.4**	**17,220.3**	**16,393.9**	**14,328.5**
Core Tier 1 capital	14,951.7	14,912.9	14,086.5	12,052.3
Tier 2 capital	2,316.7	2,307.4	2,307.4	2,276.2
Risk weighted assets, including:	**91,836.1**	**88,211.1**	**87,555.4**	**90,936.0**
for credit risk	80,858.4	77,239.7	77,449.5	80,325.2
for operational risk	10,209.5	10,209.5	9,344.0	9,810.7
other	768.2	761.9	761.9	800.1
Total capital requirements	**7,347.0**	**7,056.9**	**7,004.4**	**7,274.9**
Total capital ratio (TCR)	**18.80%**	**19.52%**	**18.72%**	**15.76%**
Minimum required level	11.002%	11.002%	11.002%	11.002%
Surplus TCR ratio (p.p)	7.80	8.52	7.72	4.76
Tier 1 ratio (T1)	**16.28%**	**16.91%**	**16.09%**	**13.25%**
Minimum required level	9.002%	9.002%	9.002%	9.002%
Surplus T1 ratio (p.p)	7.28	7.91	7.09	4.25

*) On 15 April 2021, the General Meeting of the Bank approved the distribution of profit for 2020. Including the net profit generated in 2020 in own funds as at 31 December 2020 resulted in an increase in TCR and Tier1 ratios to 19.52% and 16.91%, respectively, as presented in the table above.

In calculating the capital ratios, the Group used the transitional provisions to mitigate the impact of the implementation of IFRS 9 on the level of own funds. If the impact of the implementation of IFRS 9 was fully recognized, the total capital ratio (TCR) would be 18.63% and the Tier 1 capital ratio (T1) would be 16.01%. For the comparative periods, if the impact of the implementation of IFRS 9 was fully recognized, the TCR and T1 ratios would be, respectively: 18.48% and 15.69% as at 31 December 2020, 19.28% and 16.56% as at 31 December 2020 after taking into account the net profit generated in 2020 in own funds and 15.57% and 13.07% as of 31 March 2020.

8. Indication of factors that may affect the financial results in the following quarters

- In the opinion of the Group's economists, an improvement in the global economy should be expected in the coming quarters. Despite the high number of infections, vaccination against Covid-19 in developed economies is progressing globally. This suggests that the pandemic downturn is behind us.
- The situation in the USA is noteworthy, where, due to the fast pace of vaccination, in 2021 it will be possible to significantly lift the restrictions related to the pandemic. This is combined with a huge fiscal impulse triggered by the new administration of J.Biden (the equivalent of over 10% of GDP). As a result, this year the US economy is likely to more than make up for the losses caused by the pandemic, possibly also the loss of jobs. In the opinion of the Group's economists, however, the Federal Reserve will not decide to raise interest rates before 2023. It tries to avoid premature tightening of its monetary policy in order to allow for a return to, inter alia, full employment.
- Europe's economic outlook for 2021 is not as positive. The slow pace of immunization means that pandemic-related safety measures could last for much of Q2 of 2021. Moreover, the fiscal program prepared at the European Union level, i.e. the Reconstruction Fund, will actually affect the economic situation at the earliest at the end of this year. The payment of funds from it should culminate in the years 2022-23. As a result, the economic recovery in Europe in 2021 will be limited and strongly diversified geographically. Northern countries, which take advantage of the good situation in the world industry, should do relatively better. As a result, in the opinion of the Group's economists, by the end of 2022, and most likely longer, the European Central Bank will not decide to tighten its policy.
- The third wave of the pandemic postpones the moment of a greater economic recovery in Poland to the turn of the second and third quarter of 2021. Only the progress in vaccination and the lifting / easing of safety measures should translate into a large increase in demand. However, the domestic economy has largely become immune to the next waves of the pandemic. Households shift their demand from unavailable services to durable goods. Enterprises, especially in the processing industries, have adapted to minimize the risk of production downtime. Therefore, despite the high number of identified cases in the current wave of the pandemic, the expected decline in GDP in 1st quarter 2021 will be small. From the second quarter of 2021, the economic situation should improve.
- The economic growth in the country this year will, in the opinion of the Group's economists, be based on consumption. Investment revival can be expected only with the disbursement of funds from the Reconstruction Fund, i.e. at the earliest at the end of this year. Such a growth model based on consumption, regulatory changes or, for example, a rebound in energy commodity prices will probably result in the continued heightened inflationary pressure. According to the Group's economists, the increased level of inflation will not, however, induce the Monetary Policy Council to change interest rates before 2023. The MPC's priority is to support the economy during recovery from the pandemic. The Council also underlines the weakness of investment, especially private investment.
- The behavior of financial markets this year will largely determine the pace at which the global economy exits the pandemic collapse. Markets have been pricing in a large rise in inflation since the start of the year, driven by both deferred demand, higher commodity prices and gigantic fiscal impulses in advanced economies. This resulted in a significant increase in long-term interest rates both in the world and in Poland. In the opinion of the Group's economists, this process will be continued later in the year. This reflects both the expected rebound in the global economy and the large supply of debt in developed economies, especially in the US. However, the increase in the yields on domestic treasury bonds may be lower than in the core markets due to the purchase of bonds by the NBP.
- The recovery in the world economy should result in an outflow of capital from developed economies, especially the USA, to emerging markets. According to the Group's economists, the consequence of this will be the weakening of the dollar against the euro and the zloty. The weakening of the American currency should encourage the transfer of capital, among others to

(PLN million)

the CEE economies. Combined with the maintenance of a trade surplus by Poland, this suggests a strengthening of the zloty also against the euro and the dollar later in the year.

- The problem of foreign currency mortgage loans is a source of uncertainty. Discussions are underway on the proposed settlement at the level of the entire banking sector. The key decision in this matter is to be taken by the Supreme Court, which is to decide, inter alia, on the possibility of demanding remuneration for the use of capital and the limitation of bank claims in the event of cancellation of the contract. Uncertainty as to the decisions of the Supreme Court creates a significant legal risk in the banking sector, the materialization of which may result in a temporary decline in banks' ability to finance the development of the Polish economy. The Supreme Court hearing originally planned for 25 March 2021 has been postponed to 11 May 2021. The settlements may include the conversion of loans into zlotys. If it were to take place in the market, there would probably be a significant weakening of the domestic currency. In the opinion of the Group's economists, the most likely scenario is, however, a currency conversion through the NBP foreign exchange reserves, and not on the market.

9. Off-balance sheet items

	as at 31 Mar 2021	as at 31 Dec 2020	as at 31 Mar 2020*
Off-balance sheet liabilities granted	44,385.0	43,587.5	36,124.9
Off-balance sheet liabilities received	12,589.2	11,586.1	11,431.4
Off-balance sheet financial instruments	826,117.8	797,919.5	752,208.0
Total off-balance sheet items	**883,092.0**	**853,093.1**	**799,764.3**

*) In 2020, the Group decided to change the presentation of the guarantees received. The present presentation takes into account only those guarantees that provide the basis for the reduction of risk-weighted assets and provisions for expected credit losses. Data as at 31 March 2020 have been transformed in order to bring them comparable.

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

In the first quarter of 2021, as part of the Bonds Issue Program (Program), a subsidiary of the Group - ING Bank Hipoteczny S.A. - issued Series 4 bonds with a nominal value of PLN 150 million (i.e. 300 bonds with a nominal value of PLN 500 thousand each) and maturity fixed at 10 months. The bonds were addressed to qualified investors and were registered with the National Depository for Securities in Warsaw. In the same period, ING Bank Hipoteczny S.A. purchased Series 1 bonds worth PLN 675 million and Series 3 bonds worth PLN 250 million issued under the Program in 2020. As at 31 March 2021, the carrying amount of liabilities from the bond issue was PLN 200.0 million (compared to PLN 975.1 million as at 31 December 2020).

