

## Management Board Report on Operations of ING Bank Śląski S.A. Group in 2019

(covering Report on Operations of ING Bank Śląski S.A.)



## Net profit

(2019)

1,658.7

PLN million (+9% y/y)

## Sale of mortgage loans

(2019)

11.4

PLN billion (+34% y/y)

## Number of primary clients

(2019)

2.0

million (+8% y/y)

## Increase in the gross corporate receivables balance

(2019)

4.4

PLN billion (+7% y/y)

### Execution of strategic priorities for 2019

Priority	Execution
Increase in the number of clients	<ul style="list-style-type: none"><li>As at the end of 2019, there were 2.0 million primary clients (+138 thousand y/y).</li><li>In 2019, we acquired 474 thousand retail clients and 13 thousand corporate clients.</li></ul>
Compliance with regulatory requirements	<ul style="list-style-type: none"><li>Total capital ratio as at the end of 2019 remained at a safe level (16.93%) and allowed for the dividend payout.</li><li>Compliance with the new regulatory requirements (PSD2, GDPR, and split payment).</li></ul>
Operational excellence	<ul style="list-style-type: none"><li>The commercial balance per FTE was PLN 30.8 million as at the end of 2019 (+11.5% y/y).</li><li>The cost to income ratio amounted to 43.1% (-1.3 p.p. y/y).</li><li>In 2019, we launched Apple Pay, Google Pay and Garmin Pay for both debit cards and credit cards.</li></ul>
Employees' motivation	<ul style="list-style-type: none"><li>We implemented a programme called Well-beING which is addressed to employees and based on three priorities – energy, health and being active. In addition, we took initiatives addressed to employees with disabilities.</li><li>We take efforts to strengthen the brand of our bank as a technology company through our employees' involvement in knowledge-sharing initiatives, such as meet-ups and <a href="https://techblog.ing.pl">techblog.ing.pl</a>.</li></ul>
Data management	<ul style="list-style-type: none"><li>As part of the works on PSD2, we launched open banking services.</li><li>Implementation of the Roboplatform for corporate clients.</li></ul>

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# Letter from the Chairman

## Dear Stakeholders,

In 2019, the world economy was overshadowed by trade wars between the US and China. While Polish GDP slowed down to 4.0% in 2019 from 5.1% in 2018, it has remained at a high level, compared to other economies in the region. Internal demand continued to be the main driver of strong economic growth in Poland. Nevertheless, Polish consumers’ spending is starting to cool – despite the stimuli, such as the extended 500+ child benefit programme or a lower effective income tax rate. In 2019, inflation accelerated, and in 2020 it may even temporarily exceed the upper level of NBP inflation target (3.5%). Even so, the Monetary Policy Council resolved to keep the interest rates unchanged and economists expect that they would remain unchanged in 2020.

In addition to the macroeconomic environment, the performance of the banking sector was also significantly influenced by the judgements of the Court of Justice of the European Union (CJEU) on two matters – the first one concerned foreign exchange mortgage loans and the other the consumer’s ability to repay a consumer loan before its contractual maturity date. As far as the foreign exchange mortgage loans are concerned, banks estimated their provisions for the portfolio-wide risk of foreign mortgages, as expected by the regulators and auditors. There are several ramifications of the other CJEU judgement for the banking sector. Firstly, clients who prepaid such a loan in the past are now able to file a complaint and request reimbursement of a portion of the commission charged by the bank; secondly, there are ongoing settlements with clients who pay off their loans before the maturity date; and thirdly, the product offer needs to be adapted. In 2019, the profitability of the banking sector was also adversely affected by significant increase in regulatory costs, including BGF (+26.9% y/y) and PFSA (around +64% y/y). The entry into force of PSD2-related regulations was a landmark event for the banking sector (not only in Poland). In addition to duties imposed on regulated entities (such as strong authentication), PSD2 has also offered new opportunities relating to open banking.

The financial sector continues to be affected by changes to ownership. The sector consolidation continued in 2019 and it will most likely also take place in 2020. The situation of smaller market players might also affect the banking sector, with one of the cooperative banks being restructured in early 2020.

Despite volatile economic and regulatory conditions, the ING Bank Śląski S.A. Group consistently delivered on its business strategy, aimed at increasing the scale of operations through welcoming new clients and offering convenient

and state-of-the art solutions and products, designed to meet expectations of clients in all segments. In 2019, invariably for over 10 years now, the Group increased its lending and deposit portfolios considerably, while maintaining good quality assets and sustaining strong capital and liquidity positions.

In 2019, the Group acquired nearly half a million new client – 474 thousand clients in the retail segment and 13 thousand clients in the corporate segment. The Group serves 4.5 million clients in total, including 2.0 million primary clients. The increase in the primary clients number translates in an increase in business volumes – the portfolio of gross receivables from clients rose 14% y/y and amounted to PLN 116.0 billion, the portfolio of liabilities to customers rose by 11% and totalled PLN 130.5 billion. As a consequence, the total assets and liabilities of the Group exceed PLN 158.6 million, up by 12% from a year earlier.

The Group closed the year with a solid capital and liquidity base. The total capital ratio settled at a comfortable level of 16.93%. As the loans grew faster than deposits, the loan to deposit ratio arrived at 90.7% as at the yearend, up by 3.0 p.p. from the year earlier. 2019 also proved a record year for the ING Bank Śląski S.A. Group in terms of profitability. Net profit went up by 9% y/y to PLN 1,658.7 million and ROE arrived at 11.6% (12.4% the year earlier).

The Bank Supervisory Board actively assisted the Management Board through close analysis of its actions, and also participated in the making of key decisions. The Supervisory Board monitored market risk, liquidity and capital adequacy management areas with particular care. The Supervisory Board was also involved in the setting of the Group’s priority development directions. The Supervisory Board members were on the Audit Committee, the Risk Committee and the Remuneration and Nomination Committee.

I do hope that the strategy of the ING Bank Śląski S.A. Group and prudent actions of the Management Board supported by the Supervisory Board will enable the Group to develop further.

Yours faithfully,

**Antoni F. Reczek**

**Chairman of the Supervisory Board**

# Letter from the President

GRI [102-14] [102-15]

Dear Shareholders,

I am delighted to present you the annual report of ING Bank Śląski S.A. Group for 2019. This report is very special because it concludes the 30th year of our bank’s operations.

On 11 April 1988, the Council of Ministers issued the regulation on the establishment of Bank Śląski in Katowice. Nearly a year later, early February 1989, Bank Śląski started its operations. In 1992, our bank was transformed from a state-owned bank into a joint-stock company. In 1993, we received the Securities Commission’s permission to list our shares on the stock exchange. In January 1994, ING acquired 2.4 million of our bank’s shares, or 25.9 percent of our share capital. The shares of Bank Śląski debuted on the Warsaw Stock Exchange on 25 January 1994.

As of 6 September 2001, after Bank Śląski merged with ING Branch, we have been operating under our current name – ING Bank Śląski S.A. The Bank effectively grows organically. It is the bank’s mission to support our clients in taking better decisions concerning their lives. In order to achieve such a goal, you need to have engaged and sensitive employees. And I am proud to say that we actually do have such employees. Dedicated and creative. We have a very stable team – many of our employees have worked at our bank for 30 years and have been with us from the very beginning. Many new employees keep joining us each year. We have earned our clients’ trust through our continuous work.

Digital technologies are progressing and are used in banking and other financial services more extensively than ever. I believe that ING Bank Śląski has taken advantage of the new technologies effectively for the benefit of our clients and to improve the bank’s effectiveness. There are, however, still opportunities for further enhancements. That is why we will continue to add intensively new, better, simpler and more personalised elements to our offer. The grades we receive from our clients and the awards we receive for our systems and solutions seem to confirm the quality of our work. As we cooperate with an ever growing number of entities (Twisto, NN Investment Partners TFI), we are able to exceed our clients’ expectations.

In 2019, 474,700 new retail clients and 13,200 new corporate clients decided to use our services. The increase in the number of our clients translates into higher business volumes – in 2019, the loans of our clients grew by PLN 14.0 billion and reached PLN 118.5 billion in total; the deposits of our clients increased by PLN 12.9 billion during the same period and totalled PLN 128.8 billion.

The increase in the number of our clients, transactions and commercial volumes translates into the results of our bank. In 2019, the bank’s net result was more than PLN 1.6 billion, up by 9 percent from a year earlier. Consequently, the return on equity ratio stood at 11.6 percent. We achieve those results while acting with great caution – the quality of our assets is markedly better than the sector average. With our capital ratios, we are able to share our profits with our shareholders without any threat to the growth of our business.

In our operations, we have followed the principle of sustainable development. We are a part of our ecosystem and we feel responsible for what our environment will look like in the future. That is why counteracting environment degradation is in the centre of our activities. But not only that, we also focus on social inclusion to encourage entrepreneurship and achieve equality of opportunity. There are many challenges ahead of us but there are also great opportunities to succeed so that our clients are always a step ahead in life and in business. Those developments will be witnessed by the two oak trees we planted to mark our 30th birthday – Baśka in Katowice and INGa in Warsaw. Those trees are a symbol of our values, stability and strength but also of continuous growth and interdependence.

Yours faithfully,

**Brunon Bartkiewicz**

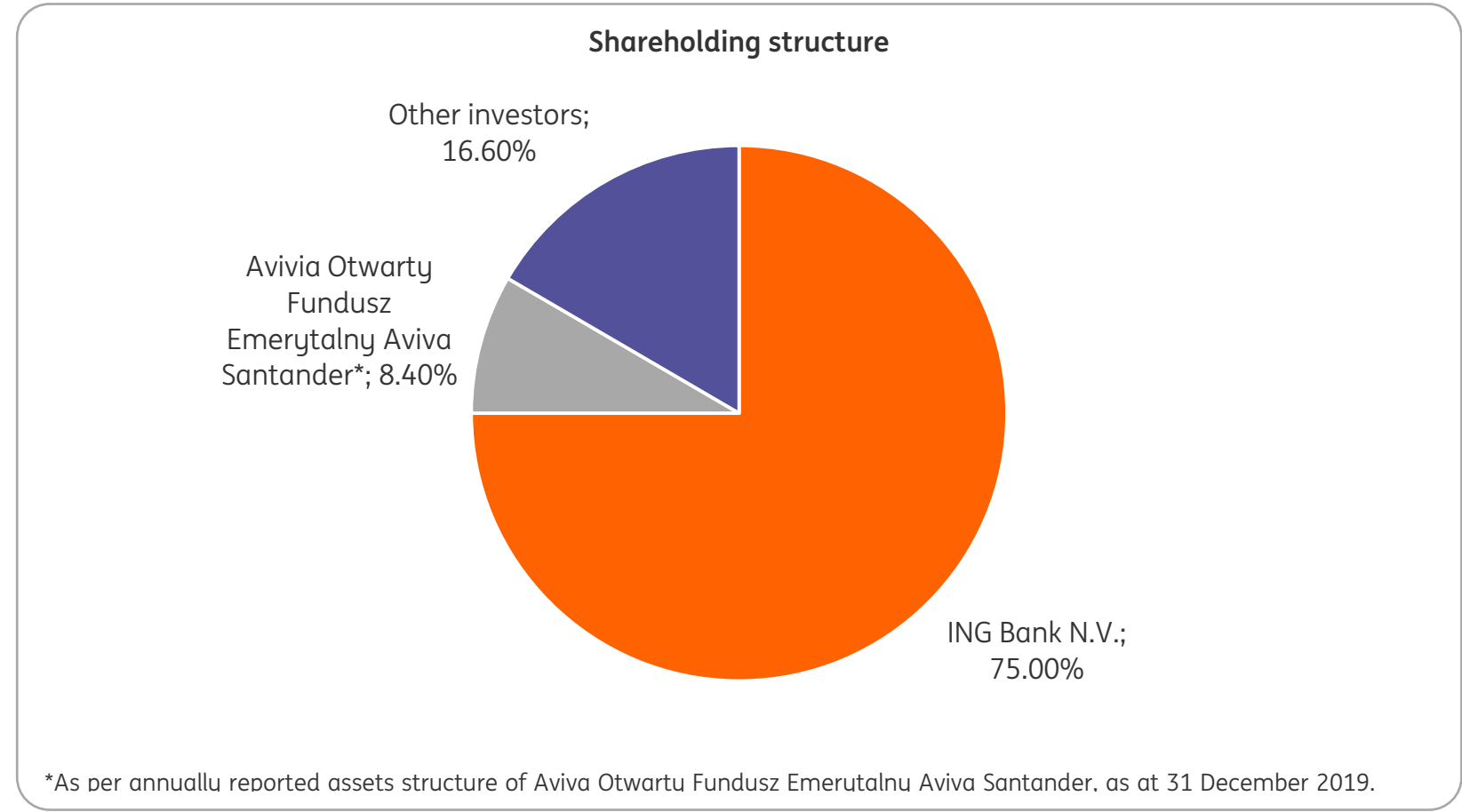
**President of the Management Board**





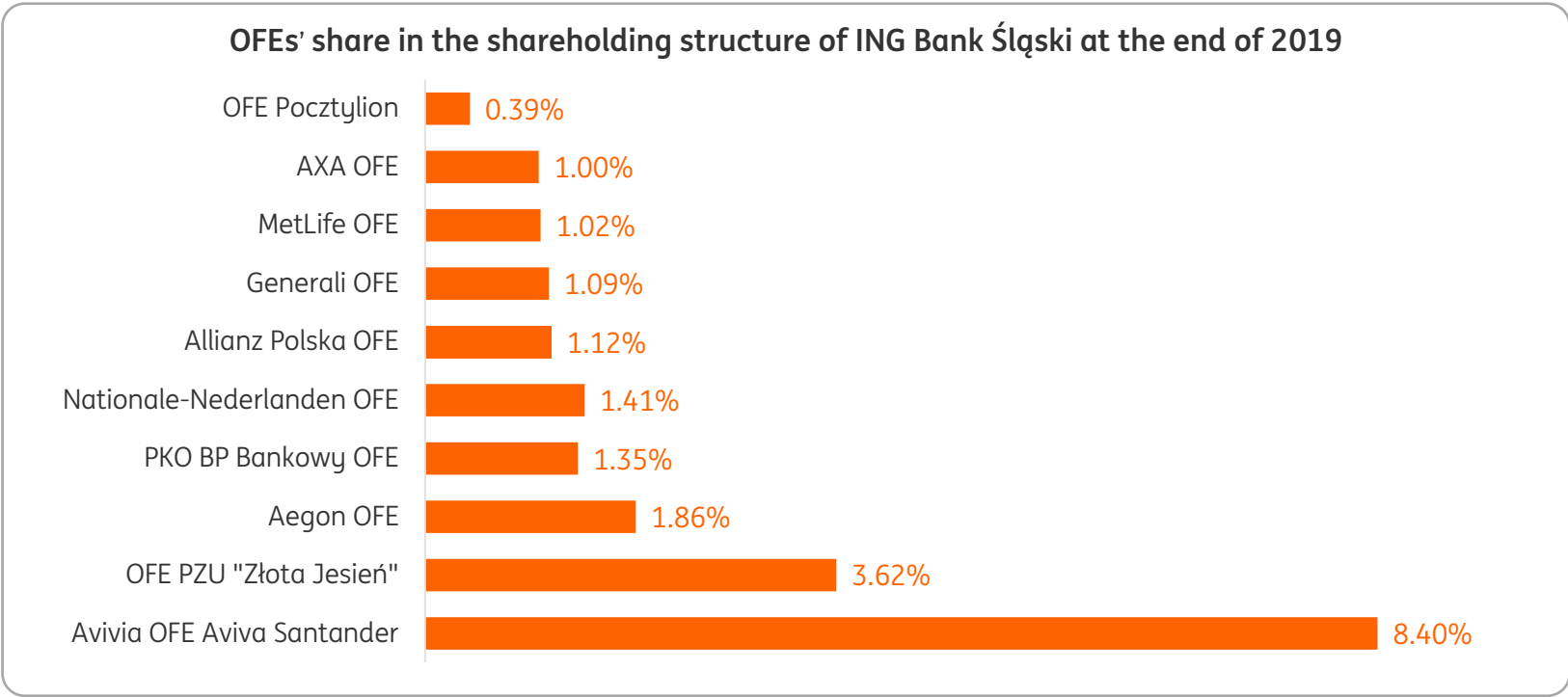
# Who is the owner of our bank

GRI [102-5]



Our bank is a public company. It means that every single person can co-own it by acquiring shares on the Warsaw Stock Exchange. As at 2019 yearend, 75% of shares were held by ING Bank N.V. from the Netherlands, while 8.40% were owned by Avivia Otwarty Fundusz Emerytalny Aviva Santander (as per annually reported assets structure of Avivia Otwarty Fundusz Emerytalny Aviva Santander as at 31 December 2019). The other shares (16.60%) are held by remaining investors, mainly of other open-end pension funds and investment fund companies.

The structure of exposure of particular open-end pension funds (based on their asset structure reports as at the end of 2019) to our bank's shares is as shown in the charts below.



For detailed information on the controlling shareholder of the Bank, see Chapter “ING Bank Śląski S.A. Management Board Reports on Observance of Principles of Corporate Governance” in item “Profile of the Controlling Shareholder”.

# How does ING Group operate in Poland

GRI [102-1] [102-10] [102-45]

ING Bank Śląski S.A. is a parent company of the ING Bank Śląski S.A. Group. As a Group, for 30 business years, we have managed to establish our position among the top financial institutions in Poland. We are number five as far as the balance sheet total is concerned (over PLN 158.6 billion as at 2019 yearend) and number four in terms of the commercial balance (the total of deposits and loans). We form the Group together with the subsidiaries, where we operate in the area of:

- leasing,
- factoring,
- financial advisory and intermediary services,
- payroll and accounting services.

The Group members are also the founders of ING for Children Foundation and ING Polish Art Foundation.



In 2019, the Bank and its subsidiaries did not conclude any transactions with related entities that would be individually or jointly significant and concluded other than on the arm’s length basis.

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. Moreover, ING Lease Sp. z o.o. received long-term funding for leasing 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, leasing of IT equipment, monitoring the availability and performance of applications and IT infrastructure as well as penetration testing and IT security monitoring. You can read more about transactions with related entities in the “Related entities” note in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A.Capital Group. for 2019.

## Changes to Group structure

### The purchase of 45% share in the capital of NN Investment Partners TFI S.A.

On 18 December 2018, ING Bank Śląski and its subsidiary, ING Investment Holding (Polska) S.A., signed with NN Investment Partners International Holdings B.V. preliminary agreement for the acquisition of a 45% of shares of NN Investment Partners TFI S.A. (NN TFI). According to the purchase agreement, the key condition precedent for the closing of the transaction is the absence of an objection by the Polish Financial Supervision Authority.

On 23 July 2019, the Polish Financial Supervision Authority issued a decision that there were no grounds for objection to the aforementioned purchase of shares. From the date of completing the transaction, i.e. 31 July 2019, NN TFI is an affiliated entity of the Bank. The purchase price payable after the closing of the transaction – after appropriate adjustments provided for in the transaction documentation have been made – amounted to PLN 169.1 million, which implies a valuation of 9.2x P/E (Price / Earnings; 2018) and 2.0% P/AuM (Price / Assets under Management; June 2019). Our Bank will use the equity method to value its stake in the company. The settlement of the transaction was recognized in Q3 2019. For detailed information on the settlement of the transaction see the ING Bank Śląski S.A. Group Annual Consolidated Financial Statements for the year 2019.

Strategically, our Bank’s Group wants to promote long-term clients' savings, also by offering investment products. We want to be even more co-responsible for the solutions we provide to our clients in terms of investments. Hence the decision on capital cooperation with one of the key players on the Polish market, having a strong brand, long-term experience and good results of the funds – NN TFI.

We believe that the transaction will also have a positive impact on the faster transformation of balance sheet savings of our bank’s clients into investment funds – thanks to the strengthening of the image of ING Bank Śląski as a strong brand with a savings and investment offer.



products. It is part of the international NN Group. It successfully combines global and local expertise to provide clients with investment solutions at the highest level.

ING Bank Hipoteczny S.A.

On 2 January 2019, ING Bank Hipoteczny S.A. received permission to start operating activities.

The main business purpose of ING Bank Hipoteczny is issue of long-term mortgage bonds with the underlying instruments being debt claims under the mortgage-backed loans acquired from ING Bank Śląski S.A. or other banks.

The set goal may be achieved through:

- strengthening of funding stability in the ING Bank Śląski Group,
- diversification of funding sources for the current retail mortgage portfolio,
- adjusting maturity structure of assets and liabilities in the balance sheet,
- releasing liquidity of the ING Bank Śląski Group,
- lowering the cost of financing the conducted lending activity in the part of the loan portfolio financed with other long-term instruments.

In 2019, ING Bank Hipoteczny focused on acquiring and building a portfolio of mortgage-backed receivables, and in October 2019 it carried out the inaugural issue of 5-year “green” mortgage bonds for PLN 400 million. The funds obtained from the issue will be used to refinance mortgage loans in PLN for natural persons, secured with mortgage belonging to 15% of the most energy-efficient buildings in Poland.

ING Usługi dla Biznesu S.A.

Since 2013, the Company has been offering innovative business services beyond traditional banking. Expanding its business activities into new market segments, in 2019 the company entered for the first time into the market of services for individual clients.

ING Usługi dla Biznesu operates in the following business areas:

- online database of companies (registry data, financial data) and business purchase platform – ALEO,
- platform for invoicing and managing payments for entrepreneurs and accountancy and payroll services for companies keeping full accounting records – ING Accounting,
- platform and business process robotization services – Roboplatform,

- My Services platform for the execution of micro payments by individual customers.

Nowe Usługi S.A.

The company was incorporated in May 2014. It conducts educational and marketing activities. As far as educational activities are concerned, the company runs the website [edukacjagieldowa.pl](#). It is a website about investing and stock exchange, both for debuting and fully-fledged investors. The knowledge database and investment-related materials are published on an ongoing basis on the website. Marketing activity centres around popularisation of ING Turbo certificates on the Polish market. The instruments are issued by ING Bank N.V. Amsterdam and quoted on the Warsaw Stock Exchange. The main activities of the company are the organisation of marketing campaigns, ING Turbo helpline service or technical support while running the [ingturbo.pl](#) website.

Solver Sp. z o.o.

Solver Sp. z o.o. runs business being arranging holidays for employees and their families as well as for pensioners of ING Bank Śląski S.A. This activity is carried out in the Pan Tadeusz Training and Recreational Centre in Krynica. In September 2019, the Company stopped to rent residential premises in the building at ul. Klimczoka 4 in Katowice and thus closed the sale of apartments.

Twisto Polska Sp. z o.o.

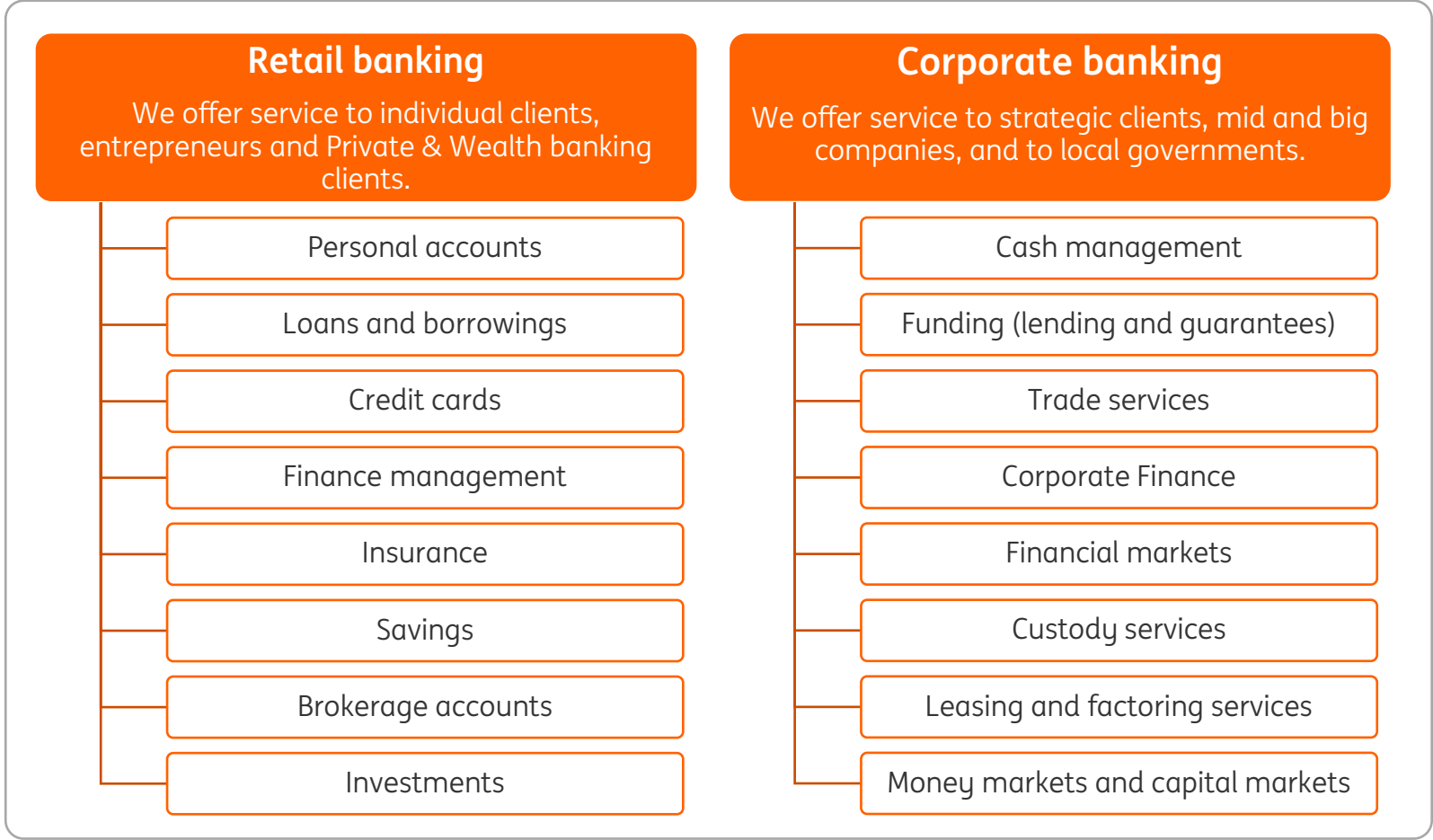
The Company was incorporated in 2017. Its shareholders are ING Bank Śląski S.A. and Twisto Payments a.s. – a Czech fintech offering innovative solutions for payments in e-stores. The Bank’s investment was made primarily to launch the innovative purchase formula on the Polish market – “Buy now and pay in 21 days”, with which clients buying at e-stores can make orders with deferred payment. The Twisto payment method is available in the payment gateway “imoje” activated by the Bank in April 2018.

Offered products

GRI [102-2] [102-6]

We are one of the largest universal banks in Poland. We have a strong position on the core markets of banking services (loans and deposits) and banking-related services (leasing and factoring). We pursue our business based on two segments – retail banking and corporate banking. As at the end of 2019, we served 4.50 million clients.





External initiatives we are involved in

GRI [102-12] [102-13]

ING Group is signatory of e.g.:

- Principles for Responsible Investment (PRI),
- Carbon Disclosure Project,
- Global Reporting Initiative,
- Global Investor Statement on Climate Change.

ING Group is also member of:

- International Integrated Reporting Council,
- United Nations Global Compact,
- United Nations Environmental Programme Finance Initiative,
- Equator Principles Association.

In Poland, we are a member of:


- Polish Bank Association,
- Foundation for the Development of Non-cash Payments,
- Polish Factors Association,
- Polish Leasing Association,
- Polish Committee of SWIFT Users,
- National Clearing House,
- Credit Information Bureau,
- Polish Payments Standard,
- Banking Law Council,
- Bank Card Issuers Board,
- Coalition for Polish Innovations,
- Responsible Busines Forum.

# Our presence on the capital market

## Investor relations

ING Bank Śląski S.A. strives after the highest standards of capital market communications. The Bank pays particular attention to reliable and transparent information and to equal treatment of all stakeholders as well as observes all the laws regarding disclosure duties of listed companies. These tasks, among others, are carried out on the basis of principles of corporate governance and information policy (described in more detail in the chapter ING Bank Śląski S.A. Management Board report on observance of principles of corporate governance).

Important financial and business information in the form of financial reports, current reports, investor presentations and editable files with key Bank data are presented to the broad capital market. The Investor Relations Bureau is responsible for investor, share analyst and rating agency's communications.



Contact details to the Investor Relations Bureau

e-mail: [investor@ing.pl](mailto:investor@ing.pl) | tel.: +48 (22) 820 44 16


In 2019, the representatives of the Management Board and the Investor Relations Bureau held over 45 individual and group meetings with investors and participated in key investor conferences.


As a rule, open meetings for investors, analysts and journalists are organised by the Investors Relations Bureau and Press Office once a quarter, at the quarterly report publication date. Each time, approximately 30 representatives of brokerage houses, investors and mass media attend such a conference. Conferences are broadcast live online and a record of such broadcast is later available for playback on the Investors Relations Bureau website.


The Bank pays a lot of attention to the quality of communication with stakeholders through its website: <https://en.ing.pl/company-profile/investor-relations>. The website offers up-to-date information such as shares quotations on the WSE, company shareholding structure, General Meetings, dividend payout track or ratings. Current, interim and annual reports, results presentations, Excel sheets with key financial and business information are also published on the website. The website has been designed in the RWD technology, so it is adjusted to mobile devices – tablets and smartphones.

Our Bank is one of the companies that are watched and analysed by the market. As at 2019 yearend, analysts representing 11 domestic and foreign financial institutions published reports and recommendations for the ING Bank Śląski's shares.


Structure of share recommendations for ING Bank Śląski S.A. as at 31 December 2019

 2x Buy / Accumulate

 5x Hold / Neutral

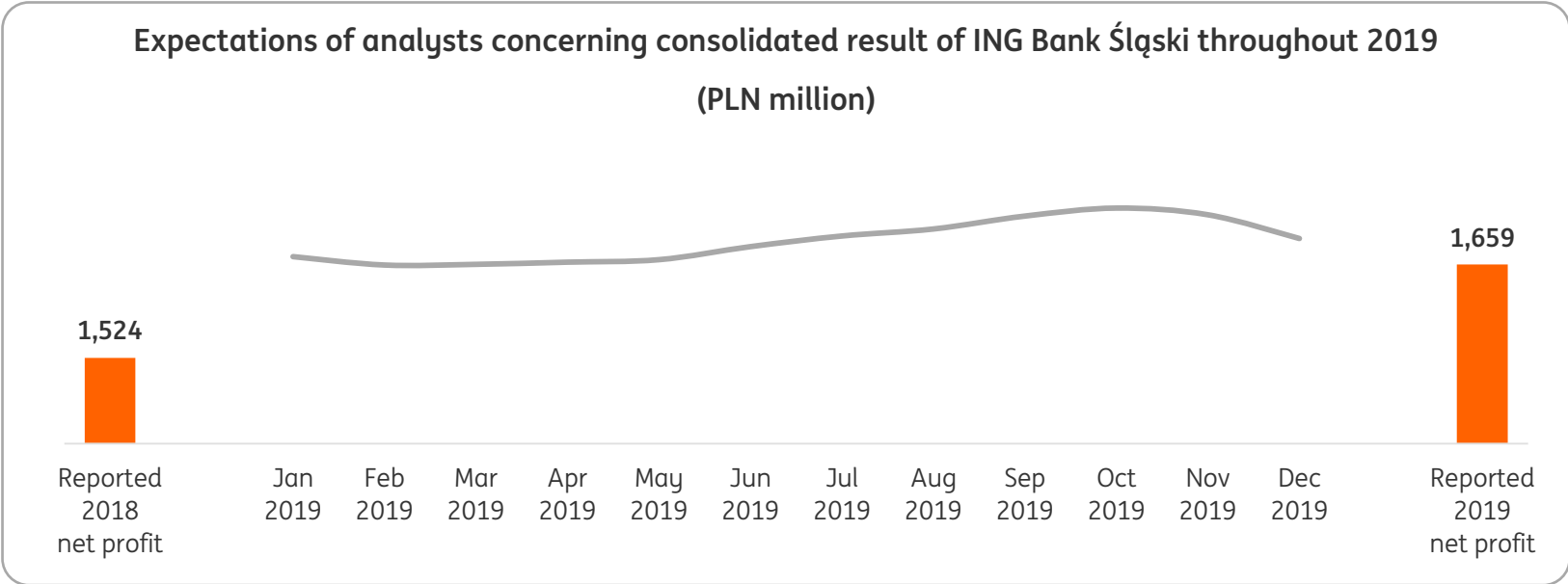
 4x Reduce / Sell

The Investors Relations Bureau regularly updates the list of analysts' recommendations together with the average target price as well as the market consensus based on the averaged expectations on the Investor Relations website and in a separate tab Analysts: <https://en.ing.pl/company-profile/investor-relations/analysts>.



Average target price for ING Bank Śląski S.A.'s shares as at 31 December 2019

PLN 198.22



## Share price

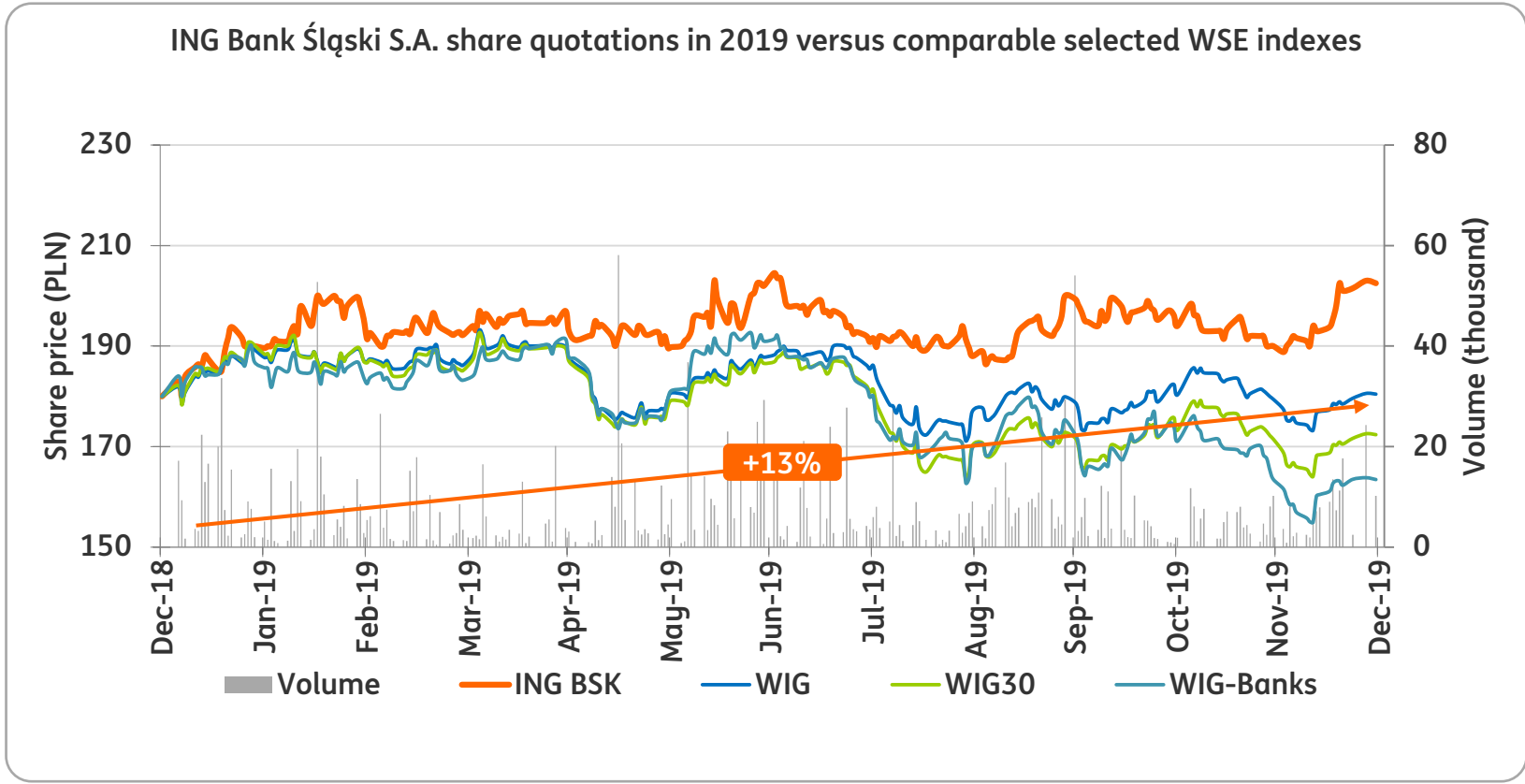
In 2019, the price of ING Bank Śląski S.A. shares at the close of the WSE session fluctuated from PLN 180.00 (as quoted on 3 January) to PLN 204.50 per share (as at 1 July). On 30 December 2019, the price of our Bank's shares equalled PLN 202.50, up by 12.5% from the last quotation day in 2018 (to compare: WIG-Banking sub-index went down by 9.2% at that time).

As at 2019 yearend, the Bank's market value arrived at PLN 26.3 billion, while the book value of the Group amounted to PLN 15.2 billion.

Our Bank has been listed in the WIG30, mWIG40 and WIG-ESG indexes since their beginnings. We have also been part of the RESPECT Index since its beginning until the end of the index listing in 2019.

ING Bank Śląski S.A. shares data		
	2019	2018
Share price as at the yearend (PLN)	202.50	180.00
Top share price (PLN)	204.50	221.50
Bottom share price (PLN)	180.00	160.60
Number of shares	130,100,000	130,100,000
Yearend capitalization (PLN billion)	26.3	23.4
Average trading volume	7,860	11,711
Earnings per share in PLN	12.75	11.71
Share book value (PLN)	117.01	102.40
Dividend paid per share in the year (PLN)	3.50	3.20
P/E ratio (x)*	15.9	15.3
P/B ratio (x)*	1.7	1.8

\* ratio computed based on the share price at a given yearend



## ING Bank Śląski S.A. ratings

Our stable financial position is also confirmed by external credit ratings assigned to our bank. Our bank cooperates with two rating agencies: Fitch Ratings and Moody's Investors Service.

### Fitch Ratings Ltd.

Fitch Ratings assigns a full rating under the agreement between the Bank and the Agency. As at the 2019 annual report's signing date, the ratings are as follows:



Fitch Ratings Ltd.	
Long-Term IDR	A
Outlook for sustaining the rating	Stable
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 on 7 October 2019, the Agency sustained the ratings assigned to the Bank. In the rationale, the Agency emphasised that the sustained ratings of the Bank reflect:

- diversified business model,
- prudent credit risk approach,
- strong equity position,
- stable source of financing of the bank.

### Moody's Investors Service Ltd.

The Moody's Investors Service Agency assigns their rating to the Bank on the basis of public information. As at the 2019 annual report's signing date, the ratings are as follows:

Moody's Investors Service Ltd.	
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.

### Rating breakdown

The table below compares the long-term ratings for Poland, ING Bank Śląski S.A. and ING Bank N.V. as at the 2019 annual report's signing date):

Rating breakdown			
	Poland	ING Bank Śląski S.A.	ING Bank N.V.
Fitch Ratings	A-	A	AA-
Moody's Investor Services	A2	A2	Aa3
Standard & Poor's	A (local currency) A- (foreign currency)	-	A+

### ING Bank Hipoteczny S.A. ratings

#### Moody's Investors Service Ltd.

The Moody's Investors Service Agency assigns a full rating under the agreement between ING Bank and the Agency. As at the 2019 annual report's signing date, ING Bank Hipoteczny S.A. ratings are as follows:

Moody’s Investors Service Ltd.	
LT Counterparty Risk	A2
ST Counterparty Risk	P-1
LT Issuer Ratings	Baa1
ST Issuer Ratings	P-2
Outlook	Stable
Counterparty Risk Assessment (CR Assessment) long-term/ short-term	A2 (cr) / P-1 (cr)

- In its press release, the Agency emphasised that the rating of ING Bank Hipoteczny reflects:
- 100% ownership of ING Bank Śląski and its stable growth prospects,
  - Strategic adaptation and operational integration within ING Bank Śląski Group structures,
  - The commitment of ING Bank Śląski to support the capital and liquidity position of ING Bank Hipoteczny in order to meet regulatory requirements.

First issue of mortgage bonds

In October 2019, ING Bank Hipoteczny S.A. carried out the inaugural issue of 5-year green mortgage bonds. In line with the policy adopted at ING Bank Hipoteczny (*Green Bond Framework*), the funds obtained from the issue will be used to refinance mortgage loans in PLN for natural persons, secured with mortgage belonging to 15% of the most energy-efficient buildings in Poland. ING Bank N.V. and ING Bank Śląski S.A. were Joint Lead Managers.

A strong interest on the part of local financial institutions allowed the issue with the value of PLN 400 million, at a price of 0.53%, to be placed over WIBOR 6M. The bonds issued are listed on the Luxembourg and Warsaw stock exchanges.

The Moody’s Investors Service rating agency confirmed the high quality of the mortgage loan portfolio, which is the collateral for the bonds issued, and gave the lists Aa3 rating (the highest rating achievable by a Polish issuer).

ING Bank Hipoteczny S.A. was the first mortgage bank to issue green mortgage bonds in its debut and the first entity from the ING N.V. Group to issue such bonds.

What makes us stand out

GRI [103-1] [103-2] [103-3] [201-1]

The harmonious development of our core activity, i.e. retail and corporate banking, enables us to increase our balance sheet in a consistent and profitable manner and consolidate our market position in the Polish banking sector. The primary source of our growth is the gradual increase in number of clients for whom we are the primary bank. We develop our relations with them, and we want to be a relevant partner to them. We try not only to meet our client’s expectations, but also to be a step ahead of them.

In 2019, invariably and consistently as for over 13 years now, we considerably increased our lending and deposit portfolios. At the same time, we managed to maintain the good quality assets and sustain solid capital and liquidity positions.

High rate of client acquisition

In 2019, we kept the high growth rate for clients. Throughout the year, the Bank’s client base went down by 357 thousand versus increase of 270 thousand the year before. The decrease in the net number of clients was due to regulatory obligations and verification of the client portfolio in terms of acquisition potential. The acquisition of new clients remained very high – in 2019 we acquired 474 thousand new retail clients (429 thousand in 2018) and 13 thousand corporate clients (12 thousand in 2018).

As at the end of December 2019, the number of clients was 4.50 million and it was broken down into the following business segments:

- 4.43 million retail clients, including:
  - 4.05 million individual clients (down by 372 thousand clients throughout the year),
  - 383 thousand entrepreneurs (up by 8 thousand throughout the year),
- 72 thousand corporate clients, including:
  - 69 thousand SME/MC (up by 8 thousand throughout the year),
  - 3.4 groups (down by 0.1 thousand clients throughout the year)

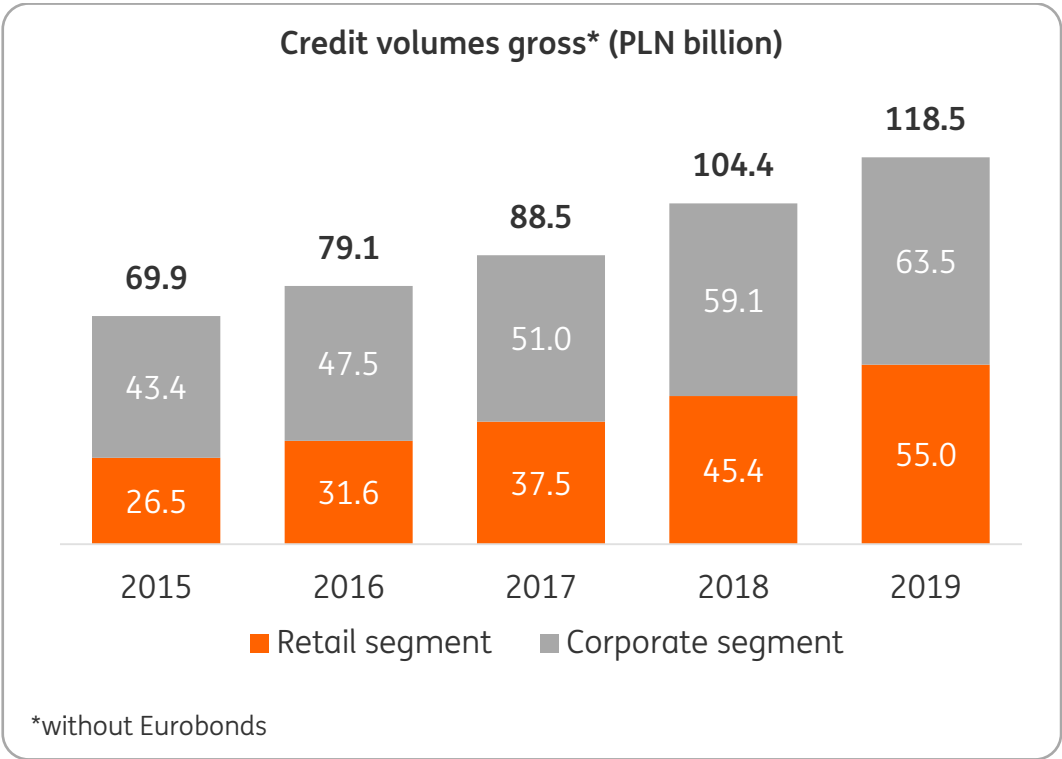
The growth of our client base is better described by the number of *primary* customers, i.e. those for whom we are the first choice bank and who hold several (specific) products. As at 2019 yearend, we had 1.97 million such clients in total, i.e. 139 thousand more than as at 2018 yearend, including:

- 1.94 million retail clients (up by 135 thousand clients throughout the year), and
- 32 thousand corporate clients (excluding strategic clients; up by 4 thousand throughout the year).

The constantly growing number of clients is the result of the activities pursued by us to foster long-term relationships with clients. These relationships are based on the trusted brand, transparent and flexible product offer and a continuously developed modern distribution and customer service system.

