

**Report of the ING Bank Śląski S.A. Supervisory Board
on Their Operations for 2019**

Pursuant to Article 382 §1 of the Commercial Companies and Partnerships Code and the provisions of the Code of Best Practice for WSE Listed Companies, the ING Bank Śląski S.A. Supervisory Board herewith submit to the Ordinary General Meeting the *Report of the ING Bank Śląski S.A. Supervisory Board on Their Operations for 2019*.

I. Legal basis of the functioning of the Supervisory Board at ING Bank Śląski S.A.

The ING Bank Śląski S.A. Supervisory Board operate pursuant to the Banking Law, the Commercial Companies and Partnerships Code, the Bank Charter and the Supervisory Board Bylaw. Pursuant to §19.5 of the ING Bank Śląski S.A. Charter, Supervisory Board Members shall be appointed for the joint term of office which shall commence as of the appointment date and shall last for the full four consecutive financial years. The current term of office started on 29 April 2019 and will expire as at the date at which the General Meeting approve the financial statements for 2023.

II. Composition of the Supervisory Board at ING Bank Śląski S.A., division of functions, and changes on the Supervisory Board during the financial year

The term of office of the former Supervisory Board expired on 29 March 2019, as at the date at which the General Meeting approved the financial statements for 2018.

Having regard to the above, on 29 March 2019, the General Meeting appointed new members of the Supervisory Board for another 4-year term of office. The composition of the Supervisory Board was not changed. The Supervisory Board held their first meeting and was constituted on the same day. The Supervisory Board also selected the members of the Risk Committee, the Audit Committee and of the Remuneration and Compensation Committee.

From 1 January 2019 to 29 March 2019 and from 29 March 2019 to 31 December 2019, the Supervisory Board worked in the following composition:

Antoni F. Reczek	-	Chairman (independent Member)
Małgorzata Kołakowska	-	Deputy Chair
Aleksander Galos	-	Secretary (independent member)
Ad Kas	-	Member
Aleksander Kutela	-	Member (independent member)
Michał Szczurek	-	Member
Norman Tambach	-	Member

III. Compliance with the Principles of Corporate Governance for Supervised Institutions and Best Practices of WSE Listed Companies.

The Supervisory Body fulfil their tasks pursuant to special authorisation granted under the *Company Charter* and the *Supervisory Board Bylaw* as well as the requirements of the *Principles of Corporate Governance for Supervised Institutions* and the *Code of Best Practice for WSE Listed Companies*.

Under the corporate governance rules, there should be at least two independent members on the Supervisory Board. According to the written statements filed by the members of the Supervisory Board, three (3) out of seven (7) members of the Supervisory Board meet the independence criteria set out in the Charter. Those are: The Supervisory Board Chairman – Mr Antoni F. Reczek, the Supervisory Board Secretary – Mr Aleksander Galos and Mr Aleksander Kutela who is a member of the Supervisory Board. The other members, namely: Mr Ad Kas, Ms Małgorzata Kołakowska, Mr Michał Szczurek and Mr Norman Tambach have ties with ING Bank N.V., the strategic shareholder of the Bank.

In keeping with the Bank's practice, the independent members file each year a statement to confirm that they have no relationship with the Bank, its shareholders, or employees that could have significant impact on their ability to make impartial decisions. On 29 March 2019, that is on the day of the Ordinary General Meeting, the independent members re-submitted such statements. Therefore, the Board confirmed that there were neither ties nor circumstances which would impact satisfaction of independence criteria by the Board members. Their status has not changed ever since. On the Bank's website, there are professional resumes of all members of the Supervisory Board including their functions on the Supervisory Board Committees. Furthermore, on the Bank's website, there are annotations on filing independence statements or statements on ties with ING Bank N.V. There is also the information on compliance with the requirements under Article 22aa of the Polish Banking Law Act. In keeping with the Code of Best Practice for WSE Listed Companies, there is also an update on the share of men and women in the Management Board and Supervisory Board of ING Bank Śląski S.A. on the Bank's website.