In the corresponding period of 2020, there were no issues, redemptions or repayments of debt and equity securities.

As at 31 March 2021, the Group had liabilities arising from the issue of mortgage bonds issued as part of the ING Bank Hipoteczny S.A. covered bond issue program established in 2019 ('Program"). The purpose of establishing the Program was to create a legal infrastructure under which the Group will be able to issue covered bonds both on the local and foreign market. The funds obtained from the inaugural 5-year "green" issue, carried out under the Program, 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. As at 31 March 2021, the carrying amount of liabilities due to the issue of mortgage bonds was PLN 400.3 million (compared to PLN 395.4 million as at 31 December 2020 and PLN 397.6 million as at 31 March 2020).

(PLN million)

11. Dividends paid

ING Bank Śląski S.A. did not pay dividends from net profits generated in 2020 and 2019.

On 15 April 2021, the General Meeting approved the allocation of the entire net profit of the Group's parent entity for 2020 to equity, with the amount of PLN 663,510,000.00 being left as undistributed profit in order to retain the possibility of its distribution in the future, taking into account the payment of dividends.

On 2 April 2020, the General Meeting adopted a resolution on the distribution of the profit for 2019, in such a way that the amount previously allocated to the dividend, i.e. PLN 494,380,000.00, was left undivided.

12. Settlements due to disputes and other provisions

The values of the provisions created by the Group are presented in note 7.16. *Provisions*.

Provision for disputes

The value of proceedings regarding liabilities or receivables pending in 1st quarter 2021 did not exceed 10% of the Group's equity, as in 1st quarter 2020. In the Group's opinion, none of the individual proceedings pending in 2021 before a court, an arbitration body or a body public administration, as well as all proceedings taken together do not pose a threat to the financial liquidity of the Group.

Change in provision for disputes

	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020
Opening balance	**21.4**	**18.1**
Changes during the period, including:	**3.7**	**0.0**
provisions recognised	3.8	0.3
provisions reversed	-0.1	-0.3
Closing balance	**25.1**	**18.1**

Other provisions

The item *Other provisions* presented in note 7.16. *Provisions* includes provisions for paid CHF indexed mortgage loans and provisions for commission reimbursement on consumer loans prepaid by customers.

- *Legal risk related to the portfolio of loans indexed to CHF*

As at 31 March 2021, the amount of the adjustment to the gross carrying amount resulting from the legal risk for the portfolio of CHF-indexed mortgage loans disclosed in the statement of financial position amounted to PLN 305.1 million (compared to PLN 300.0 million at the end of 2020).

Regarding CHF-indexed mortgage loans already removed from the statement of financial position, as at 31 March 2021, the Group maintained a provision amounted to PLN 11.2 million (compared to PLN 11.8 million at the end of 2020). This amount is presented in liabilities under *Provisions*.

Significant assumptions regarding the calculation of the amount of the adjustment to gross carrying amount due to legal risk for the portfolio of CHF-indexed mortgage loans reported in the statement of financial position and the amount of provisions for CHF-indexed mortgage loans already removed from the statement of financial position are described in the annual consolidated financial statements of the of ING Bank Śląski S.A. Group for the period from 1 January 2020 to 31 December 2020.

As at 31 March 2021, 514 court cases were pending against the Bank (450 cases at the end of 2020) in connection with the concluded loan agreements in PLN indexed with CHF. As at 31 March 2021, the outstanding capital of the loans concerned by the proceedings was PLN 140.6 million (PLN 129.6 million at the end of 2020).

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.

In April 2018, the District Court in Warsaw, in connection with a case conducted by this court, in a lawsuit against one of the Polish banks, submitted a request to the Court of Justice of the European Union (hereinafter the CJEU) for a preliminary ruling on unfair terms in consumer contracts regarding the effects of possible abusiveness of the provisions of the loan agreement indexed to CHF.

On 3 October 2019, the CJEU issued a judgment which did not concern the assessment of clauses in CHF-indexed loan agreements in terms of their possible abusiveness, but only the possible consequences of recognizing the abusiveness of a given provision by the domestic court. The judgment contains some guidelines that should be followed by national courts. The Court reaffirmed that contract evaluation should not be automatic. It is also for the national court to assess whether, following the finding that a given provision is abusive, the contract – in accordance with national law – cannot continue to apply without such a provision. Only when the domestic court comes to the conclusion that the contract cannot continue to apply without a condition deemed abusive, does the client consent to the maintenance of the provisions considered abusive or expressly opposes it. It is also for the national court to assess the potential consequences for the consumer of the annulment of the credit agreement concerned. The CJEU also questioned the possibility of transforming the loan into a PLN loan with an interest rate of LIBOR. In the opinion of the Tribunal, the option of converting foreign currency loans into zloty loans while maintaining the LIBOR rate could be an excessive interference with the nature of the main subject of the contract.

In July 2019 the Polish Bank Association applied to the President of the Supreme Court (hereinafter the Supreme Court) to analyse by the Supreme Court a defective, from a legal and economic point of view, the concept of transforming a CHF-indexed loan agreement into a PLN loan at the LIBOR rate, expressed in the opinion of the CJEU General Counsel. In August 2019, the Supreme Court issued a publication in which the above solution was approved.

Therefore, in the opinion of the Bank, the judgments of domestic courts in these cases may still vary.

At the same time, the information provided by attorneys representing banks in CHF disputes shows that in many courts a practice has been developed to refrain from examining the grounds for abusiveness of indexation clauses. More and more judges are of the opinion that it has already been decided that if an indexation clause refers to the bank's exchange rate table, it is abusive. Therefore, judges give up the assessment of a given, specific contractual provision, and their considerations focus only on the analysis of whether the contract can continue to be performed without this provision. Recent rulings show that most often the courts do not see such a possibility and declare the loan agreement invalid. The above practice manifests itself in the increase in the number of court cases lost by banks in 2020. If this approach continues and other courts adopt it (at the moment, such a motion seems premature), there is a possibility that the Bank will lose court cases in the future. However, due to the overall number of cases and the number of courts involved, it will be a process spread over time. The current state of the epidemic in the country should also be taken into account, which will certainly extension of the time limit for considering cases by courts.

The meeting of the full composition of the Civil Chamber of the Supreme Court scheduled for 25 March 2021 was postponed to 13 April 2021, and then to 11 May 2021. During the session, the application of the First President of the Supreme Court of 29 January 2021 for the adoption of a resolution on the following legal issues regarding loans denominated and indexed in foreign currencies will be considered (legal basis Art. 83 § 1 of the Act of December 8, 2017 on the Supreme Court):

1. If it is found that the provision of an indexed or denominated loan agreement relating to the method of determining the foreign currency exchange rate constitutes an illegal contractual provision and does not bind the consumer, it is possible to assume that this provision is replaced

by another method of determining the foreign currency exchange rate resulting from legal provisions or customs?

If the answer to the above question is in the negative:

2. If it is impossible to establish a binding exchange rate for a foreign currency in a loan agreement indexed to such currency, can the agreement be binding on the parties in the remaining scope?
3. If it is impossible to establish a binding exchange rate for a foreign currency in a loan agreement denominated in a foreign currency, can this agreement be binding on the parties in the remaining scope?

Regardless of the content of the answers to questions 1-3:

4. In the event of the invalidity or ineffectiveness of a loan agreement, in the performance of which the bank paid out to the borrower all or part of the loan amount and the borrower repaid the loan, separate claims arise for undue performance for each of the parties, or is there only one claim, equal to the difference in the benefits provided to the party whose total benefit was higher?
5. In the event of the invalidity or ineffectiveness of a loan agreement due to the unlawful nature of some of its provisions, does the limitation period for the bank's claim for reimbursement of the amounts paid under the loan start from the moment of their payment?
6. If, in the event of the invalidity or ineffectiveness of a credit agreement, either party is entitled to a claim for reimbursement of the performance provided in the performance of such a contract, may that party also demand remuneration for the use of its funds by the other party?