### Lending growth

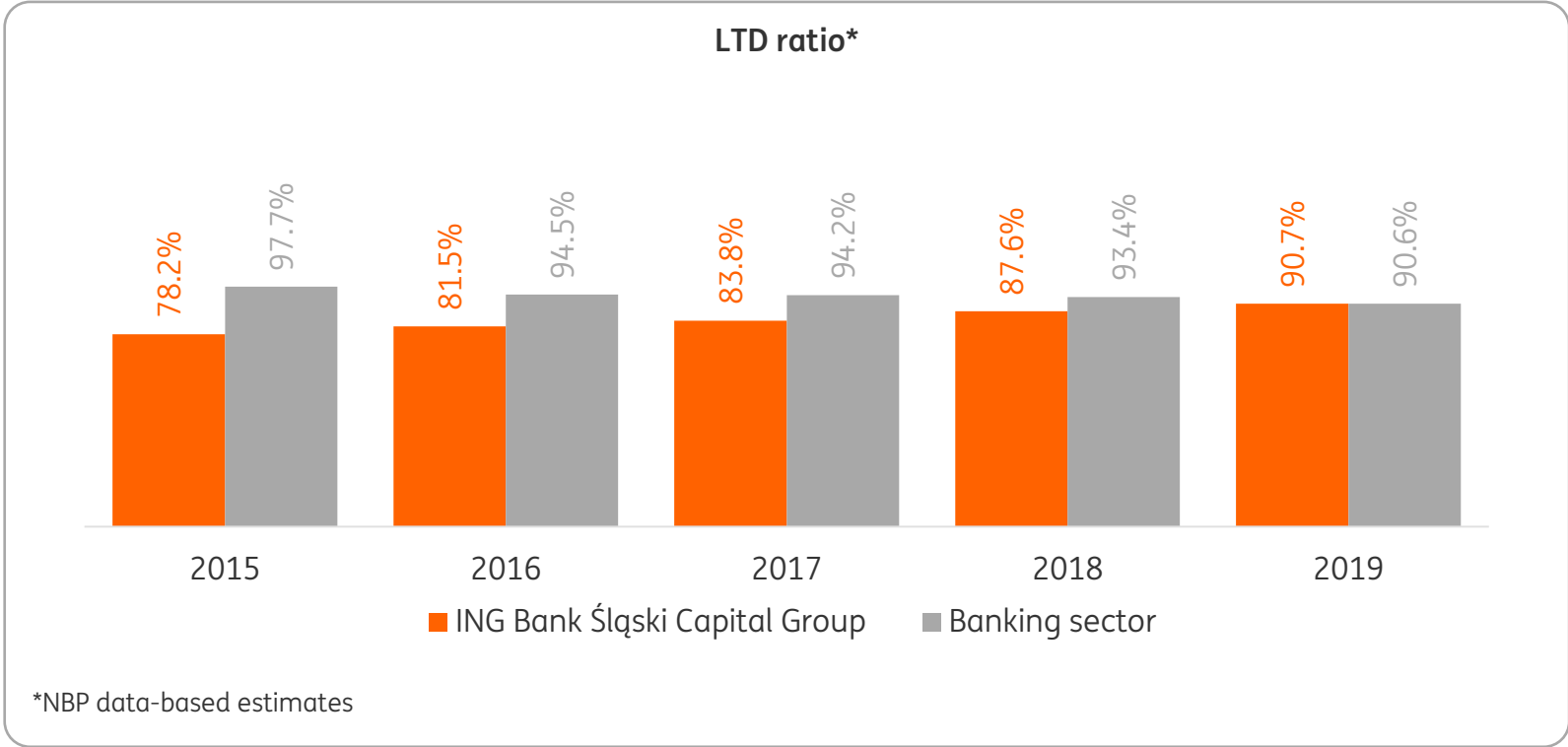
In 2019, the growth rate of the credit balance remained high and was 13.0% y/y. At the same time, the volume of loans in the Polish banking sector rose by 5.2% y/y. We recorded a higher than the sector increase in both the retail and corporate segments. The volume of retail loans at our Bank went up by 21.3% y/y. The volume of corporate loans went up 7.4% y/y.



Our past accomplishments prove our persistence in supporting the development of the Polish economy. Since 2008, our credit balance has been uninterruptedly above the sector average. Over 2008-2019, we grew 2.3 times faster in retail loans and 2.1 faster in corporate loans than the market.

### LTD ratio increase

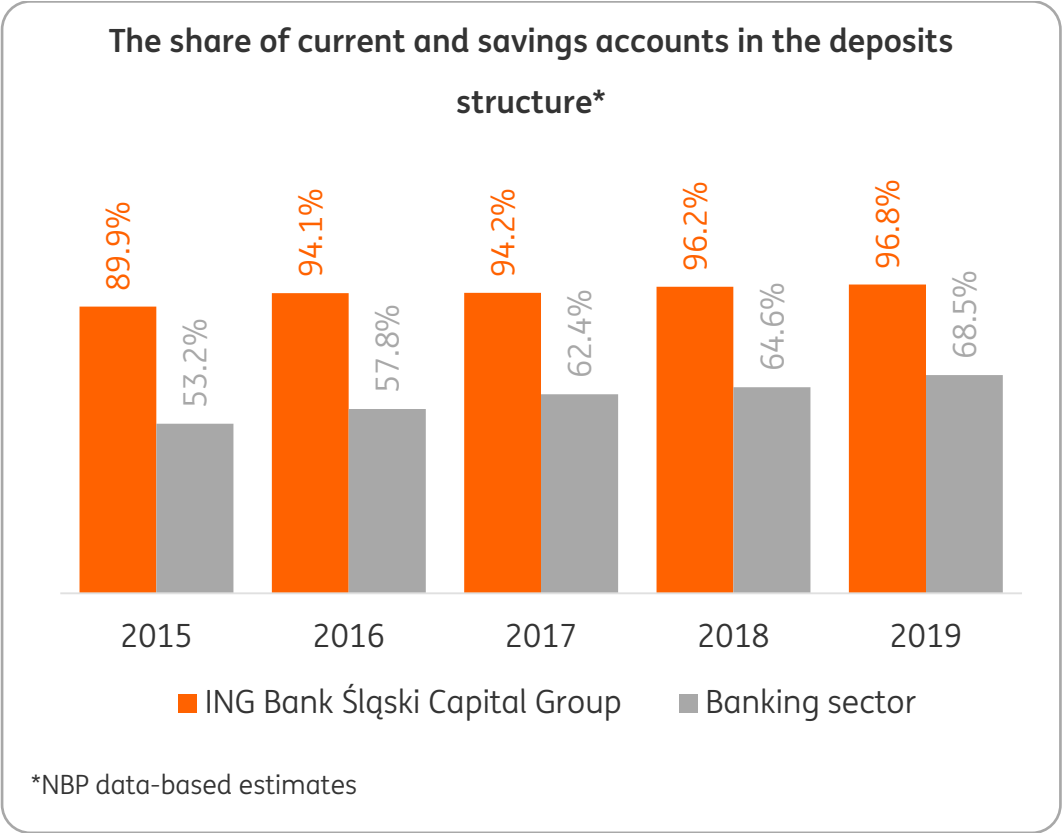
The faster growth rate of loans over deposits caused the LTD ratio go up from 87.6% as at 2018 yearend to 90.7% as at 2019 yearend (throughout 2019 it was even up to 92.0% in Q3). This was the sixth consecutive year in which we recorded that ratio increase, while for the sector this ratio has been falling down uninterruptedly since 2011. Despite opposite trends, for our Bank, the ratio in question proves to be very safe and now is close to the sector average.





## The growing number of current and savings accounts in the deposits structure

More and more of our clients treat ING Bank Śląski S.A. as their main bank for everyday banking. Thanks to this, the balance of deposits accumulated in current and savings accounts shows constant and stable growth. They are a key element of financing the Bank's operations. As at 2019 yearend, current and savings accounts represented 97.1% of retail segment deposits and 96.2% of corporate segment deposits. The average for the sector is 66.6% for household deposits and 72.3% for institutional clients.

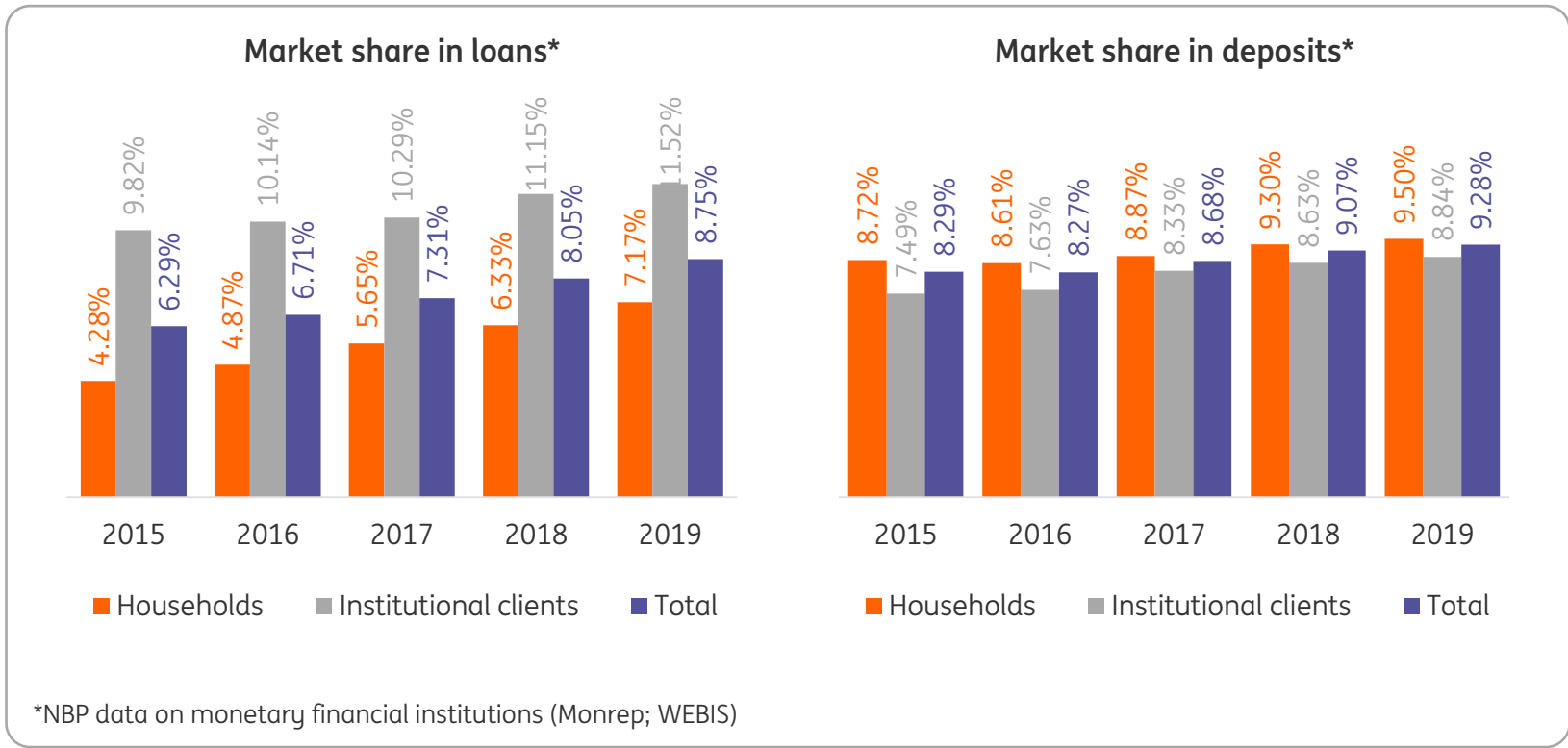


## Market position consolidation

As at 2019 yearend, we ranked fifth in the market, with an approximately 7.6% share in terms of assets.

In 2019, we raised our market shares in retail and corporate loans to the record-high levels up to 7.17% and 11.52%, respectively. Excluding FX mortgage loans from the retail loan portfolio, the market share as at 2019 yearend arrived at 8.36% versus 7.52% as at 2019 yearend.

In the client deposit area, our market share in the corporate segment went up to 8.84%, while in the retail segment it hovered around 9.50%.

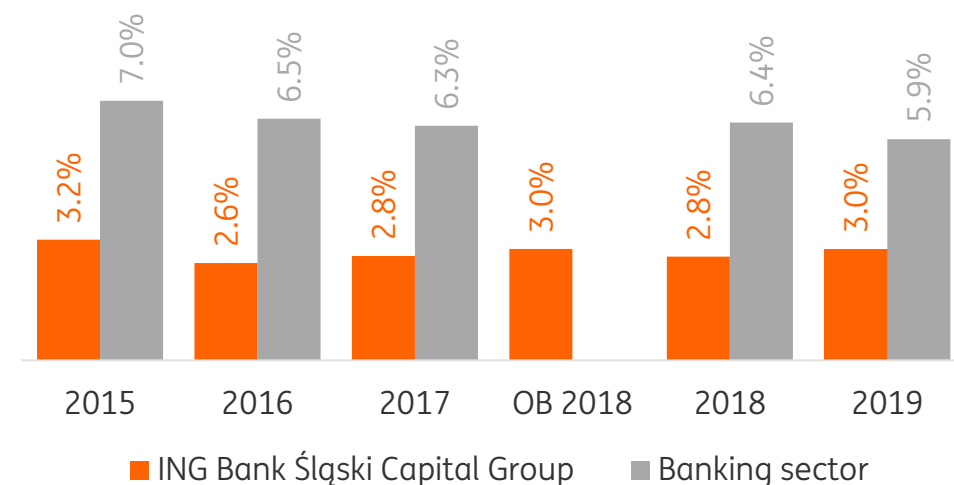


# High quality of assets

The high growth rate of the receivables from customers does not impair the portfolio quality. Share of loans in stage 3 is clearly lower than the sector average. As at 2019 yearend, the share of loans in stage 3 was 3.0% versus 5.9% for the sector. It is also visible in segment data. As at 2019 yearend, the share of loans in stage 3 for the corporate banking segment was 4.1% versus 6.6% in the sector, and for the retail banking segment 1.7% and 5.5%, respectively.

Share of impaired loans / loans in stage 3 at ING Bank Śląski S.A.

Group against sector average\*



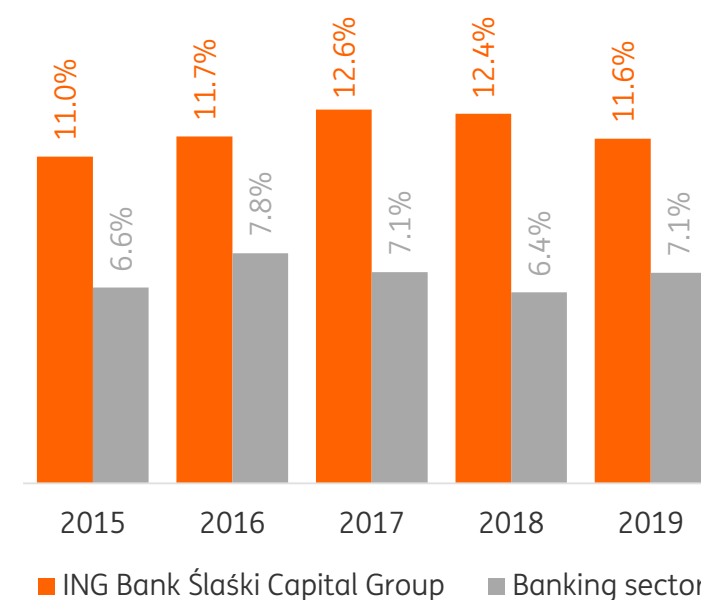
\*PFSA data-based estimates

# High profitability and efficiency

In 2019, our return on equity (ROE) settled at 11.6%, or down by 0.8 p.p. from 2018 and thus remained markedly above the sector average. In the same period, the return on equity in the sector improved to 7.1% from 6.4% in the previous year. Adjusting the denominator for calculating ROE (i.e. value equity) by the value of the Macro Cash Flow Hedge provision, our adjusted ROE was 12.8% in 2019 (similar to 2018). The capital adjustment by this element better reflects the profitability generated by the bank, since the revaluation reserve is the result of the bank's hedge accounting policy. Additionally, it is worth noting that the value of the revaluation reserve does not constitute own funds to the extent that it meets the capital requirements.

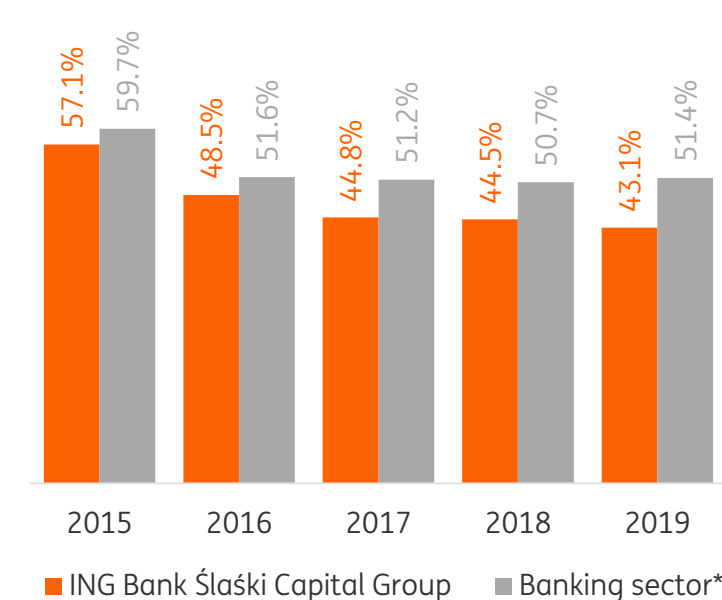
We continue to work on our cost effectiveness. It enabled the Bank to improve its C/I ratio by 1.4 p.p. vis-à-vis 2018 to 43.1% in 2019. The figure is lower (better) than the average in the sector (51.4%; our estimates based oin PFSA data). It has been a significant improvement over the last seven years – in 2013 the sector's C/I ratio was lower (better) than the Bank's (53.3% and 56.1%, respectively).

Return on equity (ROE)



\*PFSA data-based estimates

Cost to income ratio



# Attractive banking direct channels

We offer our clients modern bespoke products and services. We offer access to intuitive online and mobile banking. In 2019, over 99% of client transfers were made in direct channels (online). In 2019, 78% of cash loans for individual clients and entrepreneurs were sold online.

We offer our clients modern payment solutions, e.g. BLIK. In 2019, they made nearly 23.1 million transactions online with the use of that payment system – or two times more than the year before. We were the first bank in Poland to enable our clients to view their accounts with other banks – more about this can be found in Customer experience chapter.

In mobile banking, mobile banking is becoming increasingly popular – at the 2019 yearend, 26.6 thousand of them used it or 28.0% more than the year before. We maintain high interest of our corporate clients in submitting credit applications online – in this way, in 2019, we received 95% of credit applications (94% in 2018).

# Awards and distinctions



Our daily efforts in offering attractive products to our clients, attention to high service quality, sustainability actions and practices as well as outstanding commercial and financial results are honoured by the market. Below please find selected 2019 awards. The full list is available at: <https://en.ing.pl/company-profile/prizes>.

## For overall performance

- The main prize and the title of the Banking Star granted for the overall performance in 2018 in the ranking compiled by the Dziennik Gazeta Prawna daily and PwC.
- The Best Bank in Poland in 2018 title awarded by the Euromoney financial magazine in the competition Awards for Excellence.

## For the attractive offering and customer service quality

- The main award and the title of the World’s Best Online Banking System for ING Business awarded by the Global Finance magazine in the Best Digital Banks competition.

- My ING and ING Business awarded for the best online banking for small and medium enterprises in Central and Eastern Europe by SME Banking Club.
- The Bank Gospodarstwa Krajowego award was granted to our Bank for the largest share in the distribution of EU funds from the Smart Growth Operational Programme.
- imoje, the first and only online payments for e-stores in Poland provided by the Bank, appreciated in the Fintech 2019 Project category by Cashless.pl and awarded with the Wallet of the Year for the best non-cash payment platform by the Wprost weekly.
- Our Bank was appreciated for its activity and involvement in the Cashless Poland Programme.
- 2019 Service Quality Star in Banks category in the twelfth edition of the Polish Service Quality Programme.
- Our Bank was also among the winners of the 2018 Institution of the Year in the following categories: The Best Service Quality in the Facility, The Best Service Quality in Direct Channels, Best Service Quality for Business Customers, Best Service for Companies in a Chat Channel, Best Bank in Financing Companies, Best Bank in Financing Leasing in the ranking carried out by the portal mojebankowanie.pl.
- The title of the Bank Appreciated by Clients granted on the basis of surveys made by ARC Rynek i Opinia: Bank Retail Clients’ Satisfaction Monitor.
- ING as the best bank in building positive customer experience – awarded on the basis of the results of a survey conducted by Kantar Polska.

## For CSR actions and practices

- ING Bank Śląski was appreciated by UN Global Compact Network Poland, for its contribution to the promotion and implementation of assumptions underlying the “Agenda for Sustainable Development – 2030” and implementation of ONZ Objectives.
- The Most Friendly Bank title for CSR activities in 2018 awarded in the competition Leaders of Banking and Insurance World.
- Silver CSR Leaf awarded to ING Bank Śląski S.A. by the POLITYKA weekly.
- Distinctions for two ING’s initiatives in Ranking 30x30 coordinated by the Responsible Business Forum.



### For communication with clients, market and employees

- The Best of the Best Award for model financial reporting in The Best Annual Report 2018 competition organised by the Accounting and Tax Institute.
- Our Bank was distinguished with a certificate of plain Polish by experts from the Centre for Plain Polish at the University of Wroclaw for www.ing.pl website.
- 11 awards, including 10 golden ones in the Power of Content Marketing Awards 2019 organized by the Content Marketing Polska Association.

### For marketing actions

- Two statuettes for the most successful advertising campaigns in the following categories: Finance (silver) and Business-to-Business (bronze) in the Effie Awards competition.
- Our Bank was recognized as the best bank in social media in the Golden Banker ranking.
- Silver statuette in the Search Advertising category in the international Mixx Awards Europe 2019 competition for the educational video series "Straightforward about money".

## Value creation model

GRI [103-1] [103-2] [103-3]

Together with the Management Board and senior leaders, we have developed a detailed value creation model. It was built on the basis of the International Integrated Reporting Council’s (IIRC) methodology. The value creation model is our reply to the questions about: what value we create for our clients, shareholders, employees, society and the environment and how it is measured and maximised. All this is to help us constantly improve the strategic management of our organisation.

### Capitals used



#### Human capital

It comprises our employees, their knowledge, competence and engagement. It also comprises our clients who cooperate with us when developing our products and services..

#### How we manage that capital?

We support our employees in their development. We give them tools and the opportunity to make the most of their potential. We also take care of diversity and well-being. We keep adding new elements of well-being. We are with our clients at each stage of their lives and as they take decisions. We co-create products with them and implement improvements as part of the PACE methodology.

#### Capital at year end

Measure	2018	2019
Headcount (FTEs)	8,034	8,072
Employee turnover ratio	7.0%	7.2%
Women in management positions	231	234
Number of primary clients (million)	1.83	1.97

#### Effects of capital processing in 2019

- The sustainable engagement ratio among employees was 82% during the WPC survey in October 2018 (the survey is conducted every two years).
- We acquired 474 thousand new retail clients and 13 thousand new corporate clients.

#### Illustrative influence on other capitals

- Influence on financial capital due to the remuneration costs incurred..
- Influence on intellectual capital due to internal training courses for our employees and knowledge sharing.
- Influence on environmental capital due to internal- and external campaigns to raise environmental awareness.
- Influence on social capital due to employee voluntary activities in social organisations.



Financial capital

Financial capital is understood as funds entrusted to us by our clients, capital provided by our shareholders and bondholders, as well as the net result generated by our bank.

How we manage that capital?

We manage financial capital so as to maximise the effectiveness of its utilisation within a pre-defined risk appetite. The effectiveness of capital utilisation is measured by the cost-to-income ration and return on equity. Furthermore, we take care of the safety of deposits entrusted to us and fulfilment of requirements, including but not limited to requirements in terms of capital and liquidity.

Capital at year end			Effects of capital processing in 2019
Measure	2018	2019	
Equity (PLN million)	13,321.6	15,223.3	▪ The cost-to-income ratio was 43.1%.
Deposits accumulated (PLN million)	117,682.5	130,473.5	▪ Return on equity (ROE) stood at 11.6%.
Subordinated liabilities (PLN million)	1,076.9	2,131.1	▪ Interest expense totalled PLN 986.2 million.
Total capital ratio	15.58%	16.87%	▪ Dividend per share was PLN 3.50.

Illustrative influence on other capitals

- Influence on human capital due to the incurred costs of employee remuneration.
- Influence on intellectual capital due to the incurred costs of training courses and development activities addressed to employees.
- Influence on environmental capital due to the issue of green covered bonds.
- Influence on social capital due to donations given.



Intellectual capital

Our skills and the knowledge we use to create state-of-the art products and services that respond to the existing and future needs of our clients.

How we manage that capital?

We organise training courses and traineeship programmes. We give access to e-learning courses. Our employees are speakers at conferences. We work based on our own PACE methodology. We use Agile when organising work.

Capital at year end			Effects of capital processing in 2019
Measure	2018	2019	
Number of Agile trainers	15	15	▪ Since 2016, we have completed 80 initiatives based on PACE methodology and implemented 50 of them.
Number of development activities per employee	10.6	12.5	▪ We sold 78% of cash loans via direct channels.
Employees' participation in internal traineeship programmes	180	150	▪ We were the first bank in Poland to have implemented the option to view accounts with other banks.
			▪ 26% of mortgage loans granted to clients were fixed-rate mortgage loans.

Illustrative influence on other capitals

- Influence on social capital due to creation of new products and services adjusted to suit the client needs.
- Influence on financial capital by lowering the costs of training due to promotion of in-house training courses.
- Influence on human capital due to an increase in the competences and skills of the employees.
- Influence on environmental capital due to the creation of solutions that have a positive impact on the environment.



## Environmental capital

It is the natural environment on which we mainly have indirect impact through the projects we finance. We are doing our best to minimise our direct impact.

### How we manage that capital?

In 2018, we implemented the Green Statement, whereby we announced that we would not finance any coal-based businesses. We are going to increase our exposure to environment-friendly projects. We are reducing our direct environmental impact. Environmental goals are a part of our Sustainability Strategy.

#### Capital at year end

Measure	2018	2019
Electricity consumption (kWh)	30,558,890	31,920,924
Water consumption (m3)	57,130	58,284
Greenhouse gas emissions (tonnes CO <sub>2</sub> e)	6,021	3,268
Recycling	100%	100%

#### Effects of capital processing in 2019

- 100% of agreements with counterparties include a clause that refers to respect for natural environment.
- 100% of energy comes from renewable resources.
- We reduced our greenhouse gas emissionsby 89% from 2014.
- We granted PLN 231.6 million worth of retail eco-loans.

### Illustrative influence on other capitals

- Influence on human capital due to promotion of sustainable transport.
- Influence on financial capital by increasing the funding for environment-friendly projects.
- Influence on intellectual capital by looking for the urban mobility platform solutions.
- Influence on social capital due to implementation of environmental-friendly products for the clients



## Social capital

Relationships with stakeholders from our surroundings – clients, employees, vendors, local communities, social organisations and charitable organisations.

### How we manage that capital?

We care about the relationships with all of our stakeholders. We know that we have direct impact on our stakeholders and also indirect impact on the entire environment, such as the families of our employees, charges of social organisations with which we cooperate, participants of our partnerships, etc. We are in dialogue, we are open and accessible in all communication channels.

#### Capital at year end

Measure	2018	2019
Hours spent on voluntary activity	5,221	7,283
Number of students in the “Professional Artist” programme	879	633
Number of runners in “Run Warsaw”	6,704	6,165

#### Effects of capital processing in 2019

- We implemented the Cancer Prevention Programme (592 people took advantage of the programme).
- The ING for Children Foundation hosted 1,054 participants and their guardians during the Smile Camps.
- More than 30 teams enrolled to implement the ING Challenge as part of the partnership with Zwolnieni z Teorii.

### Illustrative influence on other capitals

- Influence on human capital by promoting healthy lifestyle and social engagement.
- Influence on financial capital due to donations given.
- Influence on intellectual capital due to mentoring of our employees and the development of their soft skills.
- Influence on environmental capital due to the implementation of eco-volunteering projects.

Our value creation model







## Our business model

We are a universal bank and, together with other companies from our group (for more information on our group please go to “About us”), we serve both individual clients and corporate clients.

Our business model works effectively thanks to a group of more than 8 thousand employees. We care about their motivation, varied experience, seniority and extensive knowledge. In our work, we rely on our business ethics code, or the Orange Code, which is a set of ING Behaviours and Values (for more details please go to “Way of Working”).

We realise that we have an impact on many economic processes and individual choices. The decisions we make determine what the world will look like and what the reality of the next generations will be like in the future. That is why in our business and non-business decisions we follow the principles of sustainable development (for more on that topic please go to Sustainable Growth and CSR).

As a public trust organisation, we know how important aspects related to a stable and effective risk management system are for the banking sector and the entire economy. The risk management system at our bank is constructed in line with the best market standards based on the three-lines of defence approach, with the first line being the business managers, the second one being the risk- and finance managers and the third one being the internal audit. We also care about the optimal management of the assets and liabilities structure of our balance sheet within the risk appetite limits.

It is our mission to **empower people to stay ahead in life and in business**. The roles each person plays in the society change throughout their lifetime – starting from a child, student, parent, entrepreneur, bank employee, our vendor or an employee of another company to a pensioner. It is a journey during which the clients will make various choices that are important both for their private- and professional lives. As a bank, we help them make financial decisions that are best for them. That is why we provide our clients with knowledge and tools as well as simple and useful solutions that suit their needs. We also help them to gain a better understanding of their financial standing.

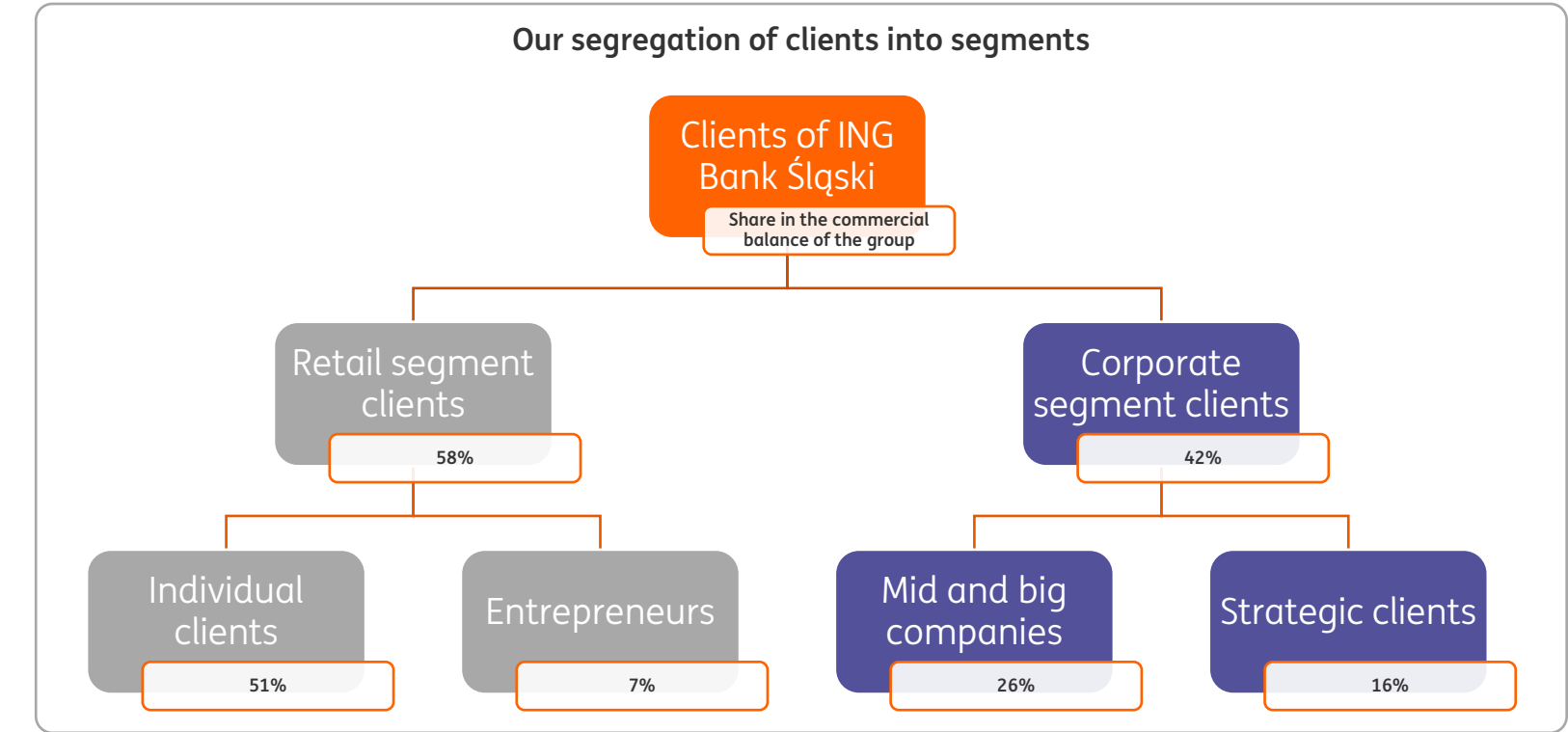
It is our role to enable them to save money in a safe and effective manner. Deposits entrusted by one group of clients help finance the loans granted to another group of clients, and the loans are beneficial for the development of the society at large and of the economy. With the external funding, clients may purchase flats, start or develop their business.



We also take efforts to ensure an effective payment and transaction system. With the growing popularity of cashless trading, an effective electronic payments system becomes more and more important. We provide our clients with transaction banking, we process their transfer orders, card payments, phone payments or BLIK payments, and we build a network of devices for cashless payments.

We offer our clients banking products and services (such as loans, savings accounts and transfer orders) but we also offer them products and services that are not linked with traditional banking. Our competences help us build positive customer experience. We also take advantage of big data and artificial intelligence, and cooperate with fintechs – as a result, we are able to reach even higher. We do not offer only insurance products, accounting service or investment products. We also offer a wide array of finance management tools (for more information on our offer of products and services please go to “Customer experience”).

We divide our clients into two main segments – retail clients and corporate clients – as presented below.



Electronic- and mobile banking is the basic channel we use to interact with the clients, both retail- and corporate ones. We want our clients to have tools that allow them to make payments in a modern way and to deal with simple things via direct channels (for more details please go to “Customer experience”).

At the same time, we notice the changing role of bank branches (for more details please go to “Customer experience”). That is why in 2019 we made changes in terms of distribution and rolled out *One Way of Working* in the area of retail clients. We no longer talk about branches but rather about meeting places where we help our clients with daily banking, we help them live better, develop their business and take care of their financial future.

Corporate clients who expect high-quality service may be served in a branch or at their company’s premises, depending on their needs. It is the responsibility of our employees to support them in taking financial decisions, by analysing their financial needs and goals, their financial standing or the investment risk level, among other things.



### Customer experience



Read more in “Customer experience”

### Availability, speed and intuitiveness

We enable our clients to get an easy and fast access to their accounts – via all channels and on all devices. We facilitate communication with the Bank and we take into consideration the needs of persons with disabilities.

How we measure it

Measures in terms of availability, speed and intuitiveness			
	2017	2018	2019
Bank branches	357	337	317
Bank branches with sign language service	100%	100%	100%
A network of devices for cash service	1,081	1,051	1,012
Retail transfers ordered via electronic banking	99.8%	99.9%	99.9%
Online service platform availability time	99.8%	99.8%	99.9%
Share of retail clients actively using electronic banking	46.9%	49.4%	58.8%
Share of corporate clients actively using electronic banking	68.6%	68.7%	70.0%
Average waiting time for connection with a Contact Centre advisor (in seconds)	20	48	65
Problems solved during the first phone call with the Contact Centre	80%	81%	80%
Bank branches	357	337	317
Bank branches with sign language service	100%	100%	100%

Dialogue and simple communication

We listen to our clients. Thanks to their opinions, we implement new solutions, products and functionalities in our applications and change our outlets. Even banks can write without jargon and formalisms. We write our texts using plain language so that clients can understand them quickly.

How we measure it

Measures in terms of dialogue and simple communication			
	2017	2018	2019
Messages and documents adapted to plain language rules (in thousands)	1.4	2.0	2.5
Number of fans on the ING Bank Śląski Facebook profile (in thousands)	214	247	249
Number of responses given by Contact Centre via Facebook (in thousands)	52	78	65
Number of visitors of the ING Community per month (in thousands)	80	100	113
Messages and documents adapted to plain language rules (in thousands)	1.4	2.0	2.5

Self-reliance and informed choices

We prepare our clients so that they take independent and informed financial decisions – with the aid of financial education programmes and technology solutions offered by the Bank.

How we measure it

Measures in terms of self-reliance and informed choices			
	2017	2018	2019
Regular investment instruction (in thousands)	82.1	89.4	107.3
Number of brokerage accounts (in thousands)	70.2	80.4	91.0
Number of subscribers on YouTube (thousand)	59.0	126.6	194.5
Place in the brand research - indicator "bank for resourceful and entrepreneurial"	TOP 1	TOP 1	TOP 1

Market trends and challenges we observe in the Customer Experience area

- Technological progress.
- Digitalisation of banking services.
- New interaction channels.
- New client needs.
- Personalised approach to the clients.
- Low financial awareness in the society.
- Growing competition from the non-banking sector, open banking..



Sustainable growth and CSR



Read more in “Sustainable growth and CSR”

We support green investment projects

We are supporting and promoting solutions relating to environment protection. We take initiative to create and offer new products, support environment-friendly projects, raise environmental awareness, and manage environmental- and social risks. We help our clients in energy transition.

How we measure it

Measures in terms of supporting green investment projects			
	2017	2018	2019
Corporate segment projects examined in terms of compliance with the Environmental and Social Risk (ESR) policy	100%	100%	100%
Number of electric scooters available to residents of large cities	-	110	340

We are reducing our environmental impact.

We strive to minimise the adverse impact we have on the environment. We carry out information campaigns to reduce the consumption of resources and increase the environmental awareness and sensitivity of employees.

How we measure it

Measures in terms of reducing our environmental impact			
	2017	2018	2019
Reduction of greenhouse gas emissions compared to 2014	-79%	-80%	-89%
Reduction of water consumption compared to 2014	-13%	-11%	-9%

Corporate social responsibility and financial education

Our activities are primarily directed at children and young people. They serve the development of entrepreneurship, financial education as well as local communities.

How we measure it

Measures in terms of corporate social responsibility and financial education			
	2017	2018	2019
Number of lessons under the BAKCYL program	313	210	125
Hours spent by employees to volunteer	5,041	5,301	7,283
The number of charitable donations provided by the bank	32	25	36

Market trends and challenges we observe in the Sustainable growth and CSR area

- Progressing climate crisis.
- Growing environmental awareness of Poles.

- Growing need for financial education of children and youth.
- Growing need for social involvement among employees.



**Risk- and security management**

Read more in “Security of the bank and of the clients”



IT system stability and transaction security

We ensure safe and stable IT systems that allow our clients to use their funds in a safe manner.

How we measure it

Measures in terms of IT system stability and transaction security			
	2017	2018	2019
The share of employees trained on compliance	97%	98%	98%
The share of employees trained on anti-fraud issues	98%	94%	80%
Online service platform availability time	99.8%	99.8%	99.9%
The average number of text messages on suspected unauthorised transactions sent throughout the day	8	20	25

Personal data security

We care about digital and physical safety of all data entrusted to us. We educate our clients and our employees.

How we measure it

Measures in terms of personal data security			
	2017	2018	2019
Justified complaints concerning client privacy breach	0	0	0
The share of employees trained on personal data safety	100%	99.5%	97.3%



### Security of funds


Our risk management system comprises regular identification, measurement and monitoring of the risk incurred by the Bank so as to ensure safety of funds entrusted to us by our clients.

#### How we measure it

Measures in terms of funds security			
	2017	2018	2019
Tier 1 ratio	15.77%	14.74%	14.47%
Total capital ratio	16.71%	15.58%	16.93%
Share of stage 3 loans (the 2018 opening balance for the column for 2017)	3.0%	2.8%	3.0%
Cover ratio of stage 3 loans (the 2018 opening balance for the column for 2017)	59.6%	59.6%	54.1%






### Market trends and challenges we observe in the risk and security management area

- Growing number of regulations concerning the financial sector.
- Growing capital requirements.



**Engaged employees and strong employer**

Read more in “Way of working”



#### A solid employer

We create a friendly workplace that promotes diversity. We care about well-being. We ask our employees about their job satisfaction on a regular basis.

#### How we measure it

Measures in terms of solid employer			
	2017	2018	2019
Liczba dni przeznaczonych przez pracowników na pracę z domu	6 101	8 883	13 644
Sustainable engagement ratio	85% (for 2016)	82%	-
Remuneration of the lowest-level employees vs the market	143%	125%	119%
Share of women in management positions	52%	52%	51%

#### Innovation culture and employee development

We encourage our employees to experiments when creating and developing products. We also get our clients on board in accordance with the PACE approach. We work in line with the Agile methodology. We care for employees' competences, we give tools and development opportunities.

#### How we measure it

Measures in terms of innovation culture and employee development			
	2017	2018	2019
Number of employees trained in PACE methodology	52	550	191
Number of participants in the Service design academy	11	13	31
Percentage of employees who took part in the annual conversations	97%	96%	93%
Number of employees who took part in internal internships	170	180	151
Number of participants of Internship with Lion	131	331	530

#### Market trends and challenges we observe in the Engaged Employees and Strong Employer area

- Need to be flexible when responding to changes and growing competition.
- New generations entering the labour market.
- Adaptability to the employees' expectations which change over time.
- Need for comprehensive employee development.
- Growing need to search for innovative solutions.



## Stability and predictability



Read more in “Customer experience” and “Our financial results”

### Consistent and stable development

We are consistently pursuing our business strategy. We focus on the increase in our client number and in our business volumes which translates into an increase in our market shares.

#### How we measure it

Measures in terms of consistent and stable development			
	2017	2018	2019
L/D ratio	83.8%	87.6%	90.7%
Value of mortgage loans granted (PLN billion)	6.7	8.5	11.4
Volume of cash loans granted (PLN billion)	4.3	5.2	5.8
Market share in factoring turnovers	14.5%	13.0%	12.7%
Market share in terms of leasing agreements value	5.5%	5.6%	6.5%
Market share in loans	7.3%	8.0%	8.8%
Market share in deposits	8.7%	9.1%	9.3%

### Predictable results

We care about the capital entrusted to us and we do our best to allocate it effectively. We strive to ensure that it delivers mid- and long-term rate of return that will be satisfactory to our capital providers.

#### How we measure it

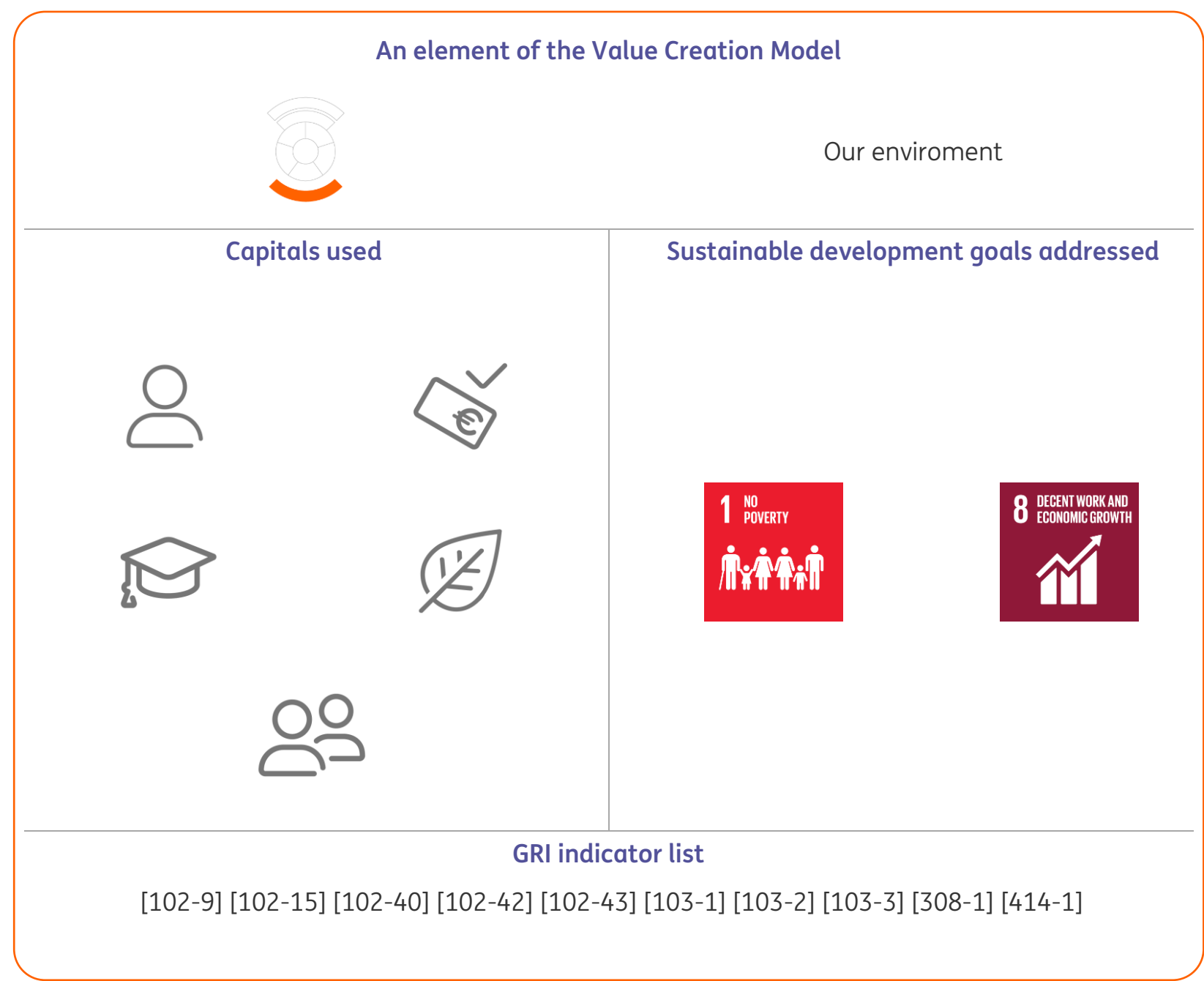
Measures in terms of predictable results			
	2017	2018	2019
Interest margin	2.88%	2.93%	2.93%
Cost to income ratio	44.8%	44.5%	43.1%
Risk cost margin	0.50%	0.52%	0.54%
Return on equity (ROE)	12.6%	12.4%	11.6%

### Market trends and challenges we observe in the Stability and Predictability area

- Uncertain market situation.
- Low interest rates.
- Growing number of regulations concerning the financial sector.
- Financial markets volatility.