Pursuant to the self-assessment of the Supervisory Board in H1 2019, the Supervisory Board confirm that the number of members is sufficient for and adequate to the nature and to the scale of the Bank's operations. At the same time, the Supervisory Board are of the opinion that the diversified composition of the Supervisory Board and the fact that members stem from various circles and demonstrate diverse skills, practical experience and expertise ensures efficient oversight and warrants due performance of duties and responsibilities entrusted thereto.

All members have the relevant experience and knowledge that enable them to exercise oversight of the Bank. The Chairman of the Supervisory Board (and also of the Audit Committee) is an independent member and also has knowledge and skills in the area of financial auditing, as required under Article 129.1 of the Statutory Auditors, Auditing Firms and Public Oversight Act of 11 May 2017.

IV. Form of oversight. Number and frequency of the Supervisory Board meetings. Number of resolutions passed by the Supervisory Board

The Supervisory Board operated according to a meetings schedule and a framework plan of work. The meeting agendas included ongoing business matters, submissions made by the Bank Management Board as well as any other material issues that required attention of the Supervisory Board.

The Supervisory Board exercised oversight of the Bank's operations primarily during the meetings and took the required decisions in the form of resolutions. During the meetings, the members of the Supervisory Board are joined by members of the Management Board as well as the persons managing the Internal Audit Department and the Centre of Expertise – Compliance, and other invited guests who give presentations on specific topics within their competence.

In keeping with the approved work calendar, between 1 January 2019 and 31 December 2019, the Supervisory Board met eight times at the following dates: 25 January, 1 March, 29 March, 6 June, 24 June, 20 September, 22 November and 23 December. In total, the Supervisory Board adopted 116 resolutions, including 18 passed by way of circulation. All the meetings were quorate and held in line with the procedures so that binding resolutions could be taken; the attendance rate during the meetings was very high. A detailed description of the actions taken by the Supervisory Board in 2019 is presented in the minutes from the Supervisory Board meetings; the minutes and the resolutions passed by the Supervisory Board are kept at the Company's registered office.

In addition to regular meetings, the members of the Supervisory Board stayed in regular and direct contact with the Bank Management Board and took an active part in all the material matters concerning the Company business. The Chairman of the Supervisory Board (who also chairs the Audit Committee) held regular meetings with the Bank CFO to discuss the Bank's financial statements prior to their publication.

Additionally, independent members of the Supervisory Board attended internal training sessions held by the Bank, e.g.: operational risk management workshops and cybersecurity workshops. Members of the Supervisory Board also participated in an interactive presentation on the Know your customer process (KYC) and the MiFID training.

V. Agenda of the Supervisory Board Meetings

In 2019, the Supervisory Board exercised ongoing oversight over the Company operations and kept watch over the Company adherence to the relevant regulations in the area of accounting, finance and reporting of public companies. The works of the Supervisory Board proceeded smoothly, with all members taking an active part in them.

During the meetings, the Supervisory Board reviewed the matters required under the Commercial Companies and Partnerships Code as well as the matters relating to the day-to-day operations of the Company. The Supervisory Board received extensive reports from the Bank Management Board regarding the current financial standing of the Bank, its functioning, action plans and all the material developments that may have an impact on its functioning.

The topics discussed by the Supervisory Board in 2019 included but were not limited to the topics listed below. Those topics were also discussed by the Supervisory Board Committees (within their remit) who gave their recommendations for the Supervisory Board.

1) Finance, including:

- approval of the Bank Strategy and MTP for 2019-2021 and continuous oversight of the implementation of the approved financial plan,
- the report on the results of review of the annual financial statements of ING Bank Śląski for 2018, Reports of the ING Bank Śląski S.A. Management Board on Bank's Operations in 2018 and review of the Bank Management Board motion regarding distribution of the profit earned by the Bank in 2018,
- the report on the results of review of the annual consolidated financial statements of the ING Bank Śląski S.A. Group for 2018 and the Bank Management Board's Report on the Operations of the ING Bank Śląski S.A. Group for 2018,
- approval of amendments to the *Capital Management Policy at ING Bank Śląski S.A.*,
- approval of the 2018 ING Bank Śląski S.A. ICAAP Report,
- approval of amendments to the *Dividend Policy of the Bank*,
- approval of the updated Recovery Plan for ING Bank Śląski S.A. Group,
- approval of amendments to the Planning Policy at ING Bank Śląski S.A.,
- consent to obtaining a subordinated loan from ING Bank N.V.,
- approval of a new ING Bank Śląski S.A. Investing Strategy 2020-2022,
- regular Management Board's update on related-party agreements.