The ruling of the Supreme Court may affect the assumptions made in the model for estimating the Group's gross book value adjustments resulting from legal risk for the portfolio of CHF-indexed mortgage loans disclosed in the statement of financial position and provisions for legal risk for CHF-indexed mortgage loans already removed from the report from the financial situation. In particular, it may affect the number and resolution of disputes and the interest of borrowers in entering into voluntary agreements regarding conversion into PLN loans. The Bank will monitor the legal situation related to the judgment of the Supreme Court, which may have an impact on changing the assumptions in the model regarding costs related to legal risk of CHF-indexed loans in subsequent reporting periods.

On 29 April 2021, the CJEU issued another judgment in response to a Polish court inquiry regarding CHF-indexed loans. The CJEU confirmed that if the unfair terms had already been eliminated from the contract through an addendum, the court should not invalidate the contract. The CJEU confirmed the primacy of maintaining the contract against nullity. As long as it is legally possible to maintain the contract, it cannot be canceled. The evaluation of the continuation of the contract should always be made on the basis of an objective approach, it cannot be based on the interests of the consumer. The CJEU ruled that it is in line with EU law for a national court not to invalidate the foreign currency loan agreement. Instead, the national court should uphold the foreign currency loan agreement by removing only the elements found to be unfair from the loan agreement (the so-called "blue pencil test") and retaining all other elements - and this is in line with EU law. The cancellation of long-term contracts, such as credit agreements, should be the last resort. As foreseen, the CJEU left it to the national courts to decide what would happen if the loan agreement could not continue to apply after the unfair terms were excluded from it and how the parties should account for such agreements. The national court should inform consumers (objectively and comprehensively) of any legal consequences of removing a term considered unfair, even where the parties are represented by professional representatives.

In December 2020, the chairman of the Polish Financial Supervision Authority presented a proposal for banks to conclude voluntary settlements with borrowers. The assumption of the settlements is the conversion of loans into loans denominated in PLN, under which the loan agreement is converted and repayments made on its basis by the borrower as if the loan had been granted in PLN from the beginning. The interest rate on the loan in PLN is determined based on the WIBOR rate, taking into account the loan margin resulting from the average interest rate on new loans in PLN from the month of granting the loan in CHF published in NBP statistics.

- *Provision for commission refunds on prepaid consumer loans*

On 11 September 2019, the European Court of Justice (CJEU) announced a judgment in the case of the question referred by the Lublin-Wschód District Court for a preliminary ruling regarding the interpretation of Art. 16 clause 1 of Directive 2008/48 / EC of the European Parliament and of the Council of 23 April 2008 on consumer credit agreements. The Consumer Credit Act (UKK) in force in Poland contains in Art. 49 analogous provision, which up to 2016 had no interpretation doubts, and banks, as a rule, charging a commission for granting a loan, did not refund its client in the event of early repayment (except for withdrawal from the contract). The discussion on the interpretation of Art. 49 UKK was started by UOKiK by issuing a joint position with the Financial Ombudsman in 2016. The judgment of the CJEU resolves this issue in such a way that in the event of early repayment of consumer credit, banks should:

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

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

In connection with the judgment of the CJEU and the statement of the Office of Competition and Consumer Protection, the Group now automatically reimburses a proportionate part of the commission in the case of early repayment of the consumer loan (for repayments made after 11 September 2019). For early repayments made before 11 September 2019, the Group makes refunds if the client submits a complaint and its verification proves that the refund is justified.

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 amount of the provision for returns made on the complaint path in 2019 was PLN 17.1 million and at the end of the first quarter of 2021 it was PLN 8.3 million. As at 31 March 2021 there was no change in assumptions regarding commission returns realized on the complaint path.

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.

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

- *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.

The scope of the procedure relates to the provisions in various general terms and conditions, regulations and contracts concluded with consumers: for cash loans, overdraft limit, granting and repayment of loans in a brokerage account, using a credit card – in the version effective from 7 March 2016; for checking and checking accounts and savings accounts – in the version effective from 9 November 2015; for maintaining payment accounts – in the version applicable from 6 August 2018; for prepaid cards – in the version valid from 1 January 2016.

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.
- On 25 November 2020, UOKiK decided to extend the termination of the proceedings.

On 26 March 2021, UOKiK decided to extend the deadline for completing the proceedings.

As at 31 March 2021, the Group did not create any provisions on this account.

- *Proceedings on the use of practices violating collective consumer interests*

Before the President of the Office of Competition and Consumer Protection, an ex officio proceeding was conducted on 9 July 2014 regarding the use of practices violating collective consumer interests, consisting in: during the validity of payment card contracts, replacement of payment cards not equipped with a contactless function for cards equipped with this function without changing the content of the contract ; deriving the legal effects from the Communication for the account holder specified in the Regulations for the provision of services by ING Bank Śląski as part of keeping savings and checking accounts and savings accounts for natural persons; failure to provide consumers with information about the possibilities and rules of making the so-called contactless transactions, spending limits for payment transactions performed with these payment cards, on paper or on another durable medium, in due time before the conclusion of the contract. The Bank's proposed obligations presented to the supervisor as part of the above procedure were already implemented on 18 December 2018, the Office of Competition and Consumer Protection decided to extend the procedure. To date, the status of the proceedings has not changed. As at 31 March 2021, the Group did not create any 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*

The President of UOKiK, at the request of the Polish Trade and Distribution Organization – the Employers' Union (POHiD), after conducting antitrust proceedings against ING Bank Śląski S.A. and other banks, issued on 29 December 2006 a decision stating that the Bank had committed practices restricting competition. UOKiK found that competition-restricting 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.

By the ruling of the SOKiK of 21 November 2013, the Court did not change the decision of the Office of Competition and Consumer Protection with regard to the allegation of restriction of competition, but reduced the Bank's fine to PLN 403,209. However, the judgment of the SOKiK was changed by the judgment of the Court of Appeal, which on 6 October 2015 ruled to change the judgment of the SOKiK in such a way that all appeals were dismissed in full. As a result of this ruling, the President's decision became final, and in October 2015 the Bank paid the imposed fine of PLN 14.1 million.

The Bank, like other banks participating in the proceedings, filed a cassation appeal against the judgment of the Court of Appeal. On 25 October 2017, the Supreme Court quashed the judgment of the Court of Appeal, referring the case to that court for re-examination. According to the position of UOKiK, the penalty was returned to the Bank.

On 23 November 2020, the Court of Appeal overruled the SOKiK judgment of 21 November 2013 and remitted the SOKiK case, leaving the court to decide on the costs.

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 March 2021, the value of the provision was PLN 14.1 million.

PFSA: proceedings on breach of depositary's obligations

On 12 October 2018, the Polish Financial Supervision Authority imposed a fine on the Bank in the amount of PLN 500 thousand, pursuant to Art. 232 sec. 1 of the Act on Investment Funds and Alternative Investment Funds Management, in the wording before the amendment made by the Act of 31 March 2016, in connection with the breach of depository's obligations set out in Art. 72 of the Act in connection with the Bank acting as the 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 Bank is waiting for the justification of the judgment.

13. Seasonality or cyclicity of activity

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

14. Transactions with related entities

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 31 March 2021 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. The ultimate Parent entity is ING Groep N.V. based in the Netherlands.

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

All of the above transactions are carried out on an arm's length basis.

Operating costs incurred by the Bank for the Parent entity result primarily from contracts for the provision of consultancy and advisory services, data processing and analysis, provision of software licenses and IT support. In terms of costs incurred by the Bank for other related entities, outsourcing agreements play a dominant role regarding the provision of system resource hosting services for various applications, lease of IT equipment, monitoring the availability and performance of applications and IT infrastructure as well as penetration testing and IT security monitoring.