# Our environment

We are aware that we operate in an environment that is changing. Therefore, careful analysis of the macroeconomic and social environment allows us to make the right decisions. We care for relationships with all our stakeholders. In our activities, we strive for solutions that will be beneficial to each party.



## Our relationships with the environment

### Relationships with external parties

GRI [102-40] [102-42] [102-43] [103-1] [103-2] [103-3]

Our operations touch many lives: customers, employees, shareholders, vendors and society at large. We are aware that expectations of our stakeholders vary. We try to balance them in our daily work. We spare no effort to ensure professional and friendly communication between our bank and its both internal and external environment. We use advanced tools to develop the best practices as regards cooperation and dialogue with stakeholders. We operate with awareness of and respect for international standards – the Universal Declaration of Human Rights and the UN Global Compact. We also apply the Good Banking Practice Principles– we care for equal treatment of all shareholders and attach importance to wide access to information and effective communication with capital market participants.



All groups of our stakeholders are important from the perspective of business strategy, sustainable development strategy, direct and indirect influence of the organization. The strategic dimension is the most important for them themes. Thanks to this, we can implement them effectively and quickly. We identified our stakeholders while developing the 2011-2012 CSR Report. Since that time no changes have been made to the identification of stakeholders and at the workshop with employees in 2019 we decided that no changes were necessary in our map of stakeholders.

Communication with the environment is a key element of our core business. It is also a natural consequence of the Bank's social activity and the important role we play in local communities. In our dialogue with stakeholders we apply both highly parametrised tools (satisfaction surveys, audits) and daily contacts.

Clients

Clients are one of the most important groups of our stakeholders because without them we would not be our organization. Their opinions and needs are extremely important to us, which is why we collect them on a regular basis, analyse them and try to implement them into our products and services (client voice).We run satisfaction and other surveys like NPS or FCR on a quarterly or yearly basis.

Shareholders, analysts and rating agencies

We ensure that all shareholders are treated equally as well as pay attention to wide information access and effective communication with capital market participants. We are permanently in touch with and hold quarterly meetings for them with the Management Board when financial results are published. For more information about the Bank’s investor relations, see under “About us” in “Our presence on the capital market” and website<https://en.ing.pl/company-profile/investor-relations>.

Media

We contact the media by responding to questions on an ongoing basis or by distributing press releases or initiating meetings, for example. To read more about the press office, please visit <https://media.ing.pl/>.

Employees

Every year, we hold an Organizational Health Index (OHI) survey or a Work Performance Culture (WPC) scan alternately. Additionally, Pulse Check is carried out once a quarter. On the intranet, employees chat and blog with the CEO. We also organize anonymous chats with board members, where each employee can ask a question which is



answered each time. Employee interests and rights are represented by employee organisations – the Works Council and trade unions. The Works Council provides information and runs consultations on the matters of significance to the employees. The Council has 10 members and holds cyclical meetings. There is a trade union, NSZZ Solidarność, at the Bank which gathers over 491 employees.

ING volunteers

Communication with ING Volunteers is very important to us. Daily we use all tools available at the Bank – Intranet, communities, Dobry Pomysł [Good Idea] platform. We conduct a survey once a year. Every year, Fundacja ING Dzieciom [The ING for Children Foundation] organises training for volunteers in our centre in Wisła. Ongoing dialogue is an element which enhances the employees’ commitment to local projects and actions.

Non-governmental organisations

Communication with non-governmental organisations is very important for us. We contact them regularly, via various tools. We invite them to meetings, enter into partnerships with them and participate in joint initiatives.

Academic circles

The academic circles encompass first and foremost students who are our very important stakeholders. We arrange meetings with students and participate in student-oriented initiatives. Every year, we organise the Traineeship with the Lion which targets the students who want to pursue their career in banking.

Vendors

Cooperation with strategic vendors is reviewed on an annual basis. From 2018, we have included additional extended surveys in the area of social responsibility.

Supply chain

GRI [102-9] [308-1] [414-1]

Professional management of relations with vendors rely on review of comprehensive information on vendors. In the Vendor Management process which includes the establishment and maintenance of relations, we set the following goals:

- determination of a cohesive vision and strategy of cooperation with vendors to the Bank.
- risk mitigation in cooperation with vendors.

- covering vendors with a uniform management process, including comprehensive management information on vendors.

The Procurement and Strategic Sourcing Department designs and maintains cooperation standards with vendors, sets goals and responsibilities of process participants. Vendor qualification is a major element in vendor management.

In compliance with the Procurement Policy, in 2019 we continued activities related to vendor classification. The process mitigates the risk of cooperation with vendors that may be involved in undesirable criminal, financial and economic activity, including such as are characteristic for bribery and corruption, or such that have an uncertain financial, social or environmental situation.

We split our vendors into two groups. The term “qualified” is refereed to vendors already recommended in procurement processes with which we will sign contracts. The term “potential vendors” is referred to those vendors to which we will send requests for proposals. We have implemented the solution to facilitate our search for vendors for selected procurement categories that also meet the highest qualification criteria.

As at the end of 2019, there were 609 vendors in the procurement area who were classified as qualified vendors. In 2019, alone we verified 356 vendors of which 349 (98%) received positive qualification. Vendors are verified on the basis of set criteria in compliance with the ethical values and principles as set forth in the Bank's mission and strategy. The vendor qualification process covers:

- 1 company identification in a credit information agency, verification of their financial condition,
- 2 verification on control lists,
- 3 verification for negative press,
- 4 verification concerning the policies on counteraction to financial and economic crime, on counteraction to bribery and corruption and on environmental and social policies.

89% of the vendors the Bank cooperates with come from Poland (by number of contracts). The remaining 11% are foreign vendors. In 2019, alone we carried out 503 on procurement processes.

An approach guaranteeing compliance with the vendor code is a major aspect in vendor qualification. Those vendors that declare compliance with the vendor code (the code is available at our web site<https://www.ingbank.pl/o-banku/dostawcy>), thus agree to comply with key standards. The key standards include: observing the applicable laws in relations with the employees, including the employees’ rights, as well as respecting their personal dignity, privacy, and individual rights. Vendors should also provide their employees with safe and

harmless workplace in health terms and consider environment protection by striving for reducing environmental burden as part of their business and they ought to undertake actions leading to environment improvement. Moreover, vendors should observe prohibition of forced labour, child labour, corruption, and discrimination. It is important for us to be able to evidence compliance with the above standards. To this end, the Bank may request vendors to provide such Evidence:

- certificates issued by third parties confirming compliance with regulations by vendors, if any,
- copies of valid internal documents, confirming the vendor’s actions taken to implement and comply with the standards.

In 2019, to a selected group of vendors we sent an extended questionnaire on social responsibility which contained questions concerning environmental protection, employees and forms of employment; the questions covered general information on the company (examples: percentage use of energy split into renewable and non-renewable energy, if the company operates in compliance with international ISO standards).

Good communication is a basis to find understanding in cooperation and therefore, when selecting a partner, the Bank pays attention to financial and non-financial aspects of the cooperation. The Bank expects from its vendors an innovative approach and support, sharing of knowledge, flexible response to the Bank’s needs and development of partner relations.

In 2019, there were 58 strategic vendors that assessed cooperation with the Bank as very good and good. Additionally, on the basis of counterparty cards received from vendors, we analyse:

- how vendors comply with contractual requirements under Employment Screening,
- if vendors comply with the rules set forth in the Code of Conduct for vendors to ING Bank Śląski S.A.,
- how they minimise the burden to the environment in their business.

Additionally, vendors are requested to provide information on innovations already implemented or to be implemented in the company.

In 2019, we coordinated the process of inspections with vendors concerning the provision of personal data for processing. The audit was performed for selected contracts. The inspection covered the following: Security of the Bank's data and personal data, physical security, identity and access management, management and configuration of the system infrastructure, incident monitoring and management.

The vendors to ING Bank Śląski S.A. also used the trading and auction platform for companies called Aleo. Having registered at [www.aleo.com/pl](http://www.aleo.com/pl) vendors could participate in auctions within the Bank's tender proceedings. In 2019, via the platform – over 106 auctions were held; the total number of auctions on the platform was 561. The Bank's vendors and clients could continue to use the platform to support their own procurement processes.

## Financial market and its regulations

### GRI [102-15]

In 2019, the financial results and the condition of the banking sector, including ING Bank Śląski was influenced by a number of external factors, whose importance is important in the context of our bank's future development strategy. They have a direct impact on the sector profitability.

## Banking sector

### Liabilities

As of the end of December 2019, the basic cash categories were as follows:

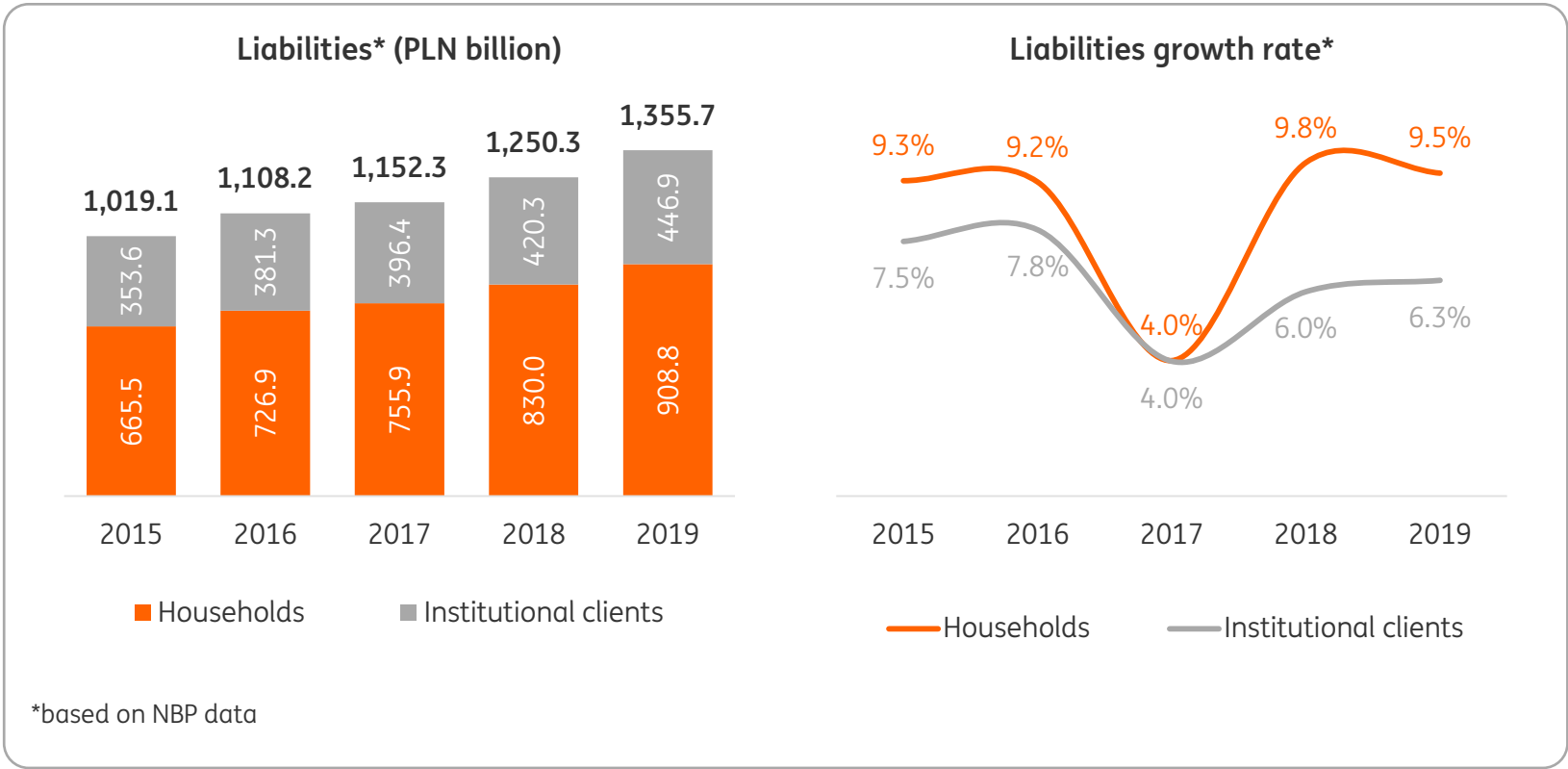
- Liabilities to households totalled PLN 908.8 billion, which means they were up by PLN 78.8 billion y/y or up by 9.5% compared to the 2018 yearend.
- Liabilities to institutional clients amounted to PLN 446.9 billion, up by 6.3% compared to 2018 yearend. The volume increase by PLN 26.6 billion can be mainly attributed to higher liabilities to enterprises (up by 10.0% i.e. by PLN 28.9 billion) and to local government institutions and the Social Insurance Fund (up by 5.1% i.e. by PLN 2.3 billion). Deposits collected by non-commercial institutions providing services to the households totalled PLN 27.0 billion of 2019 yearend and were up by PLN 0.8 billion (+3.0% y/y) compared to 2018 yearend. On the other hand, liabilities to non-monetary financial institutions were down by 8.9% or by PLN 5.4 billion in the period under study.

### Receivables

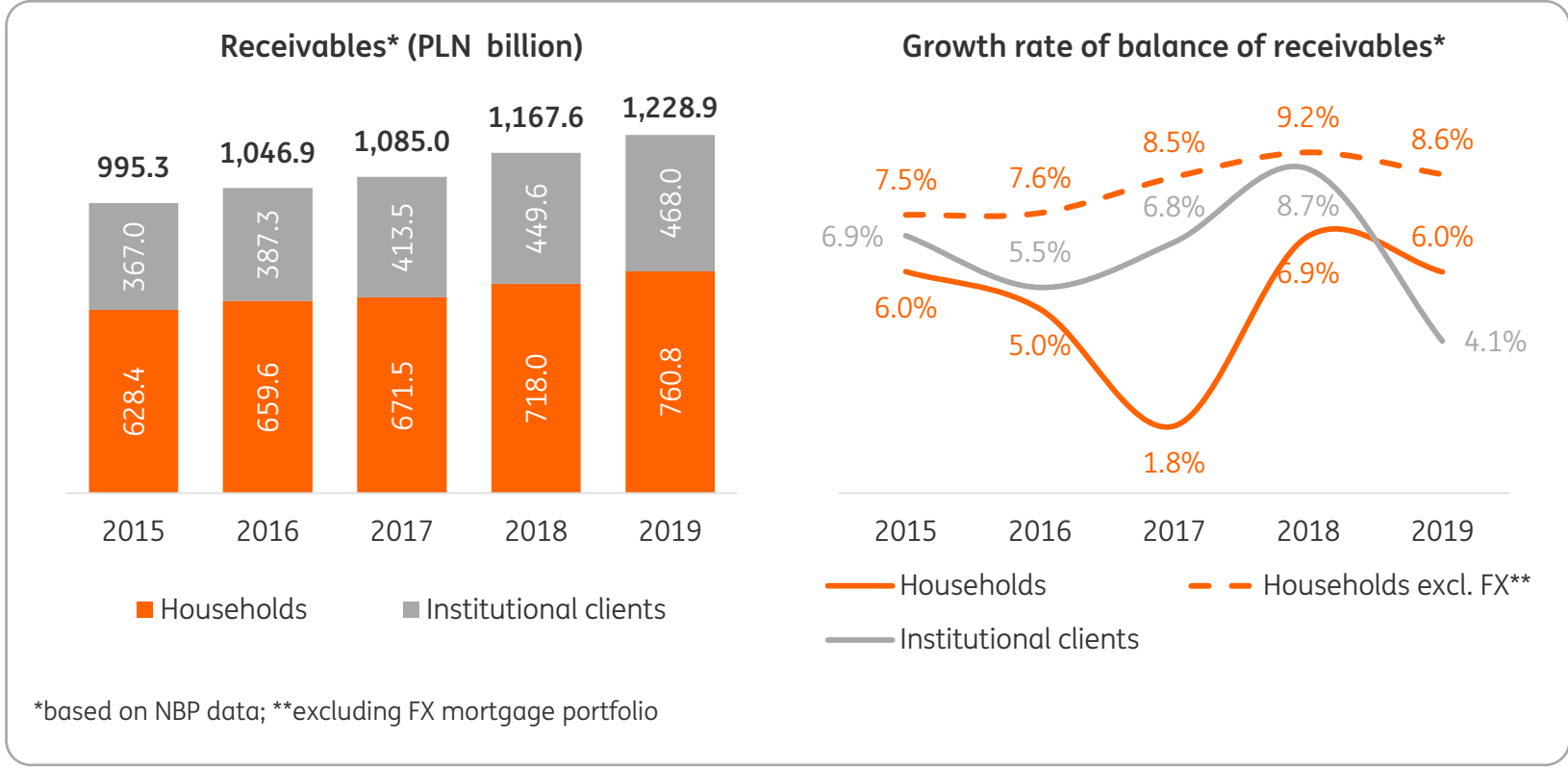
- Receivables from households reached PLN 760.8 billion in December 2019 and were up by 6.0% compared to the previous year. Housing loans, which formed the main part of the banks’ credit exposure to households (58.3% of receivables from that group of clients), were up by 6.6% and reached PLN 443.5 billion. The increase was fuelled by the acceleration of the growth rate of the PLN-denominated housing loan portfolio, from 11.7% in 2018 to 12.3% at 2019 yearend. At the 2019 yearend, the portfolio of PLN housing loans arrived at PLN 323.5 billion and was up

by PLN 35.4 billion y/y. The portfolio of the FX housing loans shrank by PLN 7.9 billion y/y and fell to the level of PLN 120.0 billion due to natural depreciation of the CHF portfolio (at the 2019 yearend, PLN depreciated against CHF by 2.7% y/y, which partially offset the decline in the portfolio caused by depreciation). Other retail loans, including consumer credits, were up by 5.1% (by PLN 15.3 billion in value terms) compared to 2018 yearend and reached PLN 317.3 billion.

- Receivables from institutional Clients were up by PLN 18.4 billion (4.1%) to the level of PLN 468.0 billion compared to December 2018. Receivables from enterprises alone were up by PLN 10.3 billion (up by 3.0% y/y) and reached the level of PLN 350.2 billion.



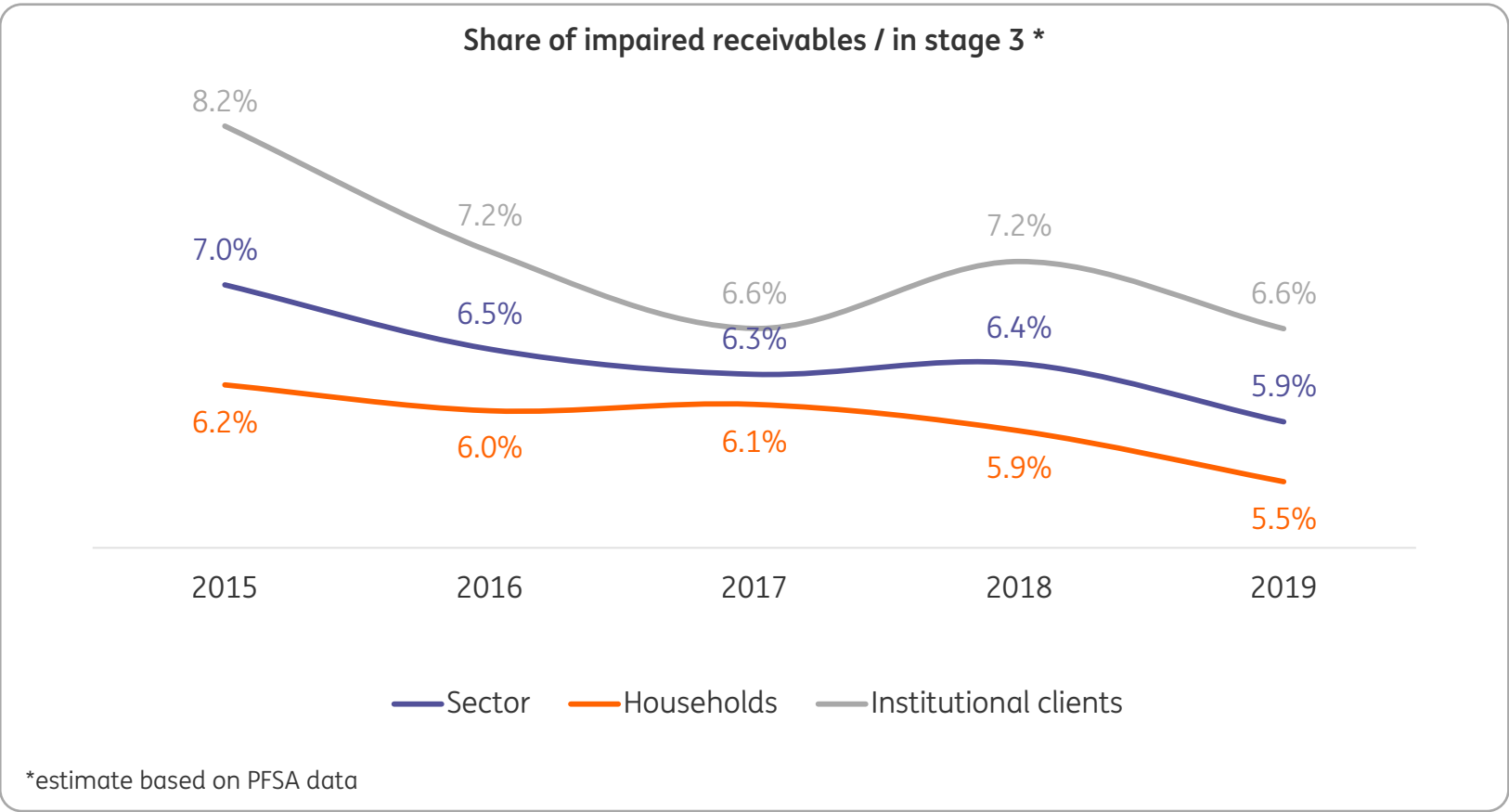
Poor lending results should be accompanied by a solid growth of deposit base – the Bank's economists expect their growth rate to slow down slightly from 8.7% to 7.2% y/y. In the case of the retail banking segment, the projected growth rate of deposits in 2020 (7.7%) will be continue to be similar to that of wages and salaries (7.4%); in the retail segment, a slightly lower growth rate is expected (6.2%).



### Assets quality

With respect to asset quality, in December 2019 the share of loans in Stage 3 among all the loans measured at amortised cost was 5.9% (versus 6.4% at the end of 2018).

Our bank's economists expect the GDP growth rate to slow down from 4% to 3% y/y in 2020. Lower economic activity growth rate will lead to a slowdown in lending activities. Current economists' forecasts provide for a slowdown in lending growth rate from 5.3% to 3.3% y/y. The slowdown will be particularly evident in the corporate lending segment due to the low propensity to invest. In this segment, we expect the growth rate to fall from 3.9% to 1.2% y/y. In the case of retail lending, a downward trend will also be visible, but the growth rate will remain stronger (4.7%).



The improved asset quality ratio was due to an improved quality both in the household segment (from 5.9% to 5.5%) and in the institutional loan credit sector (from 7.2% to 6.6%). The improved quality of household loans is due to a better quality of mortgage loans (improvement from 2.7% to 2.5%) and consumer loans (improvement from 10.8% to 9.8%). The improved quality of institutional sector loans was due to an improved quality of working capital loans (from 10.2% to 10.0%), investment loans (from 7.9% to 6.8%) and loans for properties (from 9.9% to 9.5%).

Financial results

The overall sector of the Banking sector in 2019 was good despite the increased provisions at the end of the year for legal risk related to FX mortgage loans. This year’s financial results were affected by the slowdown of Poland's economy and data from the labour market. A trend was observed of further reduction of headcount in the Banking sector and a reduction of the number of outlets.

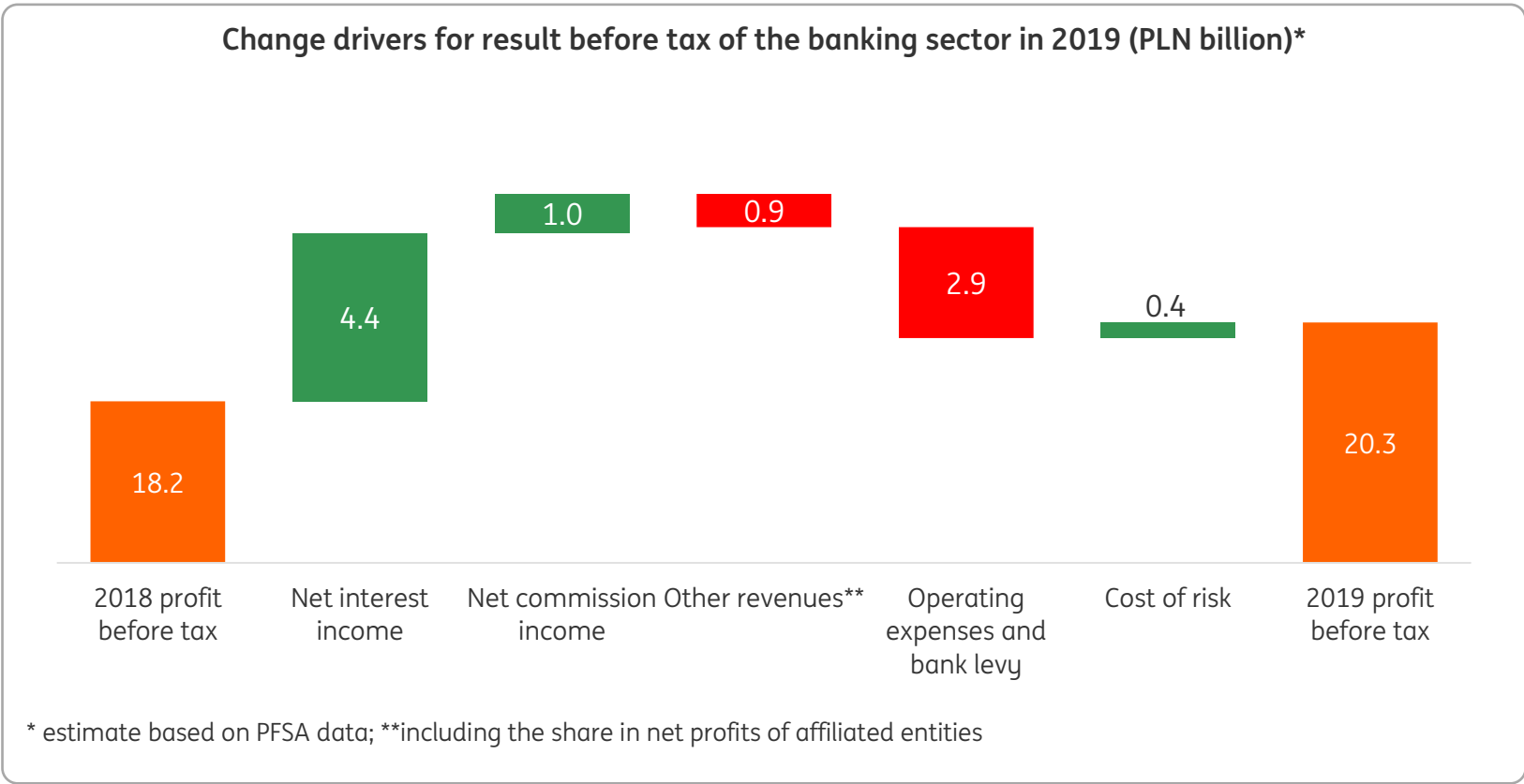
In 2019, the net financial profit of the Banking sector grew by 12.5% y/y up to PLN 14.7 billion.

In 2019, the gross profit of the Banking sector was PLN 20.3 billion and was by 11.3% higher than the gross profit for 2018. The growth of the gross profit was due to a faster growth rate of total revenues (2.6% y/y) than of operating expenses (1.5% y/y). The following made a positive contribution to the gross profit of the sector in 2019:

- net interest income (increase by PLN 4.4 billion or 9.8% y/y),
- net commission income (increase by PLN 1.0 billion or 8.3% y/y), and
- costs of risk (decrease by PLN 0.4 million or 4.3% y/y).

On the other hand, the negative impact on it was caused by:

- other income (decrease by PLN 0.9 billion or 7.5% y/y), and
- other revenues (decrease by PLN 0.9 billion or 7.8% y/y), and
- operating expenses, including Bank tax (increase by PLN 2.9 billion or 8.0% y/y).





### Growth of BGF costs

On 20 February 2019, the Council of the Bank Guarantee Fund (BGF) approved resolutions on the total amount of premiums for the Bank guarantee fund and the total amount of premiums for the enforced restructuring fund in 2019. The total amount of both types of premiums for the Banking sector was set at PLN 2,791 million. In 2018, the total value of both premiums was PLN 2,200 million which means a growth of the premiums in 2019 by as much as 27% versus 2018. Additionally, there was a major modification to the split of premiums to both funds – in 2019 the premium for the enforced restructuring fund (PLN 2,000 million) accounted for 72% of total premium while a year earlier (PLN 960 million) it was 44%.

The decision of the BGF Council resulted in a material growth of operating expenses of the Banking sector in 2019, independent of Banks. For our Bank, the costs of BGF premium amounted to PLN 202.3 million in 2019 versus PLN 165.2 million in 2018 (+22% y/y). This means that the growth of BGF costs accounts for 22% of increase of operating expenses versus to 28% estimated in the sector.

In a communication from 27 February 27 2020, BGF indicated that the total amount of bank contributions in 2020 will amount to PLN 3,175 million. This means an increase by 14% compared to the previous year. BGF indicated that the increase in the sum of premiums in 2020 results primarily from 1) the dynamics of guaranteed funds, which at the end of 2019 amounted to 9.1%, thus being above the long-term average, 2) activities carried out in the field of resolution.

In compliance with the Act on BGF, the target level of resources in the guarantee fund by 3 July 2030 is to be 2.6% of guaranteed deposits. While the target level of resources in the enforced restructuring fund is 1.2% to be reached by 31 December 2030. In accordance with BGF data for 2019, the resources in the guarantee fund amounted to 1.79% and in the enforced restructuring fund was 0.65%. The amount of guaranteed funds in Banks as at the end of 2019 was about PLN 860 billion.

## Asset-backed funding market

### Leasing

In 2019, the Polish lease market went down by 5.8%, arriving at PLN 77.8 billion. The active portfolio of lease agreements totalled PLN 160.4 billion (up by 9.4% y/y) as at the yearend. For comparison, the value of capex loans extended by the banking sector stood at PLN 159.0 billion as at the end of December 2019. This means that in terms of value of the portfolio lease exceeded capex loans and is the biggest funding source of the investment undertakings in Poland.

The largest lease market segment (the share in sales dropped from 48.4% to 45.3%) covered vehicles with weight up to 3.5 tons. The value of assets in that lease category was PLN 35.3 billion (-11.7% y/y). The core category generating the drop in the segment were passenger cars (-14.5% y/y).

Vehicles weighing up to 3.5 tons constituted the biggest segment of the leasing market (with their share in the sales down from 48.4% to 45.3%). The funds granted in that leasing category totalled PLN 35.3 billion (-11.7% y/y). The core category generating the drop in the segment were passenger cars (-14.5% y/y). The drop and lower financing of passenger cars than a year earlier was the effect of fiscal changes in accounting for lease contracts for passenger cars in force since 1 January 2019 and therefore purchases by business were moved from 2019 to the last quarter of 2018.

The second largest market segment – the segment of machines and equipment (including IT) recorded an annual growth of 4.0%. The total value of financed machines and equipment was PLN 22.6 billion.

Source: Polish Leasing Association

### Factoring

Sales in the factoring market, associated in the Polish Factors Association (PZF), grew in 2019 by 16.0% y/y and reached PLN 281.7 billion. The form of financing most frequently selected by companies for non-recourse factoring (51.5% of total sales), under which in 2019 sales amounted to PLN 145.0 billion and the growth was 17.5% y/y.

The number of clients associated in PZF was 18.0 thousand after a growth by 6.5% y/y. The number of invoices issued in 2019 was 12.7 million (decrease by 14.8%). In the sectoral approach, it is production and distribution companies that most often use factoring companies for their receivables (43.7% and 34.9% respectively).

Source: Polish Factors Association

## Capital market

### Warsaw Stock Exchange

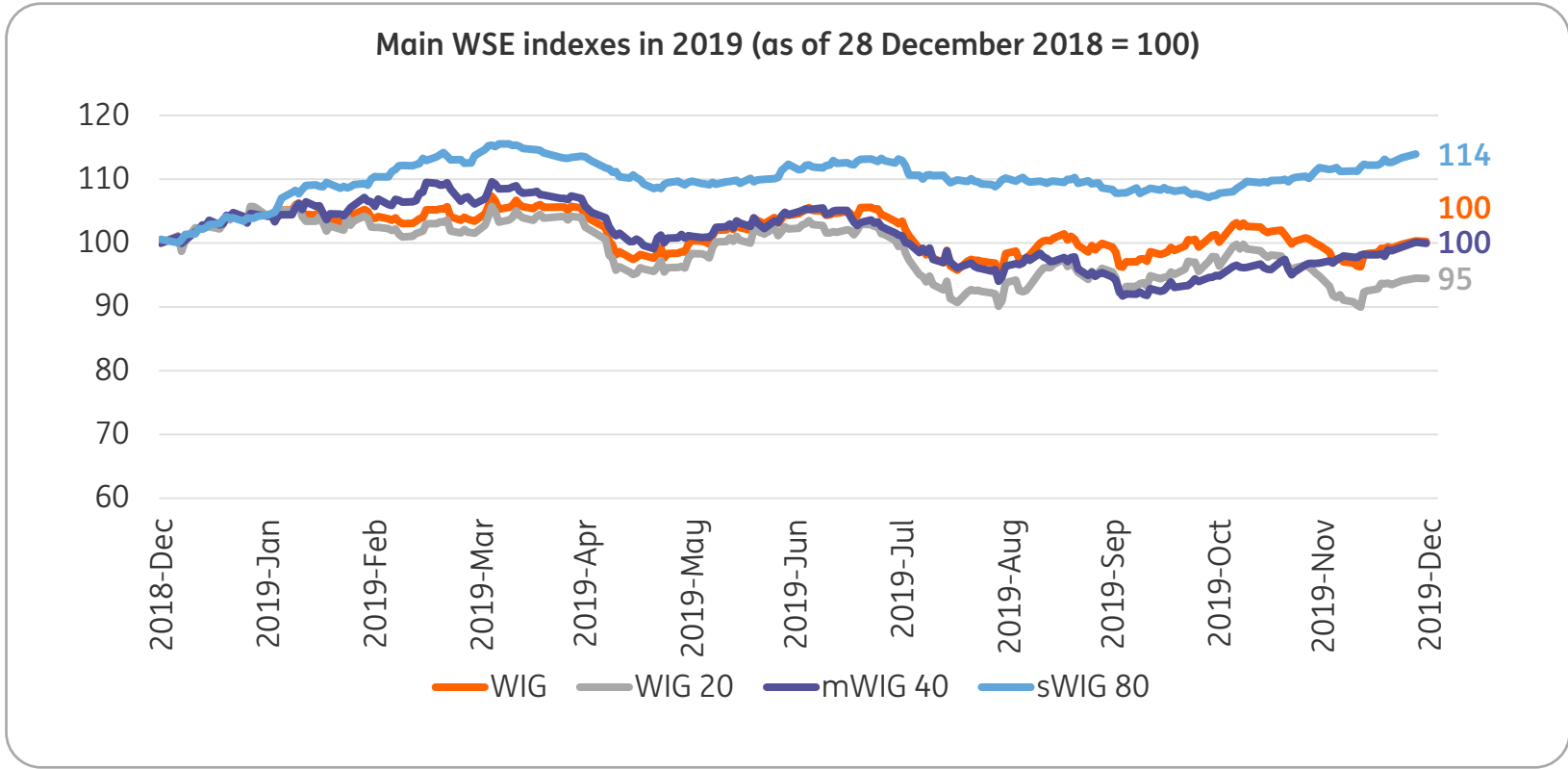
Despite of high increment in GDP and good economic situation, the year 2019 showed decreases in majority of the main WSE indexes. Industry-specific market sentiment varied a great deal. The WIG-IT index recorded the highest growth (+42.3% y/y) and it was followed by WIG-Telecom (+40.9% y/y). Meanwhile WIG-Fuels (-18.9% y/y) and WIG-Energy (-18.6% y/y) indexes recorded the strongest declines. In 2019 WIG index was one of the weakest indexes in the world. This may be related to the lack of inflows of funds into the investment funds, melting assets in Open Pension Funds as well as the expected decline in the economic growth rate in Poland in the years to come. A positive impulse for the Polish stock exchange indexes may be given by the inflow of funds to the newly established Employee Capital Programs and their planned expansion to include further groups of companies. A risk factor may be the planned transformation of Open Pension Funds into Individual Pension Accounts, and consequently the required decisions of Poles to transfer their funds to Individual Pension Accounts or to Social Insurance Institution. Not without significance for the Polish stock exchange may be international events such as talks between the USA and China, or the growing conflict between the USA and Iran.



The value of the broad market index WIG rose slightly in 2019 by 0.3% y/y, which did not come close to the historical peak recorded in 2007. In the same period, the alternative market index, NC Index, rose by 19.3% y/y.

The traded volumes in shares, rights to shares and pre-emptive rights on the main floor reached PLN 195.3 billion, down by 7.8% y/y. Despite the NC Index growth, the New Connect alternative market recorded a decline in traded volume to the level of PLN 1.5 billion (-7.7% y/y). Meanwhile the Catalyst market saw a 13.3% increase in trading volume up to the level of PLN 2.9 billion.

From the perspective of the number of entities listed on the WSE, 2019 was another year (and the third one in a row) in which more companies were removed (22) than introduced (7) to the main floor. As at 2019 yearend, 449 companies were listed on the main floor (465 years earlier). Their total capitalization declined to PLN 1,103.8 trillion (-2.2% y/y). The NewConnect market recorded a higher number of IPOs, reaching 15 in 2019 (as in the previous year), but the number of listed companies fell to 375 (27 withdrawals, of which 5 are transfers to the WSE). The value of listed corporate and municipal stock issues on the Catalyst market was up by 6.3% y/y to the level of PLN 92.1 billion.



Source: Warsaw Stock Exchange

### Investment funds

The value of the mutual fund market measured by the funds under management accumulated by these institutions was up in 2019 by PLN 11.2 billion (4.4% y/y), up to the level of PLN 268.1 billion. In non-dedicated funds, the accumulated funds were up to the level of PLN 164.6 billion (5.7% y/y), and in dedicated funds up to PLN 103.5 billion (2.3% y/y).

Clients of non-dedicated funds were most willing to invest their funds in investment funds with a relatively low risk profile. The most popular investment category were money and bond funds (65.4% of total assets of non-dedicated funds), whose assets were up during the year by 11.2%. They were followed by mixed funds, which accounted for 14.8% of the undedicated portion of the market (decrease in assets by 4.2% y/y) and equity funds responsible for 12.7% of the undedicated portion of the market (assets down by 1.8% y/y).

In 2019, the balance of purchase and redemption of participation units and investment certificates was again negative (PLN -0.5 billion), but significantly lower than in 2018 (PLN -12.4 billion). Only the debt funds recorded a positive balance of inflows in 2019 (PLN +6.1 billion).

Source: Chamber of Fund and Asset Management Companies

## Open-End Pension Funds

As at the end of December 2019, pension funds’ assets amounted to PLN 154.8 billion, i.e. down by PLN 2.5 billion (1.6%) compared to the previous year. In 2019, Open-Ended Pension Funds collected PLN 3.5 billion (vs. PLN 3.3 billion in 2018), and the transfer of funds under the safety slider mechanism to ZUS amounted to PLN 6.9 billion (vs. PLN 7.9 billion a year earlier).

Source: Analizy Online and the Polish Financial Supervision Authority

## Employee Capital Plans

The Act on Employee Capital Plans (ECP) entered into force on 1 January 2019 and provides for four stages of covering an increasingly broad group of companies with the ECP program:

- effective from 1 July 2019, employees in companies with a minimum of 250 employment were covered by the ECP programme,
- effective from 1 January 2020 companies with at least 50 employees joined the ECP programme,
- effective from 1 July 2020, the programme will be extended to companies with at least 20 employees,
- effective from 1 January 2021 other public sector entities and bodies.

The payment of ECP contributions is voluntary. The basic ECP contribution – financed by the employer – is 1.5% of the monthly salary, and by the employee – 2%. Additionally, from the funds of the Labour Fund, the State makes a one-time so-called "welcome payment" in the amount of PLN 250, and in subsequent years it pays PLN 240 per year. The employer and the employee may increase the amounts paid, each up to a maximum of 4.0% of the ECP member's gross salary. An employee is also entitled to reduce the compulsory basic payment to a level not lower than 0.5% of his gross salary, if he makes an appropriate declaration that his earnings do not exceed 1.2 times the minimum wage for work. According to The Chamber of Fund and Asset Management data, in 2019 PLN 62 million was transferred to ECP funds managed by Investment Fund Management Companies.

Source: Social Insurance Institution (ZUS) and The Chamber of Fund and Asset Management (IZFiA)

## Modification of regulations concerning the banking sector

The table presents the key amendments to the banking sector regulations.

Modification of regulations concerning the banking sector		
Name	Effective date	Description
2019		
The Act on court enforcement officers of 22 March 2018	1 January 2019	The act defines the rights and obligations of enforcement officers. It also applies to enforcement transactions on bank accounts and lays down specific rules for keeping enforcement officers' offices' bank accounts.
The Act amending <b>the Personal Income Tax Act, the Corporate Income Tax Act and the Act on the Flat-Rate Income Tax on Some Income Earned by Natural Persons</b> of 15 June 2018	1 January 2019	<p>As of 1 January 2019, the rules of taxation of the so-called "tax on revenue from buildings" were changed by extending the catalogue of buildings covered by the amended regulations.</p> <p>As a result of changes made, income tax on income generated by a fixed asset being a building is 0.035% of the tax base for each month. It applies to the building, which:</p> <ul style="list-style-type: none"><li>– is owned or co-owned by the taxpayer,</li><li>– has been given in whole or in part for use under a lease, tenancy or other similar agreement,</li><li>– is located on the territory of the Republic of Poland.</li></ul> <p>If the above building has been partially commissioned, the revenue should be established in proportion to the share of the usable floor area commissioned in the total usable floor area of that building.</p> <p>The tax base is the total revenue from individual buildings, less PLN 10 million.</p>

Act amending the Personal Income Tax Act, the Corporate Income Tax Act, the Tax Ordinance Act and certain other acts of 23 October 2018.	1 January 2019	<p><b>Expenditure limits applicable to passenger cars used for business purposes</b></p> <p>Limitation of lease instalments in tax deductible costs was introduced. The limit entered depends on the type of vehicle:</p> <ul style="list-style-type: none"><li>– for diesel and hybrid passenger cars with a gross value of max. PLN 150 thousand,</li><li>– for electric cars with the value of max. PLN 225 thousand, gross,</li></ul> <p>The limit covered contracts concluded or amended after 31 December 2018.</p> <p>At the same time, 25% of the expenses incurred for the use of a hired or leased passenger car for the purposes of the business activity run – if the car is also used for purposes not related to that activity – were excluded from tax costs.</p> <p>The amount relating to the value of the car accepted for the purpose of calculating the insurance premium for passenger car, subject to settlement in tax deductible costs, was raised from 20 thousand EUR to 150 thousand PLN.</p> <p><b>Transfer pricing</b></p> <p>The limits applicable to the taxpayers to prepare tax documentation were changed.</p> <p>Effective from 1 January 2019, the obligation to prepare the so-called master file concerns taxpayers who prepare consolidated financial statements and their consolidated revenue exceed PLN 200 million. Moreover, a number of changes have been introduced, including the indication of deadlines for the filing of a statement signed by all Management Board members on the preparation of local documentation and transfer pricing information by the end of the 9th month after tax year closing, including replacing the existing CIT-TP/PIT-TP form with a new TPR-C form containing information on transfer pricing.</p> <p><b>Debt packages</b></p> <p>If, in one transaction, a taxpayer acquires at least 100 debts without separating the purchase price of each of them (a debt package), the income from such a package is the surplus of income obtained from the debts included in the package over the purchase cost of the entire package (i.e. the purchase price of such a package).</p> <p>These provisions shall apply on a mutatis mutandis basis to the acquisition of a single debt.</p> <p><b>Withholding tax (WHT)</b></p> <p>Modifications were made to the withholding tax (WHT) collection mechanism, i.e. the definition of the real owner was clarified, as well as the requirement to exercise due diligence in applying exemptions and/or preferential tax rates under the Act or double taxation treaties.</p> <p>In addition, when paying out debts subject to WHT, above the PLN 2 million threshold, the payer should in principle collect tax at the basic rate at the date of payment. However, the application of exemptions or preferential rates in such a situation is only possible once additional formal obligations have been fulfilled.</p> <p>The above additional restrictions have been suspended by virtue of executive regulations issued successively by the Minister of Finance – until 30 June 2020, when it is planned to amend the regulations on the WHT.</p> <p><b>Tax Ordinance</b></p> <p><b>Mandatory Disclosure Rules (MDR)</b></p> <p>The Tax Ordinance Act introduced an obligation to report information on Mandatory Disclosure Rules. The legislator introduced a number of premises defining the concept of the MDR, under which it is necessary to decide on the necessity to provide the Head of the National Inland Revenue Administration with information about the MDR being implemented.</p> <p>The reporting obligation applies in particular to tax advisors, solicitors, solicitors, employees of a bank or other financial institution advising Clients, but under certain circumstances the beneficiary of the tax scheme itself is also obliged to report this to the tax authority.</p>
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The Act <b>amending Some Laws in Conjunction with Strengthening the Supervision of the Financial Market and Protection of Investors in that Market</b> of 9 November 2018	Some of the provisions of the Act entered into force in December 2018, and most of them on 1 January 2019. The regulations related to dematerialization of certain securities came into force on 1 July 2019.	The changes are concerned, <i>inter alia</i> , with the organisation and method of financing the Polish Financial Supervision Authority. The Act empowers also the PFSA to take a decision about take-over of a bank by another bank if the taking-over bank agrees thereto – should the total own funds of a bank decrease, or be in jeopardy of decreasing, below the level specified in the law. Furthermore, effective from 1 July 2019 there will be an obligation to dematerialize corporate bonds, investment certificates issued by the closed-end mutual funds and mortgage bonds.
Act amending the Act – <b>Civil Code</b> of 6 December 2018	15 February 2019	The amendment to the Civil Code repealed the specific grounds for credit institutions to charge interest on outstanding interest in the case of long-term loans.
<b>Recommendation L</b> concerning the role of certified auditors in the process of supervising the banks and credit unions	31 March 2019	The Recommendation lays down generic rules concerning liability of the bank for selection of a certified auditor, relationship of the internal audit unit with certified auditors, making the documentation concerning contacts of the banks with the PFSA available to the certified auditor, any matters concerning documentation of the statutory audit and its availability, and also disclosure and interchange of information between certified auditors and the PFSA.
Act of 21 February 2019 amending certain acts in connection with ensuring the application of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 <b>on the protection of individuals with regard to the processing of personal data</b> and on the free movement of such data and repealing Directive 95/46/EC (General Data Protection Regulation).	Most of the provisions entered into force on 4 May 2019.	The Act changed the provisions of one hundred and several dozen acts concerning in particular the processing of personal data. The changes also applied to the Banking Law, where, <i>inter alia</i> , regulations were introduced concerning an option of making decisions to assess creditworthiness and credit risk analysis based on automated processing, including profiling, of personal data.
Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, net stable funding ratio, own funds requirements and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012	The Regulation entered into force on 27 June 2019, with some provisions applying at a later date (most of them effective from 28 June 2021)	The regulation called CRR II is part of the EU banking regulatory package together with Directive 2019/878 (CRD V) and Directive 2019/879 (BRRD II). The Regulation addresses, inter alia, equity and eligible liabilities requirements, as well as reporting and disclosures in this respect. The CRR II Regulation applies directly, whereas the provisions of the Directives need to be implemented into national law.
Act amending the Act – <b>Civil Procedure Code</b> and on amendment to certain other Acts of 4 July 2019.	On 21 August 2019, changes concerning court fees came into force, and most of the other regulations came into force on 7 November 2019.	The amendment introduces numerous changes in civil procedure, which also affects the recovery of debts by banks. Among other things, the provisions on the local jurisdiction of courts in disputes with banks were amended, as well as the amount of court fees. The provision enabling an order for payment to be issued under the payment-order procedure on the grounds of an extract from the bank books has been repealed.