2) Internal audit at the Bank, including:

- approval of the Report on the status of the 2018 audit plan delivery and the status and changes in due dates of audit issue closure,
- approval of the Report on Audit Strategy Memorandum 2018 delivery including internal control system and risk management system assessment,
- approval of the Report on the results of quality assurance and improvement process within internal audit function for 2018,
- approval of the revised 2019 Audit Plan,
- approval of the *Report on the audit of the principles of remunerating the persons holding managerial positions having material impact on the risk profile of ("Identified Staff") at ING Bank Śląski S.A.*,
- approval of the Report on the status of the 2019 audit plan delivery and the status and changes in due dates of audit issue closure,
- approval of the Audit Strategy Memorandum (ASM) including long-term planning for the years 2020-2022 and the 2020 Audit Plan,
- approval of the Report on the review of the headcount level and structure, job description and remuneration for the Internal Audit Department.

3) Compliance at the Bank, including:

- approval of the Annual Plan of Tasks of the Centre of Expertise - Compliance for 2019 and quarterly compliance risk reports,

- approval of the Annual Plan of Tasks of the Centre of Expertise – Compliance for 2020,
 - noting the resignation of the Compliance Department Director,
 - temporarily entrusting the position of senior compliance expert – acting Director of the Compliance Department – Centre of Expertise Lead – Compliance,
 - approval of the Report on the review of the headcount level and structure, job description and remuneration for the Centre of Expertise – Compliance.
- 4) Monitoring the efficiency of the risk management system at the Bank, including compliance risk and non-financial risk:
- approval of the high-level RAS parameters for 2019 and of their increase,
 - approval of amendments to the Stress Testing Policy in ING Bank Śląski S.A.,
 - adoption of the Non-financial Risk Appetite Statement of the Bank for 2019 (as amended), and oversight of its implementation,
 - approval of the ING Bank Śląski S.A. ILAAP Review Report for 2018,
 - approval of amendments to the *Policy – Internal Control System at ING Bank Śląski S.A.*,
 - adequacy and effectiveness of the internal control system at the Bank in 2019,
 - approval of the revised *Compliance Policy of ING Bank Śląski S.A.*,
 - approval of amendments to the *General Principles of Credit, Market and Operational Risk Management and Limitation at ING Bank Śląski S.A.*,
 - approval of amendments to the *ING Bank Śląski S.A. Operational Risk Management Policy*,
 - approval of amendments to the *Model Risk Management Policy at ING Bank Śląski S.A.* and approval of the model risk tolerance level,
 - consent to conclusion of significant agreements by the Bank.
- 5) Relations with the external auditor, including:
- acceptance of the action plan for the auditing firm selection process,
 - selection of the entity authorised to audit the financial statements of ING Bank Śląski S.A. and ING Bank Śląski S.A. Group for 2019 and for 2020-2021,
 - approval of amendments to the *Policy on selection of the auditing firm to audit the financial statements, assessment of its independence and provision of other permitted services at ING Bank Śląski S.A.*,
 - approval of the scope of services provided by the auditing firm in 2019 and 2020,
 - approval of the *Manual – Rules of conduct in the process of disclosure and exchange of data and information between participants of the financial statements audit and supervision process at ING Bank Śląski S.A.*
- 6) Monitoring and supervising the HR and payroll area at the Bank, including:
- approval of amendments to the *Policy of Disclosing Qualitative and Quantitative Information on Capital Adequacy and Variable Components of Remuneration of ING Bank Śląski S.A.*,
 - approval of amendments to the *Variable Remuneration Policy of Identified Staff of ING Bank Śląski S.A.*,
 - the assessment of the 2018 performance of the members of the Bank Management Board and setting KPIs for 2019,
 - approval of amendments to the *Policy for the Assessment of the Suitability of the members of*