Interim condensed consolidated financial statements (PLN million)

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

Numerical information on transactions between related entities

	ING Bank NV	Other ING Group entities	Associates	ING Bank NV	Other ING Group entities	Associates
	as at 31 Mar 2021			as at 31 Dec 2020		
Receivables						
Nostro accounts	5.9	3.6	-	2.3	8.1	-
Call deposits placed	-	-	-	105.6	1.1	-
Loans	30.2	16.7	-	21.5	22.6	-
Positive valuation of derivatives	173.2	0.1	-	78.3	3.7	-
Other receivables	3.6	1.7	-	4.9	0.5	-
Liabilities						
Deposits received	1,493.4	94.7	22.8	1,476.3	550.0	10.9
Loans received	3,501.1	-	-	3,400.0	-	-
Subordinated loan	2,332.0	-	-	2,309.3	-	-
Loro accounts	33.2	59.9	-	34.3	182.6	-
Negative valuation of derivatives	167.6	-	-	197.6	0.1	-
Other liabilities	35.3	0.7	-	39.7	0.2	-
Off-balance-sheet operations						
Off-balance sheet liabilities granted	411.8	831.2	0.1	471.9	890.3	0.1
Off-balance sheet liabilities received	749.1	18.4	-	808.6	17.5	-
FX transactions	14,881.0	21.8	-	9,649.5	58.2	-
IRS	885.9	-	-	910.4	140.0	-
Options	1,964.8	17.0	-	2,355.0	17.0	-

	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021			1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020		
Income and expenses						
Income, including:	-44.7	1.5	12.2	-45.1	4.8	11.8
net interest and commission income	-10.5	2.0	12.2	-12.9	1.3	11.8
net income on financial instruments	-34.6	-0.7	-	-32.3	3.2	-
net (loss)/income on other basic activities	0.4	0.2	-	0.1	0.3	-
General and administrative expenses	41.9	2.2	-	36.6	2.4	-
Expenditure on intangible assets	-	-	-	0.4	-	-

15. 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 segments are separated based on the financial (especially turnover, level of collected assets) and subject-related criteria. 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 Group Treasury. The Group Treasury manages short-term and long-term liquidity risk in line with the effective regulations and risk appetite internally set at the Group, manages interest rate risk and invests surpluses obtained from business lines while maintaining the liquidity buffer in the form of liquid assets. The Group Treasury's net income on operations is allocated to the business lines considering its support function for the Group's business lines.

Retail banking segment

Within the framework of retail banking, the Group provides services 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, housing loans, mortgage loans), deposit products (current accounts, term deposits, savings accounts), structured, ING 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.

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.

(PLN million)

	Retail banking segment	Corporate banking segment	TOTAL	Retail banking segment	Corporate banking segment	TOTAL
	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021			1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020		
Income total	**776.0**	**819.6**	**1,595.6**	**737.2**	**821.1**	**1,558.3**
net interest income	630.8	510.8	1,141.6	616.9	535.2	1,152.1
commission income, including:	196.8	334.9	531.7	170.7	289.9	460.6
transaction margin on currency exchange transactions	16.0	99.2	115.2	17.1	88.4	105.5
account maintenance fees	29.0	74.6	103.6	23.8	56.3	80.1
lending commissions	3.9	98.1	102.0	5.3	87.6	92.9
payment and credit cards fees	66.6	24.5	91.1	63.0	21.4	84.4
participation units distribution fees	20.8	0.0	20.8	20.1	0.0	20.1
insurance product offering commissions	36.7	6.8	43.5	31.3	7.1	38.4
factoring and lease contracts commissions	0.0	8.1	8.1	0.0	7.3	7.3
other commissions	23.8	23.6	47.4	10.1	21.8	31.9
commission expenses	63.8	39.6	103.4	68.4	33.1	101.5
net commission income	133.0	295.3	428.3	102.3	256.8	359.1
other income/expenses	12.2	13.5	25.7	18.0	29.1	47.1
General and administrative expenses	**404.7**	**416.1**	**820.8**	**384.2**	**390.8**	**775.0**
Segment result	**371.3**	**403.5**	**774.8**	**353.0**	**430.3**	**783.3**
Impairment for expected credit losses	67.9	60.9	128.8	109.5	185.2	294.7
Cost of legal risk of FX mortgage loans	0.0	0.0	0.0	0.0	0.0	0.0
Tax on certain financial institutions	52.7	73.2	125.9	46.5	69.5	116.0
Share of profit/(loss) of associates accounted for using the equity method	6.1	0.0	6.1	4.4	0.0	4.4
Gross profit	**256.8**	**269.4**	**526.2**	**201.4**	**175.6**	**377.0**
Income tax	-	-	140.6	-	-	109.7
Net profit	-	-	**385.6**	-	-	**267.3**
attributable to shareholders of ING Bank Śląski S.A.	-	-	385.6	-	-	267.3
Allocated equity	7,495.8	10,064.5	17,560.3	7,057.9	10,283.1	17,341.0
ROE - Return on equity (%)*	7.5	8.5	8.1	13.8	8.6	10.6

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

Geographic segments

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

(PLN million)

16. Other information

16.1. Ratings

Fitch Ratings Ltd.

Fitch Ratings agency (Fitch Ratings Ireland Limited with its seat in Dublin) assigns full rating to ING Bank Śląski S.A. under the agreement between the Bank and the Agency.

As at 31 March 2021 the Bank's rating from the Fitch Agency was as follows:

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

In the press release published by Fitch on 30 September 2020, as part of the annual review, the Agency sustained the ratings for ING Bank Śląski SA It emphasized in the review that the maintained ratings for ING Bank Śląski SA reflect its moderate risk appetite, good asset quality, solid capital buffers, strong funding based on deposits and high liquidity.

The entity's long-term rating outlook is Negative. Fitch indicated that this was directly due to the negative rating outlook for the parent entity of the Bank, ING Bank NV. The perspective of the long-term rating on the national scale is Stable.

Moody's Investors Service Ltd.

Moody's Investors Sevice (Moody's Investors Service Cyprus Ltd.) assigns their rating to our bank on the basis of public information.

As at 31 March 2021 the Bank's rating from the Moody's Agency was as follows:

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

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

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

16.2. Number of branches and ATMs, CDMs

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

	as at 31 Mar 2021	as at 31 Dec 2020	as at 31 Mar 2020
Number of outlets	281	290	315
Number of ING Express sales points at shopping malls	61	63	62

As at 31 March 2021, clients could use 983 machines for cash self-service, including 173 standard ATMs and 810 dual machines.

As at 31 December 2020 (and 31 March 2020 respectively), there were 1 001 (1 027) machines for cash self-service, including 174 (178) standard ATMs and 827 (849) dual machines.

16.3. Electronic distribution channels

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

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

	as at 31 Mar 2021	as at 31 Dec 2020	as at 31 Mar 2020
Moje ING, ING BusinessOnLine (in million)	4,3	4,2	4,0
ING BankMobile, Moje ING Mobile* (in million)	4,1	3,9	3,2
ING BusinessMobile (in thousands)	34,8	33,4	28,2

*) The number of downloaded applications

The monthly number of transactions carried out using electronic banking systems in March 2021 reached the level of 52.1 million. In the same period of the previous year it was 46.9 million.

