

Information on implemented tax strategy of ING Bank Śląski S.A.

For the tax year 1 January 2020 – 31 December 2020

Purpose of the document

This document purpose is fulfilment by ING Bank Śląski S.A. (hereinafter: the Bank) of the obligation to prepare and publish information on the implemented tax strategy for the tax year 1 January 2020 – 31 December 2020 in accordance with art. 27c in connection with Art. 27b paragraph. 2 point 2 of the Corporate Income Tax Act (Journal of Laws of 2020, item 1406).

Bank's values

ING Bank Śląski S.A. has been present on the Polish market since 1989. Since 1994 it has been listed on the Stock Exchange S.A. During over thirty years of its operation, ING Bank Śląski S.A. won the position of one of the largest banks in Poland, providing services in the area of retail and corporate banking as well as money and capital markets.

The Bank carries out its activities in compliance with applicable laws, regulations and ethical standards. The bank follows the values defined in the so-called Orange Code - "we are honest, prudent and responsible". These values also apply to the performance of the tax function at the Bank.

The Bank fulfils its tax obligations in a timely manner in accordance with the relevant regulations, taking into account both the letter and the spirit of the law. The Bank does not use aggressive tax optimization techniques, and does not provide products or services that could enable clients to aggressively optimize tax.

Processes and procedures for managing the performance of obligations under tax law and ensuring their proper performance

In 2020 the tax function at the Bank was performed internally by the Tax Department, where qualified and experienced specialists with knowledge in the field of tax law were employed. The person responsible for realization of the tax function was the Director of the Tax

Department, reporting to the Member of the Bank's Management Board responsible for the CFO Division.

In cases of particular doubts, the Bank used the advice of external tax advisors.

In 2020, the Bank had in place (and at the moment of this report is still in force) the "Global Tax Policy", which indicated the main principles of tax risk management in entities belonging to the Global ING Group, in particular:

- Compliance with tax law and timely fulfilment of tax obligations
- Cooperation with tax authorities based on dialogue
- Transparency in the field of taxes
- Prohibition of advising clients on taxes
- A prudent approach to tax risks.

With regard to taxes for which the Bank was the taxpayer, the Bank had in place (and at the moment of this report are still has) internal regulations (procedures and instructions) describing in detail the way of conduct to be followed in order to correctly fulfil the Bank's tax obligations:

- 1) Instruction for settling corporate income tax at ING Bank Śląski S.A.
- 2) Instruction on tax documentation of transactions with related parties and parties seated in countries applying harmful tax competition
- 3) Tax procedure for the fulfillment by the Bank of remitter obligations in corporate events taking place after 1 January 2019.
- 4) Procedure for the fulfillment by ING Bank Śląski S.A. excise duty obligations due to the use of electricity generated by the power generators for Bank's own needs and respective information obligations of the Bank's units
- 5) Instructions for settling customs duties and VAT due on the import of goods at ING Bank Śląski S.A.
- 6) CRS Reporting Instruction
- 7) Specification of activities performed by particular units at ING Bank Śląski SA with FATCA Reporting
- 8) Procedure for counteracting failure to comply with the obligation to provide information on Tax Arrangements
- 9) Tax procedure regarding the service of the Individual Pension Security Account offered by ING Bank Śląski S.A.

- 10) Procedure for the calculation, collection and payment to the Tax Office of flat-rate (10% and 19%) income taxes on promotions
- 11) Instructions on the preparation of information on income from other sources and information on certain income from capital capitals
- 12) Procedure for the settlement of tax on other revenues obtained by legal entities of non-residents
- 13) Instruction on flat-rate income taxes on certain revenues (income) obtained by natural persons and legal persons being non-residents
- 14) Procedure for the settlement of tax on interest income obtained by legal entities being non-residents
- 15) Procedure for the settlement of tax on other revenues obtained by legal entities being non-residents
- 16) Procedure for the settlement of flat-rate personal income tax
- 17) Procedure for the settlement of tax on interest income obtained by legal entities being non-residents, taking into account the requirements of due diligence, including verification of the client's "beneficial owner" status
- 18) Instructions for the settlement of tax on certain financial institutions (bank levy)
- 19) Procedure for settling the tax on certain financial institutions (bank levy) at ING Bank Śląski S.A.
- 20) Instructions for settling value added tax at ING Bank Śląski S.A.
- 21) The procedure for settling input VAT and the rules for applying deductions with the VAT ratio
- 22) E-invoicing procedure (sale of goods and services)
- 23) E-invoicing procedure (purchase of goods and services)
- 24) Procedure for recording sales at the cash register
- 25) Procedure for tax settlement of purchase documents expressed in foreign currency
- 26) Procedure for issuing sales invoices (correction sales invoices) in SAP (Profit Direct) on the basis of an instruction to issue an invoice
- 27) Procedure for issuing sales invoices (correction sales invoices) in SAP (Profit Direct) based on a customer order

Voluntary forms of cooperation with the tax authorities

In line with the Global Tax Policy: *Wherever we operate, we seek to establish and maintain an open and constructive dialogue with local tax authorities and other government bodies, based on the disclosure of all relevant facts and circumstances.*

The Bank follows the principle of cooperation with tax authorities, and to all inquiries of the tax authorities, the Bank provided explanations consistent with its best knowledge.