- the Supervisory Board, Management Board and key function holders at ING Bank Śląski S.A.,*
- approval of amendments to the *Diversity Policy for ING Bank Śląski S.A. Management Board and Supervisory Board Members,*
 - approval of the target representation of the underrepresented gender on the Management Board and Supervisory Board in line with the *Diversity Policy for ING Bank Śląski S.A. Management Board and Supervisory Board Members,*
 - approval of the Internal Audit Department's Report on the audit of the process of remunerating the persons holding managerial positions having material impact on the risk profile of ("Identified Staff") at ING Bank Śląski S.A.,
 - advising on amendments to the *ING Bank Śląski S.A. Supervisory Board Members Remuneration Policy,*
 - approval of amendments to the *ING Bank Śląski S.A. Group Remuneration Policy,*
 - approval of amendments to the *Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A.,*
 - approval of amendments to the *Executive Remuneration Bylaw for Members of the Management Board of ING Bank Śląski S.A.,*
 - approval of amendments to the *List of qualitative and quantitative criteria and the additional criteria qualifying staff members to be included in the 2019 List of Identified Staff of ING Bank Śląski S.A.,*
 - approval of the Report on the review of the pay policy towards the employees and the Director of the Internal Audit Department and towards the employees and the Centre of Expertise Lead – Compliance,
 - approval of the remuneration packages of people holding control functions at the Bank,
 - consent to holding functions at external institutions by Bank Management Board Members,
 - formal establishment of the ING Bank Śląski S.A. Supervisory Board for the next term of office and appointment of Board Committees for the next term of office,
 - approval of amendments to the Bylaws of the Supervisory Board and their committees,
 - acceptance of resignation of Patrick Roesink from the capacity of the Vice-President of the ING Bank Śląski S.A. Management Board responsible for supervision over of the risk material to Bank business (the CRO Division),
 - appointment of Mr Sławomir Soszyński as a new Bank Management Board Member – the Vice-President of the ING Bank Śląski S.A. Management Board responsible for the CIO Division,
 - entrusting Ms Joanna Erdman with the position of the Vice-President of the ING Bank Śląski S.A. Management Board responsible for the risk material to Bank business (the CRO Division),
 - approval of a new ING Bank Śląski S.A. Organisational Bylaw and Enclosures Nos. 2 and 3 with the Bylaw.
- 7) Implementation of the recommendations issued by the Polish Financial Supervision Authority:
- review of the schedule of works regarding the implementation of post-inspection recommendations of the Polish Financial Supervision Authority,
 - monitoring of the implementation of the action plan for the post-inspection recommendations issued by the Polish Financial Supervision Authority,
 - update on the implementation of the General Data Protection Regulation (GDPR) requirements by the Bank,

- approval of the revised ING Bank Śląski S.A. Bancassurance Strategy,
- bancassurance policy implementation under Recommendation U,
- report on the Bank Clients' complaints and client voice.

VI. Self-assessment of the Supervisory Board's Work in 2019.

In 2019, the Supervisory Board assisted and advised the Management Board on all the matters pertaining to the Bank and its business. The Supervisory Board monitored the implementation of the Bank's strategy on an ongoing basis.

The Supervisory Board confirm that they have exercised regular and ongoing supervision over the Bank's business throughout 2019 in accordance with their powers and the legal requirements concerning joint-stock companies. The Supervisory Board members are well prepared to exercise all statutory and Charter-defined rights and duties and perform their tasks properly, ensuring adequate supervision over the Bank in all material aspects of its operations. All members of the Supervisory Board exercised their duties with due care, while taking advantage of their knowledge and experience in terms of supervising a joint-stock company. The Supervisory Board consider their operations in 2019 to have been effective and in keeping with the best market standards.

Members of the Supervisory Board performed their responsibilities in an honest and reliable manner, making independent judgements in order to ensure effective assessment and verification of decisions taken and carried out in connection with day-to-day Bank management.

The cooperation with the Bank Management Board was very good; the Management Board provided the required information in a clear, reliable and exhaustive manner. The Supervisory Board would like to thank the Management Board for successful implementation of the strategy in 2019. The Supervisory Board would like to express their appreciation for the innovative approach to client experience, care about employees and proactive approach of the Management Board, and thus of the entire Bank, to important social matters.