Act amending the Act on Goods and Services Tax and certain other acts of 12 April 2019	1 September 2019	As a result of the amendment to the VAT Act, hereinafter referred to as: uVAT, as of 1 September 2019, the two VAT registers kept so far were merged, i.e. entities with respect to which the head of the tax office did not register or which were removed from the register as VAT taxpayers and taxpayers whose registration as VAT taxpayers was restored. In addition, the new list was extended to entities registered for VAT, i.e. data on the status of active and VAT-exempt taxable persons. Thus, on 1 September 2019, the so-called "white list" was created (list of VAT taxable persons), containing full and complete data on VAT taxable persons. Taxpayers paying for services and goods were put under obligation to verify whether the contractor's account given for payment is on the white list.
Commission Delegated Regulation (EU) 2018/389 of 27 November 2017 supplementing Directive (EU) 2015/2366 of the European Parliament and of the Council with regard to regulatory technical standards for <b>strong customer authentication and common and secure open standards of communication</b>	The Regulation shall apply from 14 September 2019.	The Regulation is an implementing act for the Payment Services Directive (PSD II). It lays down, in particular, requirements to be met by payment service providers in order to implement security measures for payment transactions. This applies above all to the application of a strong customer authentication procedure.
Act <b>amending the Act on value added tax and certain other laws</b> of 9 August 2019	1 November 2019	<p>The Act amends the provisions of the Value Added Tax Act by introducing the following solutions:</p> <ul style="list-style-type: none"><li>– a mandatory split payment mechanism, hereinafter referred to as: MPP,</li><li>– a new VAT rate matrix,</li><li>– the institution of binding rate information,</li><li>– "translation" of the current PKWiU 2008 (Polish Classification of Goods and Services 2008) into the appropriate CN codes (for goods) or symbols of PKWiU 2015.</li></ul> <p>Taxpayers are obliged to apply MPP when making payments for purchased goods or services listed in Appendix 15 to uVAT (e.g. cameras, smartphones, SSDs, construction works, hard coal, etc.), documented by an invoice in which the total amount receivable exceeds PLN 15 thousand (or its equivalent in foreign currencies). Invoices documenting sales of goods/services covered by a mandatory IPP must bear the annotation "split payment mechanism".</p>
Act amending the Act on <b>Public Offering and Conditions of Introducing Financial Instruments to the Organized Trading System and on Public Companies</b> and Certain Other Acts of 16 October 2019.	Most of the provisions entered into force on 30 November 2019. The provisions on shareholder identification and communication with shareholders through intermediaries will enter into force on 3 September 2020.	The modifications in the regulations are concerned, <i>inter alia</i> , with public offers of financial instruments, which have been harmonized with EU Regulation No 2017/1129 (Prospectus Regulation). In addition, the law implements Directive (EU) 2017/828 as regards the encouragement of long-term shareholder engagement. To this extent, new regulations regulate the remuneration policy for members of the management and supervisory boards of public companies, as well as the publication of information on significant transactions with related parties. They also address issues such as identifying shareholders, providing information to them by companies and facilitating the exercise of their rights. Certain obligations in this respect relate to intermediaries, which will be in particular investment firms and custodian banks holding securities accounts.
Regulation (EU) 2019/518 of the European Parliament and of the Council of 19 March 2019 amending Regulation (EC) No 924/2009 as regards <b>certain charges on cross-border payments in the Union and currency conversion charges</b>	Most of the provisions entered into force on 15 December 2019.	The aim of the regulation is, <i>inter alia</i> , to align the charges for cross-border payments in euro within the European Union with the charges for corresponding national payments in the national currency of the Member State in which the payment service provider providing the payment service user is located.
<b>Recommendation B</b> on limiting the risk of investments made by the banks	31 December 2019	The aim of the amended Recommendation B is to indicate good practices to the banks in selected aspects of investment risk management (analysis, identification, implementation, supervision, evaluation, monitoring and reporting).

2020		
Act amending the Act on <b>support for borrowers in financial difficulties who have taken out housing loans</b> and certain other acts of 4 July 2019	1 January 2020	The Act introduced a change in the mechanism of providing financial support to persons who, as a result of objective circumstances, found themselves in a financial dire straits and at the same time are obliged to repay instalments of a housing loan.
Act <b>amending the Act on Goods and Services Tax and certain other acts</b> of 12 April 2019	1 January 2020	<p>The payment of receivables to an account other than the one specified on the white list, made after 31 December 2019 (and in the case of CIT taxpayers in the tax year starting after 31 December 2019) will result in no option to post into tax deductibles. This will apply to payments for transactions exceeding PLN 15 thousand in value terms. made between entrepreneurs when the supply of goods and services will be carried out by an entrepreneur registered for VAT purposes as an active VAT payer.</p> <p>At the same time, the purchaser of goods or services, being a VAT taxpayer, will be jointly and severally liable with the supplier of goods/services, being an active VAT taxpayer, for his tax arrears – if the payment for the supply of goods/services, confirmed by an invoice, will be made by transfer to an account other than that specified on the white list at the date of the transfer order, and separate regulations will require payment to be made via a payment account. This liability will be borne by the purchaser for that part of the VAT tax, which will fall on a proportional basis on that supply of goods/ service delivery.</p>
Act amending the Act <b>on value added tax and certain other laws</b> of 4 July 2019	1 January 2020	Payment of personal income tax, corporate income tax, tax on goods and services and non-taxable payables to the budget should be made to the account of the Tax Office using an individual tax account identifying the taxpayer or payer, the so-called individual tax account or micro tax account.
Act amending certain acts to reduce payment congestion of 19 July 2019	1 January 2020	<p>In commercial transactions where the debtor is a public entity (public administration), the payment period must not be longer than 30 days from the date of delivery of the invoice, 60 days are left for public healthcare entities to make payment.</p> <p>It will be mandatory to apply a maximum 60-day payment period also in transactions where the creditor is a micro, small or medium-sized business and the debtor is a large company (the so-called asymmetric transaction).</p> <p>A relief for bad debts vis-a-vis uCIT was introduced, consisting in the fact that the creditor will be entitled to adjust the tax base by the value of the debt (unpaid) previously included in the revenue due. If, after the tax year for which the creditor adjusts the tax base, the debt is settled or disposed of, the creditor will be obliged to increase the tax base accordingly – in the tax return filed for the tax year in which the debt is settled/ disposed of.</p> <p>On the other hand, debtors who fail to pay their obligations for the purchase of goods/services on time will generally be required to increase the tax base (or reduce the tax loss accordingly) by the tax-deductible amount of the outstanding liability.</p> <p>The increase of the tax base (reduction of tax loss) will be made in the tax return submitted for the tax year in which 90 days have passed from the date of expiry of the payment deadline specified in the invoice (account) or in the agreement – if by the date of filing the tax return the liability is not settled. The period of 90 days shall be counted from the first day following the end of the period for payment of the undertaking specified in the invoice (bill) or contract.</p> <p>The largest corporate income tax payers (Groups, taxpayers whose income exceeds EUR 50 million per year) will report to the Minister of Economy each year on their payment practices (applicable payment dates). These reports will be publicly available.</p>
Act amending the Act – <b>Bankruptcy Law</b> and certain other acts of 30 August 2019	24 March 2020	The main objective of the adopted law is to introduce changes to the existing regulations on consumer bankruptcy. They are intended to facilitate debt relief for natural persons not running their own businesses.
Act amending certain acts in order to reduce regulatory burdens of 31 July 2019	On 1 June 2020, an amendment to widen the scope of consumer protection will enter into force.	Among the changes introduced by the Act is the extension of the scope of application of provisions on prohibited clauses in contracts with consumers to natural persons conducting business activity.

<b>Recommendation S</b> on good practices for the management of mortgage-backed credit exposures	KNF expects the banks to implement the recommendation by 31 December 2020.	Recommendation S is a set of good practice rules for mortgage backed credit exposures. The purpose of the amended Recommendation S is, <i>inter alia</i> , to extend its current wording by rules concerning the management of credit exposures secured by mortgage-backed fixed interest rate or periodically fixed interest rate so as to take into account the risk related to these loans. Among the range of loans secured by residential mortgages for retail Clients, banks should also have such loans. They should also allow Clients to change the interest rate formula under an already concluded mortgage secured loan contract from a variable interest rate to a fixed interest rate or periodically fixed interest rate. The provisions of the Recommendation relating to loans with an option of release from the obligation vis-a-vis the bank related to a credit exposure secured by a mortgage on a residential real estate in the event of the borrower's transfer to the bank of ownership title to the real estate being credited (the so-called "keys for debt" loans), lay down specific rules for assessing creditworthiness and collateral.
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## Changes to capital requirements

Banks in Poland should maintain minimum capital ratios in line with the following:

- Total capital ratio (TCR) at the following level: 8% + add-on + combined buffer requirement;
- Tier I ratio (T1) at the following level: 6% + 75%\*add-on + combined buffer requirement;
- Common Equity Tier 1 ratio (CET1) at: 4.5% + 56%\*add-on + combined buffer requirement.

Whereas, the combined buffer requirement is a total of:

- capital conservation buffer,  
The capital conservation buffer was instituted in 2016 under the Act on macroprudential supervision over the financial system and crisis management in the financial system. Effective from 1 January 2019 the capital conservation buffer has been at the level of 2,5%.
- countercyclical capital buffer,  
The buffer shall apply to the exposures on which such a buffer has been imposed by the competent authorities. The countercyclical buffer is variable over time depending on the structure of adequate exposures and the levels of countercyclical buffer rates imposed on adequate exposures. The countercyclical buffer for exposures in Poland is 0% from 1 January 2016.
- buffer of other systemically-important institution,  
In October 2019, the PFSA updated the list of banks, which were deemed by it systemically important institutions. Currently, it features 9 banks (7 commercial and 2 cooperative ones). Capital add-on was imposed on these institutions both at the consolidated and separate levels. The PFSA decided to impose buffers of 0.10% – for

cooperative banks – up to 1.0% for one commercial bank. Among commercial banks: two banks received a buffer of 0.25%, one bank (ING Bank Śląski S.A.). 0.50%, three banks 0.75% and one bank 1.00%.

- systemic risk buffer.  
The systemic risk buffer has been effective since 1 January 2018. It was introduced by the Regulation of the Minister for Economic Development and Finance on systemic risk buffer of 1 September 2017. Its current value is 3%.

The PFSA also monitors the banks’ exposure under FX mortgage loans. Institutions with material exposure need to meet a higher capital requirement (separately at the consolidated level and separate level), so called add-on. The PFSA did not impose that requirement on ING Bank Śląski.

For the ING Bank Śląski Group, the above-referred requirements mean the following minimum ratios:

- CET1 >= 10.5%,
- T1 >= 12.0%,
- TCR > 14.0%

## Business environment

### Gross Domestic Product

Since the peak in 2018, the Polish economy has been recording a gradual slowdown. In 2019, it grew by 4% y/y, compared to 5.1% a year earlier. The growth slowdown was mainly driven by a decline in investments (7.8% y/y vs. 8.9% in 2018). Public expenditures (e.g. infrastructural investments) were less dynamic due to the slower absorption of EU funds. Meanwhile, the bouncing of private expenditure in this cycle took place relatively late and was short-lived. Companies were reluctant to obtain new loans (their dynamics fell by more than half compared to 2018), and



increased their savings. Household spending remained the engine of economic growth, having increased by 3.9% y/y last year, as opposed to 4.1% in 2018. However, the propensity to buy was lower than suggested by the increase in household income, driven by the high wage growth rate and new social transfers. Meanwhile the consumers enhanced their savings – the highest growth of deposits since 2011 was recorded – about 10% y/y.

ING Bank Śląski's economists expect that in 2020 GDP growth will slow down to around 3% y/y. This will primarily be the effect of a further slowdown in investment (growth rate down to 1.4% y/y), especially public investment, due to a further slowdown in the absorption of EU funds. Private investment is likely to remain low – surveys suggest a weakening propensity to invest, especially among the smallest entities. The propensity of businesses to invest reduces the deterioration of the institutional environment, strict tax policy, and new burdens. This will probably also mean a further slowdown in corporate lending growth rate. Corporate deposits should also grow at a slightly slower rate than in 2019. ING Bank Śląski's economists expect the consumption growth to reach 3.3% y/y, supported by earlier transfers, as well as a high minimum wage increase. However, it is unlikely to maintain the dynamics of loans and retail deposits at the last year's level. In addition, the deposit rate will increasingly outpace the lending growth rate. Polish export industries are still well able to withstand the downturn in the Eurozone, taking advantage of the still strong domestic demand of their own economies This suggests only a slight deterioration of net exports in 2020.

Macroeconomic projections					
	2017	2018	2019	2020P	2021P
GDP growth (%)	4.9	5.1	4.0	3.0	2.2
General government debt as per the EU methodology (% of GDP)	50.6	48.9	45.9	44.9	44.5
Average annual inflation (CPI) (%)	2.0	1.7	2.3	3.7	2.8
Unemployment rate (%)	6.6	5.8	5.2	5.4	5.9
USD/PLN exchange rate (yearend)	3.48	3.76	3.80	3.81	3.59
EUR/PLN exchange rate (yearend)	4.17	4.30	4.26	4.30	4.31
WIBOR 3M (yearend)	1.72	1.72	1.71	1.73	1.73

### Low interest rate landscape

The Monetary Council has maintained interest rates unchanged since March 2014. Last year, the Monetary Council decided not to change the parameters of its policy despite the government's expansive budgetary policy (e.g. the

introduction of new social benefits): 13th pension and the extension of the 500+ programme), the still high GDP growth and the consequent risk of rising inflation. The Monetary Council argued that the threat to price stability is primarily of a regulatory nature (e.g. increase in waste collection fees) and is beyond its control.

According to economists from ING Bank Śląski, the Monetary Council will maintain interest rates at the current level (reference rate 1.5%, lombard rate 2.5%) in 2020 and most likely also in 2021. In its interventions, the Council emphasizes that one of the key drivers of price increases is regulatory change. The gradual economic slowdown will also hinder price growth in 2021. According to the ING Bank Śląski's economists, inflation in the first quarter of this year will exceed 4.0% y/y, which is higher than the National Bank of Poland's inflation forecast suggests. It should fall in the following months of the year, but remain close to the upper limit of the NBP inflation target (3.5% y/y). Thus, real rates (after inflation) will remain one of the lowest in Europe.

According to the ING Bank Śląski's economists, the Monetary Council will pay great attention to the economic growth slowdown, emphasizing the mild attitude of the main central banks or, in its opinion, the temporary nature of price hikes.

Negative level of real interest rates of the National Bank of Poland is a negative factor for the Polish currency (PLN). To date, however, its impact is relatively small.

### International business landscape



The year 2019 saw a slowdown in economic activities, mainly visible in Asia and the euro zone. This was caused by several factors, such as the trade war between the USA and China, a drop in demand for electronics (most probably on the eve of the launch of new generation 5G telephony), or numerous problems of the automotive industry (e.g. low car imports from Europe to Asia).

This year brings a slight improvement in moods in the surveys carried out by ZEW in Germany and by Sentix in euro zone. Expectations of industrial companies are also slowly improving, as shown by Markit PMI studies and European Commission indicators. However, our bank's economists forecast that the process of economic activity revival in the European economies will be long-term – the euro zone's GDP growth in 2020 will continue to be low, most likely below 1.0% y/y. In the case of the US market, a slight slowdown from 2.3% to 1.7% y/y is expected – however, the US economy is doing much better than the euro bloc countries.

The year 2020 will also bring key global political developments, including the US presidential elections in November. The opponent of Donald Trump may be a representative of the left wing of the Democratic Party. Such a choice will mean the confrontation of two opposing US economic and international policies. This year will probably also see the next stage of trade negotiations between the US and China and potentially the European Union.

Challenges ahead of the financial sector

Market megatrends are factors that influence the future of our bank. We address them in the assumptions of our business strategy and sustainability strategy, as well as in the value creation model.

We realise that digitalisation of banking services and – by extension – new channels of customer interaction and growing importance of online safety are the consequences of technology progress. New client needs require a personalised approach. With those factors, it is necessary to focus on the banking services from the perspective of experience that we offer to our clients. That is why customer experience at our bank is determined by technology solutions we implement. We focus on availability, speed and intuitiveness, clarity and simplicity of communication, as well as customer safety.

Despite the passage of years, poor financial awareness of Poles remains a key challenge for the market. We feel responsible for the financial education of our clients. That is why we propose them solutions such as Moje ING system that prepare them for taking independent and informed financial decisions.

We also notice market needs and opportunities in relation to environment protection. We focus on responsible investing by ensuring an adequate assessment of social- and environmental risks of large investment projects (in accordance with the international Equator Principles).

The need to be flexible when responding to market changes and growing competition presents challenges in the workplace. In order to attract and retain employees and also ensure competitive quality of human capital, we focus not only on providing a friendly work environment but also on innovative way of working.

# Our strategy

Our stakeholders expect us to communicate not only on our performance but also on our growth outlook. The strategy, the manner of its implementation and market competition are the most important topics indicated by the bank stakeholders in a survey conducted for the purpose of the report. We move beyond the usability related to the offering of banking products and services. People are our most important assets. We engage our resources to develop competences and build a work environment that is conducive to innovativeness. The results of our actions translate into a unique customer experience, customer safety and development opportunities.



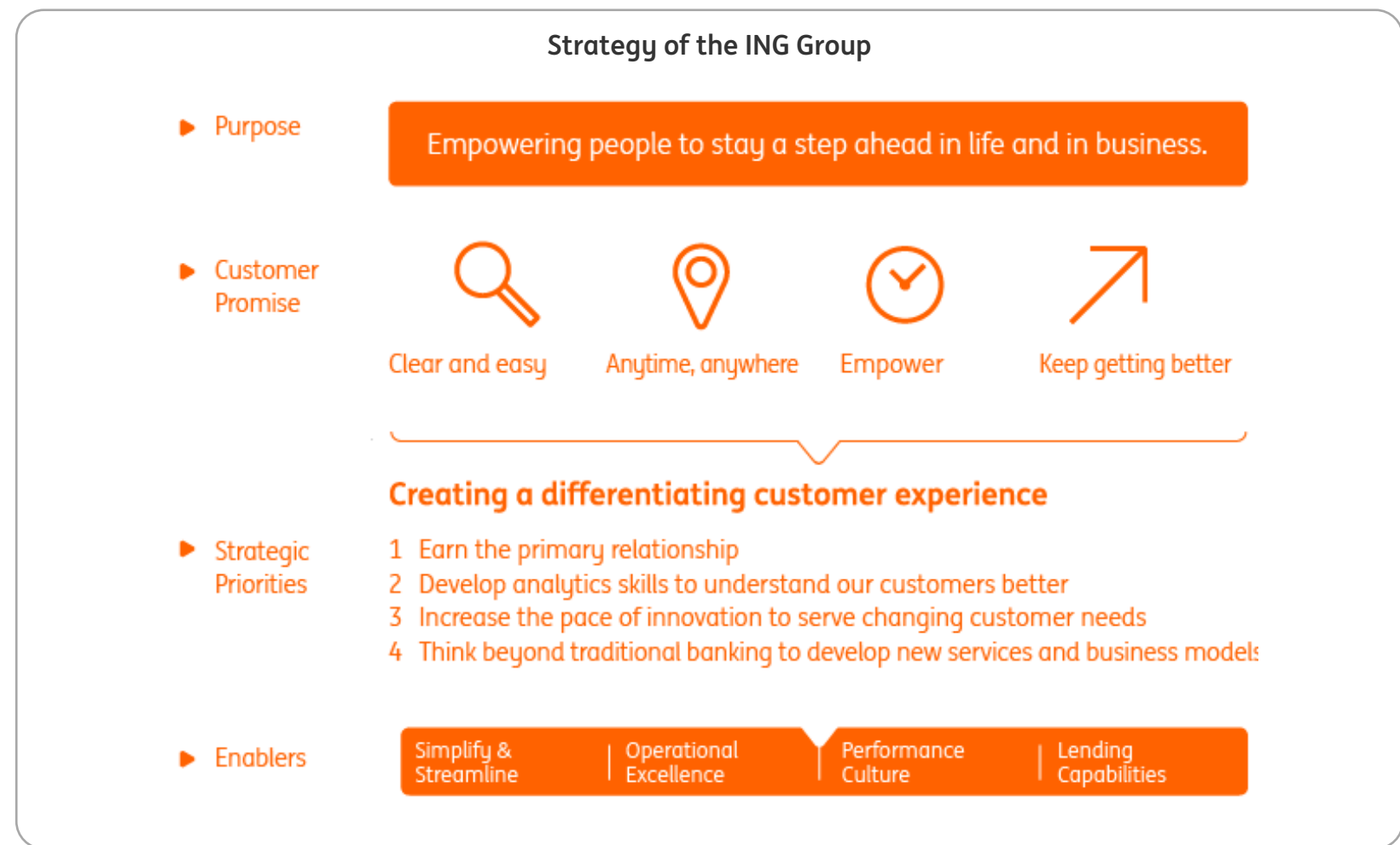
## ING Bank Śląski S.A. strategy

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### Business strategy

In 2014, ING Group implemented the Think Forward strategy. We want to be perceived as a bank of the future for the enterprising. The one that delivers practical solutions to its clients, the solutions they need and will be willing to use. Our clients as well as the audience of our commercials probably associate us with the catchphrase: “It’s the people that count”. And that’s right, as we want people to be able to pursue their goals with our support. Often, we help them even become aware of and name their goals.

In practice, it means that – thinking of our clients and their satisfaction – we simplify our actions and how we communicate. We enhance our availability by putting the emphasis on the latitude of contact forms and times when the client may reach us. We are an organisation of committed people who derive satisfaction from improving themselves. And also from supporting our clients in their development. We want them to make informed choices.



# Our promises

## Clear and easy banking

We talk and write to our clients in a clear fashion: without any banking lingo or legal intricacies. We simplify agreements and avoid asterisks. We create accessible online solutions.

## We are there for you anytime, anywhere

We give our clients access to services from any device and at any day or night time. We rebuild our branches and adapt cash machines to client needs.

## Empowerment

We educate clients, advise them and share knowledge with them. Our advisors assist clients in taking decisions. We develop innovative platforms and tools to streamline finance management.

## We keep getting better

Together with the clients we search for new solutions and improvements. We automate our internal systems. We engage all employees in searching for room for improvement.

## Strategic priorities

### We want to be the primary bank for our clients

Clients are at the centre of our actions. We care to have numerous loyal clients. They will choose us as their primary bank only if they have good relationship with us and if we help them solve their problems. We know that we can ensure them a lasting and good relationship if, at the same time, we look after our financial strength and stable infrastructure.

### We develop our competence to understand clients better

Creation of new solutions is the basic task of our organisation. That is why, we are looking for a new way of working, for the method that will be optimal for the organisation of ambitious and committed people who care about their own development and development of the others. The method that will get clients even more involved in the process of creating and modifying products.

### We implement innovations so as to meet client needs

We watch changes carefully and strive to use them in many areas. We turn them into products and services which are developed together with clients. We implement state-of-the-art technologies, but we remember that clients must find the technology both useful and safe.

### We think beyond banking to develop new services and business models

ING Bank Śląski S.A. is not only about savings money and loans. We provide clients with a comprehensive view of their finance and offer them the solutions that go beyond the traditional banking.

## Execution of strategic priorities for 2019

As part of the business strategy implementation, we identified several key areas of focus for 2019. The table below presents the results of priorities' implementation:



Accomplishment of strategic priorities for 2019	
Priority	Deliverables
Increased number of customers	<ul style="list-style-type: none"> <li>As at the end of 2019, the group of primary clients was 2.0 million (+138 thousand y/y).</li> <li>In 2019, we acquired 474 thousand retail clients and 13 thousand corporate clients.</li> </ul>
Compliance with regulatory requirements	<ul style="list-style-type: none"> <li>The total capital ratio remained at a safe level at the end of 2019 (16.87%), ensuring dividend payout.</li> <li>Compliance with new regulatory requirements (PSD2, RODO, Split payment).</li> </ul>
Operational excellence	<ul style="list-style-type: none"> <li>The value of commercial balances per FTE was PLN 30.8 million at the end of 2019 (+11.5% y/y).</li> <li>The cost/income ratio was 43.1% (-1.3 pp y/y).</li> <li>In 2019, we launched Apple Pay, Google Pay and Garmin Pay for debit and credit cards.</li> </ul>
Employee incentives	<ul style="list-style-type: none"> <li>We implemented a Well-beING programme for employees based on three priorities: energy, health and activity. Additionally, we took up initiatives for handicapped employees.</li> <li>We have been strengthening our Bank's brand as a technological company by involving our employees in knowledge-sharing initiatives like meetups and <a href="https://techblog.ing.pl">techblog.ing.pl</a>.</li> </ul>
Data governance	<ul style="list-style-type: none"> <li>Under works on PSD2, we have launched open Banking services.</li> <li>Implementation of Roboplatform for corporate clients.</li> </ul>

## Strategic priorities and main risks in 2020

## Our strategic priorities for 2020

Our strategic priorities for 2020	
Priority	Metric
Client activation and digitisation	<ul style="list-style-type: none"> <li>An increase of the number of primary clients, in retail banking and corporate banking.</li> <li>A growth of green credit assets.</li> <li>Top 3 brand recognition as an Internet Bank.</li> </ul>
Compliance with regulatory requirements	<ul style="list-style-type: none"> <li>Compliance with PFSA requirements</li> <li>The refinancing risk ratio within risk appetite.</li> </ul>
Employee incentives	<ul style="list-style-type: none"> <li>Promotion of green and pro-health initiatives among employees.</li> <li>Further development of the <i>Well-being</i> programme.</li> <li>An increase of permanent employee commitment measured with WPC.</li> <li>Promotion of diversity and inclusion policies.</li> </ul>
System stability and availability	<ul style="list-style-type: none"> <li>System availability and capacity.</li> <li>Propagation of knowledge on IT security and awareness of risks related to cyber crimes.</li> <li>Leader in modern mobile solutions.</li> </ul>
Operating effectiveness and data management	<ul style="list-style-type: none"> <li>Development of a system integration strategy.</li> <li>More intensive use of Artificial Intelligence, Machine Learning and Cognitive.</li> </ul>

## Risks to business strategy implementation in 2020

Risks to business strategy implementation in 2020	
Risk	Comment
Macroeconomic	<ul style="list-style-type: none"> <li>Higher inflation.</li> <li>No possibility for the state to balance the budget.</li> <li>Risks related to the slower GDP growth.</li> <li>International instability, including trade wars.</li> </ul>
Regulations	<ul style="list-style-type: none"> <li>Legal risk related to judgements by CJEU concerning FX mortgage loans and refund of commissions charged for loan prepayment.</li> <li>Uncertainties related to the volume and structure of regulatory costs, including for the Bank Guarantee Fund.</li> <li>Regulations and practices aimed at enhancing protection of clients' interests.</li> </ul>
Capital requirements	<ul style="list-style-type: none"> <li>Full implementation of Basel IV.</li> </ul>
Market competition	<ul style="list-style-type: none"> <li>Ownership changes in the Polish market may be material which will increase competition and will contribute to growing marketing costs.</li> </ul>

Chances in implementing the strategy in 2020	
Chance	Comment
Customers	<ul style="list-style-type: none"><li>– Acquisition of new customers.</li><li>– Increasing the share of primary clients in the total number of clients.</li><li>– Exploiting the potential of electronic banking.</li></ul>
Sustainable development	<ul style="list-style-type: none"><li>– Increased public ecological awareness.</li><li>– Increased availability of green energy sources.</li><li>– EU climate neutrality.</li><li>– Access to new technologies.</li></ul>
Financial results	<ul style="list-style-type: none"><li>– Increase in business volumes.</li><li>– Cost-effectiveness.</li></ul>
Capital regulations and requirements	<ul style="list-style-type: none"><li>– Decrease in regulatory costs in the banking sector.</li><li>– Lower capital requirements.</li></ul>

### “Sustainable Banking” Academy

The Sustainable Banking Academy is a course specially developed for Bank employees from various areas of activity. The Academy provided our employees with information on the most recent market trends and solution the sphere of responsible Banking, sustainable development and CSR. The Sustainable Banking Academy helped understand a global, sectoral perspective in the context of fast developing responsible Banking. The participants could assess how the Bank copes in the context of trends in sustainable development and responsible business.

The subjects discussed at the Academy: SDG, CSR, climate changes and challenges for the sector, financial and non-financial inclusion, diversity, challenges of the contemporary world. The Academy held 4 full-day meetings in Katowice and Warsaw and 2 online webinars. All employees of the Bank are invited to attend the Sustainable Banking Academy. The Academy was attended by 26 persons representing various areas of the Bank's business, roles and functions.

**Sustainability strategy**

Today, it is up to our decision what the world will look like and what world will be available to the next generations. As a financial institution whose mission is to “Support and inspire people to be a step ahead in life and in business”, we affect multiple economic processes and individual choices.

Exerting impact is inseparably related to responsibility. As an organisation, we feel responsible for many things. It is important that we set targets that are common to us and that are directly resulted to our business activity. And we hope to implement them with success. Therefore, sustainable growth is an indispensable element of our business strategy. In order to pursue consistent actions and set directions, we have set 4 priorities in our strategy. Our response is: Bank for the enterprising, Bank of equal opportunities, Bank for green investments and Bank which is eco-aware.

## Implementation of ING Bank Śląski S.A. sustainability strategy

Implementation of ING Bank Śląski S.A. sustainability strategy		
Goal	Success measures as at the year-end 2019	Execution
The Bank for the enterprising		
<b>We support young people in being enterprising</b> <ul style="list-style-type: none"><li>– a campaign “Najlepiej Robić Swoje” [The best way is to do your things] addressed to people aged 18-26, supporting them in the development of their passions and financial independence and cooperation with the Patronite crowdfunding platform</li><li>– we share knowledge and we lecture at universities</li><li>– an educational programme of the ING Polish Arts Foundation “Professional Artist”</li></ul>	<ul style="list-style-type: none"><li>– TOP 1 “Bank for the resourceful and enterprising” for individual clients</li></ul>	<ul style="list-style-type: none"><li>– In a survey, on a national representative sample of Poles aged 18-65 and a sample aged 18-26, we were ranked TOP 1 as a “Bank for the resourceful and enterprising” (October – December 2019, Brand tracking, Kantar, CAWI). A campaign for young people was carried out in January-April 2019 as a continuation of last year’s campaign.</li></ul>
<b>We support Poles in better financial management</b> <ul style="list-style-type: none"><li>– a campaign encouraging for cautious consumption/saving + communication platform around intelligent solutions in Moje ING</li></ul>	<ul style="list-style-type: none"><li>– TOP 1 “Bank for the resourceful and enterprising” for individual clients</li></ul>	<ul style="list-style-type: none"><li>– In a survey on a national representative sample of Poles aged 18-65, we were ranked TOP 1 as a “Bank for the resourceful and enterprising” (October-December 2019, Brand tracking, Kantar, CAWI). In a mass communication, we encouraged Poles to informed consumption and saving (January-February 2019) and we promoted useful functionalities of Moje ING such as: salary right now, multi-currency card with a traveller’s packet, messages on upcoming periodic payments, eco-loans with front-end commission (April – November 2019).</li></ul>
<b>We support business people in setting up and developing businesses</b> <ul style="list-style-type: none"><li>– access to intelligent Banking solutions (business establishment in Moje ING) and non-Banking solutions: PlaceMe (business location), accounting, terminals, microfactoring, imoje, ALEO</li><li>– we help in reaching success and attracting clients: “A good voice for companies” campaign and educational content at the European Start-up Days</li><li>– access to specialists at the Contact Centre and in branches</li></ul>	<ul style="list-style-type: none"><li>– TOP 1 “Bank for the resourceful and enterprising” for companies</li><li>– TOP 2 spontaneous recognition for companies</li><li>– Minimum 10% of clients actively use non-Banking solutions</li></ul>	<ul style="list-style-type: none"><li>– Brand results accomplished. In a survey “Brand monitoring and effective communication in the enterprise segment" (GFK, March-December 2019, CAWI) we were ranked TOP 2 in spontaneous recognition for companies and TOP 2 as a “Bank for the resourceful and enterprising”. In communication with potential business people we promoted the possibility to set up a business in Moje ING (May-June and September-November 2019), we encouraged Poles to share positive opinions on companies as a result of which they have more clients (February-May and November-December 2019), after ESD, business owners were offered practical tips on how they should develop their business (May-June 2019).</li></ul>

<b>We keep developing cooperation with new companies and start-ups</b> <ul style="list-style-type: none"><li>- DemoDays and win-win cooperation with selected start-ups – PlaceMe, Jednośląd/Blinkee, Traficar, 2040.AI, Waywer</li><li>- we support an enterprising attitude among employees: (a) we encourage them to keep developing – we search for and develop new competencies (re-skilling, e-learning), (b) we promote a culture of innovation (Pace Everyday, Akcelerator ING, Innovation Bootcamp)</li><li>- NPS growth among employees</li></ul>	<ul style="list-style-type: none"><li>- TOP 1 “Bank for the resourceful and enterprising” for companies</li><li>- TOP 2 spontaneous recognition for companies</li><li>- Minimum 10% of clients actively use non-Banking solutions</li></ul>	<ul style="list-style-type: none"><li>- Responding to business needs, we organise regular meetings for start-ups with representatives of the Bank’s business lines. The first meetings were held in 2017. At the meetings, the invited start-ups have an opportunity to make presentations of the products they develop to Bank’s representatives. For the Bank this is major inspiration and an opportunity to find solutions to respond best to clients’ expectations.</li><li>- We invite businesses developing products from various areas such as payments, e-commerce, business process optimisation, artificial intelligence or open API. We invite selected companies to test or carry out pilot projects for their solutions. The step that may follow may be establishment of various type of cooperation: capital investment, incorporation of a ready start-up service to an offer, joint product development, etc. by recommending services of start-ups or co-branding. Examples of such actions include cooperation with BillTech, a start-up whose solution we used to develop our new service – Moje Usługi. Another example is cooperation with 2040.ai, a start-up, whose solutions for advisors have been tested internally and now are implemented.</li><li>- We support the enterprising attitude of employees – we encourage them to keep developing – we search for and develop new competencies (re-skilling, e-learning). In March 2019, a second edition of the conference “Odczarujmy Service Design”, attended by 200 persons. They learned how to apply service design in daily work. In 2019, there were two sessions of the Service Design Academy, attended by 29 persons from 17 units. In 2019, we carried out several dozen projects with our PACE methodology. The methodology is focused on developing solutions with clients so that they provide value added. With such approach, we have enhanced and developed new, breakthrough solutions, e.g. with start-ups.</li><li>- In a survey “Brand monitoring and effective communication in the enterprise segment” (GfK, March – December 2019, CAWI) we were ranked TOP 2 in spontaneous recognition for companies and TOP 2 as a “Bank for the resourceful and enterprising”. The NPS ratio among employees grew from 53% (average of Q2, Q3 and Q4 2018) up to 54% (average of Q2, Q3 and Q4 2019).</li></ul>
<b>The Bank of equal opportunities</b>		
<b>We remove or cancel architectonic barriers in our branches</b>	<ul style="list-style-type: none"><li>- 91% branches with no barriers (98% branches without barriers where indirect solutions are used, e.g. rails)</li></ul>	<ul style="list-style-type: none"><li>- Throughout the year we were removing architectonic barriers in our branches. At the end of 2019, we had 91% branches without architectonic barriers, 7% branches had barriers eased by the use of rails, fixing of paging bells (access to a branch by handicapped people requires assistance by an ING employee).</li></ul>
<b>We are available to clients in all contact channels with the Bank</b>	<ul style="list-style-type: none"><li>- A new contact channel with the Bank was launched – chat in a mobile application</li></ul>	<ul style="list-style-type: none"><li>- In July 2019, we launched the chat function in a mobile application. To activate the function, it is necessary to log to the application and then find the chat button at the bottom of the page. The solution is available for Android and iOS device users. Just download the most recent version of the application.</li></ul>
<b>We educate customers how to move in the digital world, we counteract to digital exclusion</b> <ul style="list-style-type: none"><li>- we promote assistance in branches</li><li>- we are developing a “handbook for beginners” in mobile/electronic banking</li></ul>	<ul style="list-style-type: none"><li>- An information action, development of a handbook for beginners in mobile/online banking</li></ul>	<ul style="list-style-type: none"><li>- During a workshop with senior citizens, we have developed a working version of the handbook. The handbook is to be published in 2020.</li><li>- We promote assistance in branches at onboarding training and we encourage employees to assist in the first steps with electronic banking.</li></ul>



<b>We support the employment of handicapped persons in our Bank</b> <ul style="list-style-type: none"><li>– we have implemented a packet of benefits and facilities for handicapped employees</li><li>– we have started cooperation with the Activation Foundation who will support us in recruiting handicapped people</li></ul>	<ul style="list-style-type: none"><li>– A complete developed recruitment process with the support of the Activation Foundation involved in activating handicapped people</li></ul>	<p>Additional days off: 3 paid days off for employees with mild disabilities, 5 paid days off for employees upbringing children with disabilities (no age limit that would restrict eligibility for the right), 2 paid days off for employees caring for spouses/partners, parents, in-laws, grandparents with mild or severe disabilities. A higher number of days off from work than guaranteed by labour law, e.g. an additional one day off in case of child birth or adoption of a child (totally 3 days) or in connection with a wedding of an employee (totally 3 days). A day off for the family of each employee. Such day off may also be utilised in hours.</p> <p>Additional cash benefits: A fixed monthly allowance of PLN 500 for employees with moderate and material handicaps. A fixed monthly allowance of PLN 500 for employees rearing handicapped children – per each child. Refinancing of medications, dressing materials on the basis of invoices up to the full amount.</p> <ul style="list-style-type: none"><li>– We have developed a recruitment process with the support of the Activation Foundation. We have developed guidelines for Directors – Hiring of handicapped persons</li></ul>
<b>We actively support the culture of diversity. We foster an environment free of discrimination and mobbing</b> <ul style="list-style-type: none"><li>– commencement of e-learning and a communication campaign to employees</li></ul>	<ul style="list-style-type: none"><li>– Minimum 2 communication actions (including training) or inspiring conferences for employees</li></ul>	<ul style="list-style-type: none"><li>– We published communication to all employees on the implementation of the <i>Policy of Caring about Working Environment Free of Discrimination and Mobbing</i> and the <i>Procedure of Handling the Suspected Occurrence of Adverse Events</i>. Our offer of e-learning contains a course “Work free of discrimination and mobbing” – as mandatory training for all employees. Additionally, in June we arranged a Week of Diversity and Inclusion that included inspirational meetings, workshops and lunch&amp;learn meetings.</li></ul>
<b>We develop friendly work places. We care about the health and well-being of our employees.</b> <ul style="list-style-type: none"><li>– we support our sporting employees, e.g. Run Warsaw and a Football Tournament</li></ul>	<ul style="list-style-type: none"><li>– Minimum 2 campaigns for employees, including a campaign on oncology prevention and a campaign for sports</li></ul>	<ul style="list-style-type: none"><li>– In October, we started our Oncology Prevention Programme. With the programme, it is possible to make appointments for free tests to be held at renowned clinics ensuring safe procedures and a reliable analysis of the results. First, we will focus on diseases of the colon and breasts.</li><li>– In 2019, we held three sports events for employees: football tournament, beach volleyball tournament and we were the main partner for Run Warsaw. In connection with Run Warsaw, we held a number of training sessions for employees and we held a campaign on healthy nutrition and exercising.</li></ul>
<b>We continue to further simplify and promote “Po prostu” [Just Like That] communication</b>	<ul style="list-style-type: none"><li>– Further simplification of communication due to standards and automation. Increased awareness of Po prostu with clients and employees.</li></ul>	<ul style="list-style-type: none"><li>– We have already simplified over 2,500 communications, including major agreements. In 2019, we were granted a certificate of a plain Polish language from the University of Wrocław – thus we had an opportunity to check if the language on our site ing.pl is plain. This is the second certificate in our portfolio – in 2017 we were awarded another certificate for the language in Moje ING. Our target is automation – that is why we have developed Prostomat. This is the first tool in Poland which not only diagnoses texts but it also translates texts from “Bankish” into human language – like the Google translator. Our employees are provided with ready made simplified texts and they have more time to focus on other things – e.g. simplification of processes themselves.</li></ul>

The Bank of green investments		
<b>We support the development of electromobility and sharing economy in selected big cities</b> - in that respect, we cooperate with our partners: Tauron, Engie, Innogy, Jednośląd / Blinkee, Traficar	- Minimum 3 undertaken or completed initiatives	- We support Innogy, Blinkee and Tauron. The largest electrical car sharing fleet in Europe – Innogy Go activated, new charging stations with ING opened.
<b>We pursue the green initiate developed at ING Akcelerator</b> - the Eco-drive platform for smart mobility launched	- The platform is accessible to users and minimum 3 cooperating partners providing vehicle	- The project is implemented jointly with Voom. An investment agreement and a marketing agreement signed.
<b>We finance projects in renewable energy sources</b> - projects in the area in wind power generation, photovoltaics, biogas stations	- Minimum 3 completed projects	- We provided financing to projects improving energy effectiveness and new sources of green energy: wind and photovoltaics.
<b>We pursue energy efficiency projects and renewable energy source projects under frame agreements with our partners</b>	- Minimum 8 completed projects with our partners	- Partly completed. Audits take more time than we assumed. First agreements have already been signed and there is much interest.
<b>We promote areas of closed circuit economies</b> - we look for business opportunities in the area - we share our knowledge at internal and external conferences	- Minimum 1 transaction completed	- The Bank is among the signatories of the document approved at the meeting under the auspices of KPRP i Employers of Poland – Card of Ecological Responsibility of Enterprises and Employers in Poland. participation in the conference of our economists. - Our employees have attended EKG, OEES conferences as experts where they spoke about closed circuit economies.
<b>We are in active dialogue with non-governmental organisations (NGOs).</b>	- A round-table meeting	- On 10 October 2019, a round-table meeting was held, organised by ING in cooperation with WISE Europa. The meeting was attended by the largest Banks, NGOs and insurers and PBA.