16.4. Banking cards

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

in thousands	as at 31 Mar 2021	as at 31 Dec 2020	as at 31 Mar 2020
debit cards	3 267	3 243	3 125
credit cards	279	278	264
other cards*	170	167	158
Total payment cards. in which:	**3 716**	**3 688**	**3 547**
paywave**	3 495	3 473	3 358
virtual cards	221	215	189

* including charge and prepaid cards

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

(PLN million)

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

2021-05-05	**Brunon Bartkiewicz** *President*	The original Polish document is signed with a qualified electronic signature
2021-05-05	**Joanna Erdman** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2021-05-05	**Marcin Giżycki** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2021-05-05	**Bożena Graczyk** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2021-05-05	**Ewa Łuniewska** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2021-05-05	**Michał H. Mrożek** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2021-05-05	**Sławomir Soszyński** *Vice-President*	The original Polish document is signed with a qualified electronic signature

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2021-05-05	**Jolanta Alvarado Rodriguez**	Director of Accounting Department Chief Accountant	The original Polish document is signed with a qualified electronic signature

(PLN million)

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

Interim condensed standalone income statement

	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021	**1 quarter 2020** the period from 01 Jan 2020 to 31 Mar 2020
Interest income	1,198.8	1,315.1
calculated using effective interest rate method	1,198.5	1,314.3
other interest income	0.3	0.8
Interest expenses	123.8	231.1
Net interest income	**1,075.0**	**1,084.0**
Commission income	520.3	450.4
Commission expenses	105.1	103.2
Net commission income	**415.2**	**347.2**
Net income on financial instruments measured at fair value through profit or loss and FX result	34.1	12.9
Net income on the sale of securities measured at amortised cost	0.0	7.3
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	-7.6	-9.8
Net (loss)/income on hedge accounting	-10.9	23.7
Net (loss)/income on other basic activities	0.0	-0.1
Net income on basic activities	**1,505.8**	**1,465.2**
General and administrative expenses	782.1	739.9
Impairment for expected credit losses	129.7	274.9
including profit on sale of receivables	0.0	4.1
Cost of legal risk of FX mortgage loans	0.0	0.0
Tax on certain financial institutions	125.9	116.0
Share of profit/(loss) of subsidiaries and associates accounted for using the equity method	46.7	35.3
Gross profit	**514.8**	**369.7**
Income tax	129.2	102.4
Net profit	**385.6**	**267.3**
Weighted average number of ordinary shares	130,100,000	130,100,000
Earnings per ordinary share (PLN)	2.96	2.05

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

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

(PLN million)

Interim condensed standalone statement of comprehensive income

	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020
Net profit for the period	**385.6**	**267.3**
Total other comprehensive income, including:	**-1,398.0**	**1,819.7**
Items which can be reclassified to income statement, including:	**-1,397.7**	**1,819.6**
debt instruments measured at fair value through other comprehensive income – gains on revaluation carried through equity	123.4	-232.8
debt instruments measured at fair value through other comprehensive income – reclassification to financial result due to sale	0.0	-1.5
loans measured at fair value through other comprehensive income - revaluation gains / losses related to equity	45.6	-30.7
cash flow hedging – gains on revaluation carried through equity	-1,348.4	2,174.4
cash flow hedging – reclassification to profit or loss	-218.3	-89.8
Items which will not be reclassified to income statement, including:	**-0.3**	**0.1**
fixed assets revaluation	-0.3	0.1
Net comprehensive income for the reporting period	**-1,012.4**	**2,087.0**

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

(PLN million)

Interim condensed standalone statement of financial position

as at

	Note	31 Mar 2021	31 Dec 2020	31 Mar 2020
Assets				
Cash in hand and balances with the Central Bank		899.8	867.3	1,740.5
Loans and other receivables to other banks		4,697.6	2,674.2	4,349.4
Financial assets measured at fair value through profit or loss		1,610.1	2,017.7	1,510.2
Derivative hedge instruments		873.6	1,194.8	1,075.8
Investment securities		58,192.8	54,882.2	40,074.0
Loans and other receivables to customers	4.1	120,489.5	116,352.3	114,756.2
Investments in subsidiaries and associates accounted for using the equity method		1,401.1	1,354.1	1,317.0
Property, plant and equipment		866.5	894.4	928.0
Intangible assets		392.9	404.3	403.4
Assets held for sale		2.4	0.5	2.2
Deferred tax assets		414.1	271.1	202.1
Other assets		174.5	204.0	186.4
Total assets		**190,014.9**	**181,116.9**	**166,545.2**
Liabilities				
Liabilities to other banks		6,745.3	4,776.6	2,848.7
Financial liabilities measured at fair value through profit or loss		1,194.3	1,530.8	1,026.2
Derivative hedge instruments		549.6	558.5	510.4
Liabilities to customers		158,655.0	150,736.5	139,379.6
Subordinated liabilities		2,331.9	2,309.2	2,278.1
Provisions		235.4	250.8	182.4
Current income tax liabilities		197.8	387.4	698.9
Other liabilities		2,747.5	2,196.6	2,419.1
Total liabilities		**172,656.8**	**162,746.4**	**149,343.4**
Equity				
Share capital		130.1	130.1	130.1
Share premium		956.3	956.3	956.3
Accumulated other comprehensive income		2,277.6	3,675.6	3,578.5
Retained earnings		13,994.1	13,608.5	12,536.9
Total equity		**17,358.1**	**18,370.5**	**17,201.8**
Total equity and liabilities		**190,014.9**	**181,116.9**	**166,545.2**
Carrying amount		17,358.1	18,370.5	17,201.8
Number of shares		130,100,000	130,100,001	130,100,000
Carrying amount per share (PLN)		133.42	141.20	132.22

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

(PLN million)

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Interim condensed standalone statement of changes in equity

1 quarter 2021

the period from 01 Jan 2021 to 31 Mar 2021

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	**Total equity**
Opening balance of equity	**130.1**	**956.3**	**3,675.6**	**13,608.5**	**18,370.5**
Profit for the current period	-	-	-	385.6	**385.6**
Other net comprehensive income, including:	**0.0**	**0.0**	**-1,398.0**	**0.0**	**-1,398.0**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	169.0	-	169.0
cash flow hedging – gains on revaluation carried through equity	-	-	-1,348.4	-	-1,348.4
cash flow hedging – reclassification to profit or loss	-	-	-218.3	-	-218.3
fixed assets revaluation	-	-	-0.3	-	-0.3
Closing balance of equity	**130.1**	**956.3**	**2,277.6**	**13,994.1**	**17,358.1**

year 2020

the period from 01 Jan 2020 to 31 Dec 2020

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	**Total equity**
Opening balance of equity	**130.1**	**956.3**	**1,758.8**	**12,269.6**	**15,114.8**
Profit for the current period	-	-	-	1,337.6	**1,337.6**
Other net comprehensive income, including:	**0.0**	**0.0**	**1,916.8**	**1.3**	**1,918.1**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	-5.6	-	-5.6
debt instruments measured at fair value through other comprehensive income – reclassification to financial result due to sale	-	-	-18.3	-	-18.3
cash flow hedging – gains on revaluation carried through equity	-	-	2,562.5	-	2,562.5
cash flow hedging – reclassification to profit or loss	-	-	-617.1	-	-617.1
disposal of fixed assets	-	-	-1.3	1.3	0.0
actuarial gains/losses	-	-	-3.4	-	-3.4
Closing balance of equity	**130.1**	**956.3**	**3,675.6**	**13,608.5**	**18,370.5**

(PLN million)

1 quarter 2020

the period from 01 Jan 2020 to 31 Mar 2020

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

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

(PLN million)