The Supervisory Board wish to thank the Management Board and the employees of ING Bank Śląski S.A. for their effort and commitment to the Bank's growth.

Keeping in mind the Bank's financial results and overall performance, the Supervisory Board request that the General Meeting acknowledge the fulfilment of duties by the members of the Bank's bodies in 2019.

Report of the Supervisory Board Committees on Their Operations in 2019

In order to ensure support for the Supervisory Board in exercising their powers, the Supervisory Board established the Audit Committee, the Remuneration & Nomination Committee and the Risk Committee from among their members.

The Committees perform consulting and advisory functions by preparing recommendations for the Supervisory Board; the Committee chairmen give reports from the Committee work during the Supervisory Board meeting.

Audit Committee

The Audit Committee of the Supervisory Board of ING Bank Śląski S.A., hereinafter referred to as the Audit Committee or the Committee, perform consultation and advisory functions for the Supervisory Board, and also deliver on other tasks under the law, instructions and recommendations of the regulator. The Audit Committee support the Supervisory Board with regard to monitoring the financial reporting, monitoring and supervising the internal- and external audit and the management system at the Bank and its subsidiaries. In particular, the Committee oversee the adequacy and effectiveness of the internal control system and the risk management system, including compliance risk, relations between the Bank and related entities as well as between the Bank and the entity auditing Bank's financial statements. The tasks of the Audit Committee also include: assessment and presentation of recommendations on the dividend policy, development and presentation of recommendations to the Supervisory Board regarding the implementation of the policy on selection of the auditing firm to audit the financial statements and the policy concerning provision of permitted services other than audit by entities related with that auditing firm and by the member of the auditing firm network, and also determination and adoption of the selection process of the auditing firm.

Apart from the topics that require recommendation for the Supervisory Board and that were listed in the section concerning the Supervisory Board meetings, the regular items on the Audit Committee agenda for 2019 included the following, among others: the compliance risk quarterly report, an update on related-party transactions and an overview of critical- and high risk recommendations.

From 01 January 2019 to 29 March 2019 and from 29 March 2019 to 31 December 2019, the Audit Committee worked in the following composition:

Antoni F. Reczek	-	Chairman (independent Member)
Małgorzata Kołakowska	-	Member
Aleksander Galos	-	Member (independent member)
Aleksander Kutela	-	Member (independent member)
Norman Tambach	-	Member

As required under the Statutory Auditors Act of 11 May 2017, the majority of the Committee members, the Committee Chairman included, satisfy the independence criteria. The Committee members have the knowledge and experience in accounting or financial auditing, with Mr Antoni Reczek having the licence of the statutory auditor and Mr Norman Tambach having the licence of the chartered accountant.

I. Number and frequency of the Audit Committee's meetings. Number of recommendations passed by the Committee

The Audit Committee supported the Supervisory Board in their tasks primarily during meetings by passing the relevant recommendations. During the meetings, the Committee members are joined by members of the Management Board, the Operational Risk Management Department Director and the persons managing the Internal Audit Department and the Centre of Expertise – Compliance, and also representatives of the auditing firm.

In keeping with the approved work calendar, between 1 January 2019 and 31 December 2019, the Audit Committee met six times at the following dates: 25 January, 1 March, 29 March, 6 June, 20 September and 22 November. The Audit Committee issued 26 recommendations for the Supervisory Board in total (including 6 by way of circulation) as well as 1 letter of advice and 3 decisions. All the meetings were quorate and held in line with the procedures so that binding recommendations could be issued; the attendance rate during the meetings was very high.

In line with the requirements of the Bylaw of the Audit Committee, on 22 November 2018 the Audit Committee also held a closed meeting with the representatives of the external and internal auditors. The meeting was held in January 2020.

As part of their works, the Audit Committee analyse *inter alia* the periodical reports provided by the Chief Audit Executive. The reports pertain to the status of the audit plan delivery by the Internal Audit Department in a given year and the status and changes in due dates of audit issue closure. In 2019, the Committee also analysed the information and materials which are provided from time to time by the external auditor and presentations of the external auditor delivered to the Audit Committee Members directly at Committee meetings. Based on their periodical analyses, the Committee concluded that both the Internal Audit Department and the external auditor were able to perform their tasks in an independent and impartial manner. Therefore, the Committee attest the fact that the audit process is independent of the Bank.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee support the Supervisory Board with regard to the monitoring and supervision of the HR and payroll area, including, in particular, succession plans, employee-turnover processes, employee satisfaction surveys as well as the remunerating and rewarding policy.