The ecologically aware Bank		
<b>We carry out activities that are aimed at reducing the carbon footprint.</b> <ul style="list-style-type: none"><li>– purchase of green energy origin certificates</li><li>– sale of buildings with high-emission heating installations (coal furnaces)</li><li>– installation of photovoltaic panels on the head office building in Katowice</li><li>– modernisation of lighting at the ground car park at ul. Chorzowska 50 (LED tracing lighting, dusk sensor)</li></ul>	<ul style="list-style-type: none"><li>– By 2020 we will reduce our coal footprint by 84% versus 2014</li></ul>	<ul style="list-style-type: none"><li>– Since 2016, 100% of electrical energy purchased by our Bank comes from renewable sources. In 2019, for the fourth time we purchased energy origin certificates and as a result we reduced our coal footprint by over 70% versus 2014. We will continue to use green energy in the future.</li><li>– In 2019, we completed the first photovoltaic project installation at ul. Chorzowska 50 – we installed 178 panels on the roof of the head office building, generation power of the installation is 49.84 kW. The estimated energy yield is about 2-3% of our energy demand in the building at Chorzowska 50.</li><li>– We placed green benches around the head office in Katowice – they use solar energy to charge phones or other devices. The benches are provided with USB sockets and induction charging option. Additionally, for our four-legged companions we provided water bowls by the benches.</li></ul>
<b>We reduce water consumption. We care about waste recycling.</b> <ul style="list-style-type: none"><li>– installation of faucet aerators in branches and dish washers in the head office in Katowice</li><li>– communication initiatives relating to waste segregation</li></ul>	<ul style="list-style-type: none"><li>– By 2020 we will reduce water consumption by 20% versus 2014, 100% waste recycling by 2020</li></ul>	<ul style="list-style-type: none"><li>– In 2019, we reduced water consumption by 8.9% versus 2014.</li><li>– We maintained waste recycling at 100%.</li><li>– We installed faucet aerators in our branches.</li><li>– At Bank outlets we are obliged to segregate waste. Additionally, we collect and destroy data media (in paper and magnetic form).</li><li>– At each branch we collect office waste – toners, furniture or electronic waste and we have it disposed of by a specialised company.</li><li>– Additionally, we collect use batteries. Dedicated containers are located in printer rooms and kitchen annexes in all buildings of the Bank.</li></ul>
<b>We develop ecological awareness of our employees and we educate them in that area</b> <ul style="list-style-type: none"><li>– a communication campaign on the minimisation of plastic consumption</li><li>– we are involved in eco volunteering</li></ul>	<ul style="list-style-type: none"><li>– A year-round campaign on the minimisation of plastic consumption – examples of actions</li></ul>	<ul style="list-style-type: none"><li>– In 2019, we continued the action to dispose of plastic from our environment using the slogan: Reusable Love. In 2019, we got rid of plastic bottles at all our offices – customers of our branches will be offered water in ecological cups from dispensers. Employees have access to filtered water and glass decanters.</li><li>– We also participate in the worldwide #TrashChallenge – cleaning the world. Apart from nominating other companies, we have decided to nominate our internal teams. We have already carried out several actions cleaning green sites – there will be more after future nominations.</li></ul>

Introduction	About us	Our environment	Our strategy	Our financial results	Customer experience	Sustainable growth and CSR	Bank and client safety	Way of working	Corporate governance	Other information	About the report	Glossary	GRI index	Management Board statements
<b>We promote pro-environmental initiatives in our own business</b> <ul style="list-style-type: none"> <li>– implementation of a long-term eco-strategy for our car fleet, modifications to the Car Policy</li> <li>– testing of electrical car use for our employees in selected locations as an alternative for taxis and combustion engine vehicles</li> </ul>				<ul style="list-style-type: none"> <li>– 2019 – replacement of another 8 internal combustion engine cars on duty with electrified cars.</li> <li>– A 50% reduction of diesel vehicles and systematic replacement of combustion engine vehicles with hybrid and electrical cars</li> <li>– Construction of 8 charging stations for electrified cars next to our branches (overall there will be 17 of those).</li> <li>– 2022 – a fully ecological fleet and CO2 emission reduction by 30% by 2023</li> </ul>			<ul style="list-style-type: none"> <li>– We have reduced the share of diesel cars in our fleet by 43%.</li> <li>– We have purchased 308 hybrid cars. The total share of hybrid cars in our fleet is now 32%.</li> <li>– In 2019, we installed 1 charging station in ul. Puławska, 3 more will be installed in Q1 2020.</li> <li>– As the cars on duty are not replaced, no new electrical cars have been acquired.</li> </ul>							
<b>We care for a sustainable development of our supply chain</b> <ul style="list-style-type: none"> <li>– we held 10 audits with vendors in the of social responsibility</li> <li>– we share our knowledge with vendors – we have taken initiative promoting sustainable development, awareness development (workshops, meetings)</li> </ul>				<ul style="list-style-type: none"> <li>– By the end of 2019 – 100% vendors will have the “qualified” status</li> </ul>			<ul style="list-style-type: none"> <li>– An audit in the area of social responsibility was held with 8 vendors.</li> <li>– 98 % of vendors who underwent the qualification process in 2019 were granted the “qualified vendor” status.</li> <li>– In 2019, we did not organise workshops for vendors; we plan such workshop for 2020.</li> </ul>							





The following exchange rates are used by the bank to convert the above data into EUR:

- for the statement of financial position items – the exchange rate of the National Bank of Poland as at 31 December,
- for the income statement items – the exchange rate is calculated as the average of the National Bank of Poland's rates effective as at the last day of each month throughout the year.

EUR/PLN exchange rate					
	2019	2018	2017	2016	2015
For statement of financial position items	4.2585	4.3000	4.1709	4.4240	4.2615
For income statement items	4.3018	4.2669	4.2447	4.3757	4.1848

Abridged information on the financial results of ING Bank Śląski S.A. Group in 2015-2019						
EUR million	2019	2018	2017	2016	2015	Change 2019 to 2018
Income*	1,347	1,226	1,124	988	903	9.9%
Cost	581	545	503	480	515	6.5%
Risk cost	141	117	99	69	55	19.9%
Profit before tax	525	476	443	376	332	10.3%
Net profit**	386	357	331	286	269	8.0%
Balance sheet total	37,246	32,980	30,213	26,555	25,553	12.9%
Liabilities to customers	30,638	27,368	25,055	21,660	20,619	11.9%
Net loans and other receivables to customers***	27,777	23,983	20,989	17,647	16,435	15.8%
Equity**	3,575	3,098	2,828	2,368	2,506	15.4%
Earnings per share in PLN	2.96	2.74	2.54	2.20	2.07	8.0%
Dividend per share in PLN for given year	-	0.82	0.75	0.00	1.03	-

\*including the net profit of associated entities accounted for using the equity method; \*\* attributable to shareholders of the parent company;

\*\*\* excluding Eurobonds

## Core effectiveness ratios

Key effectiveness ratios for ING Bank Śląski S.A. Group in 2015-2019						
	2019	2018	2017	2016	2015	Change 2019 to 2018
C/I ratio	43.1%	44.5%	44.8%	48.5%	57.1%	-1.4 p.p.
C/I ratio – adjusted	43.1%	44.5%	44.9%	50.5%	54.2%	-1.4 p.p.
ROA	1.10%	1.15%	1.16%	1.10%	1.07%	-0.05 p.p.
ROE	11.6%	12.4%	12.6%	11.7%	11.0%	-0.8 p.p.
ROE – adjusted	12.8%	12.8%	12.9%	12.8%	12.2%	+0.1 p.p.
Interest margin ratio	2.93%	2.93%	2.88%	2.67%	2.45%	+0.01 p.p.
LTD ratio	90.7%	87.6%	83.8%	81.5%	78.2%	+3.0 p.p.
LCR	130%	133%	145%	155%	178%	-3 p.p.
NSFR	130%	131%	122%	124%	124%	-1 p.p.
LR according to transitional definition	7.23	7.42	7.68	7.10	6.71	-0.19
Total capital ratio	16.87%	15.58%	16.71%	14.73%	13.74%	+1.29 p.p.
Tier 1 ratio	14.41%	14.74%	15.78%	13.70%	13.74%	-0.33 p.p.

**Cost to Income ratio (C/I) – adjusted** – Operating costs/ total income together with net profit of affiliated entities recognised on an equity basis, excluding the following income: 1) dividends of PLN 82.1 million from ING PTE in Q2 2015, 2) income on sale of ING PTE of PLN 18.4 million in Q3 2015; 3) income of PLN 189.6 million under the VISA Europe transaction in Q2 2016 and 4) income of PLN 11.9 million under the Visa Inc. transaction in Q2 2017 and excluding the following costs: 1) extraordinary contribution to BGF stemming from the bankruptcy of SK Bank (Bank Rzemiosła i Rolnictwa) in Wołomin of PLN 157.4 million in Q4 2015, 2) provision for Mortgage Support Fund contribution of PLN 6.4 million in Q4 2015, 3) extraordinary contribution to BGF under the bankruptcy of the Cooperative Bank in Nadarzyn of PLN 12.2 million in Q4 2016.

**Return on Equity (ROE) – adjusted** – return on equity excluding the revaluation reserve for the cash-flow hedging instruments – net profit/ average equity for 5 subsequent quarters (excluding the revaluation reserve for the cash-flow hedging instruments).

## Income statement

Basic consolidated income statement figures of the ING Bank Śląski S.A. Group for 2019 and changes vis-à-vis 2018 are presented in the table below.

Basic consolidated income statement figures in analytical terms							
	2019	2018	2017	2016	2015	Change 2019 to 2018	
PLN million						PLN million	%
Net interest income	4,293.9	3,759.3	3,389.4	2,953.4	2,467.1	534.6	14.2%
Net commission income	1,371.7	1,304.9	1,196.0	1,064.8	1,017.2	66.8	5.1%
One-off income*	0.0	0.0	11.9	189.6	100.5	0.0	-
Other revenue**	130.8	168.2	171.8	116.7	193.3	-37.4	-22.2%
<b>Total revenue</b>	<b>5,796.4</b>	<b>5,232.4</b>	<b>4,769.1</b>	<b>4,324.5</b>	<b>3,778.1</b>	<b>564.0</b>	<b>10.8%</b>
<b>Operating costs</b>	<b>2,497.4</b>	<b>2,326.8</b>	<b>2,135.8</b>	<b>2,099.2</b>	<b>2,155.7</b>	<b>170.6</b>	<b>7.3%</b>
including one-off costs*	0.0	0.0	0.0	12.2	163.8	0.0	-
Impairment losses and provisions	605.5	500.9	421.2	300.6	232.1	104.6	20.9%
Bank levy	435.7	373.8	330.1	280.2	0.0	61.9	16.6%
<b>Gross financial result</b>	<b>2,257.8</b>	<b>2,030.9</b>	<b>1,882.0</b>	<b>1,644.5</b>	<b>1,390.3</b>	<b>226.9</b>	<b>11.2%</b>
Income tax	599.1	507.1	478.9	391.4	263.2	92.0	18.1%
Net result attributable to non-controlling shareholders	0.0	0.0	0.0	0.1	0.1	0.0	-
<b>Net financial result</b>	<b>1,658.7</b>	<b>1,523.8</b>	<b>1,403.1</b>	<b>1,253.0</b>	<b>1,127.0</b>	<b>134.9</b>	<b>8.9%</b>
<b>Adjusted net result*</b>	<b>1,658.7</b>	<b>1,523.8</b>	<b>1,393.5</b>	<b>1,109.3</b>	<b>1,162.7</b>	<b>134.9</b>	<b>8.9%</b>

\* Income: dividend of PLN 82.1 million from ING PTE in Q2 2015, income of PLN 18.4 million from the disposal of ING PTE shares in Q3 2015 and positive impact of PLN 189.6 million under the Visa Europe transaction in Q2 2016 and positive impact of PLN 11.9 million under the Visa Inc. transaction in Q2 2017; Costs: PLN 157.4 million of extraordinary contribution to BGF stemming from the SK Bank bankruptcy in Q4 2015, PLN 6.4 million of contribution to the Mortgage Support Fund in Q4 2015 and PLN 12.2 million of extraordinary contribution to BGF under the bankruptcy of the Cooperative Bank in Nadarzyn; \*\* including the share in net profits of affiliated entities recognised on an equity basis.

## Profit before tax and net profit

In 2019, the ING Bank Śląski S.A. Group posted the net profit attributable to the shareholders of the parent entity of PLN 1 658.7 million. This is the highest ever result of the Bank. It implies that the net result improved by 8.9% from 2018. As since the beginning of 2018, the Bank has applied, in its financial statements, the equity method to measure investments in its subsidiaries and affiliates, the consolidated net result of the Bank Group is the same as the separate net result of the Bank.

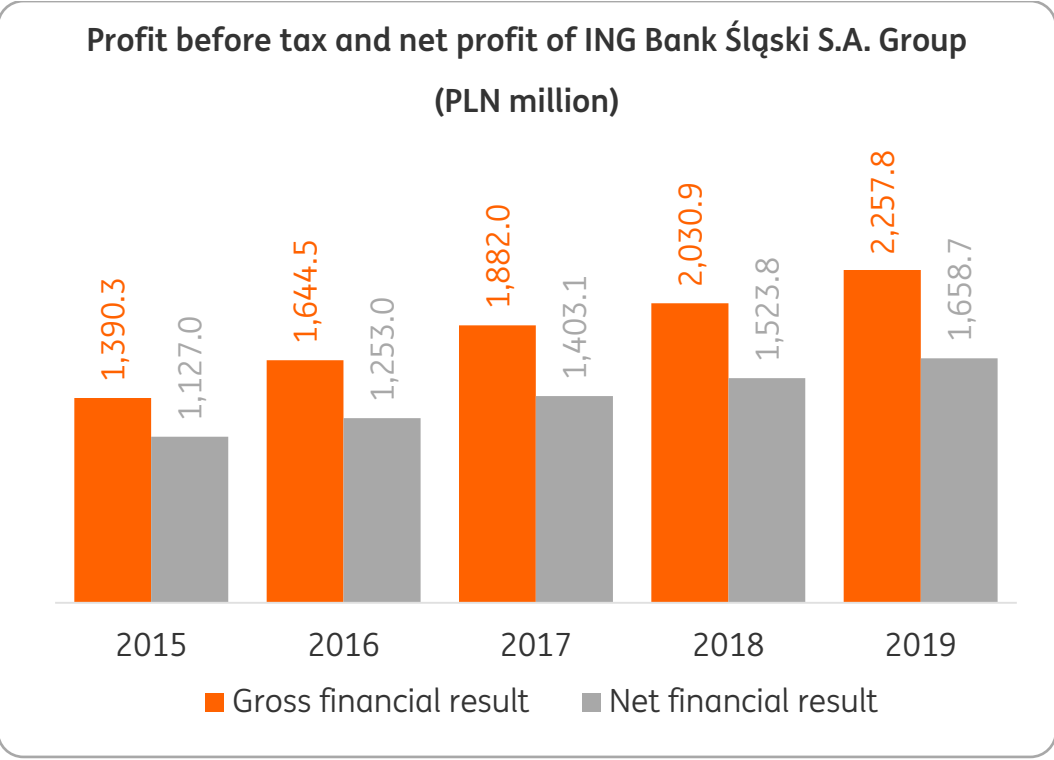
The result before tax was PLN 2,257.8 million and it was up by 11.2% compared to 2018. Both in 2018 and in 2019 there were no one-off factors.

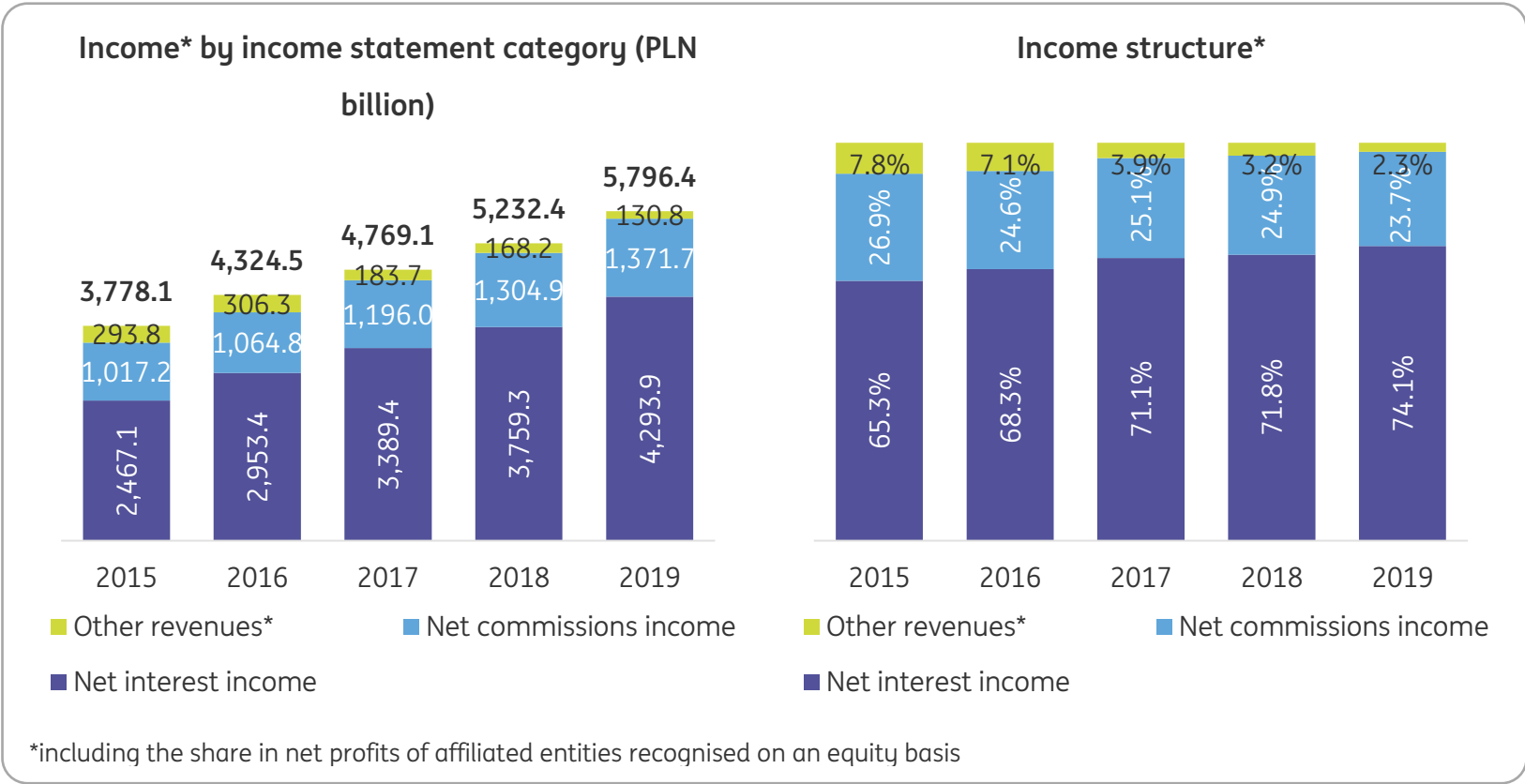
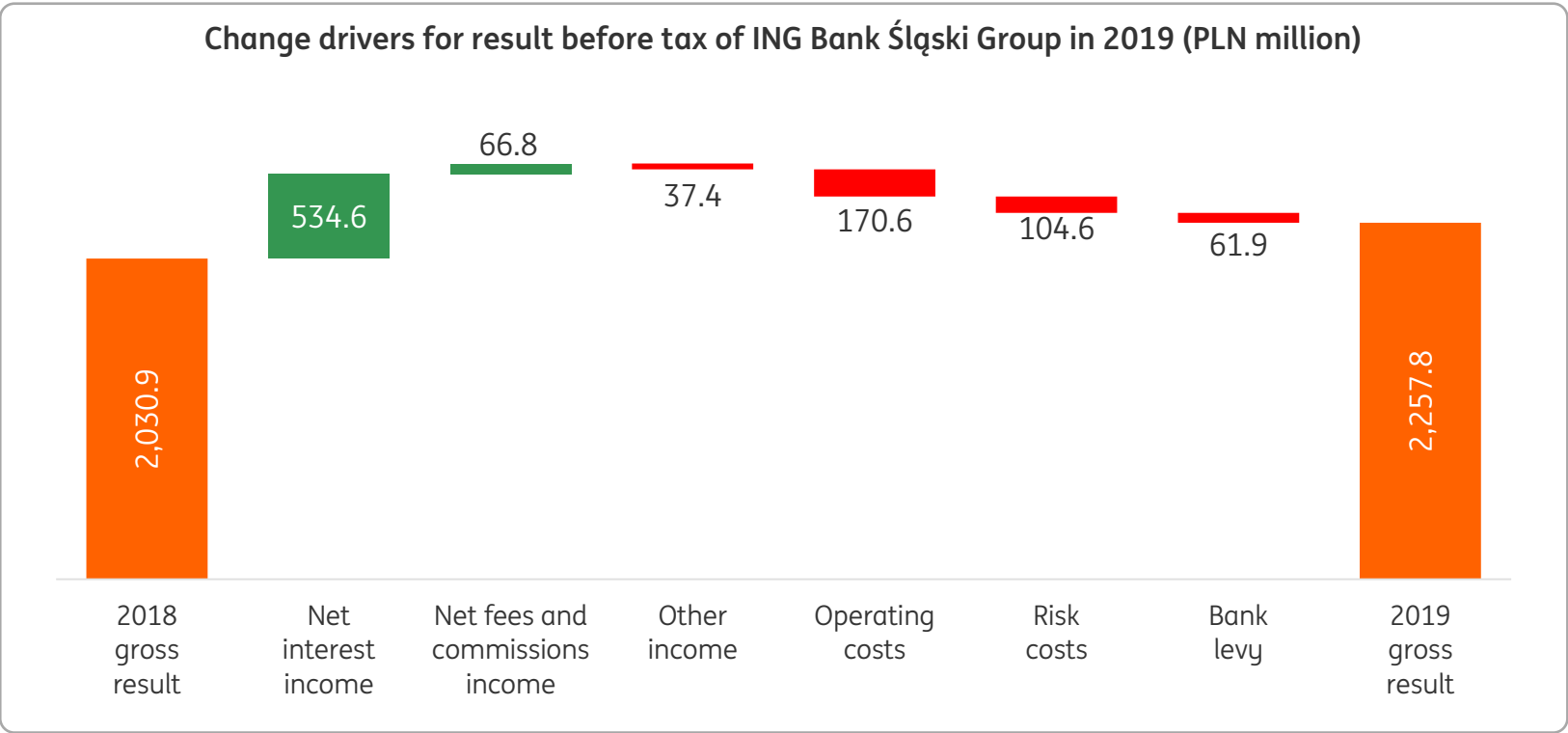
The profit before tax in 2019 was up by PLN 226.9 million compared to 2018 mainly due to:

- net interest income, which was up by PLN 534.6 million, or 14.2%, and
- commision income, net up by PLN 66.8 million, i.e. by 5.1%.

Whereas, the negative factors impacting the result before tax when compared with 2018 were:

- other income down by PLN 37.4 million, i.e. by 22,2%,
- Operating costs up by PLN 170.6 million, i.e. by 7.3%,
- expected/impairment losses and provisions up by PLN 104.6 million, i.e. by 20.9%, and
- bank levy up by PLN 61.9 million, i.e. by 16.6%.





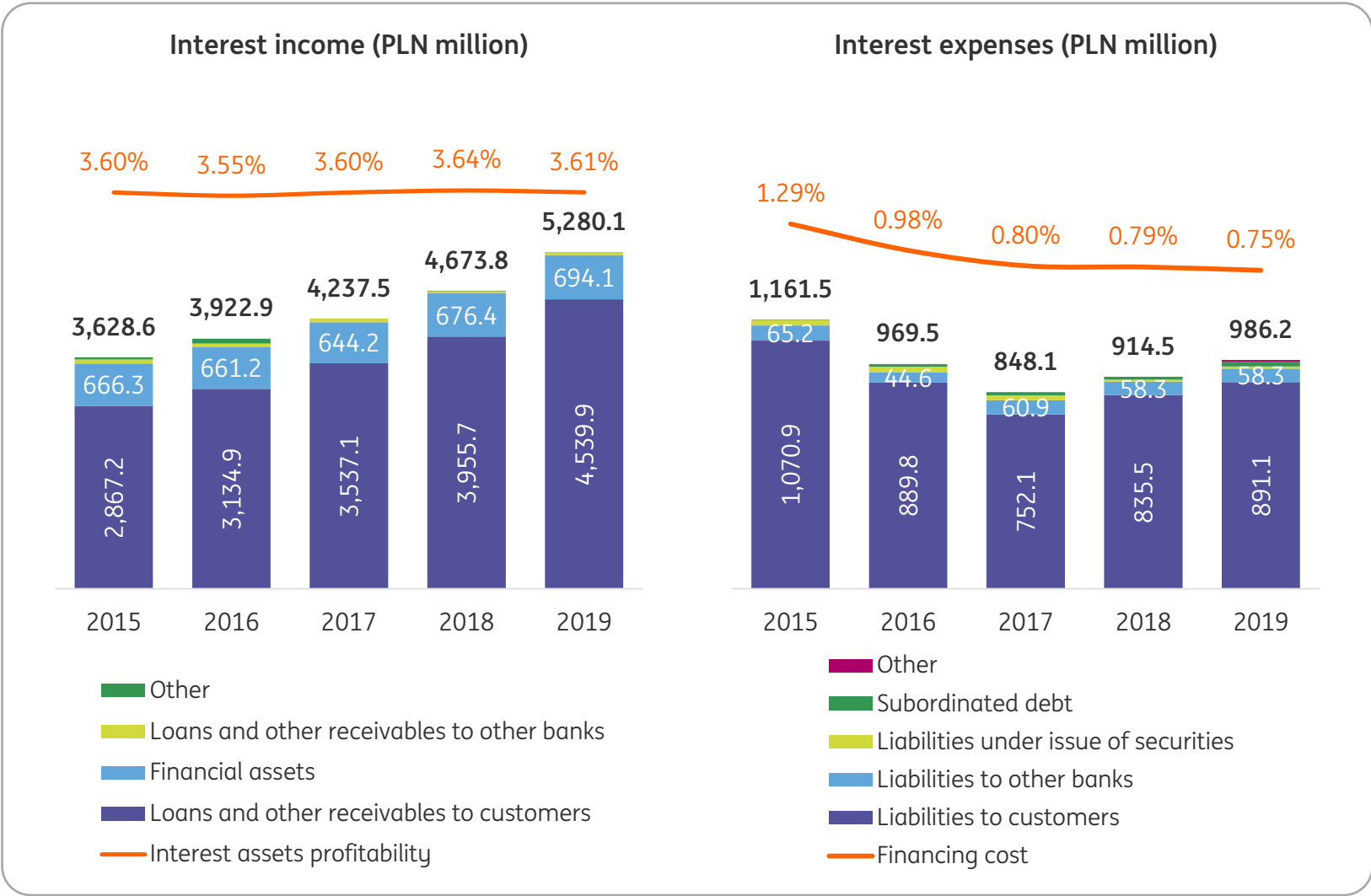
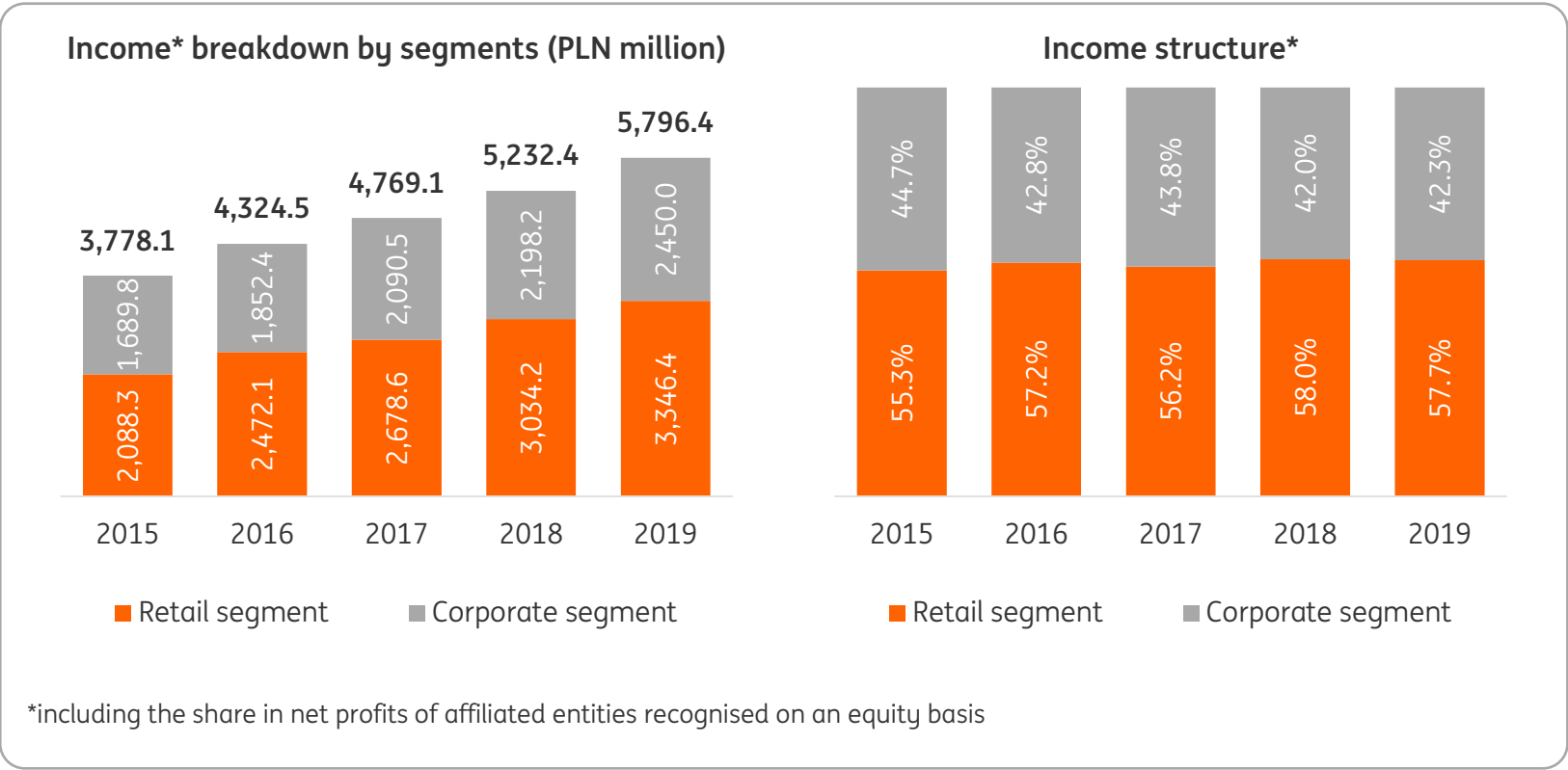
In 2019 the total income of ING Bank Śląski S.A. Group attributable to the shareholders of the parent company (including, apart from net profit, also other income and cost items included in equity) amounted to PLN 2,356.9 million compared to PLN 2,203.2 million in 2018.

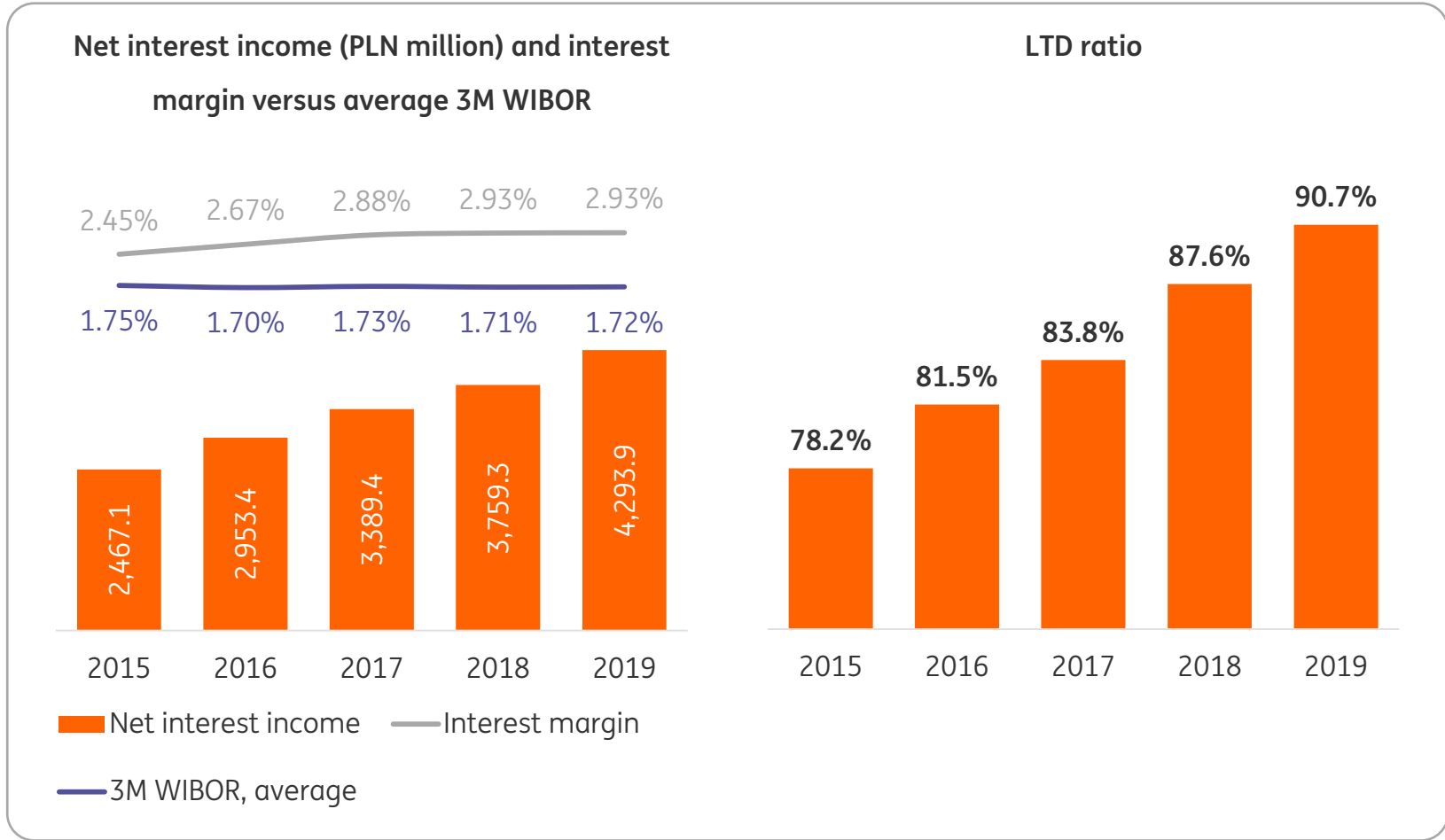
Revenue

In 2019, total revenue of the ING Bank Śląski S.A. Group amounted to PLN 5,796.4 million. This means that the improvement compared to 2018 was PLN 564.0 million or 10.8% and was mainly driven by higher net interest income. Its share in total income was up by 2.2 p.p. y/y up to 74.1%.

In 2019, the retail segment was the main income growth contributor Its income was up by PLN 251.8 million, or 11.5%, to up to the level of PLN 2,450.0 million. Consequently its share in the structure was up by 0.3 p.p. to the level of 42.3%. Income of the retail segment was up by PLN 312.2 million, or by 10.3%, to reach PLN 3,346.4m.







Average basic interest rate* in 2019			
	Segment		Total
	Retail	Corporate	
Deposits			
PLN	0.69%	0.72%	0.72%
FX	0.04%	0.06%	0.04%
Loans			
PLN	4.44%	3.12%	3.90%
FX	0.58%	1.79%	1.77%
including: mortgage loans			
PLN	3.59%		3.59%
FX	0.58%		0.58%

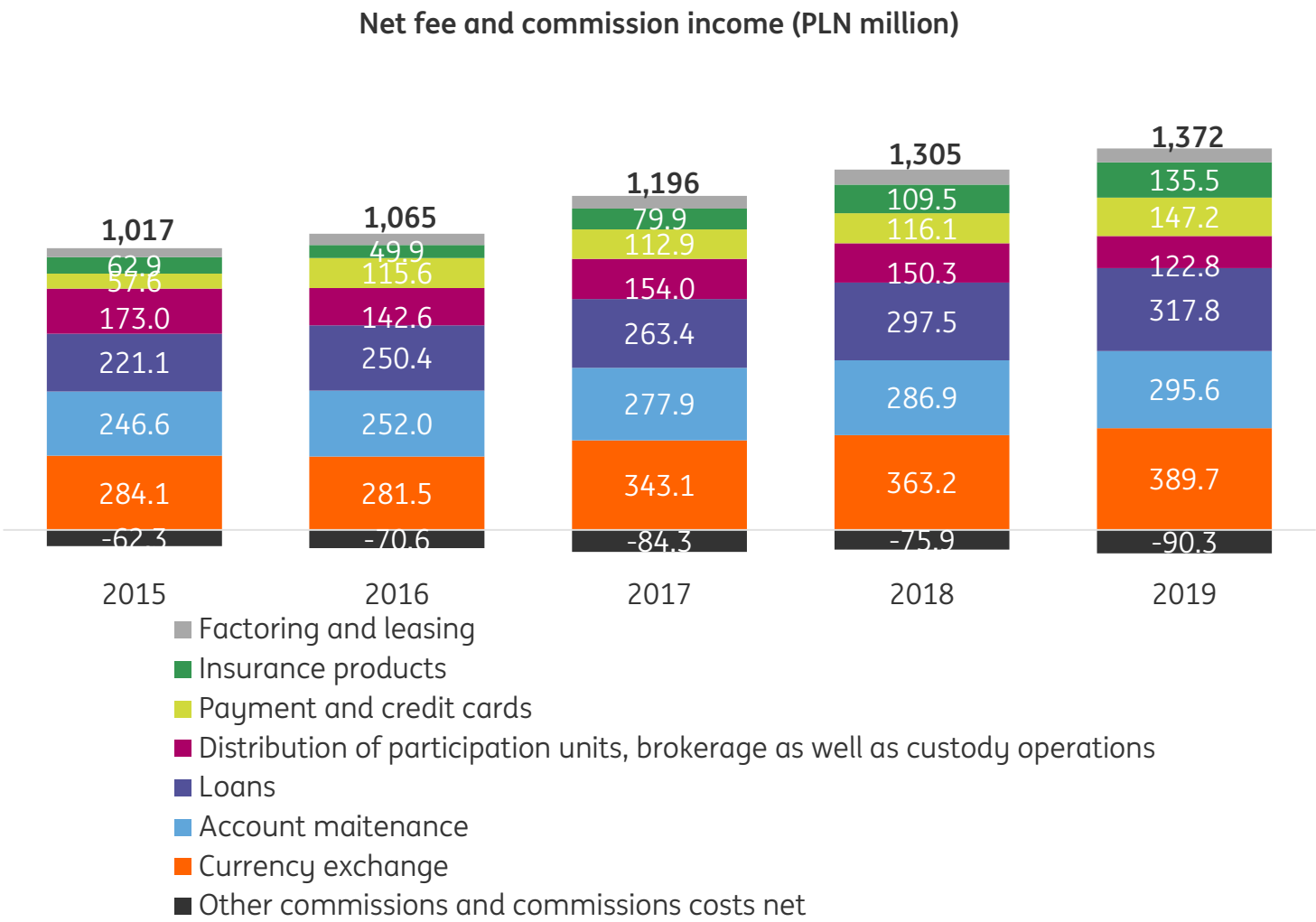
\*Based on management data

### Net fee and commission income

In 2019, the net fee and commission income of the ING Bank Śląski S.A. Group augmented by PLN 66.8 million or by 5.1% compared to 2018 to the level of PLN 1 371.7 million.

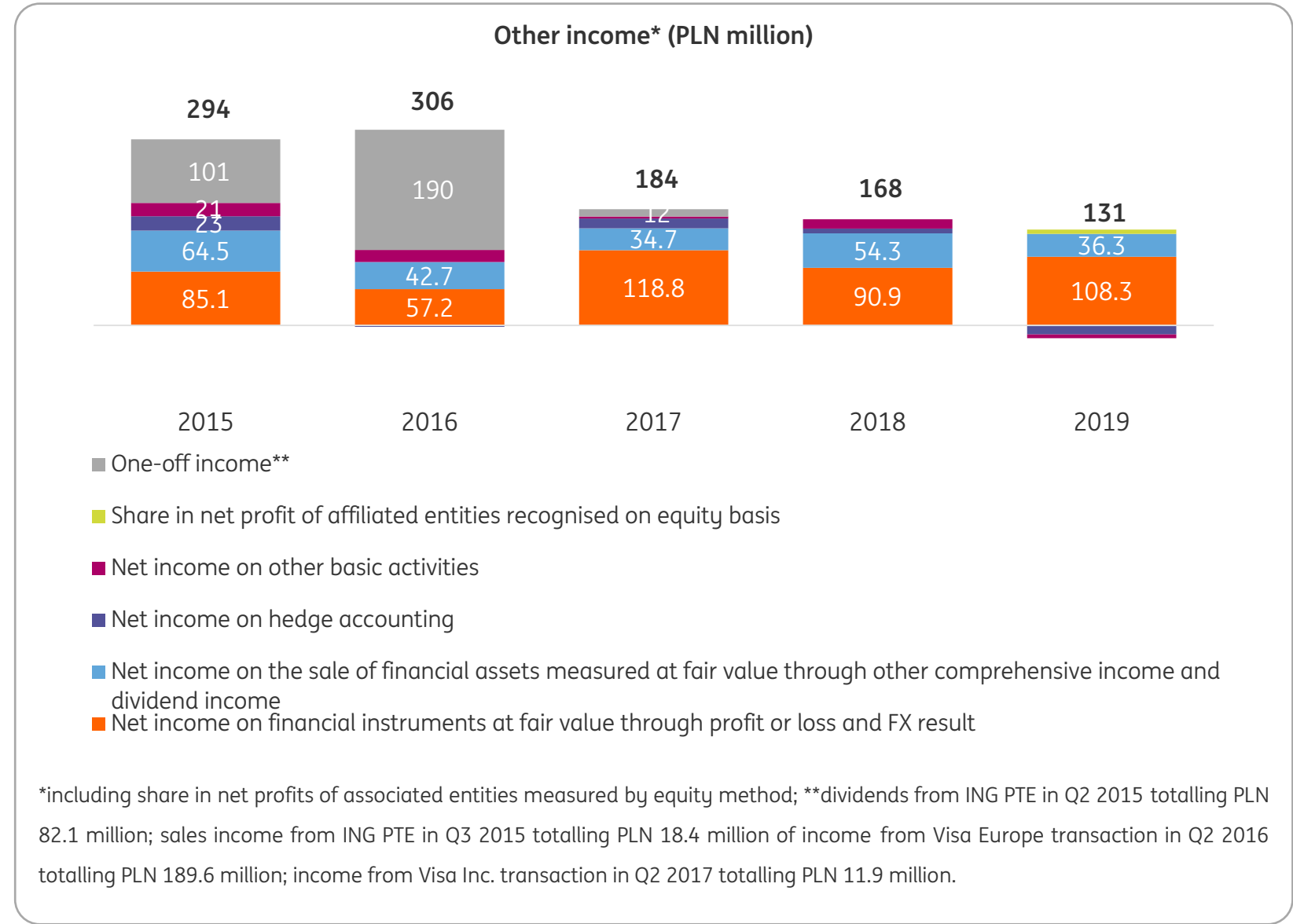
The highest fee and commission income growth was noticed in:

- Payment and credit cards: up by PLN 31.2 million or by 26.9% y/y to the level of PLN 147.2 million. It was fuelled by a growing customer base and Clients' activity.
- The FX transaction spreads: up by PLN 26.5 million or 7.3% y/y up to the level of PLN 389.7 million. This was fuelled by growing turnover volumes.
- Insurance products: up by PLN 26.0 million or 23.7% y/y up to the level of PLN 135.5 million. This was fuelled by higher cross-sales with lending products, but also higher sales of stand-alone insurance products.