Interim condensed standalone cash flow statement

	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021	1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020
Net profit	**385.6**	**267.3**
Adjustments, including:	**1,736.6**	**5,318.4**
Share of profit/(loss) of subsidiaries and associates accounted for using the equity method	-46.7	-35.3
Depreciation and amortisation	68.2	68.9
Interest accrued (from the income statement)	-1,075.0	-1,084.0
Interest paid	-118.2	-229.2
Interest received	1,017.2	1,013.2
Gains (losses) on investing activities	0.2	18.9
Income tax (from the income statement)	129.2	102.4
Income tax paid	-122.4	-146.5
Change in provisions	-15.4	-19.5
Change in loans and other receivables to other banks	-1,388.3	-835.3
Change in financial assets measured at fair value through profit or loss	410.3	-123.6
Change in debt securities measured at fair value through other comprehensive income	-1,608.5	-1,545.5
Change in hedge derivatives	-1,621.9	2,313.8
Change in loans and other receivables to customers	-4,058.7	-4,271.3
Change in other assets	13.8	469.6
Change in liabilities to other banks	1,968.7	226.2
Change in liabilities measured at fair value through profit or loss	-336.5	111.1
Change in liabilities to customers	7,920.0	9,345.2
Change in other liabilities	600.6	-60.7
Net cash flow from operating activities	**2,122.2**	**5,585.7**
Purchase of property, plant and equipment	-10.0	-9.7
Purchase of intangible assets	-7.9	-12.7
Disposal of assets held for sale	0.0	0.1
Purchase of shares in subsidiaries and associates	0.0	-170.0
Purchase of debt securities measured at amortised cost	-1,574.6	-7,985.8
Disposal of debt securities measured at amortised cost	171.4	2,886.3
Net cash flows from investing activities	**-1,421.1**	**-5,291.8**
Long-term loans received	0.0	300.0
Interest on long-term loans repaid	-7.1	-3.7
Repayment of lease liabilities	-27.0	-25.4
Net cash flows from financing activities	**-34.1**	**270.9**
Effect of exchange rate changes on cash and cash equivalents	150.8	161.1
Net increase/(decrease) in cash and cash equivalents	**667.0**	**564.8**
Opening balance of cash and cash equivalents	**1,228.2**	**1,997.4**
Closing balance of cash and cash equivalents	**1,895.2**	**2,562.2**

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

Additional information to the interim condensed standalone financial statements

1. Introduction

1.1. Going concern

These interim condensed standalone financial statements of the ING Bank Śląski S.A. have been prepared on a going-concern basis as regards the foreseeable future, namely as regards the period of minimum 12 months from the date of approval, i.e. from 5 May 2021. As at the approval date hereof, the Bank Management Board have not identified any events that could pose a threat to the Group members continuing their operations during the period of 12 months from the date of publication as a result of intentional or forced abandonment or significant limitation of its operations by the Bank.

1.2. Discontinued operations

No material operations were discontinued during the 1 quarter 2021 and 1 quarter 2020.

1.3. Compliance with International Financial Reporting Standards

These interim condensed standalone financial statements of the ING Bank Śląski S.A. for the 1st quarter 2021 were prepared under the IAS 34 Interim Financial Reporting (International Accounting Standards) in a version approved by the European Commission and effective as at the reporting date, that is 31 March 2021 as well as in accordance with the Ordinance of Finance Minister of 29 March 2018 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws of 2018, item 757).

Presented financial statements have been prepared in a condensed version. The interim condensed financial statements do not provide all data or disclosures required in the annual financial statements and should be interpreted together with and the annual financial statements of the ING Bank Śląski S.A. for the period from 1 January 2020 to 31 December 2020, approved on 15 April 2021 by the Bank's General Meeting and the interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for the 1st quarter 2021.

Interim condensed standalone income statement, interim condensed standalone statement of comprehensive income, interim condensed standalone statement of changes in equity and interim condensed standalone cash flow statement for the period from 1 January 2021 to 31 March 2021 and interim condensed standalone statement of financial position as at 31 March 2021, together with comparable data were prepared according to the same principles of accounting for each period.

1.4. Comparative data

The comparative data cover the period from 1 Jan 2020 to 31 Mar 2020 for the interim condensed standalone income statement, the interim condensed standalone statement of comprehensive income and the interim condensed standalone cash flow statement, additionally for the period from 1 Jan 2020 to 31 Dec 2020 for the interim condensed standalone statement of changes in equity and in the case of the interim condensed standalone statement of financial position data as at 31 Dec 2020 and 31 Mar 2020.

1.5. Financial statements scope and currency

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

These interim condensed standalone financial statements have been prepared in Polish zlotys ('PLN'). Unless provided for otherwise, all values were given rounded up to PLN million. Therefore, there may be cases of mathematical inconsistency in the summaries or between individual notes.

1.6. Approval of financial statements

These interim condensed standalone financial statements have been approved by the Bank's Management Board on 5 May 2021.

1.7. Changes in accounting standards

In these interim condensed standalone financial statements, the same accounting standards have been applied as in the case of annual financial statements for the year 2020 (Annual Financial Statements of the ING Bank Śląski S.A. for the period started 1 January 2020 and ended 31 December 2020) and the standards and interpretations adopted by the European Union and applicable to the annual periods starting 1 January 2021 or afterwards which were presented in the interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for the 1st quarter 2021.

2. Significant accounting principles and key estimates

Detailed accounting principles were presented in the annual financial statements of the ING Bank Śląski S.A. for the period started 1 January 2020 and ended 31 December 2020, published on 12 March 2021 and available on the website of ING Bank Śląski S.A. (www.ingbank.pl).

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

In the first quarter of 2021, no significant changes were made to the accounting policies applied by the Bank, however, changes were made to key estimates regarding the loss allowances expected in connection with the effects of the Covid-19 coronavirus epidemic, which was described in the interim condensed consolidated financial statements, in chapter *Additional information*, in point 5 *Significant accounting principles and key estimates*.

3. Comparability of financial data

Changes in data presentation

In these interim condensed standalone financial statements for the period from 1 January 2021 to 31 March 2021, the Bank changed the presentation of individual items of the statement of financial position in relation to the interim condensed standalone financial statements for prior periods.

The Bank created a new item in the assets of the statement of financial position called *Financial assets measured at fair value through profit or loss*, to which the obligatory loans measured at fair value through profit or loss were transferred (previously presented under *Loans and other receivables to customers*), equity instruments designated to be measured at fair value through profit or loss and *Financial assets held for trading*. The change was aimed at recognizing in one item of the statement of financial position all financial assets measured at fair value with the measurement effect recognised in the income statement.

The table below presents the individual items of the statement of financial position according to the values presented in the interim standalone financial statements for the period from 1 January 2020 to 31 March 2020 and according to the values presented in these interim standalone financial statements.

(PLN million)

as at **31 Mar 2020**

in the interim standalone financial statements for the period from 1 January 2020 to 31 March 2020 (approved data)		change	in the interim standalone financial statements for the period from 1 January 2021 to 31 March 2021 (comparable data)	
Assets			**Assets**	
Cash in hand and balances with the Central Bank	1,740.5		Cash in hand and balances with the Central Bank	1,740.5
Loans and other receivables to other banks	4,349.4		Loans and other receivables to other banks	4,349.4
Financial assets held for trading	1,361.4	148.8	Financial assets measured at fair value through profit or loss	1,510.2
Derivative hedge instruments	1,075.8		Derivative hedge instruments	1,075.8
Investment securities	40,074.1	-0.1	Investment securities	40,074.0
Loans and other receivables to customers	114,904.9	-148.7	Loans and other receivables to customers	114,756.2
Investments in subsidiaries and associates accounted for using the equity method	1,317.0		Investments in subsidiaries and associates accounted for using the equity method	1,317.0
Property, plant and equipment	928.0		Property, plant and equipment	928.0
Intangible assets	403.4		Intangible assets	403.4
Assets held for sale	2.2		Assets held for sale	2.2
Deferred tax assets	202.1		Deferred tax assets	202.1
Other assets	186.4		Other assets	186.4
Total assets	**166,545.2**	**0.0**	**Total assets**	**166,545.2**
Liabilities			**Liabilities**	
Liabilities to other banks	2,848.7		Liabilities to other banks	2,848.7
Financial liabilities measured at fair value through income statement	1,026.2		Financial liabilities measured at fair value through income statement	1,026.2
Derivative hedge instruments	510.4		Derivative hedge instruments	510.4
Liabilities to customers	139,379.6		Liabilities to customers	139,379.6
Subordinated liabilities	2,278.1		Subordinated liabilities	2,278.1
Provisions	182.4		Provisions	182.4
Current income tax liabilities	698.9		Current income tax liabilities	698.9
Other liabilities	2,419.1		Other liabilities	2,419.1
Total liabilities	**149,343.4**	**0.0**	**Total liabilities**	**149,343.4**
Total equity	**17,201.8**	**0.0**	**Total equity**	**17,201.8**
Total equity and liabilities	**166,545.2**	**0.0**	**Total equity and liabilities**	**166,545.2**

Change in accounting principles regarding the recognition of provisions resulting from legal risk for the portfolio of CHF indexed mortgage loans

As described in the annual financial statements of the ING Bank Śląski S.A. for the period from 1 January 2020 to 31 December 2020, the Bank changed the recognition of expected losses due to legal risk on the portfolio of CHF indexed mortgage loans, which in the financial statements for 2019 were recognized as write-offs for expected credit losses in the statement of financial position in correspondence with the costs of expected losses in the profit and loss account.