In keeping with the EBA Guidelines concerning the proper remuneration policy referred to in Article 74 section 3 and Article 75 section 2 of Directive 2013/36/EU as well as disclosing information in accordance with Article 450 of EU Regulation No 575/2013 (Chapter 4, Title I, item 2.4.1 (50)), the majority of the Committee members, including its chairman, are independent members.

From 01 January 2019 to 29 March 2019 and from 29 March 2019 to 31 December 2019, the Remuneration and Nomination Committee worked in the following composition:

Aleksander Kutela	-	Chairman (independent member)
Małgorzata Kołakowska	-	Member
Aleksander Galos	-	Member (independent member)

I. Number and frequency of the Remuneration and Nomination Committee's meetings. Number of recommendations passed by the Committee

In keeping with the approved work calendar, between 1 January 2019 and 31 December 2019, the Remuneration and Nomination Committee met eight times. The meetings of the Remuneration and Nomination Committee were held at the following dates: 1 March, 29 March, 6 June, 24 June, 20 September, 25 October, 22 November and 23 December. The Committee issued 42 recommendations in total (including 9 by way of circulation) and 6 letters of advice for the Supervisory Board. Further, the Committee issued 2 assessments, including 1 by way of circulation. Apart from the topics that require recommendation for the Supervisory Board and that were listed in the section concerning the Supervisory Board meetings, the items on the Remuneration and Nomination Committee agenda for 2019 included the following, among others: the results of salary review on the basis of the Hay Group report and an update on the assumptions of the pay policy/practice for 2020. The Committee also made a suitability assessment (the collective assessment included) of the members of the Supervisory Board appointed for a new term of office and an assessment of new Management Board Members, based on the suitability assessment conducted by a third party. As a result, the Committee resolved to recommend that the Supervisory Board should appoint a new Management Board Member – the Vice-President of the Bank Management Board responsible for the CIO Division and a new Management Board Member – the Vice-President of the Bank Management Board responsible for the CRO Division. Since the appointment of a new Management Board Member responsible for the CRO Division has to be approved by the Polish Financial Supervision Authority, the relevant Supervisory Board Resolution will be effective upon obtaining the Authority approval and will apply as of that approval date, however not before 1 April 2020. The Committee also made a collective assessment of the Management Board in the composition including the new members.

The CEO, the Bank Executive Director in charge of HR area and the HR Policy Centre Director join the Committee meetings on a regular basis.

Risk Committee

The Risk Committee is to support the Supervisory Board in the oversight of the business risk management strategy implementation by the senior management staff.

From 01 January 2019 to 29 March 2019 and from 29 March 2019 to 31 December 2019, the Risk Committee worked in the following composition:

Aleksander Galos	-	Chairman (independent member)
Ad Kas	-	Member
Aleksander Kutela	-	Member (independent member)

Antoni F. Reczek	-	Member (independent member)
Michał Szczurek	-	Member

I. Number and frequency of the Risk Committee's meetings. Number of recommendations issued by the Committee

In keeping with the approved work calendar, between 1 January 2019 and 31 December 2019, the Risk Committee met four times. The meetings of the Committee were held at the following dates: 1 March, 6 June, 20 September and 22 November. The Committee issued 28 recommendations in total (including 8 by way of circulation). Apart from the topics that require recommendation for the Supervisory Board and that were listed in the section concerning the Supervisory Board meetings, the items on the Risk Committee agenda for 2019 included, among others: the risk report.

During the meetings, the members of the Committee are joined by members of the Management Board, as well as the Bank Executive Director - Risk Policy, Modelling and Reporting, Market Risk Management Department Director, Operational Risk Management Department Director, as well as the persons managing the Internal Audit Department and the Centre of Expertise - Compliance, and also representatives of the auditing firm.