### Other income

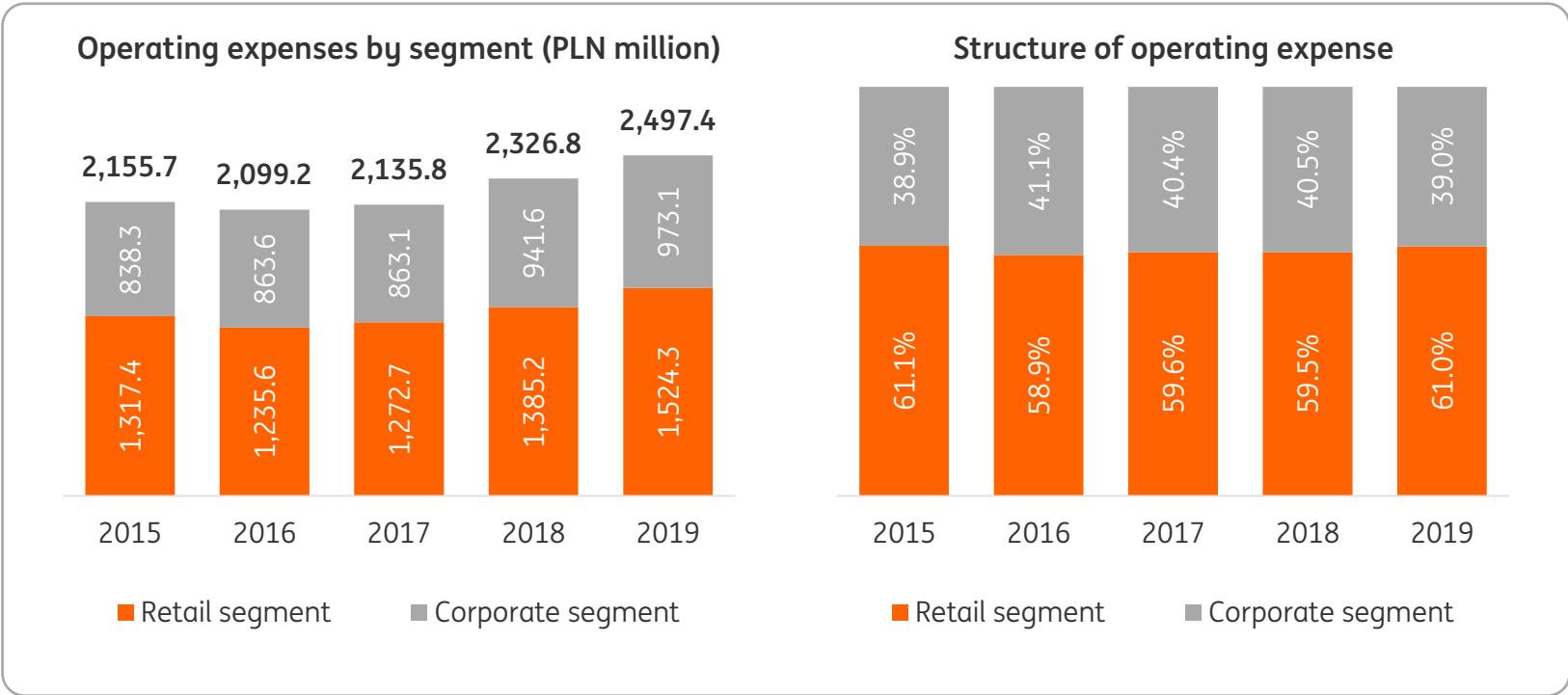
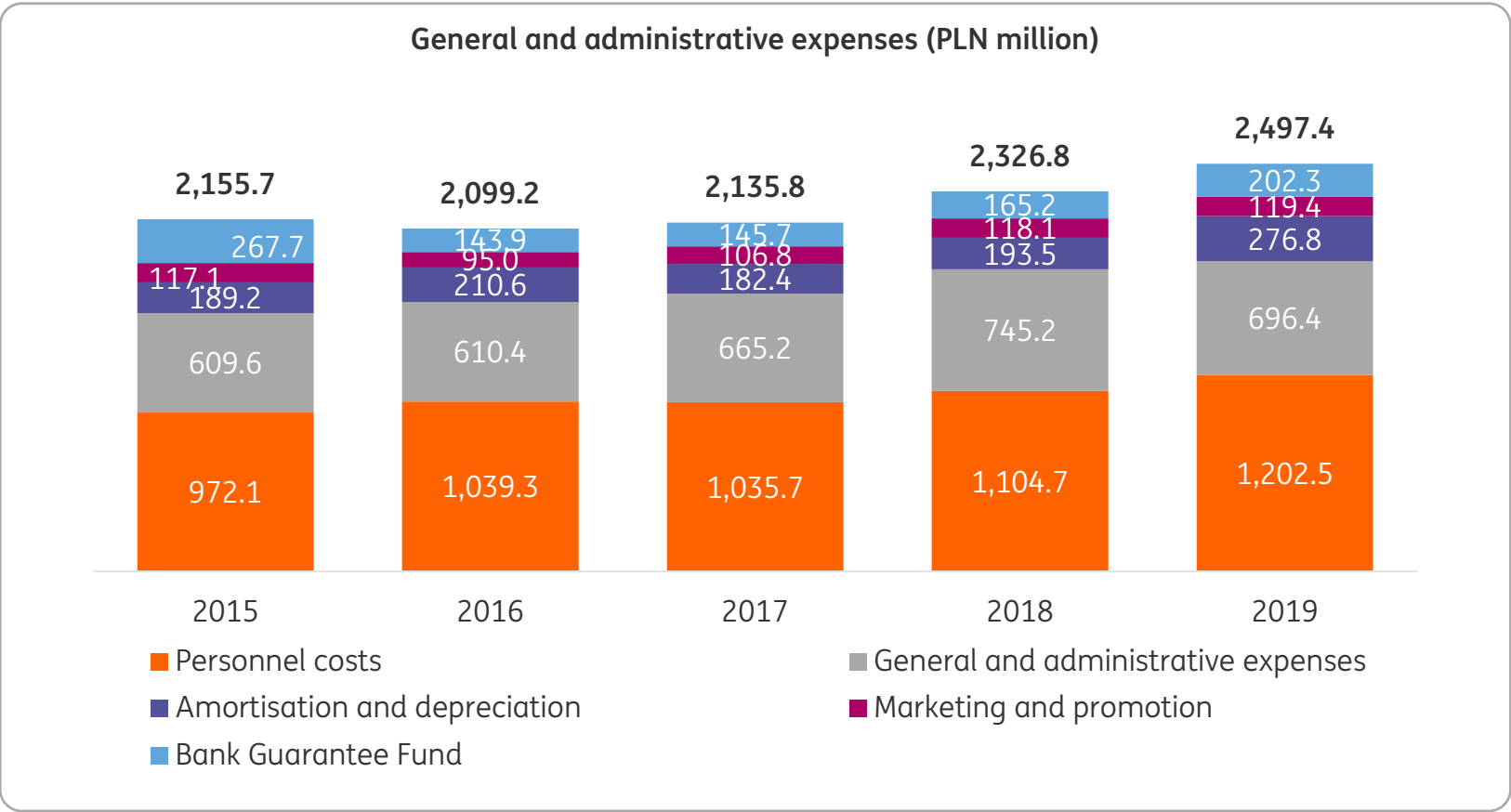
In 2019, other income of the Group (in including the share in the net result of associates recognised on an equity basis) was PLN 130.8 million and was down by PLN 37.4 million compared to the previous year. The decline is mainly fuelled by a lower result on the sales of bonds (as part of the investment income, it was down by PLN 18.7 million y/y) and by setting up a provision in Q3 2019 for pre-contractual repayments of retail loans (including mortgages, more information see "Early repayment of consumer loans") in the amount of PLN 17.1 million.



### General and administrative expenses

In 2019, the operating expenses of the ING Bank Śląski S.A. Group went up by 7.3% y/y to the level of PLN 2,497.4 million, including own costs that were up by 6.0% y/y to PLN 2,279.0 million, and regulatory costs (total BGF and PFSA expenses) up by 23.9% y/y to the level of PLN 218.4 million. The increase in the value of own costs was visible in all major categories, which was due to business development. In 2019 the highest growth was recorded in the following categories:

- personnel costs (by PLN 97.8 million, or by +8.9% y/y) as a result of wage increases (the wage increase was in April, just like in 2018), and
- amortisation and depreciation costs (up by PLN 83.3 million, or +43.0% y/y), however, 2019 and 2018 costs are not comparable due to IFRS 16 in force from the beginning of 2019. Had it not been for the new standard, the amortisation and depreciation value for 2019 would have been lower by PLN 96.8 million, and the operating costs would have been higher by the same amount. Adjusted amortisation and depreciation in 2019 would have amounted to PLN 180.0m (-7.0% y/y), and adjusted other operating costs to PLN 793.2m (+6.4% y/y).



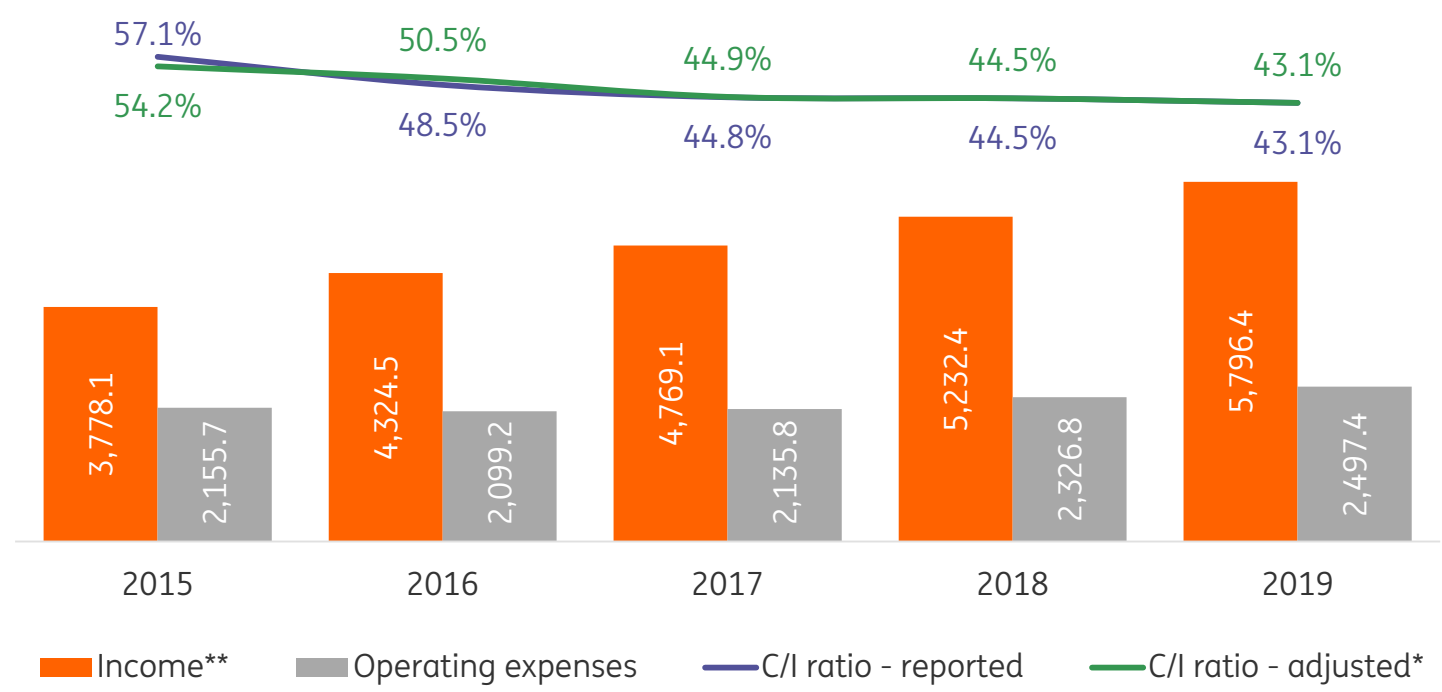
Due to the faster growth rate of income than operating expenses, the cost-to-income ratio was up in 2019 compared to the previous year. It was 43.1%, which means it was down by 1.4 p.p. r/r.

The employment level in ING Bank Śląski Group was relatively stable (8,072 FTEs as at 2019 yearend compared to 8,034 FTEs at the end of 2018).

General and administrative expenses of the retail segment were up by PLN 139.1m y/y (+10.0%) to PLN 1,385.2m, while general and administrative expenses of the retail segment were up by PLN 31.5m y/y (+3.3%) to PLN 973.1m. Consequently, the share of the retail segment in expenses rose by 1.5 p.p. to 61.0% compared to 2018.



Income\* versus operating expenses (PLN million) and C/I ratio

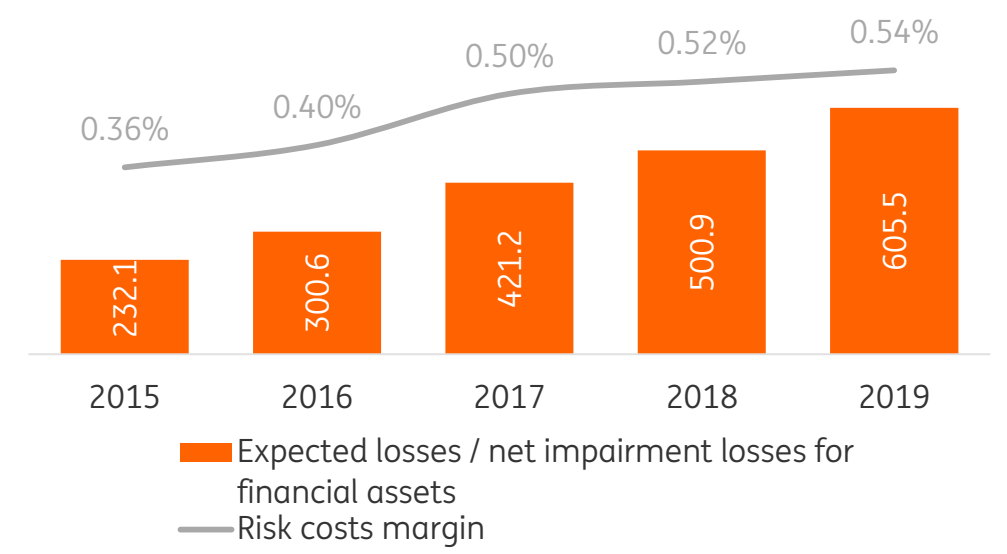


\*adjusted for one-off trades: Income: dividend of PLN 82.1 million from ING PTE in Q2 2015, income of PLN 18.4 million from the disposal of ING PTE shares in Q3 2015 and positive impact of PLN 189.6 million under the Visa Europe transaction in Q2 2016 and positive impact of PLN 11.9 million under the Visa Inc. transaction in Q2 2017; Costs: PLN 157.4 million of extraordinary contribution to BGF stemming from the SK Bank bankruptcy in Q4 2015, PLN 6.4 million of contribution to the Mortgage Support Fund in Q4 2015 and PLN 12.2 million of extraordinary contribution to BGF under the bankruptcy of the Cooperative Bank in Nadarzyn; \*\* including the share in net profits of affiliated entities recognised on an equity basis.

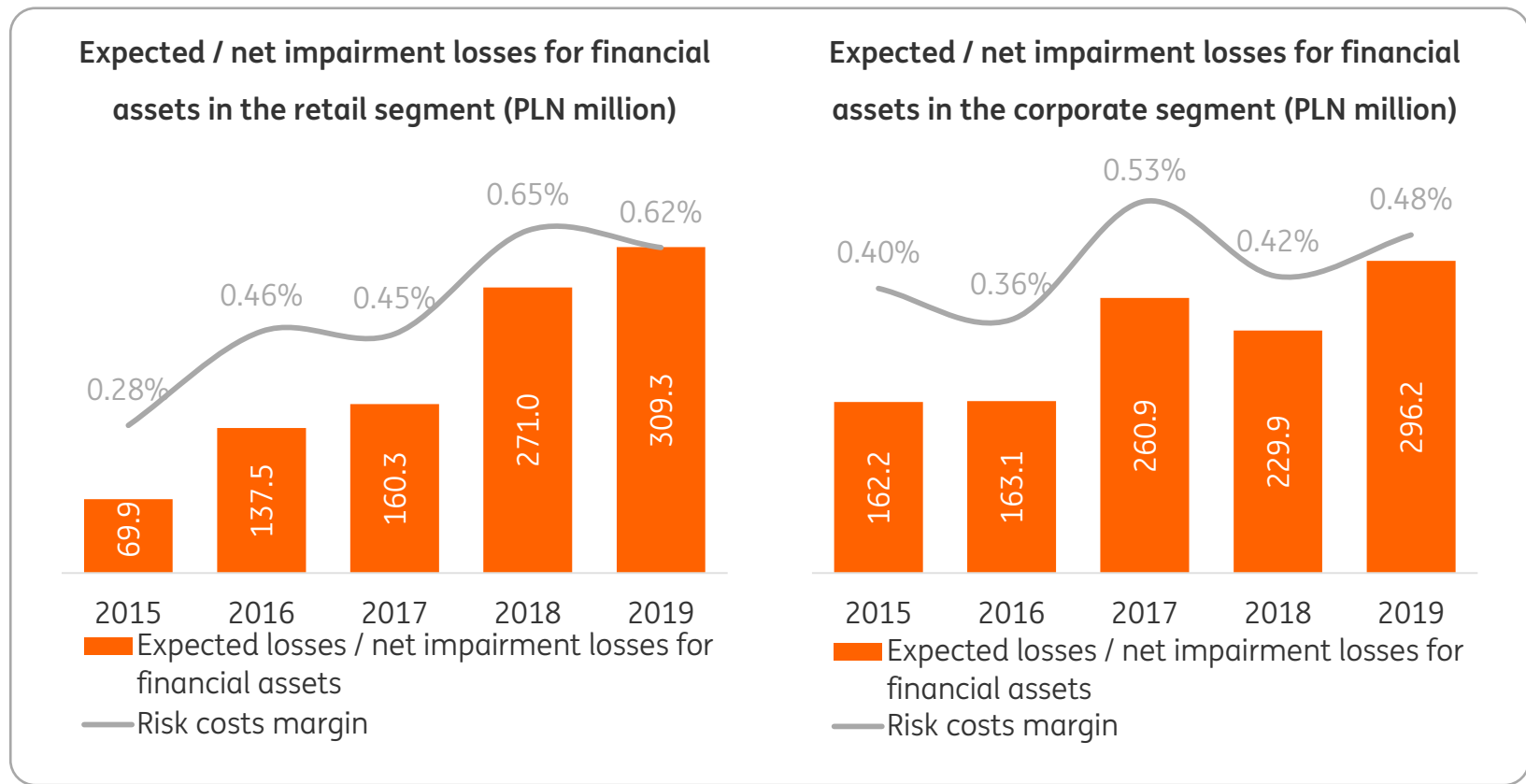
## Impairment losses and provisions

The year 2019 saw an increase in the risk cost margin ratio (the ratio between the net expected loss impairment to the gross loan portfolio) up to 0.54% from 0.52% in the previous year, due to a higher level of the ratio in the retail segment - up from 0.42% in 2018 to 0.48% in 2019. In the retail segment, the risk cost margin was down from 0.65% in 2018 to 0.62% in 2019.

Consolidated expected losses / net impairment losses for financial assets (PLN million)



In 2019, our bank sold its Phase 3 debts twice. In Q1 In 2019, a corporate portfolio was sold, however, its impact on the cost of risk was relatively small (PLN 9.8 million). Meanwhile in Q4 2019, a Phase 3 debt portfolio consisting of both retail and corporate exposures was sold. The impact of these sales on the cost of risk was PLN 24.4 million in the retail segment and PLN 0.1 million in the retail segment respectively. The Bank regularly sells Phase 3 debt portfolios under its credit risk management policy.



The quality of the lending portfolio was described in Chapter “Bank and client safety” under “Credit risk”.

### Tax on certain financial institutions

In 2019, ING Bank Śląski S.A. Group paid tax on certain financial institutions (the so-called bank levy) in the amount of PLN 435.7 million. The bank levy was up by PLN 61.9 million, i.e. by 16.6%, compared to 2018, was driven by a higher tax base, which is a consequence of higher business volumes.

### Income tax

In 2019, ING Bank Śląski S.A. Group recorded income tax in the amount of PLN 599.1 million. It was up by 18.1% compared to the previous year. The effective tax rate in 2019 was 26.5%, compared to 25.0% in the previous year. Both in 2018 and 2019 – pursuant to Art. 16.1.71 of the Corporate Income Tax Act – a contribution to the guarantee fund of banks, as well as a contribution to the forced restructuring fund banks, were not income tax deductible.

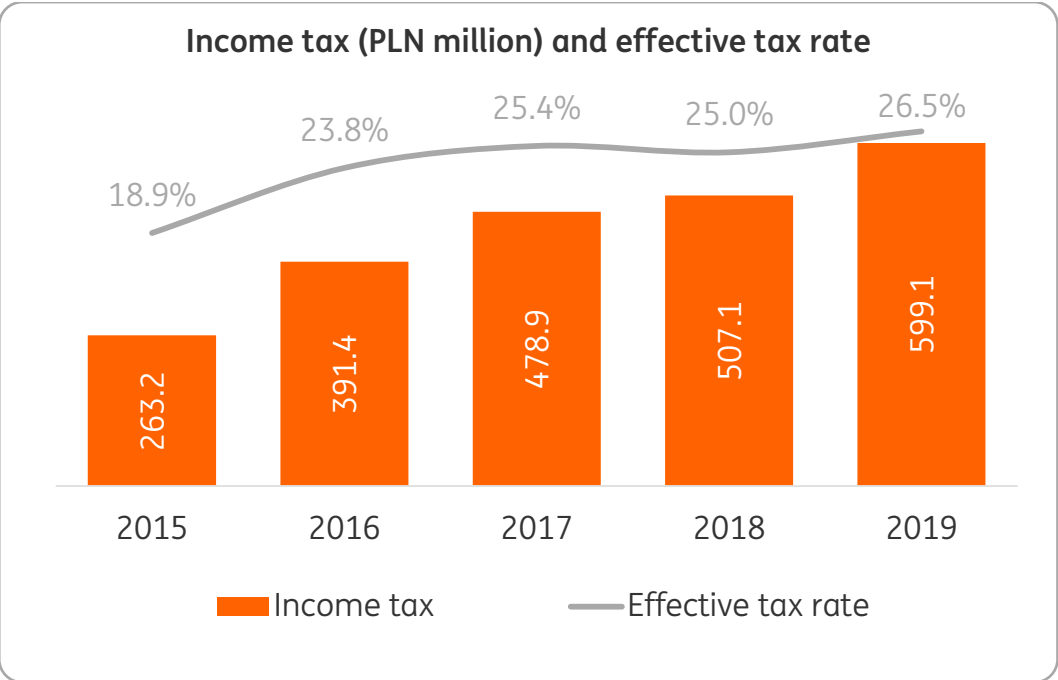
Bank levy is not a tax deductible cost either (pursuant to Article 16.1.70 of the Corporate Income Tax Act).

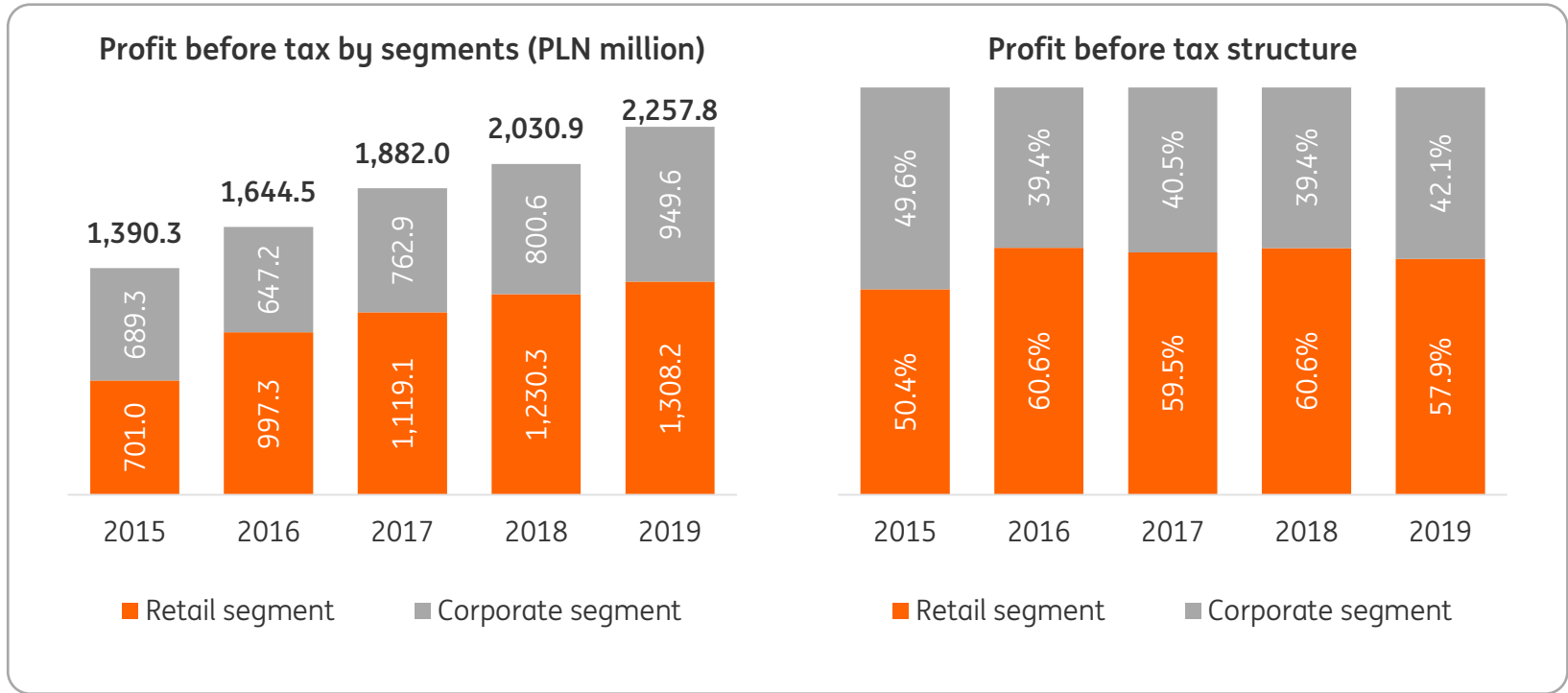
### Report by business segment

Our Bank’s business model is divided into two major segments:

- retail banking segment, which encompasses private individuals and entrepreneurs (small business),
- corporate banking segment, which comprises service of institutional clients and FM products’ operations.

In 2019, the Group result before tax broken down into segments was as follows.





In 2019, results of the retail banking segment and of the corporate banking segment accounted for 57.9% and 42.1% of the Group's result before tax respectively (in 2018: 60.6% and 39.4% respectively).

Result before tax in retail banking segment							
	2019	2018	2017	2016	2015	Change 2019 / 2018	
PLN million						PLN million	%
Net interest income	2,721.3	2,386.4	2,133.3	1,862.6	1,516.9	334.9	14.0%
Net commission income	547.1	514.3	426.9	380.7	363.0	32.8	6.4%
Other income	63.9	140.7	118.4	228.8	208.4	-76.8	-54.6%
<b>Total revenue</b>	<b>3,332.3</b>	<b>3,041.4</b>	<b>2,678.6</b>	<b>2,472.1</b>	<b>2,088.3</b>	<b>290.9</b>	<b>9.6%</b>
<b>Operating expenses</b>	<b>1,524.3</b>	<b>1,385.2</b>	<b>1,272.7</b>	<b>1,235.6</b>	<b>1,317.4</b>	<b>139.1</b>	<b>10.0%</b>
Risk costs	309.3	271.0	160.3	137.5	69.9	38.3	14.1%
Bank levy	190.5	154.9	126.5	101.7	0.0	35.6	23.0%
<b>Gross financial result</b>	<b>1,308.2</b>	<b>1,230.3</b>	<b>1,119.1</b>	<b>997.3</b>	<b>701.0</b>	<b>77.9</b>	<b>6.3%</b>

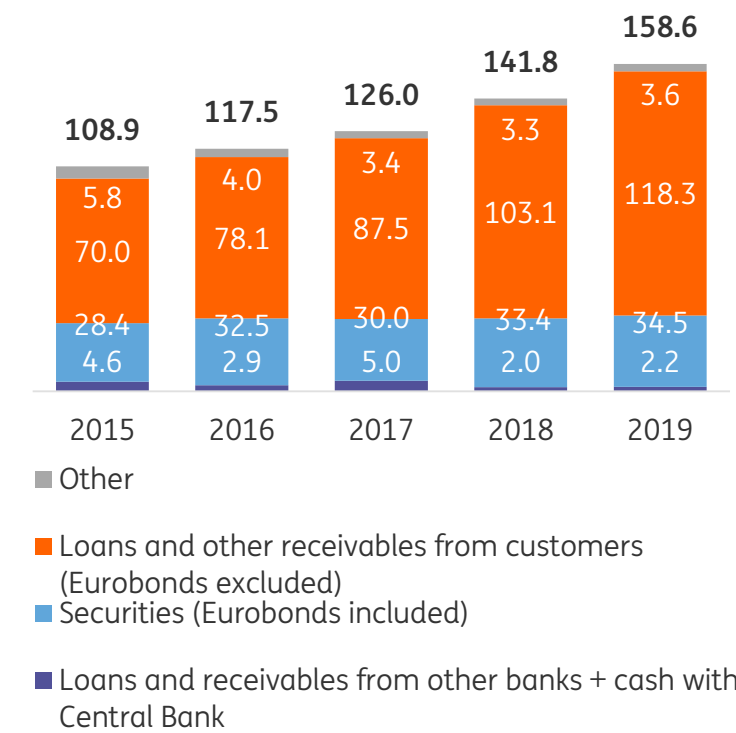
Result before tax in corporate banking segment							
	2019	2018	2017	2016	2015	Change 2019 / 2018	
PLN million						PLN million	%
Net interest income	1,572.6	1,372.9	1,256.1	1,090.8	950.2	199.7	14.5%
Net commission income	824.6	790.6	769.1	684.1	654.2	34.0	4.3%
Other income	66.9	27.5	65.3	77.5	85.4	39.4	143.3%
<b>Total revenue</b>	<b>2,464.1</b>	<b>2,191.0</b>	<b>2,090.5</b>	<b>1,852.4</b>	<b>1,689.8</b>	<b>273.1</b>	<b>12.5%</b>
<b>Operating expenses</b>	<b>973.1</b>	<b>941.6</b>	<b>863.1</b>	<b>863.6</b>	<b>838.3</b>	<b>31.5</b>	<b>3.3%</b>
Risk costs	296.2	229.9	260.9	163.1	162.2	66.3	28.8%
Bank levy	245.2	218.9	203.6	178.5	0.0	26.3	12.0%
<b>Gross financial result</b>	<b>949.6</b>	<b>800.6</b>	<b>762.9</b>	<b>647.2</b>	<b>689.3</b>	<b>149.0</b>	<b>18.6%</b>

Statement of financial position

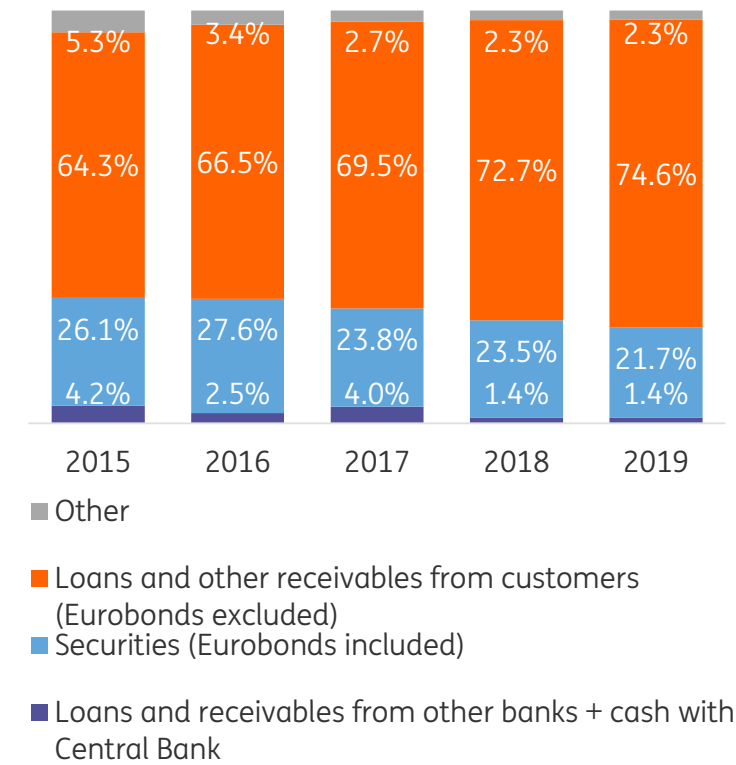
Assets

Total assets of ING Bank Śląski S.A. Group amounted to PLN 158.6 billion as at 2019 yearend. It implies they were up by 11.8% against 2018. The main growth factor was the net portfolio of loans and other receivables from Clients, net, which was up PLN 15.2 billion y/y or 14.7% to PLN 118.3 billion. They are also the most important item in the asset structure. On 31 December 2019, they accounted for 74.6% of the Group's total assets.

Assets of ING Bank Śląski S.A. Group (PLN billion)



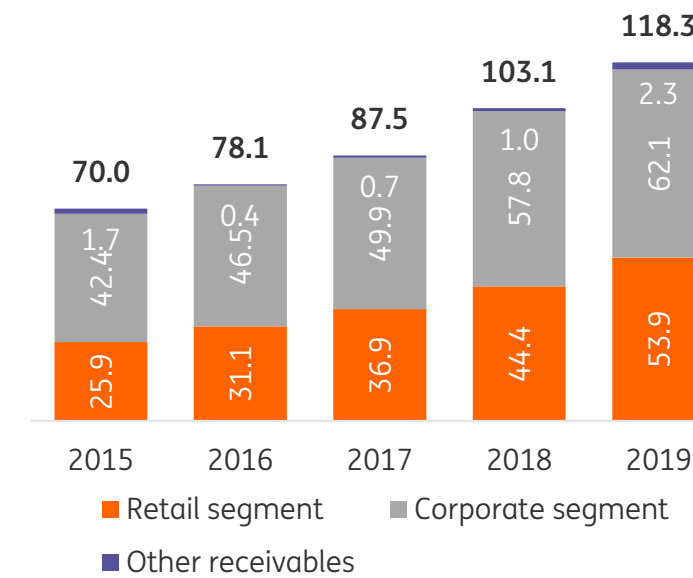
Structure of the assets of ING Bank Śląski S.A. Group



An important item in the balance sheet of the Group was also the securities' portfolio – PLN 34.5 billion (21.7% of assets). The majority of this portfolio consisted of debt securities, including investment assets – PLN 33.8 billion, including PLN 21.2 billion of assets at fair value through other comprehensive income and PLN 12.6 billion of financial assets at amortised cost.

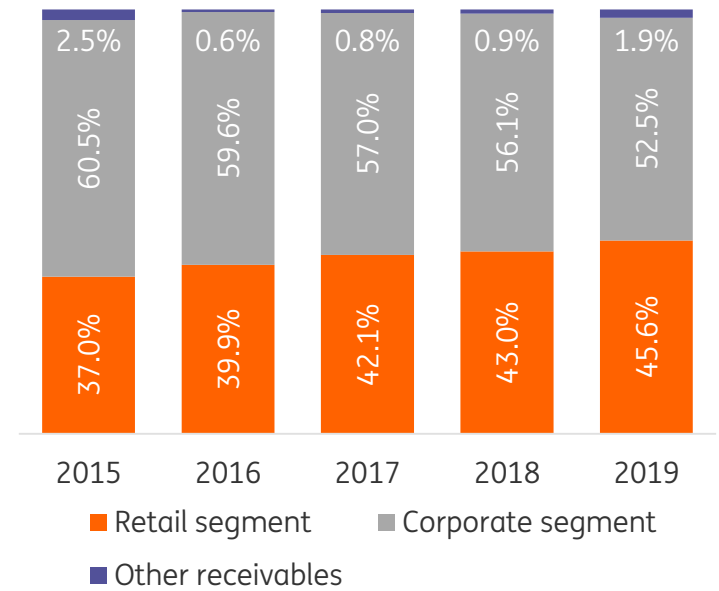
Both retail and corporate net loans and other receivables from Clients increased the closing balance as at 2019 yearend compared to the previous year. The retail segment generated growth of PLN 9.5 billion y/y and the retail segment of PLN 4.3 billion y/y. Consequently the share retail exposures in the structure was up by 2.5 p.p. to the level of 45.6%.

Net lending\* by segments (PLN billion)



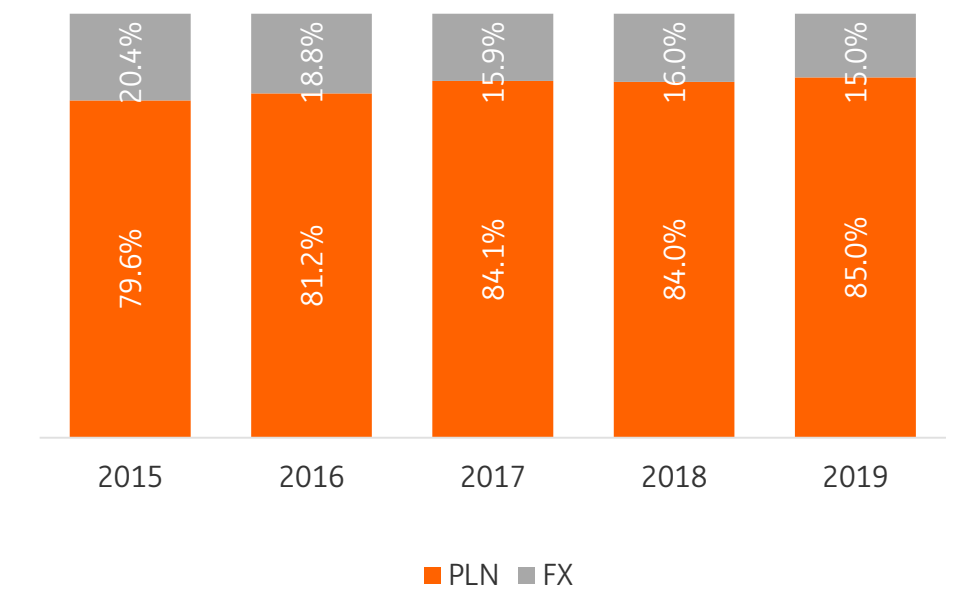
\*loans and other receivables from customers, excluding Eurobonds

Net lending structure\*



Within the structure of the portfolio of net receivables (excluding Eurobonds) by currency, participation of exposures denominated in PLN rose up to 85.0%. This is a consequence of a faster growth of receivables denominated in PLN (by PLN 14.0 billion compared to 2018; +16.1%) than the growth of exposures denominated in foreign currencies (by PLN 1.2 billion y/y; +7.2%).

FX structure of the portfolio of net receivables from customers \*



\*loans and other receivables from customers, excluding Eurobonds



The portfolio of net receivables from customers (including Eurobonds)

	2019	2018	2017	2016	2015	Change 2019 / 2018	
PLN million						PLN million	%
At amortised cost	118,127.8	102,907.4	91,108.1	81,979.5	73,874.0	15,220.4	14.8%
At fair value through profit or loss	160.3	218.4	-	-	-	-58.1	-26.6%
<b>Total</b>	<b>118,288.1</b>	<b>103,125.8</b>	<b>91,108.1</b>	<b>81,979.5</b>	<b>73,874.0</b>	<b>15,162.3</b>	<b>14.7%</b>

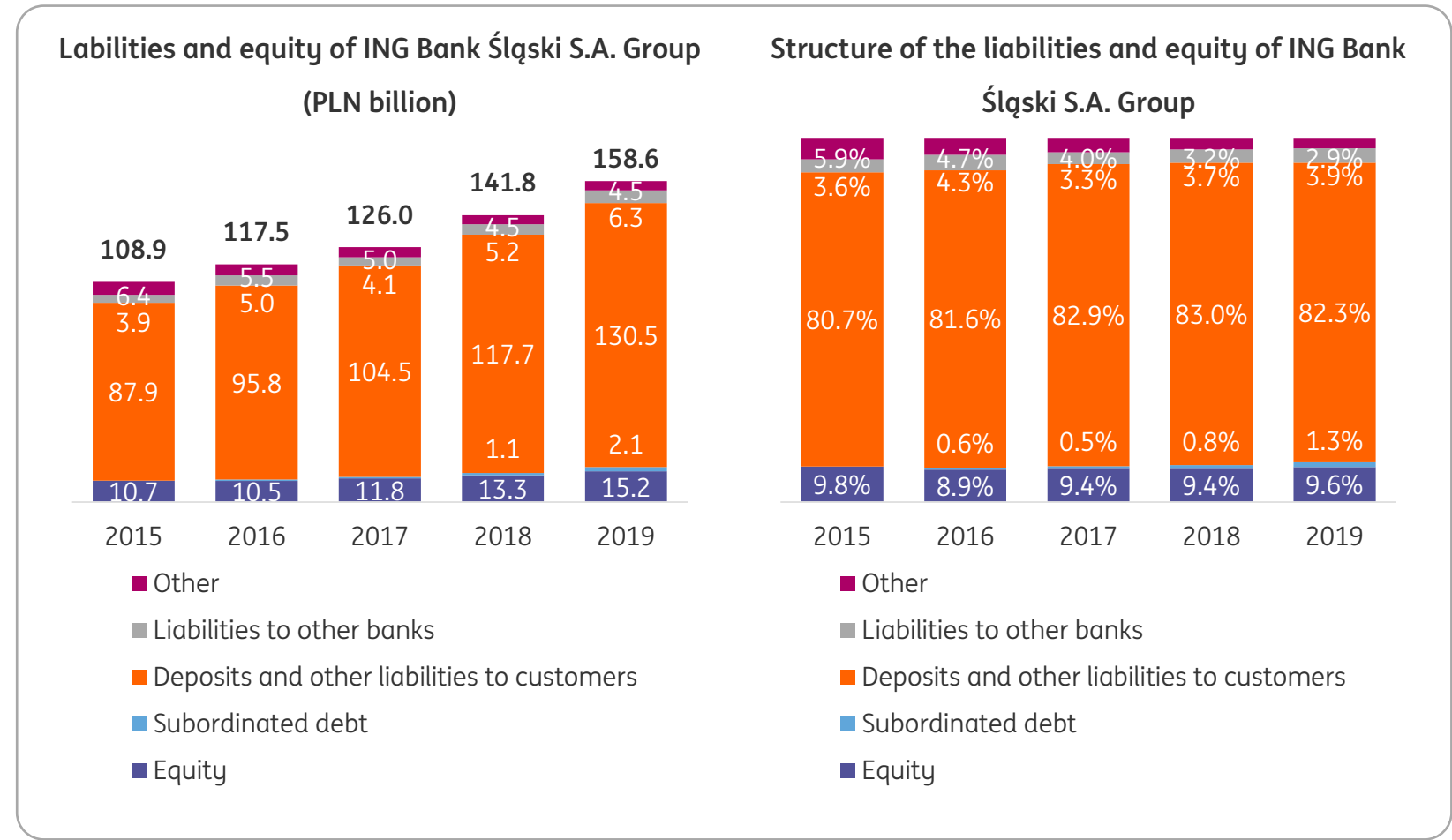
The portfolio of net receivables from customers at amortised cost (including Eurobonds)

	2019	2018	2017	2016	2015	Change 2019 / 2018	
PLN million						PLN million	%
<b>Customer loan portfolio, including:</b>	<b>115,831.0</b>	<b>101,956.8</b>	<b>86,817.0</b>	<b>77,633.6</b>	<b>68,312.0</b>	<b>13,874.2</b>	<b>13.6%</b>
Households	57,284.9	47,525.7	39,059.8	32,865.4	27,276.7	9,759.2	20.5%
Business entities	55,527.2	51,223.9	44,909.9	41,352.2	37,149.5	4,303.3	8.4%
Government and self-government institutions' sector	3,018.9	3,207.2	2,847.3	3,416.0	3,885.8	-188.3	-5.9%
<b>Total, including:</b>	<b>115,831.0</b>	<b>101,956.8</b>	<b>86,817.0</b>	<b>77,633.6</b>	<b>68,312.0</b>	<b>13,874.2</b>	<b>13.6%</b>
Corporate banking	61,945.2	57,602.0	49,935.8	46,520.1	42,374.4	4,343.2	7.5%
Loans in current account	10,315.0	10,322.8	8,920.1	7,278.9	7,100.0	-7.8	-0.1%
Term loans	35,824.8	32,517.3	28,023.2	27,168.8	24,281.2	3,307.5	10.2%
Leasing receivables	8,013.4	7,118.1	5,871.4	5,209.2	4,548.2	895.3	12.6%
Factoring receivables	5,288.0	4,834.5	4,589.0	4,350.4	3,389.4	453.5	9.4%
Debt securities	2,504.0	2,809.3	2,532.1	2,512.8	3,055.6	-305.3	-10.9%
Retail banking	53,885.8	44,354.8	36,881.2	31,113.5	25,937.6	9,531.0	21.5%
Mortgages	40,597.4	33,146.8	27,369.4	23,284.0	18,010.3	7,450.6	22.5%
Overdrafts	1,281.0	1,223.4	1,239.8	1,143.9	1,095.5	57.6	4.7%
Leasing receivables	1,321.3	975.5	688.7	501.4	334.5	345.8	35.4%
Other loans and advances	10,686.1	9,009.1	7,583.3	6,184.2	6,497.3	1,677.0	18.6%
<b>Other receivables, including:</b>	<b>2,296.8</b>	<b>950.6</b>	<b>4,291.1</b>	<b>4,345.9</b>	<b>5,562.0</b>	<b>1,346.2</b>	<b>141.6%</b>
Concerning T-eurobonds	0.0	0.0	3,564.1	3,910.0	3,838.1	0.0	-
Hedges of call type	1,598.6	733.0	540.1	329.0	180.5	865.6	118.1%
Receivables due to repo transactions	0.0	0.0	19.8	0.0	1,354.4	0.0	-
Other receivables	698.2	217.6	167.1	106.9	189.0	480.6	220.9%
<b>Total</b>	<b>118,127.8</b>	<b>102,907.4</b>	<b>91,108.1</b>	<b>81,979.5</b>	<b>73,874.0</b>	<b>15,220.4</b>	<b>14.8%</b>

## Liabilities and equity

The dominant source of financing of the ING Bank Śląski Group's operations was Clients' funds. As at 2019 yearend, liabilities to clients amounted to PLN 130.5 billion, or 82.3% of total liabilities.

The next most important source of financing was equity, which at the end of December 2019 amounted to PLN 15.2 billion and accounted for 9.6% of total liabilities.



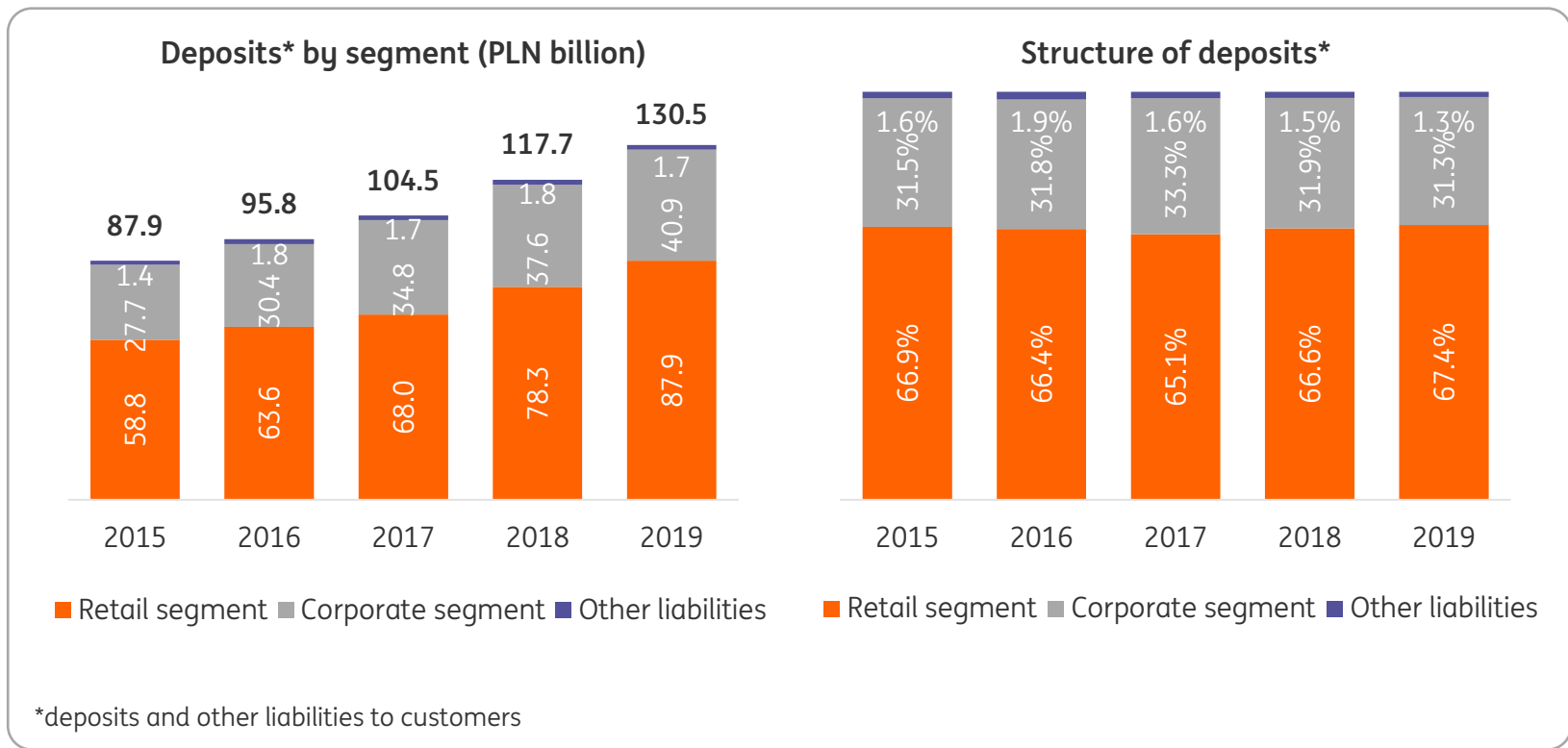
The long-term lease contracts in EUR at ING Lease (Polska) are funded with loans received from ING Bank NV, among other things (so-called “matched funding”). The agreement was signed in 2003. The financing limit under the agreement and subsequent annexes totals EUR 900 million. As at the end of 2019, the debt balance was EUR 804 million and CHF 12 million. Funds are disbursed in the form of credit tranches which are disbursed depending on the

needs under the lease agreements and cash loan agreements paid out. The funding is paid off in a timely manner, in accordance with the repayment schedules applicable to the credit tranches disbursed.