In 2020, the Bank did not conclude cooperation agreements, transfer pricing agreements (APA), and did not apply for security opinions.

Fulfillment of tax obligations by the taxpayer in Poland

In 2020, the Bank fulfilled its tax obligations in Poland within the statutory deadlines for the following taxes:

- Corporate tax (CIT)
- Bank levy
- Value added tax (VAT)
- Excise duty on the electricity generated by power generators used for own needs
- Property Tax
- Personal income tax (PIT)

In 2020, the Bank did not identify tax arrangements that are subject to reporting to the Head of KAS.

Transactions with related parties

In 2020, the Bank made the following transactions with related parties within the meaning of Art. 11a paragraph. 1 point 4 of the CIT Act, which value exceeded 5% of the total assets within the meaning of the accounting regulations, determined on the basis of the company's last approved financial statements, including entities that are not tax residents of the Republic of Poland:

- Financial Markets transactions¹ such as:
 - 1) FX SWAP transactions concluded with ING Bank N.V.
 - 2) Bonds sale / purchase transactions concluded with ING Bank N.V. (Dutch Headquarter and Hungarian Branch)
 - 3) Intra- day transactions concluded with ING Bank N.V.

Planned or undertaken restructuring activities

¹ Value of transaction understood as amount of cash-flows resulting from the transaction

In 2020, the Bank did not undertake and did not plan any restructuring activities that could affect the amount of tax liabilities of the Bank or entities related to the Bank within the meaning of Art. 11a paragraph. 1 point 4 of the Corporate Income Tax Act.

Information on submitted applications for tax rulings

In 2020, the Bank submitted the following applications for an individual tax ruling referred to in Article 14b of the Tax Ordinance:

- 1) Application for an individual tax ruling on corporate income tax with regard to determining whether the expenses incurred by the Bank for the purchase of bonds after the so-called dirty price, i.e. with accrued interest coupon, including both the nominal value of the bond and the accrued interest (interest coupon), constitute tax deductible costs at the time the bond is redeemed by the issuer or when the bonds are finally sold by the Bank
- 2) Application for an individual tax ruling on value added tax with regard to taxation of the renting of payment terminals and the right to deduct input tax from invoices issued by an external terminal supplier,
- 3) Application for an individual tax ruling on personal income tax with regard to the remitter's obligations in connection with the considered introduction of a new incentive program for selected employees and Members of the Bank's Management Board,
- 4) Application for an individual tax ruling regarding the determination whether, due to the intermediation of the Bank in the performance of monetary obligations, i.e. the payment of dividends to shareholders, the Bank will be responsible for the tax remitter obligations of the corporate income tax and the personal income tax
- 5) Application for an individual tax ruling regarding the determination of whether, due to the activities undertaken as part of the shareholder register service, the Bank will be obliged to issue PIT-8C
- 6) Application for an individual tax ruling regarding the determination of whether the provision of services related to the maintenance of the shareholder register will be subject to VAT at a base rate
- 7) Application for an individual tax ruling regarding the correct scope of the Bank's obligations as a possible withholding tax remitter resulting from the cash-pooling services provided (regarding interest paid to participants via an agent)

- 8) Application for an individual tax ruling regarding the correct scope of the Bank's obligations as a possible withholding tax remitter resulting from the cash-pooling services provided (regarding interest paid to the agent)
- 9) Application for an individual tax ruling on corporate income tax regarding the right to recognize payments made to clients (borrowers) of the part of the previously collected loan costs, i.e. interest, fees, commissions and costs of additional services, in particular insurance, in connection with early loan repayment.

In 2020, the Bank did not submit any applications for:

- a) a general tax ruling referred to in Art. 14a § 1 of the Tax Ordinance,
- b) binding rate information, referred to in Art. 42a of the Value Added Tax Act,
- c) binding excise information referred to in Art. 7d paragraph. 1 of the Act on excise duty (Journal of Laws of 2020, items 722 and 1747).

Tax settlements in territories or countries applying harmful tax competition

In 2020, the Bank did not make any tax settlements in territories or countries applying harmful tax competition specified in executive acts issued pursuant to Article 11j paragraph. 2 of the Corporate income tax act and pursuant to art. 23v paragraph 2 of the Personal income tax Act and in the announcement of the minister competent for public finance issued pursuant to art. 86a § 10 of the Tax Ordinance.

Warszawa, 30 December 2021