The Bank applied the provisions of IFRS 9.B.5.4.6 to recognize these losses and recognized them as an adjustment to the gross carrying amount of the portfolio of CHF-indexed mortgage loans. In accordance with IFRS 9.B.5.4.6, when an entity changes its estimate of payments or receipts (excluding immaterial modifications and changes to the estimate of expected credit losses), it adjusts the gross carrying amount of the asset or group of financial instruments so that it reflects the actual and changed estimated cash flows under the contract.

This change has no impact on the statement of financial position as it does not change the carrying amount (net) of the CHF-indexed mortgage portfolio. However, it does affect additional disclosures, in Note 4.1 to this report, regarding gross amounts and expected loss provisions for the CHF-indexed mortgage portfolio. The data as at 31 March 2020, presented in Note 4.1, have been restated to ensure comparability.

In the income statement, the Bank introduced an additional line *Cost of legal risk of FX mortgage loans*, which presents the costs related to the legal risk of CHF-indexed mortgage loans included in the statement of financial position and loans derecognised from the statement of financial position (repaid loans). In the first quarter of 2021, as in the first quarter of 2020, the Bank did not recognize the legal risk costs of mortgage loans in foreign currencies.

(PLN million)

4. Supplementary notes to interim condensed standalone financial statements

4.1. Loans and other receivables to customers

	as at 31 Mar 2021	as at 31 Dec 2020	as at 31 Mar 2020
Measured at amortised cost	110,224.0	105,725.5	106,986.2
Measured at fair value through other comprehensive income	10,265.5	10,626.8	7,770.0
Measured at fair value through profit or loss*	100.2	106.2	148.7
Loans and other receivables to customers - total	**120,589.7**	**116,458.5**	**114,904.9**

*) presented under the item *Financial assets measured at fair value through profit or loss* in the statement of financial position of the Bank

Some of the mortgage loans have been designated by the Bank for the "Holding and Sell" business model and may be sold to ING Bank Hipoteczny S.A. (being a subsidiary of the Bank) as part of the so-called pooling. These loans are measured at fair value through other comprehensive income.

From the point of view of the consolidated financial statements, pooled loans still meet the criterion of the "Maintenance" business model, due to the fact that pooling transactions take place within the Capital Group.

The Bank uses the discounted cash flow model to measure mortgage loans assigned to the portfolio measured at fair value. Due to the use of input data in the valuation model that is not based on observable market data, the valuation technique belongs to Level 3.

(PLN million)

Loans and receivables to customers measured at amortised cost

	as at 31 Mar 2021			as at 31 Dec 2020			as at 31 Mar 2020		
	gross	impairment for expected credit losses	**net**	gross	impairment for expected credit losses	**net**	gross	impairment for expected credit losses	**net**
Loan portfolio, of which:	**111,397.1**	**-3,112.0**	**108,285.1**	**106,779.9**	**-2,987.7**	**103,792.2**	**107,196.0**	**-2,566.5**	**104,629.5**
households	50,839.8	-1,756.3	49,083.5	48,122.6	-1,655.8	46,466.8	47,145.8	-1,361.9	45,783.9
business entities	57,324.4	-1,355.2	55,969.2	55,346.0	-1,331.2	54,014.8	57,081.1	-1,204.4	55,876.7
the government and self-government institutions' sector	3,232.9	-0.5	3,232.4	3,311.3	-0.7	3,310.6	2,969.1	-0.2	2,968.9
Total, including:	**111,397.1**	**-3,112.0**	**108,285.1**	**106,779.9**	**-2,987.7**	**103,792.2**	**107,196.0**	**-2,566.5**	**104,629.5**
Corporate banking	**67,633.6**	**-1,980.1**	**65,653.5**	**65,586.4**	**-1,922.5**	**63,663.9**	**68,210.5**	**-1,698.2**	**66,512.3**
loans in the current account	13,731.9	-564.6	13,167.3	12,294.2	-567.8	11,726.4	14,806.3	-550.0	14,256.3
term loans and advances	51,060.5	-1,415.2	49,645.3	50,299.9	-1,354.1	48,945.8	50,928.7	-1,147.6	49,781.1
debt securities (corporate and municipal)	2,841.2	-0.3	2,840.9	2,992.3	-0.6	2,991.7	2,475.5	-0.6	2,474.9
Retail banking	**43,763.5**	**-1,131.9**	**42,631.6**	**41,193.5**	**-1,065.2**	**40,128.3**	**38,985.5**	**-868.3**	**38,117.2**
mortgages	35,564.2	-266.2	35,298.0	33,262.1	-257.4	33,004.7	31,223.9	-195.9	31,028.0
loans in the current account	647.1	-64.1	583.0	655.0	-60.7	594.3	627.3	-54.4	572.9
other loans and advances	7,552.2	-801.6	6,750.6	7,276.4	-747.1	6,529.3	7,134.3	-618.0	6,516.3
Other receivables, of which:	**1,938.9**	**0.0**	**1,938.9**	**1,933.3**	**0.0**	**1,933.3**	**2,356.7**	**0.0**	**2,356.7**
call deposits placed	1,325.0	0.0	1,325.0	1,272.2	0.0	1,272.2	1,936.5	0.0	1,936.5
other receivables	613.9	0.0	613.9	661.1	0.0	661.1	420.2	0.0	420.2
Total	**113,336.0**	**-3,112.0**	**110,224.0**	**108,713.2**	**-2,987.7**	**105,725.5**	**109,552.7**	**-2,566.5**	**106,986.2**

(PLN million)

Quality of loan portfolio

	as at 31 Mar 2021			as at 31 Dec 2020			as at 31 Mar 2020		
	gross	impairment for expected credit losses	**net**	gross	impairment for expected credit losses	**net**	gross	impairment for expected credit losses	**net**
Corporate banking	**67,633.6**	**-1,980.1**	**65,653.5**	**65,586.4**	**-1,922.5**	**63,663.9**	**68,210.5**	**-1,698.2**	**66,512.3**
assets in stage 1	60,537.4	-175.6	60,361.8	57,786.0	-172.3	57,613.7	61,158.0	-120.5	61,037.5
assets in stage 2	4,735.9	-223.0	4,512.9	5,384.5	-200.1	5,184.4	4,722.8	-179.1	4,543.7
assets in stage 3	2,358.7	-1,581.5	777.2	2,414.6	-1,550.1	864.5	2,328.4	-1,398.6	929.8
POCI assets	1.6	0.0	1.6	1.3	0.0	1.3	1.3	0.0	1.3
Retail banking	**43,763.5**	**-1,131.9**	**42,631.6**	**41,193.5**	**-1,065.2**	**40,128.3**	**38,985.5**	**-868.3**	**38,117.2**
assets in stage 1	40,717.9	-135.4	40,582.5	38,111.7	-140.5	37,971.2	34,438.8	-60.6	34,378.2
assets in stage 2	1,888.1	-167.6	1,720.5	2,040.0	-177.5	1,862.5	3,856.8	-295.7	3,561.1
assets in stage 3	1,155.4	-828.9	326.5	1,039.6	-747.2	292.4	689.9	-512.0	177.9
POCI assets	2.1	0.0	2.1	2.2	0.0	2.2	0.0	0.0	0.0
Total	**111,397.1**	**-3,112.0**	**108,285.1**	**106,779.9**	**-2,987.7**	**103,792.2**	**107,196.0**	**-2,566.5**	**104,629.5**
total assets in stage 1	101,255.3	-311.0	100,944.3	95,897.7	-312.8	95,584.9	95,596.8	-181.1	95,415.7
total assets in stage 2	6,624.0	-390.6	6,233.4	7,424.5	-377.6	7,046.9	8,579.6	-474.8	8,104.8
total assets in stage 3	3,514.1	-2,410.4	1,103.7	3,454.2	-2,297.3	1,156.9	3,018.3	-1,910.6	1,107.7
total POCI assets	3.7	0.0	3.7	3.5	0.0	3.5	1.3	0.0	1.3