In addition, in 2016, ING Lease (Polska) signed a credit agreement with the European Investment Bank (EIB). The purpose of the agreement is to finance the EUR lease contracts for mid and big companies, with a tenor of up to 5 years. As at the end of 2019, the debt balance was EUR 24.5 million. In 2019, ING Lease (Polska) did not take out any new funding; it only paid off the credit tranches when due. The credit agreement is secured with Polish T-bonds. On 30 September 2019, our bank took out a subordinated loan of EUR 250 million, and then, on 28 November 2019, it received the consent of the Polish Financial Supervision Authority to incorporate this subordinated loan in the Bank's Tier 2 capital. The loan was granted for 10 years and the Bank is entitled to a premature repayment after 5 years (subject to PFSA's approval). Interest will be paid quarterly at the 3M EURIBOR rate plus a margin of 1.66%.

Additionally, in 2019 ING Bank Hipoteczny carried out the first issue of mortgage bonds worth PLN 400 million (you can read more about it in the text box "First issue of mortgage bonds"). On the other hand, in December 2019, our bank redeemed at maturity a series of INGBS191219 bonds (with a nominal value of PLN 300 million) in adherence to the terms and conditions of the issue.

As at 2019 yearend, deposits and other amounts payable to Clients totalled PLN 130.5 billion, up by 10.9% or PLN 12.8 billion y/y. The increase in deposits was largely fuelled by the retail segment (+PLN 9.6 billion y/y), which enlarged its share in the deposit base up to 67.4% from 66.6% in the previous year.



Portfolio of liabilities to customers							
PLN million	2019	2018	2017	2016	2015	Change 2019 / 2018	
						PLN million	%
Deposits, including:	128,800.1	115,908.0	102,849.1	94,048.4	86,463.7	12,892.1	11.1%
Households	87,643.7	78,255.5	67,918.6	63,548.0	58,896.1	9,388.2	12.0%
Business entities	36,191.2	35,735.0	33,156.6	28,759.6	25,948.1	456.2	1.3%
Government and self-government institutions' sector	4,965.2	1,917.5	1,773.9	1,740.8	1,619.5	3,047.7	158.9%
Total, including:	128,800.1	115,908.0	102,849.1	94,048.4	86,463.7	12,892.1	11.1%
Corporate banking	40,889.3	37,589.9	34,799.5	30,438.9	27,673.4	3,299.4	8.8%
Current accounts	28,415.4	25,478.6	23,605.0	20,094.9	16,563.0	2,936.8	11.5%
Savings accounts	10,937.4	9,969.3	8,553.8	8,608.3	8,355.0	968.1	9.7%
Term deposits	1,536.5	2,142.0	2,640.7	1,735.7	2,755.4	-605.5	-28.3%
Retail banking	87,910.8	78,318.1	68,049.6	63,609.5	58,790.3	9,592.7	12.2%
Current accounts	21,998.5	18,051.2	14,792.0	11,920.7	9,872.2	3,947.3	21.9%
Savings accounts	63,387.7	57,948.1	49,935.0	47,872.3	42,962.0	5,439.6	9.4%
Term deposits	2,524.6	2,318.8	3,322.6	3,816.5	5,956.0	205.8	8.9%
Other liabilities, including:	1,673.4	1,774.5	1,654.2	1,777.0	1,402.3	-101.1	-5.7%
Liabilities under cash collateral	400.1	329.5	274.0	311.2	300.1	70.6	21.4%
Call deposits	11.6	8.6	1.4	64.8	47.5	3.0	34.9%
Repo transactions	0.0	0.0	0.0	0.0	0.0	0.0	-
Other liabilities	1,261.7	1,436.4	1,378.8	1,401.0	1,054.7	-174.7	-12.2%
Total	130,473.5	117,682.5	104,503.3	95,825.4	87,866.0	12,791.0	10.9%

## Off-Balance Sheet items

As at 2019 yearend, the Group of ING Bank Śląski S.A. held:

- contingent liabilities granted in the total amount of PLN 36.5 billion. This implies that they were up by 6.6% or by PLN 2.3 billion compared to the end of 2018,
- received contingent liabilities worth PLN 97.0 billion (i.e. up by 4.0% compared to the previous year).

Off-balance sheet items of ING Bank Śląski S.A. Group					
PLN million	2019	2018	2017	2016	2015
Contingent liabilities granted	36,547.7	34,284.1	29,953.3	27,954.5	24,423.2
Unutilised credit lines	27,699.0	25,791.0	22,250.4	21,302.2	17,760.7
Guarantees	5,837.2	5,575.6	4,897.7	3,989.1	4,038.4
Unutilised overdrafts	1,425.6	1,371.2	1,336.1	1,273.7	1,310.3
Credit card limits	1,389.9	1,251.2	1,078.9	997.7	921.7
Letters of Credit	196.0	295.1	390.2	391.8	392.1
Contingent liabilities received	96,981.1	93,219.1	82,850.1	79,093.3	53,515.3
Off-balance sheet items total	133,528.8	127,503.2	112,803.4	107,047.8	77,938.5

Details of off-balance items are presented in the Annual Consolidated Financial Statements of ING Bank Śląski S.A. Group for 2019.



# Separate results of ING Bank Śląski S.A.

## Key financial data

Abridged financial results of ING Bank Śląski S.A. for 2015 to 2019						
PLN million	2019	2018	2017	2016	2015	Change 2019 to 2018
Income*	5,591	5,073	4,637	4,136	3,644	10.2%
Cost	2,370	2,213	2,049	2,010	2,035	7.1%
Risk cost	569	477	400	269	213	19.4%
Profit before tax	2,217	2,010	1,859	1,578	1,396	10.3%
Net profit**	1,659	1,524	1,403	1,209	1,140	8.9%
Balance sheet total	153,917	137,935	122,339	113,529	106,106	11.6%
Liabilities to customers	130,037	117,294	104,076	95,168	87,384	10.9%
Net loans and other receivables to customers***	110,537	99,126	83,795	74,128	65,795	11.5%
Equity**	15,115	13,322	11,795	10,295	10,485	13.5%
Earnings per share in PLN	12.75	11.71	10.78	9.29	8.76	8.9%
Dividend per share in PLN for given year	-	3.50	3.20	0.00	4.30	-

\*Including net profit of affiliated entities recognised on an equity basis; \*\* attributable to shareholders of the parent entity; \*\*\* Eurobonds excluded

For the purposes of converting the data presented above into EUR, the Bank shall use the following rates:

- for the items specified in the Statement of Financial Position – National Bank of Poland exchange rate prevailing on 31 December of the year,
- for income statement items – exchange rate calculated as an average of the National Bank of Poland rates prevailing on the last day of each month in the year.

EUR/PLN exchange rate					
	2019	2018	2017	2016	2015
For statement of financial position items	4.2585	4.3000	4.1709	4.4240	4.2615
For income statement items	4.3018	4.2669	4.2447	4.3757	4.1848

Abridged financial results of ING Bank Śląski S.A. for 2015 to 2019						
EUR million	2019	2018	2017	2016	2015	Change 2019 to 2018
Income*	1,300	1,189	1,092	945	871	9.3%
Cost	551	519	483	459	486	6.2%
Risk cost	132	112	94	61	51	18.4%
Profit before tax	515	471	438	361	334	9.4%
Net profit**	386	357	331	276	272	8.0%
Balance sheet total	36,144	32,078	29,332	25,662	24,899	12.7%
Liabilities to customers	30,536	27,278	24,953	21,512	20,505	11.9%
Net loans and other receivables to customers***	25,957	23,053	20,090	16,756	15,439	12.6%
Equity**	3,549	3,098	2,828	2,327	2,460	14.6%
Earnings per share in PLN	2.96	2.74	2.54	2.12	2.09	8.0%
Dividend per share in PLN for given year	-	0.82	0.75	0.00	1.03	-

\*Including net profit of affiliated entities recognised on an equity basis; \*\* attributable to shareholders of the parent entity; \*\*\* Eurobonds excluded

## Core effectiveness ratios

Core effectiveness ratios of ING Bank Śląski S.A. for 2015 to 2019						
	2019	2018	2017	2016	2015	Change 2019 /2018
C/I ratio	42.4%	43.6%	44.2%	48.6%	55.8%	-1.2p.p.
ROA	1.13%	1.19%	1.20%	1.09%	1.11%	-0.05p.p.
ROE	11.7%	12.4%	12.6%	11.5%	11.4%	-0.8p.p.
Interest margin ratio	2.88%	2.90%	2.86%	2.64%	2.40%	-0.02p.p.
LTD ratio	85.0%	84.5%	80.5%	77.9%	75.3%	0.5p.p.
LCR	135%	138%	151%	160%	183%	-3p.p.
NSFR	126%	127%	119%	122%	121%	-1p.p.
LR according to transitional definition	8.10	8.19	8.47	7.65	6.85	-0.09
Total capital ratio	18.30%	17.17%	18.39%	16.60%	15.07%	1.13p.p.
Tier 1 ratio	15.63%	16.24%	17.34%	15.43%	15.07%	-0.61p.p.

**Cost to Income ratio (C/I) – adjusted** – operating expenses/ total income together with net profit of affiliated entities recognised on an equity basis, excluding the following income: 1) dividends of PLN 82.1 million from ING PTE in Q2 2015, 2) income on sale of ING PTE of PLN 18.4 million in Q3 2015; 3) income of PLN 189.6 million under the VISA Europe transaction in Q2 2016 and 4) income of PLN 11.9 million under the Visa Inc. transaction in Q2 2017 and excluding the following costs: 1) extraordinary contribution to BGF stemming from the bankruptcy of SK Bank (Bank Rzemiosła i Rolnictwa) in Wołomin of PLN 157.4 million in Q4 2015, 2) provision for Mortgage Support Fund contribution of PLN 6.4 million in Q4 2015, 3) extraordinary contribution to BGF under the bankruptcy of the Cooperative Bank in Nadarzyn of PLN 12.2 million in Q4 2016.

**Return on Equity (ROE) – adjusted** – return on equity excluding the revaluation reserve for the cash-flow hedging instruments – net profit/ average equity for 5 subsequent quarters (excluding the revaluation reserve for the cash-flow hedging instruments).

## Income statement

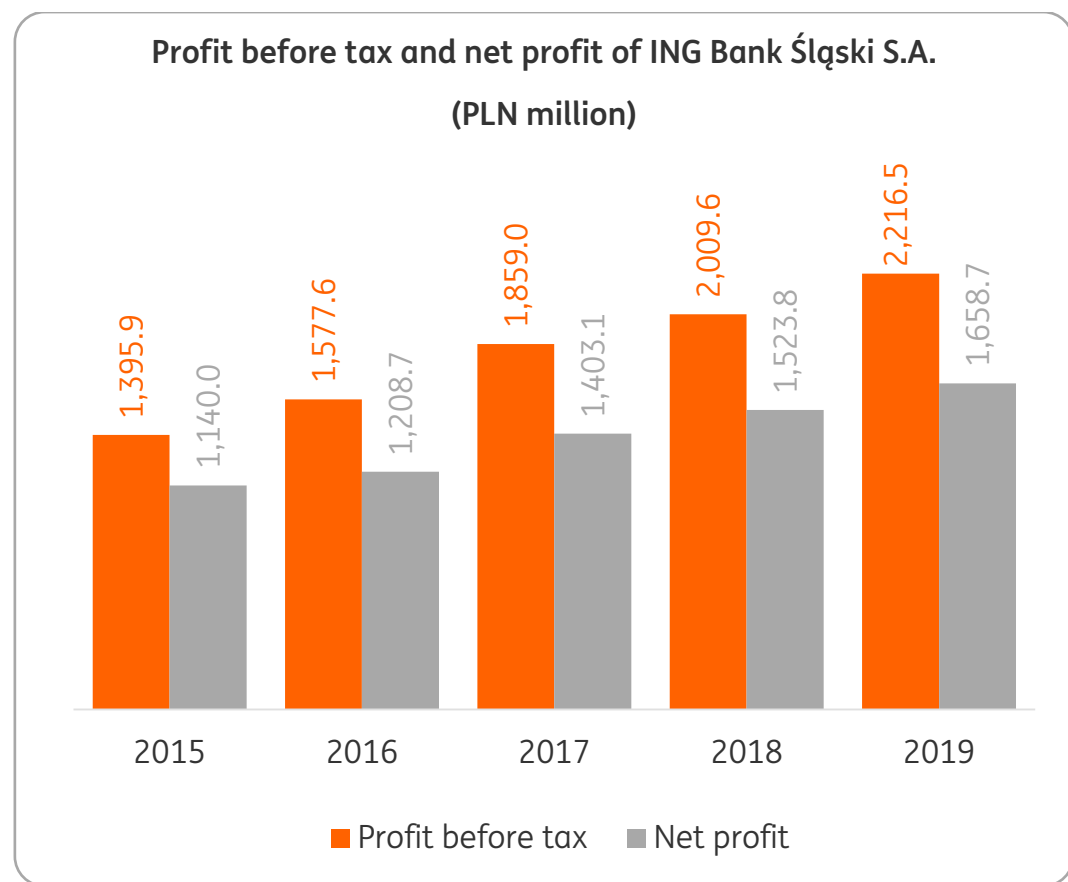
Basic income statement figures of the ING Bank Śląski S.A. for 2019 and changes vis-à-vis 2018 are presented in the table below.

Basic income statement figures in analytical terms							
PLN M	2019	2018	2017	2016	2015	Change 2019/2018	
						PLN million	%
Net interest income	4,089.8	3,619.1	3,254.3	2,825.0	2,343.5	470.7	13.0%
Net commission income	1,295.8	1,236.6	1,145.9	1,015.1	951.3	59.2	4.8%
One-off income*	0.0	0.0	11.9	189.6	100.5	0.0	-
Other revenues**	205.3	217.2	225.2	106.3	248.4	-11.9	-5.5%
<b>Total revenue</b>	<b>5,590.9</b>	<b>5,072.9</b>	<b>4,637.3</b>	<b>4,136.0</b>	<b>3,643.7</b>	<b>518.0</b>	<b>10.2%</b>
<b>Operating expenses</b>	<b>2,369.8</b>	<b>2,212.9</b>	<b>2,048.6</b>	<b>2,009.7</b>	<b>2,035.0</b>	<b>156.9</b>	<b>7.1%</b>
including one-off costs*	0.0	0.0	0.0	12.2	163.8	0.0	-
Impairment losses and provisions	568.9	476.6	399.6	268.5	212.8	92.3	19.4%
Bank levy	435.7	373.8	330.1	280.2	0.0	61.9	16.6%
<b>Gross financial result</b>	<b>2,216.5</b>	<b>2,009.6</b>	<b>1,859.0</b>	<b>1,577.6</b>	<b>1,395.9</b>	<b>206.9</b>	<b>10.3%</b>
Income tax	557.8	485.8	455.9	368.9	255.9	72.0	14.8%
<b>Net financial result</b>	<b>1,658.7</b>	<b>1,523.8</b>	<b>1,403.1</b>	<b>1,208.7</b>	<b>1,140.0</b>	<b>134.9</b>	<b>8.9%</b>
<b>Adjusted net result*</b>	<b>1,658.7</b>	<b>1,523.8</b>	<b>1,393.5</b>	<b>1,065.0</b>	<b>1,175.7</b>	<b>134.9</b>	<b>8.9%</b>

\* Income: dividend of PLN 82.1 million from ING PTE in Q2 2015, income of PLN 18.4 million from the disposal of ING PTE shares in Q3 2015 and positive impact of PLN 189.6 million under the Visa Europe transaction in Q2 2016 and positive impact of PLN 11.9 million under the Visa Inc. transaction in Q2 2017; Costs: PLN 157.4 million of extraordinary contribution to BGF stemming from the SK Bank bankruptcy in Q4 2015, PLN 6.4 million of contribution to the Mortgage Support Fund in Q4 2015 and PLN 12.2 million of extraordinary contribution to BGF under the bankruptcy of the Cooperative Bank in Nadarzyn; \*\* including the share in net profits of affiliated entities recognised on an equity basis.

## Profit before tax and net profit

In 2019, the ING Bank Śląski S.A. posted the net profit of PLN 1 658.7 million. This is the highest ever result of the Bank. It implies that the net result improved by 8.9% from 2018. The result before tax was PLN 2 216.5 million and was up by 10.3% compared to 2018. Both in 2019 and 2018 there were no one-off factors.

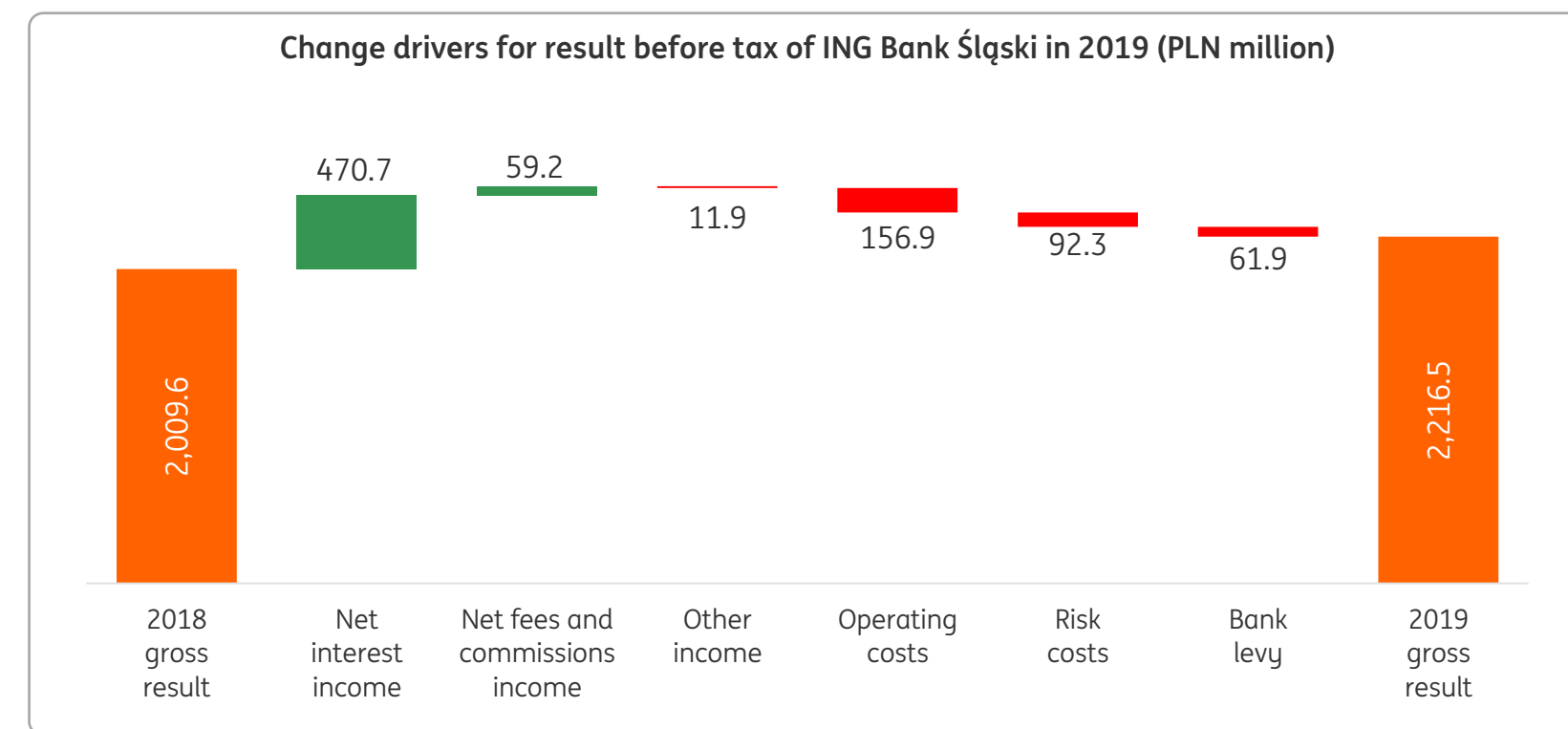


The profit before tax in 2019 was up by PLN 206.6 million compared to 2018 mainly due to:

- net interest income, which was up by PLN 470.7 million, or 13.0%, and
- commission income, net up by PLN 59.2 million, i.e. by 4.8%.

On the other hand, the factors that had negative impact on 2019 result before tax compared to 2018 included:

- income down by PLN 11.9 million compared to other income, i.e. by 5.5%,
- Operating costs up by PLN 156.9 million, i.e. by 7.1%,
- expected/impairment losses and provisions up by PLN 92.3 million, i.e. by 19.4%, and
- bank levy up by PLN 61.9 million, i.e. by 16.6%.



In 2019 total income of ING Bank Śląski S.A. (including, apart from net profit, also other income and cost items included in equity) amounted to PLN 2,248.4 million compared to PLN 2,203.1 million in 2018.

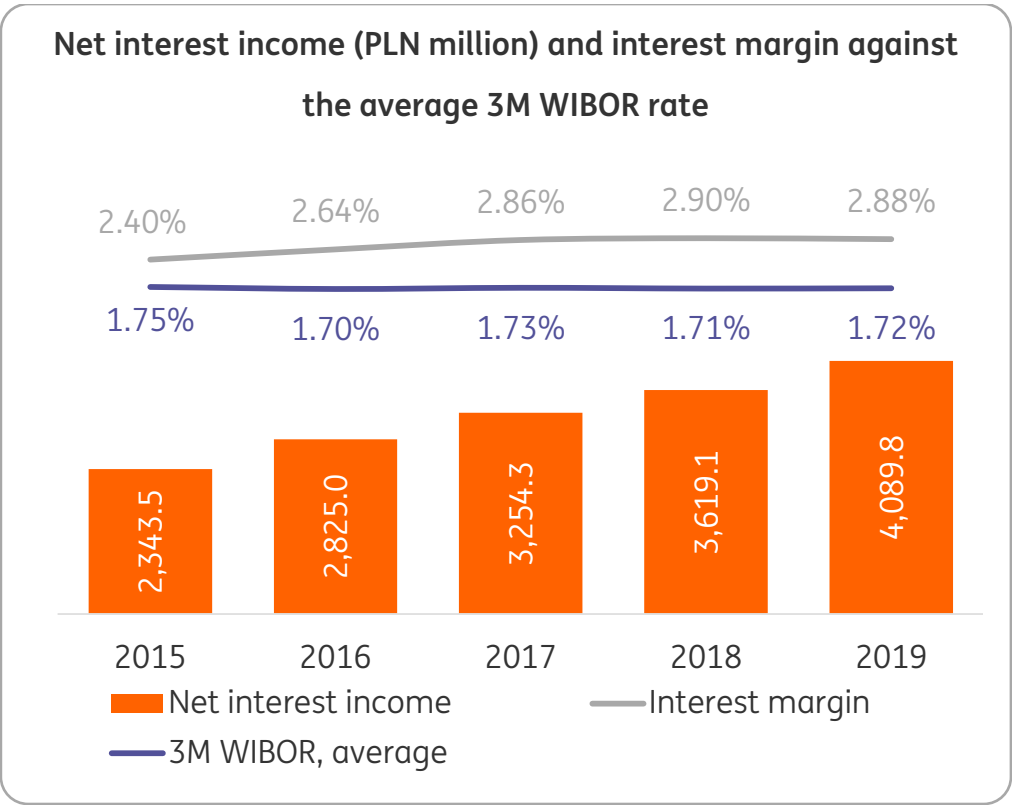
## Revenue

In 2019, total revenue of the ING Bank Śląski S.A. amounted to PLN 5,590.9 million. This betokens improvement compared to 2018 of PLN 518.0 million or 10.2%, fuelled by a higher net interest income first and foremost. Its share in total income was up by 1.8 p.p. y/y up to 73.2%.

### Net interest income

In 2019, net interest income of ING Bank Śląski S.A. was up by PLN 470.7 million compared to 2018 (i.e. by 13.0%) up to the level of PLN 4,089.8 million, mainly due to higher interest on loans and other receivables.

As in 2018, the National Bank of Poland reference rate was kept constant at 1.5% during 2019. Despite record low interest rates, interest income was up thanks to higher business volumes.



In the Q4 2019, the net interest income was adversely affected by the adjustment of interest income totalling PLN 20.2 million due to recognition of the difference between the value of loan fees settled in the results using the effective interest rate method and the value of loan fees returned to individual clients calculated using the straight-line method in the case of prepaid loans before the contractual maturity.

The net interest income was also affected by the change in interest terms and conditions for savings accounts for retail clients effective from 3 July 2019 (a decline in interest rates on the basic account from 0.7% to 0.5%) and effective from 1 August 2019 for corporate clients.

The net interest margin amounted to 2.88% in 2019, i.e. it was down by 0.02% compared to 2018.

### Average basic interest rate\* in 2019

	Segment		Total
	Retail	Corporate	
<b>Deposits</b>			
PLN	0.69%	0.72%	0.72%
FX	0.04%	0.06%	0.04%
<b>Loans</b>			
PLN	4.44%	3.12%	3.90%
FX	0.58%	1.79%	1.77%
including: mortgage loans			
PLN	3.59%		3.59%
FX	0.58%		0.58%

\*Based on management data

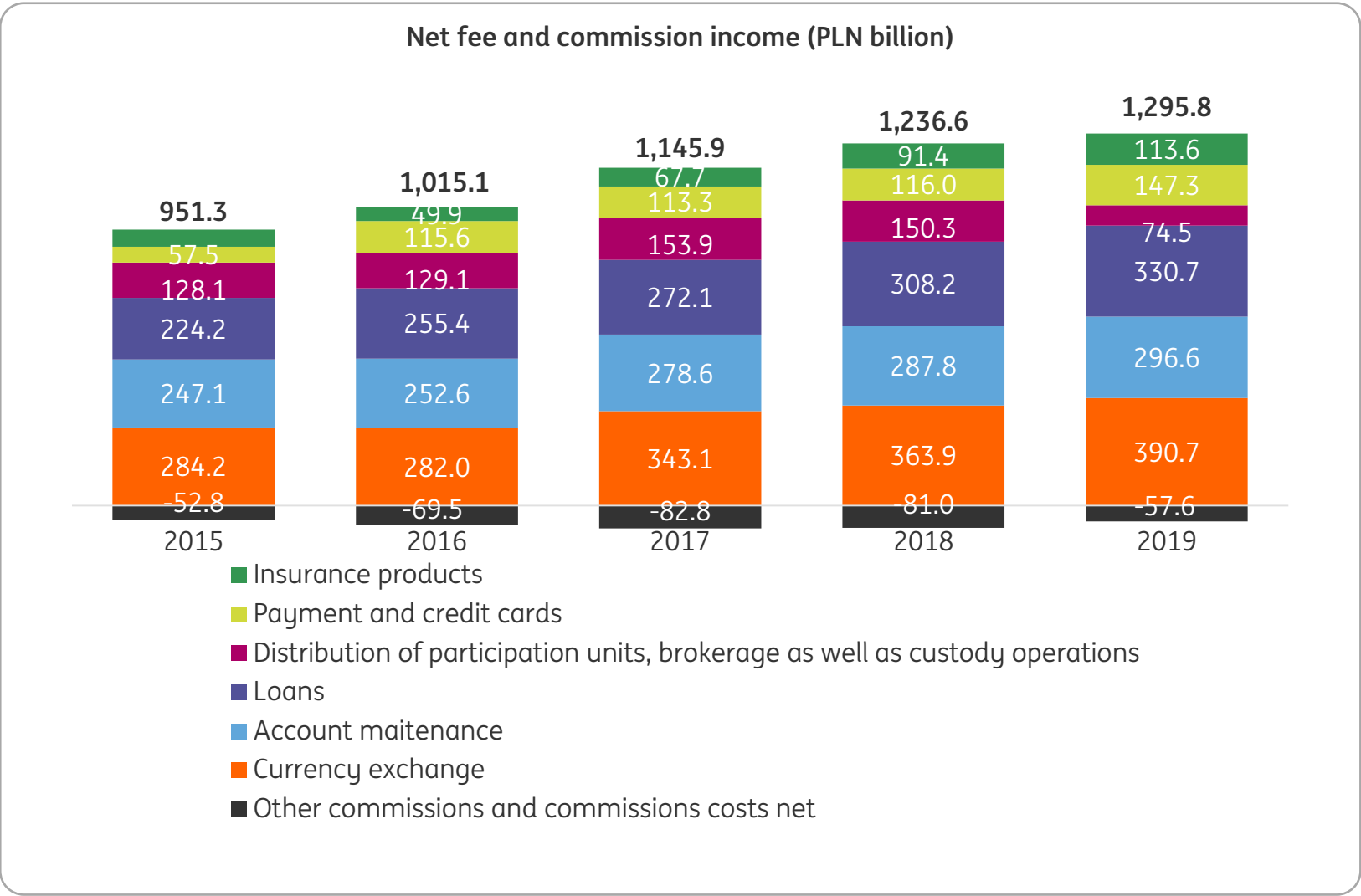
### Net commission income

In 2019, net commission income of ING Bank Śląski S.A. was up by PLN 59.2 million or by 4.8% compared to 2018 to the level of PLN 1 295.8 million.

The highest commission income growth was noticed in:

- payment and credit cards: up by PLN 31.3 million or by 27% y/y to the level of PLN 147.3 million. It was fuelled by a growing customer base and Clients' activity.
- the FX transaction spreads: up by PLN 26.8 million or by 7.4% y/y to the level of PLN 390.7 million. This was fuelled by growing turnover volumes.
- loans: up by PLN 22.5 million or 7.3%. This was driven by growing sales volume of loans in the retail segment.
- insurance products: up by PLN 22.2 million or 24.3% y/y up to the level of PLN 113.6 million. This was fuelled by higher cross-sales with lending products, but also higher sales of stand-alone insurance products.

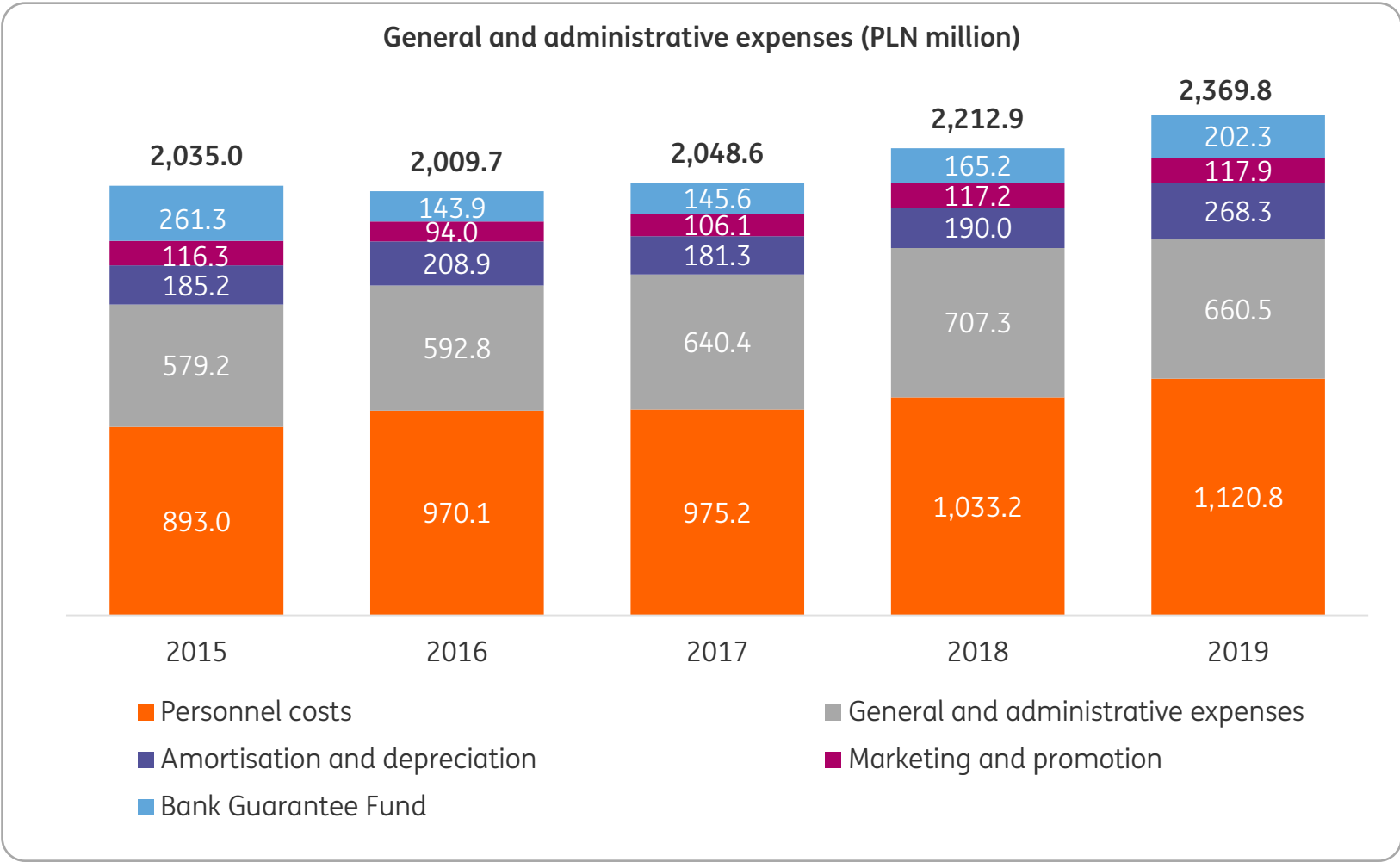




categories, which was connected with development of the Bank’s business. In 2019 the highest growth was recorded in the following categories:

- personnel costs (by PLN 87.6 million, or by 8.5% y/y) as a result of wage increases (the wage increase was in April, just like in 2018), and
- depreciation costs (by PLN 78.3 million, or by 41.2% y/y), which is related to IFRS 16 in force from the beginning of 2019.

Employment in ING Bank Śląski S.A. was relatively stable (7,641 FTEs as at 2019 yearend compared to 7,616 FTEs a year earlier).



### Other income

In 2019, other income of the Bank amounted to PLN 205.3 million and was down by PLN 11.9 million compared to the previous year. In Q3 2019, a provision was set up for retail loans repaid before contractual maturity totalling PLN 17.1 million.

### General and administrative expenses

In 2019, the general and administrative expenses of ING Bank Śląski S.A. were up by 7.1% y/y to the level of PLN 2,369.8 million, including own costs that were up by 5.6% y/y to PLN 2,151.4 million, and regulatory costs (total BGF and PFSA expenses) up by 23.9% y/y to the level of PLN 218.5 million. Costs increase was observed in all main

### Impairment losses and provisions

In 2019, the value of provisions for bad loans was PLN 568.9 million. In 2018, impairment allowances for financial assets and provisions for off-balance liabilities amounted to PLN 476.6 million.

In 2019, our bank sold its Phase 2 debts twice. In Q1 2019, a corporate portfolio was sold, however, its impact on the cost of risk was relatively small (PLN 9.8 million). In Q4 2019, a Phase 3 debt portfolio consisting of both retail and corporate exposures was sold. The impact of these sales on the cost of risk was PLN 24.4 million in the retail segment and PLN 0.1 million in the retail segment respectively. The Bank regularly sells Phase 3 debt portfolios under its credit risk management policy.

### Tax on certain financial institutions

In 2019, ING Bank Śląski S.A. paid tax on certain financial institutions (the so-called bank levy) in the amount of PLN 435.7 million. The bank levy was up by PLN 61.9 million, i.e. by 16.6%, compared to 2018, was driven by a higher tax base, which is a consequence of consistent growth of business volumes.

### Income tax

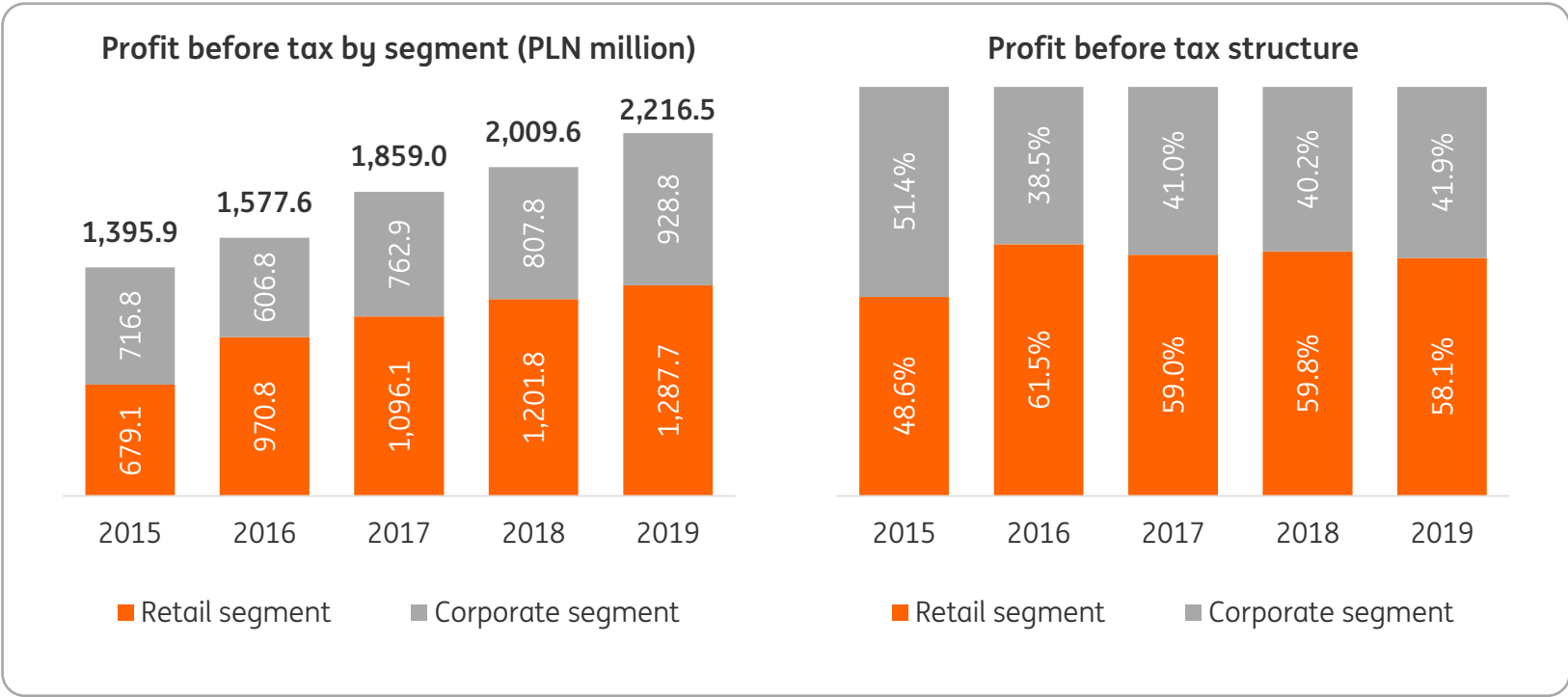
In 2019, ING Bank Śląski S.A. posted the income tax of PLN 557.8 million. It was up by 14.8% compared to the previous year. The effective tax rate in 2019 was 25.2%, compared to 24.2% in the previous year. Both in 2018 and 2019 – in keeping with Article 16.1.71 of the Corporate Income Tax Act – neither the banks' guarantee fund contribution nor the payment to the banks' compulsory resolution fund were tax deductible. Bank levy is also tax deductible (in keeping with Article 16.1.70 of the Corporate Income Tax Act).

## Report by business segment

Our Bank's business model is divided into two major segments:

- retail banking segment, which encompasses private individuals and enterprises (small business),
- corporate banking segment, which comprises service of institutional clients and FM products' operations.

In 2019, the result before tax broken down into segments was as follows:



In 2019, the results of the retail banking segment accounted for 58.1% of gross profit, whereas the result of the retail segment – 41.9% (in the previous year: 59.8% and 40.2% respectively).

Result before tax in retail banking segment							
PLN million	2019	2018	2017	2016	2015	Change 2019 / 2018	
						PLN million	%
Net interest income	2,686.4	2,368.4	2,119.1	1,849.5	1,490.0	318.0	13.4%
Net commission income	513.0	493.5	410.4	368.4	347.5	19.5	4.0%
Other income	90.5	137.0	125.2	222.6	207.4	-46.5	-33.9%
Total revenue	3,289.9	2,998.9	2,654.7	2,440.5	2,044.9	291.0	9.7%
Operating expenses	1,506.6	1,374.3	1,273.9	1,230.6	1,296.0	132.3	9.6%
Risk costs	305.1	267.9	158.2	137.5	69.8	37.2	13.9%
Bank levy	190.5	154.9	126.5	101.7	0.0	35.6	23.0%
Gross financial result	1,287.7	1,201.8	1,096.1	970.8	679.1	85.9	7.1%

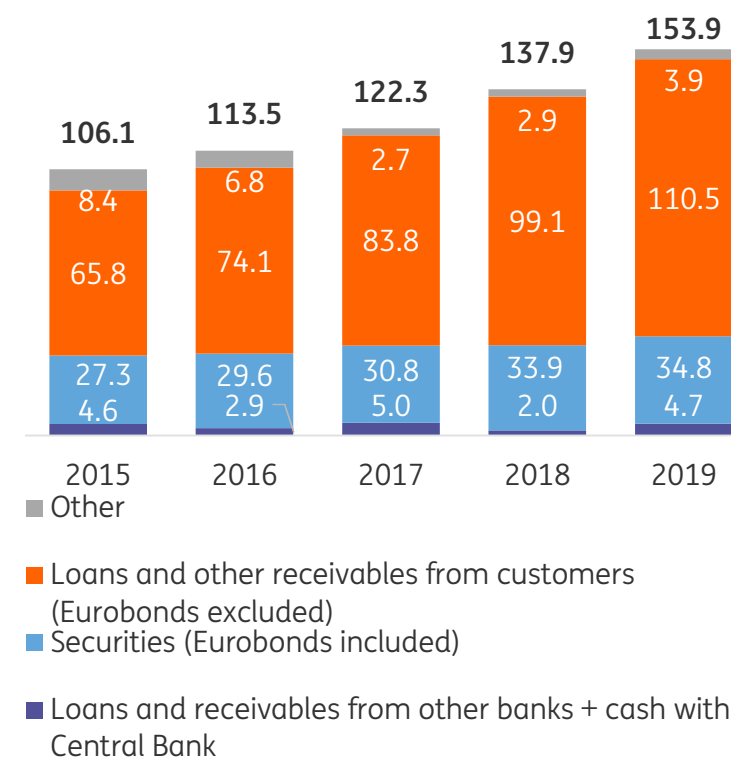
Result before tax in corporate banking segment							
PLN million	2019	2018	2017	2016	2015	Change 2019 / 2018	
						PLN million	%
Net interest income	1,403.4	1,250.7	1,135.2	975.5	853.5	152.7	12.2%
Net commission income	782.8	743.1	735.5	646.7	603.8	39.7	5.3%
Other income	114.8	80.2	111.9	73.3	141.5	34.6	43.1%
Total revenue	2,301.0	2,074.0	1,982.6	1,695.5	1,598.8	227.0	10.9%
Operating expenses	863.2	838.6	774.7	779.1	739.0	24.6	2.9%
Risk costs	263.8	208.7	241.4	131.0	143.0	55.1	26.4%
Bank levy	245.2	218.9	203.6	178.5	0.0	26.3	12.0%
Gross financial result	928.8	807.8	762.9	606.8	716.8	121.0	15.0%

## Statement of financial position

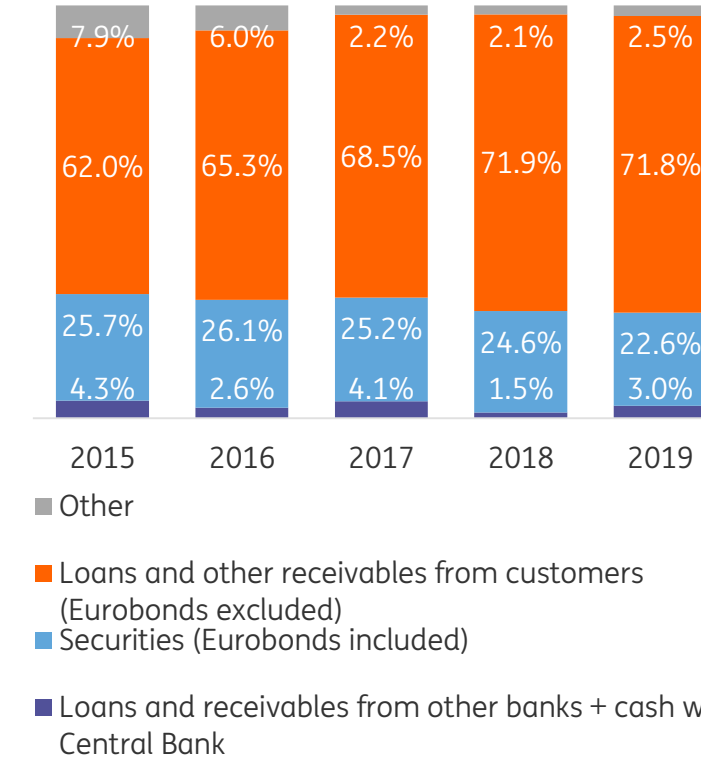
### Assets

As at 2019 yearend, the total assets of ING Bank Śląski S.A. were PLN 153.9. It implies they were up by 11.6% against 2018. The portfolio of loans and other receivables from customers was the primary growth trigger, which was up PLN 11.4 billion y/y or 11.5% to PLN 110.5 billion. These items prevail in the assets structure. On 31 December 2019, they represented 71.8% of the Bank's total assets.