The Bank identifies POCI financial assets whose carrying value as at 31 March 2021 is PLN 3.7 million (PLN 3.5 million as at 31 December 2020). These are exposures due to impaired receivables acquired in connection with the acquisition of SKOK Bieszczadzka in 2017 and exposures that were significantly modified as a result of restructuring, which involved the need to remove the original credit commitment and re-recognition of the asset in the statement of financial position.

(PLN million)

4.2. Total capital ratio

	as at 31 Mar 2021	as at 31 Dec 2020* (after taking into account the net profit generated in 2020 in own funds)	as at 31 Dec 2020 (according to the values reported in the annual financial statements for 2020)	as at 31 Mar 2020
Own funds	17,198.2	17,114.2	16,287.0	14,340.3
Total capital requirements	6,835.6	6,561.6	6,515.1	6,720.5
Total capital ratio (TCR)	**20.13%**	**20.87%**	**20.00%**	**17.07%**
Tier 1 ratio (T1)	**17.42%**	**18.05%**	**17.17%**	**14.36%**

*) On 15 April 2021, the General Meeting of the Bank approved the distribution of profit for 2020. Including the net profit generated in 2020 in own funds as at 31 December 2020 resulted in an increase in TCR and Tier1 ratios to 20.87% and 18.05%, respectively, as presented in the table above.

In calculating the capital ratios, the Bank used the transitional provisions to mitigate the impact of the implementation of IFRS 9 on the level of own funds. If the impact of the implementation of IFRS 9 was fully recognized, the total capital ratio (TCR) would be 19.95% and the Tier 1 capital ratio (T1) would be 17.14%. For the comparative periods, if the impact of the implementation of IFRS 9 was fully recognized, the TCR and T1 ratios would be, respectively: 19.74% and 16.75% as at 31 December 2020, 20.61% and 17.69% as at 31 December 2020 after taking into account the net profit generated in 2020 in own funds and 16.88% and 14.16% as of 31 March 2020.

5. Significant events in 1st quarter 2021

Significant events that occurred in 1st quarter 2021 are described in the interim condensed consolidated financial statement in chapter *Additional information* in point 2 *Significant events in 1st quarter 2021*.

6. Seasonality or cyclicity of activity

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

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

None.

8. Dividends paid

ING Bank Śląski S.A. did not pay dividends from net profits generated in 2020 and 2019.

On 15 April 2021, the General Meeting approved the allocation of the entire net profit of the Bank for 2020 to equity, with the amount of PLN 663,510,000.00 being left as undistributed profit in order to retain the possibility of its distribution in the future, taking into account the payment of dividends.

On 2 April 2020, the General Meeting adopted a resolution on the distribution of the profit for 2019, in such a way that the amount previously allocated to the dividend, i.e. PLN 494,380,000.00, was left undivided.

9. Acquisitions

In 1st quarter 2021 ING Bank Śląski S.A. did not make any acquisitions, as in 1st quarter 2020.

(PLN million)

10. Off-balance sheet items

	as at 31 Mar 2021	as at 31 Dec 2020	as at 31 Mar 2020*
Off-balance sheet liabilities granted	47,253.4	47,544.0	38,145.0
Off-balance sheet liabilities received	12,790.5	11,727.3	10,954.2
Off-balance sheet financial instruments	826,117.8	797,919.5	752,208.0
Total off-balance sheet items	**886,161.7**	**857,190.8**	**801,307.2**

*) In 2020, the Bank decided to change the presentation of the guarantees received. The present presentation takes into account only those guarantees that provide the basis for the reduction of risk-weighted assets and provisions for expected credit losses. Data as at 31 March 2020 have been transformed in order to bring them comparable.

11. Transactions with related entities

Numerical information on transactions between related entities

	ING Bank NV	Other ING Group entities	Subsidiaries	Associates	ING Bank NV	Other ING Group entities	Subsidiaries	Associates
	as at 31 Mar 2021				as at 31 Dec 2020			
Receivables								
Nostro accounts	5.9	3.6	-	-	2.3	8.1	-	-
Call deposits placed	-	-	-	-	105.6	1.1	-	-
Loans	-	0.1	13,040.5	-	-	0.2	11,443.8	-
Positive valuation of derivatives	173.2	0.1	2.0	-	78.3	3.7	2.2	-
Other receivables	3.6	1.7	0.7	-	4.9	0.5	0.8	-
Liabilities								
Deposits received	1,493.4	94.7	183.0	22.8	1,476.3	550.0	245.1	10.9
Subordinated loan	2,332.0	-	-	-	2,309.3	-	-	-
Loro accounts	33.2	59.9	11.1	-	34.3	182.6	3.0	-
Negative valuation of derivatives	167.6	-	0.2	-	197.6	0.1	0.3	-
Other liabilities	35.3	0.7	2.5	-	39.7	0.2	1.6	-
Off-balance-sheet operations								
Off-balance sheet liabilities granted	389.2	824.0	7,287.1	0.1	458.9	865.6	8,813.0	0.1
Off-balance sheet liabilities received	56.0	18.4	-	-	55.2	17.5	-	-
FX transactions	14,881.0	21.8	-	-	9,649.5	58.2	-	-
Forward transactions	-	-	6.0	-	-	-	13.9	-
IRS	885.9	-	58.2	-	910.4	140.0	58.9	-
Options	1,964.8	17.0	-	-	2,355.0	17.0	-	-

	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021				1 quarter 2020 the period from 01 Jan 2020 to 31 Mar 2020			
Income and expenses								
Income, including:	-44.9	1.5	22.6	12.2	-44.0	4.5	55.6	11.8
net interest and commission income	-10.3	1.9	29.5	12.2	-11.7	1.1	67.1	11.8
net income on financial instruments	-34.6	-0.7	0.1	-	-32.3	3.2	-0.5	-
net income on the sale of securities measured at fair value through other comprehensive income	-	-	-7.6	-	-	-	-11.6	-
net (loss)/income on other basic activities	-	0.3	0.6	-	-	0.2	0.6	-
General and administrative expenses	41.3	1.2	0.6	-	36.6	1.3	0.2	-
Expenditure on intangible assets	-	-	-	-	0.4	-	-	-

(PLN million)

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

2021-05-05	**Brunon Bartkiewicz** *President*	The original Polish document is signed with a qualified electronic signature
2021-05-05	**Joanna Erdman** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2021-05-05	**Marcin Giżycki** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2021-05-05	**Bożena Graczyk** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2021-05-05	**Ewa Łuniewska** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2021-05-05	**Michał H. Mrożek** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2021-05-05	**Sławomir Soszyński** *Vice-President*	The original Polish document is signed with a qualified electronic signature

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2021-05-05	**Jolanta Alvarado Rodriguez**	Director of Accounting Department Chief Accountant	The original Polish document is signed with a qualified electronic signature