Assets of ING Bank Śląski S.A. (PLN billion)

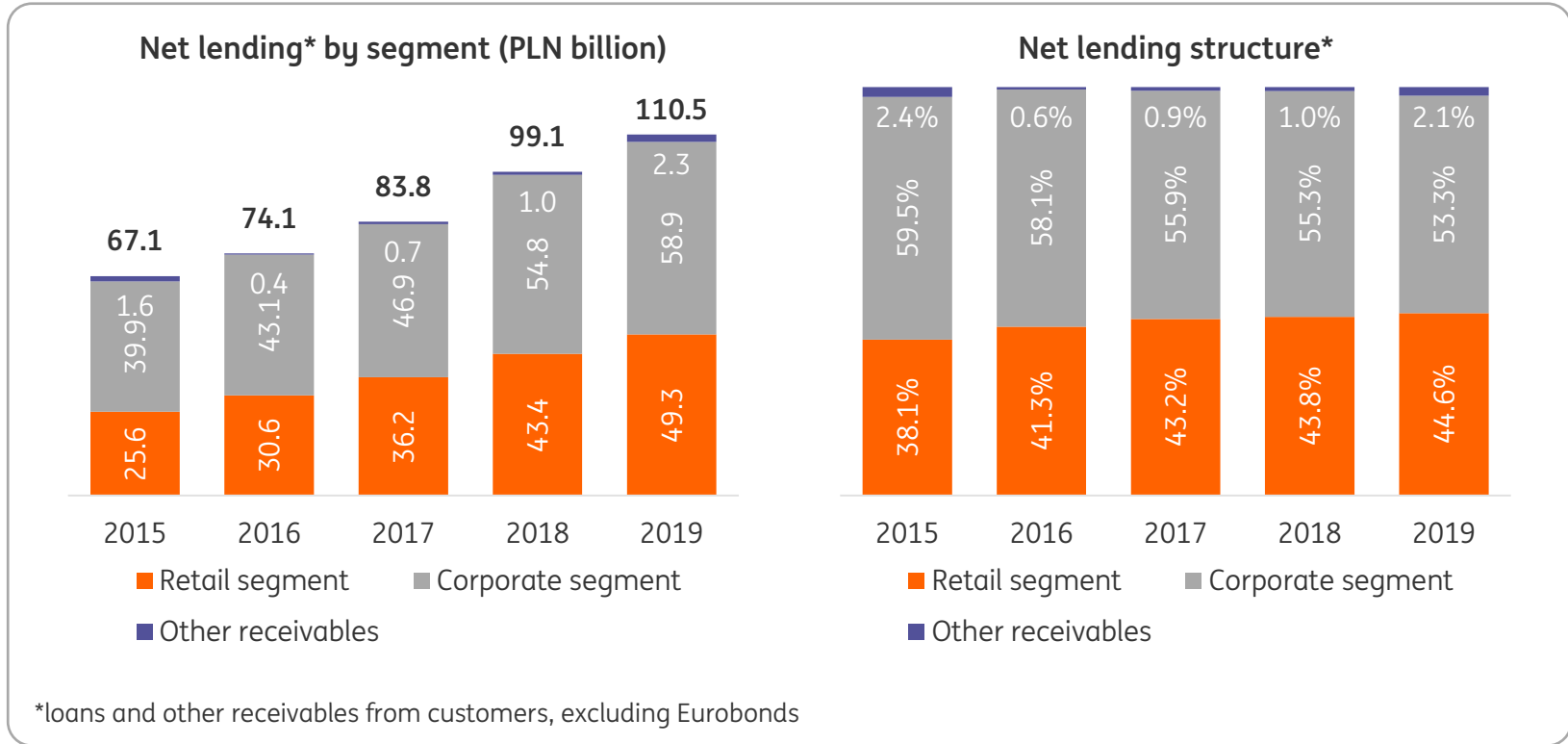


Structure of assets of ING Bank Śląski



An important item on the balance sheet was also the securities portfolio (including Eurobonds) – PLN 34.8 billion (22.6% of assets). The majority of this portfolio consisted of debt securities, including investment assets – PLN 33.8 billion, including PLN 21.2 billion of assets at fair value through other comprehensive income and PLN 12.6 billion of financial assets at amortised cost.

Both retail and corporate net loans and other receivables from clients increased the balance as at 2019 yearend when compared with 2018. The retail segment was up by PLN 4.1 billion y/y, the retail segment by PLN 6.0 billion y/y and other receivables by PLN 1.3 billion.



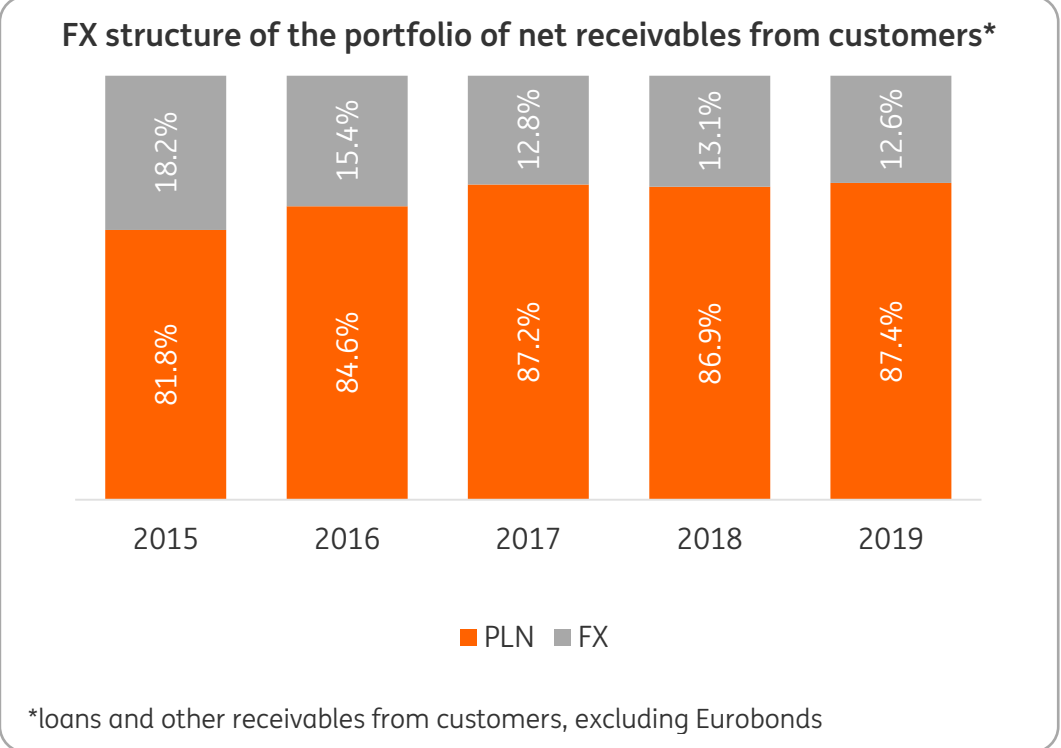
The portfolio of net receivables from customers (including Eurobonds)							
	2019	2018	2017	2016	2015	Change 2019 / 2018	
						PLN million	%
measured at amortized cost	102,524.0	98,907.4	87,358.7	78,038.0	70,987.8	3,616.6	3.7%
measured at fair value through other comprehensive income	7,852.0	0.0	-	-	-	-	-
measured at fair value through profit and loss	160.3	218.4	-	-	-	-	-
Total	110,536.3	99,125.8	87,358.7	78,038.0	70,987.8	11,410.5	11.5%

ING Bank Śląski also provides financing to its subsidiaries (corporate segment) for a total of PLN 11.7 billion at the end of 2019. All transactions take place on an arm's length basis. The cost of financing granted to subsidiaries in 2019 was between 2.0%-2.9% for PLN and between 0.9%-1.1% for EUR.

Loan portfolio for subsidiaries of ING Bank Śląski S.A.				
2019 PLN million	ING Commercial Finance S.A.	ING Bank Hipoteczny S.A.	ING Lease (Polska) Sp. z o.o.*	Total
Breakdown by maturity				
Up to a year	3,230.8	132.8	281.4	3,644.9
Over a year	-	2,353.9	5,735.1	8,089.0
Total	3,230.8	2,486.7	6,016.5	11,733.9
Breakdown by currency				
PLN	2,614.1	2,486.7	5,934.3	11,035.1
EUR	556.0	-	79.1	635.1
Other	60.6	-	3.1	12.0
Total	3,230.8	2,486.7	6,016.5	11,733.9

\*Including subsidiaries

Within currency structure of the portfolio of net receivables from customers (excluding Eurobonds), share of exposures denominated in PLN was up by 0.4% and reached the level of 87.4%. This is a consequence of a faster growth of receivables denominated in PLN (by PLN 10.4 billion compared to 2018; +12.1%) than the growth of exposures denominated in foreign currencies (by PLN 1.0 billion y/y; +7.0%).





Loan portfolio for subsidiaries of ING Bank Śląski S.A.				
2018 PLN million	ING Commercial Finance S.A.	ING Bank Hipoteczny S.A.	ING Lease (Polska) Sp. z o.o.*	Total
Breakdown by maturity				
Up to a year	3,412.3	-	370.6	3,782.9
Over a year	-	-	4,828.2	4,828.2
<b>Total</b>	<b>3,412.3</b>	<b>-</b>	<b>5,198.7</b>	<b>8,611.1</b>
Breakdown by currency				
PLN	2,877.3	-	5,108.1	7,985.4
EUR	504.7	-	89.5	594.2
Other	30.3	-	1.1	31.4
<b>Total</b>	<b>3,412.3</b>	<b>-</b>	<b>5,198.7</b>	<b>8,611.1</b>

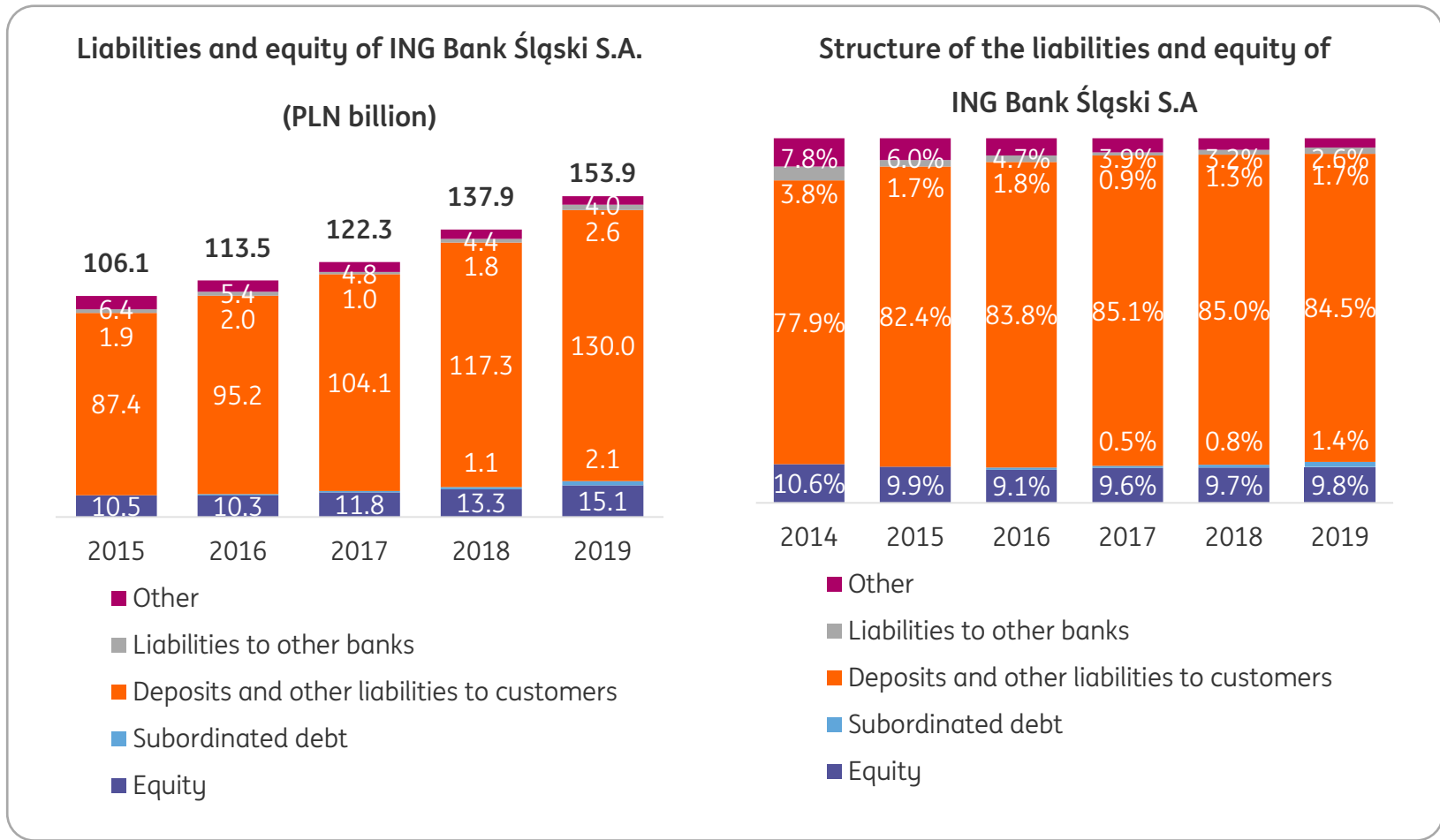
\*Including subsidiaries

The portfolio of net receivables from customers at amortised cost (including Eurobonds)							
	2019	2018	2017	2016	2015	Change 2019 / 2018	
PLN million						PLN million	%
<b>Customer loan portfolio, including:</b>	<b>100,227.4</b>	<b>97,956.8</b>	<b>83,067.7</b>	<b>73,692.1</b>	<b>65,531.8</b>	<b>2,270.6</b>	<b>2.3%</b>
Households	44,101.0	45,819.7	37,737.6	31,985.1	26,652.9	-1,718.7	-3.8%
Business entities	53,114.5	48,937.0	42,483.2	38,291.1	34,994.3	4,177.5	8.5%
Government and self-government institutions’ sector	3,011.9	3,200.1	2,846.9	3,415.9	3,884.6	-188.2	-5.9%
<b>Total, including:</b>	<b>100,227.4</b>	<b>97,956.8</b>	<b>83,067.7</b>	<b>73,692.1</b>	<b>65,531.8</b>	<b>2,270.6</b>	<b>2.3%</b>
Corporate banking	58,734.4	54,586.8	46,879.1	43,080.4	39,929.6	4,147.6	7.6%
Loans in current account	12,848.1	13,093.6	11,659.7	9,638.0	8,936.3	-245.5	-1.9%
Term loans	43,382.3	38,683.9	32,687.2	30,929.6	27,937.7	4,698.4	12.1%
Debt securities	2,504.0	2,809.3	2,532.2	2,512.8	3,055.6	-305.3	-10.9%
Retail Banking	41,493.0	43,370.0	36,188.6	30,611.7	25,602.2	-1,877.0	-4.3%
Mortgages	29,536.0	33,146.8	27,789.0	23,283.9	18,010.3	-3,610.8	-10.9%
Overdrafts	1,281.0	1,223.4	1,240.6	1,143.9	1,095.5	57.6	4.7%
Other loans and advances	10,676.0	8,999.8	7,159.0	6,183.9	6,496.4	1,676.2	18.6%
<b>Other receivables, including:</b>	<b>2,296.8</b>	<b>950.6</b>	<b>4,291.0</b>	<b>4,345.9</b>	<b>5,456.0</b>	<b>1,346.2</b>	<b>141.6%</b>
Concerning T-eurobonds	0.0	0.0	3,564.1	3,910.0	3,838.1	0.0	0.0%
Hedges of call type	1,598.6	733.0	540.1	329.0	180.5	865.6	118.1%
Receivables due to repo transactions	0.0	0.0	19.8	0.0	1,354.4	0.0	0.0%
Other receivables	698.2	217.6	167.0	106.9	83.0	480.6	220.9%
<b>Total</b>	<b>102,524.2</b>	<b>98,907.4</b>	<b>87,358.7</b>	<b>78,038.0</b>	<b>70,987.8</b>	<b>3,616.8</b>	<b>3.7%</b>

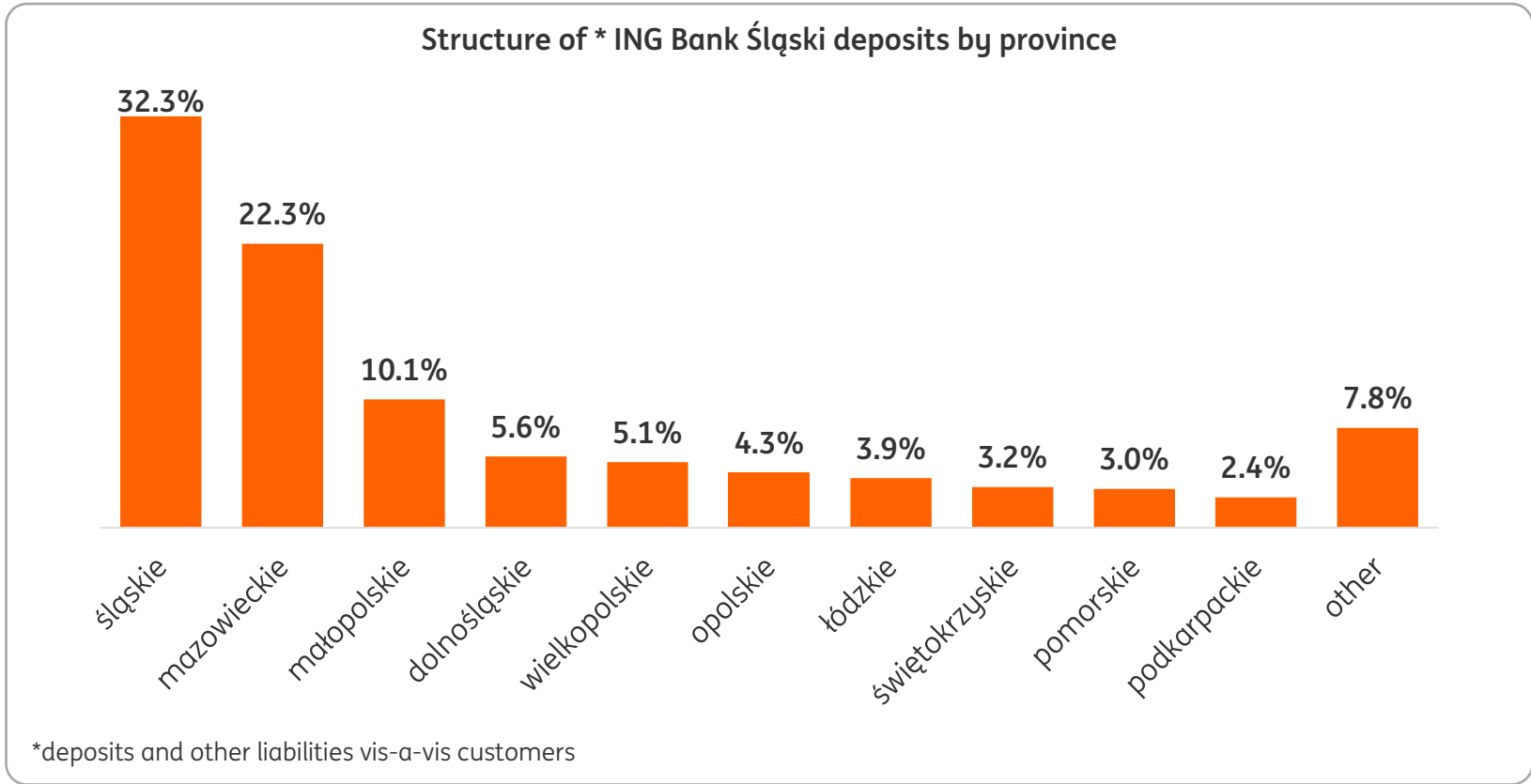
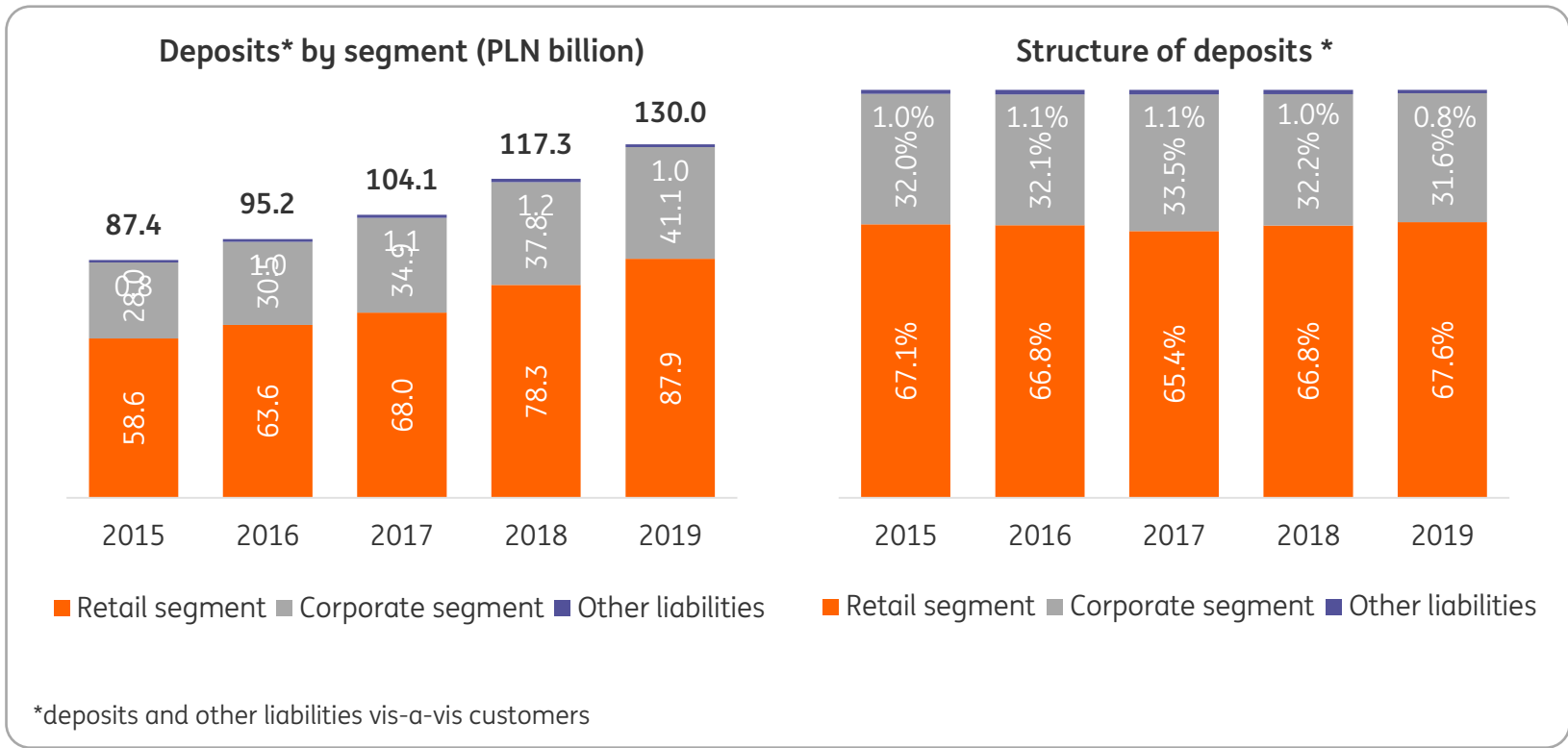
## Liabilities and equity

The customers’ funds constituted the dominant source of funding for the operations of ING Bank Śląski S.A. As at 2019 yearend, the liabilities to customers were PLN 130.0 billion, or 84.5% of total liabilities.

Equity was another important funding source. As at the end of December 2019 it amounted to PLN 15.1 billion and accounted for 9.8% of total liabilities.



In 2018, deposits and other liabilities to customers built up by PLN 12.7 billion y/y, or by 10.9%. This nominal increment is attributable mostly to the retail segment (up by PLN 9.6 billion or by 12.2%). The share of the retail segment dominates in the structure with a weight of 67.6% as at 2019 yearend compared to 66.8% in the previous year.



Portfolio of liabilities to customers

	2019	2018	2017	2016	2015	2019/2018 change	
PLN million						PLN million	%
Deposits, including:	128,997.0	116,102.7	102,936.9	94,122.2	86,596.8	12,894.3	11.1%
Households	87,643.7	78,255.5	67,918.6	63,548.0	58,751.6	9,388.2	12.0%
Business entities	36,388.1	35,929.7	33,244.4	28,833.4	26,225.7	458.4	1.3%
Government and self-government institutions’ sector	4,965.2	1,917.5	1,773.9	1,740.8	1,619.5	3,047.7	158.9%
Total, including:	128,997.0	116,102.7	102,936.9	94,122.2	86,596.8	12,894.3	11.1%
Corporate banking	41,086.3	37,784.7	34,887.3	30,512.7	27,951.0	3,301.6	8.7%
Current accounts	28,444.8	25,613.6	23,645.6	20,133.5	16,580.0	2,831.2	11.1%
Savings accounts	10,959.6	9,982.1	8,566.6	8,608.3	8,355.0	977.5	9.8%
Term deposits	1,681.9	2,189.0	2,675.1	1,770.9	3,016.0	-507.1	-23.2%
Retail Banking	87,910.7	78,318.0	68,049.6	63,609.5	58,645.8	9,592.7	12.2%
Current accounts	21,998.4	18,051.1	14,792.0	11,920.7	9,727.7	3,947.3	21.9%
Savings accounts	63,387.7	57,948.1	49,935.0	47,872.3	42,962.0	5,439.6	9.4%
Term deposits	2,524.6	2,318.8	3,322.6	3,816.5	5,956.0	205.8	8.9%
Other liabilities, including:	1,039.8	1,191.1	1,138.9	1,046.2	834.4	-159.9	-13.3%
Liabilities under cash collateral	400.1	329.5	274.0	311.2	300.1	70.6	21.4%
Call deposits	11.6	8.6	1.4	64.8	47.5	3.0	34.9%
Repo transactions	0.0	0.0	0.0	0.0	1,054.7	0.0	-
Other liabilities	628.1	861.6	864.9	735.0	486.8	-233.5	-27.1%
Total	130,036.8	117,293.8	104,075.8	95,168.4	87,431.2	12,743.0	10.9%

Off-balance sheet items

As at 2019 yearend, the ING Bank Śląski S.A had:

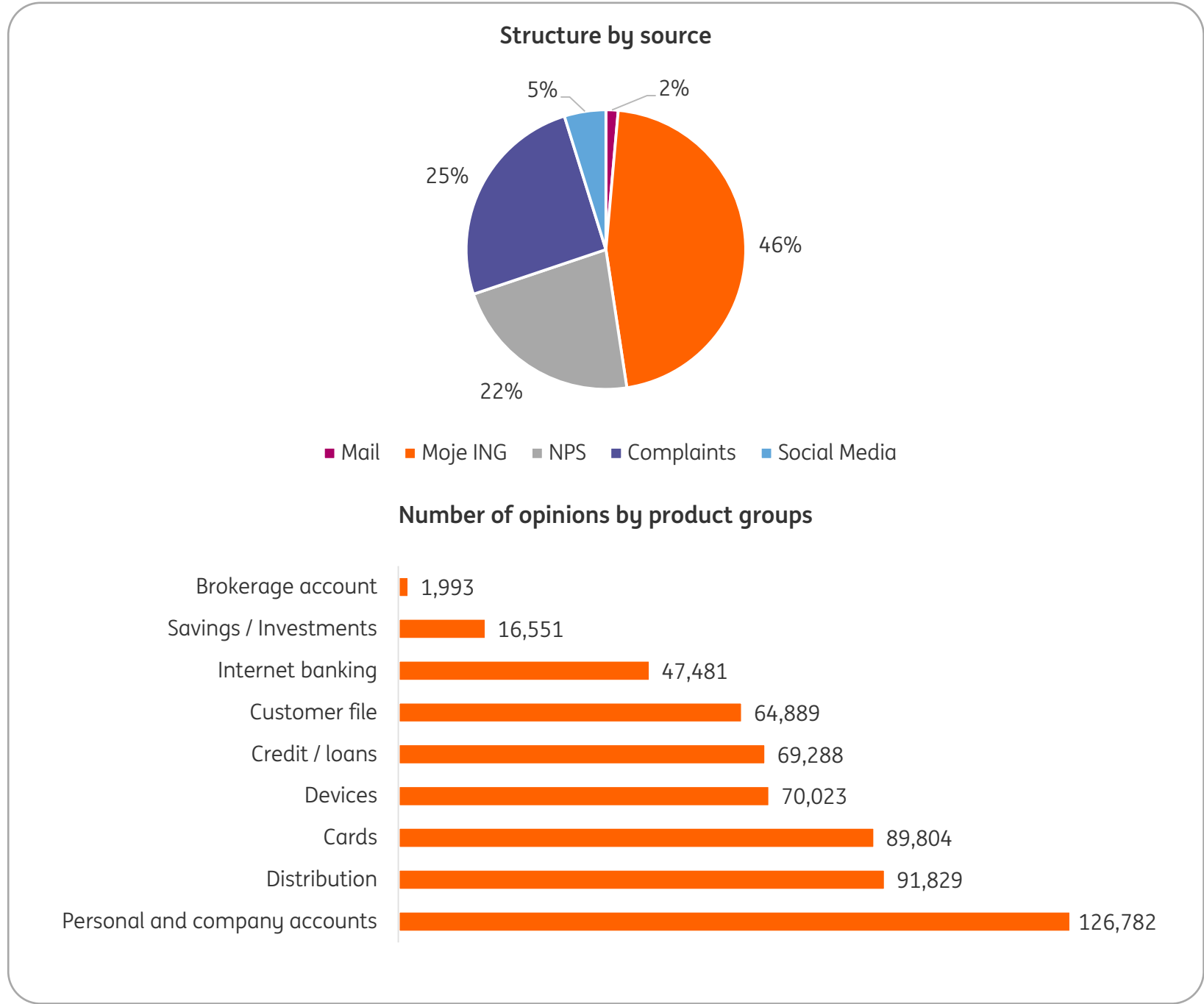
- contingent liabilities granted in the total amount of PLN 37.6 billion. This implies that they were up by 17.6% or by PLN 5.6 billion compared to the end of 2018,

- received contingent liabilities worth PLN 96.6 billion (i.e. up by 4.5% compared to the previous year).

Off-balance items of ING Bank Śląski					
PLN million	2019	2018	2017	2016	2015
Contingent liabilities granted	37,583.1	31,958.8	28,844.2	26,994.5	23,453.5
Unutilised credit lines	29,314.1	24,097.0	21,598.6	21,135.2	17,367.6
Guarantees	5,257.0	4,943.8	4,439.9	3,195.5	3,461.0
Unutilised overdrafts	1,425.6	1,371.2	1,336.1	1,273.7	1,310.3
Credit card limits	1,390.4	1,251.7	1,079.4	998.3	922.5
Letters of Credit	196.0	295.1	390.2	391.8	392.1
Contingent liabilities received	96,621.1	92,484.3	81,822.3	77,680.1	51,424.8
Off-balance sheet items total	134,204.2	124,443.1	110,666.5	104,674.6	74,878.3

Details of off-balance items were presented in the Annual Financial Statements of ING Bank Śląski S.A. for the year 2019.

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### What was important for clients in 2019? (examples)

- With respect to accounts, clients wrote inter alia about fees, commissions and FX transfers.
- With respect to branches, clients provided us with suggestions on the opening hours of branches and voiced their highly positive opinions on client services. They usually stressed the reliability and professionalism of our staff who provided comprehensive information on the Bank's services and on the mobile application.
- With respect to cards, clients wrote on card limits as well as fees on cards to accounts and on the time of card delivery and activation. They referred to card repayments, in particular updates of card balances after repayment.
- With respect to loans, clients wrote about waiting for credit decisions and delivery of insurance policies to mortgage loans.
- With respect to online and mobile Banking, clients wrote about changing telephone numbers for authorisation, opening trusted profiles, applications for 500+. Compared to previous years, there was less feedback on failures although the level was not satisfactory.

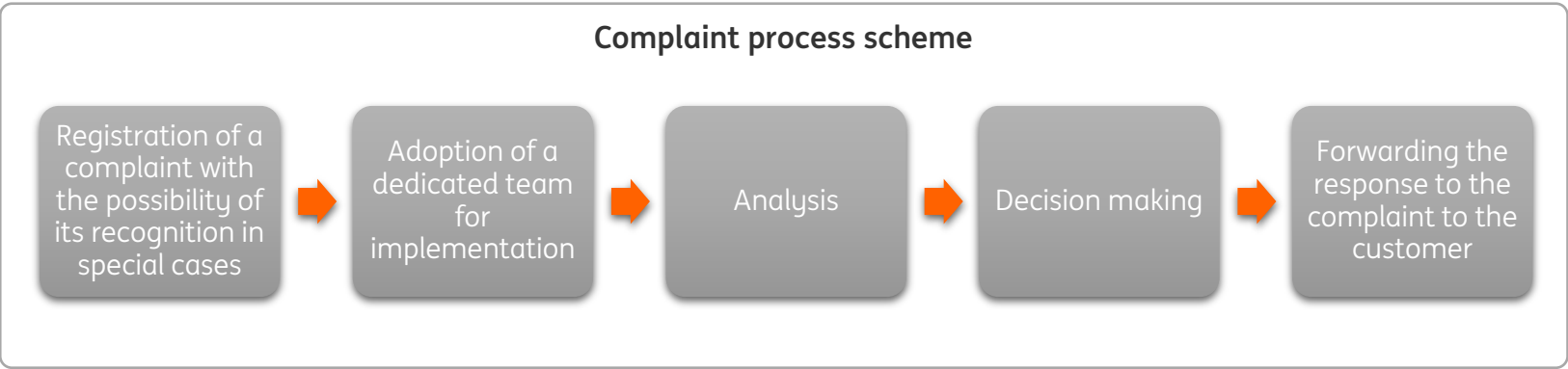
### Complaints

Complaint handling is another opportunity for us to develop relationships with our clients and to offer positive experience to them. Complaints are reviewed in a dedicated unit – Client Service Centre – TeamING. Additionally, in certain instances, employees receiving complaints are entitled to review complaints positively at registration. In 2019, we reviewed 15% of complaints in that mode.

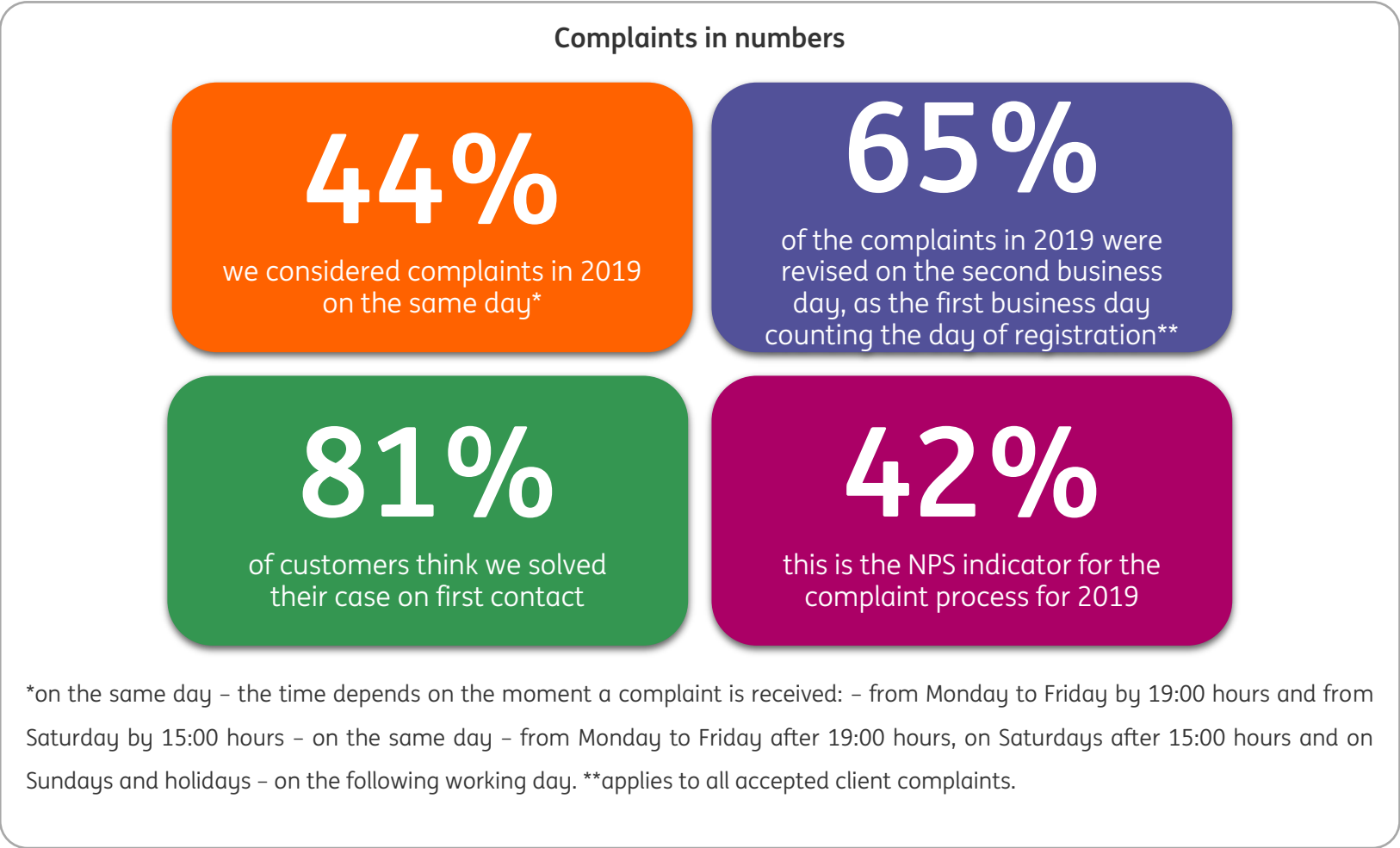
Customers may file complaints:

- by phone – a dedicated infoline,
- by e-mail – messages sent over Moje ING and the chat,
- in writing by – letters sent to a dedicated address of the Bank,
- personally – at any branch of our Bank.





In the complaint handling process, we are committed to speed and simplicity which are appreciated by our clients.



Our clients' opinions on the complaint handling process inspire as to take further actions:

- we have provided our clients with a possibility to register on their own refund instructions of incorrectly sent transfers,
- we have been focusing on developing robotisation and automation in the process.

We plan to continue work in those areas in 2020 by implementing new self-service solutions, including bots. Information on the complaint process, the form and deadlines for responses can be found on our website <https://www.ing.pl/indywidualni/tabele-i-regulaminy/tablica-ogloszen>.

### PACE methodology

PACE is ING's own methodology to develop new products and services for clients and with clients. We have been carrying out project in accordance with the methodology since 2016. As a result, we are able to launch solutions that respond to our clients' actual needs since we involve clients in the development process of products and services. We also apply the methodology when working on enhancements of what we have already been offering to customer, e.g. in payments. So far we have completed 80 initiates and implemented 50 solutions. More on the Pace methodology can be found in Way of Working on page 157.

### Po prostu [just like that]

The language of finances is among the least understandable gobbledegooks. It creates a distance, sometimes raises our anxiety. However, all of us – as clients and citizens – may not lose time for Bankish. We wish to understand what we read and take informed financial decisions.

Plain language for us means for instance omitting redundant words, difficult grammatical structures or terms that evoke associations with bureaucratic language. That is why for 6 years we have been simplifying communication at our Bank under the Po prostu project which has been evolving all the time and now covers all areas in the Bank.

Apart from written communication, we also look at spoken communication. Our specialists at branches and in the infoline have already departed from artificial and specialist language. We are committed to naturalness and we get adjusted to our clients. And we know it works.



We started 2019 with major achievements. We were granted a certificate of a plain Polish language from the University of Wrocław – thus we had an opportunity to check if the language on our site ing.pl is plain. This is the second certificate in our portfolio – in 2017 we were awarded another certificate for the language in Moje ING.

We keep reviewing our communication. In 2019, we started a review Między nami [Between us] – thus we learn if our Bank's teams write to customers using plain language.

Our target is automation – that is why we have developed Prostomat. This is the first tool in Poland which not only diagnoses texts but it also translates texts from “Bankish” into human language – like the Google translator. Our employees are provided with ready-made simplified texts and they have more time to focus on other things – e.g. simplification of processes themselves.

As a result of the survey Między nami and Prostomat, we have increased the scale of communication simplification – in compliance with the standard of ING plain language – by 13 pp.

We also popularise the trend of plain language in Poland. In November, we organised a conference “Plain language makes a difference”. We have invited representative of companies and public institutions that wish to have their communication simple and transparent to recipients. We are happy to have hosted supporters of plain language – irrespective of their profession. That was a good time to share experiences and good practices.

## Retail banking segment

### Banking- and non-banking solutions for our clients

#### Individual clients

We offer state-of-the art and customised services to our individual clients:

- personal accounts,
- cards and payments,
- loans and cash loans,
- investment and savings as well as pension products, and
- insurance products.

Our current offer may be found on our website and at ING Bank Śląski outlets across Poland.

### Internet- and mobile banking

We attach great importance to online- and mobile banking. The online- and mobile banking makes finance management easier than ever. Moje ING is a user-friendly online banking system with rich functionality that provides full and convenient access to your finances. Moje ING combines design with usability. It was important for us that clients are able to move around an aesthetically-looking system and do not have to think about how to perform a given operation. In Moje ING, the same activities can be performed equally easily on a smartphone, tablet or computer. Our clients also enjoy Moje ING Mobile app. The app has been downloaded more than 3 million times so far.

Moje ING mobile app offers all functions available in Moje ING system. In addition, it enables the clients to:

- view their account- and credit card balances without having to log in,
- log in with a PIN code or a fingerprint (for telephones with iOS from iOS9 and Android version 6.0 or higher),
- make their own shortcuts on the pre-login screen,
- generate BLIK codes,
- add receipts,
- receive push messages after each transaction, and
- make quick transfers without the need to log in – from the savings account to personal account and between personal accounts and company accounts.

#### Open banking in Moje ING, or the world of finance after PSD2 implementation

##### View accounts and cards from other banks in Moje ING

In Q4 2019, ING Bank Śląski was the first bank on the Polish market and the first bank in ING Group to have implemented the service “Add account from another bank”; as a result, clients are now able to view their accounts and cards from various banks in a single application. The new solution was implemented in Moje ING online and mobile banking systems based on the account information service which was implemented by way of Payment Services Directive 2 (PSD2).

The new service offers many benefits to the clients. Single account view saves clients plenty of time and it is also convenient if you have accounts or cards across several banks. A glance on the mobile screen is all it takes to see the account balance and transactions from other banks in one place.

The service “Add account from another bank” is safe and compliant with PSD2 standards for open banking; the service is offered free of charge. The data as part of the service are protected by the latest technologies in compliance with the top security standards effective in the financial sector.

In 2019, our clients were able to add their accounts and cards with the largest banks on the Polish market: PKO BP, Pekao, mBank and Millennium. More banks are added to the list on a regular basis. We have already added the following three banks in early 2020: BNP Paribas, Alior Bank and Santander Bank Polska.

A simplified lending process based on account history from other banks

ING Bank Śląski was the first bank on the Polish market that enabled clients to take out unsecured loans based on their account history from other banks that the clients had added to Moje ING. Clients do not need to provide the bank with documents proving their income as it can be verified quickly based on a list of transactions made in an account with another bank that had been automatically retrieved during the loan application process.

API PSD2 Interface

ING Bank Śląski launched the Special Application Programming Interface (API) based on the Polish API Standard ver. 2.1. The ING Bank Śląski teams took an active part in the works on the Polish API standard which were headed by the Polish Bank Association. As a consequence, we provided developers and application publishers with new opportunities for service provision. The interface allows for safe retrieval of account data, transaction history and for initiating payments in the client’s account. Furthermore, the Bank also met other regulatory-, legal- and functional guidelines relating to PSD2.

New functionalities in online and mobile banking implemented in 2019

Voice support for Moje ING mobile app

ING Bank Śląski was the first bank to enable Moje ING mobile app users to use voice support for selected functions using Google Assistant. Using the Assistant, clients can ask the application about their account balance, BLIK code or order a quick transfer between user’s accounts.

Shortcuts to the most popular functions of Moje ING

We also launched an updated Moje ING mobile app for Android users. With the updated app, clients can set up shortcuts to the most popular app functions on their phone screens. With the shortcuts, clients can get a BLIK code, open a transfer form or view transaction history with just one click.

A new intuitive account opening form

In September 2019, we launched a new accounting opening application form for individual clients on our website. Clients can choose on the three ways to confirm their identity:

- a transfer for PLN 1 – the clients confirm their identity based on a transfer order from another account (from 5 selected banks),
- a visit in branch – for clients who wish to review the offer themselves and set up the account but have their identity confirmed in a branch. Upon submitting the application form, the specialist arranges a meeting for the client,
- a courier visit – the client’s identity is confirmed by the courier who meets with the client at the designated address within 2-3 days from the application submission date.

Regardless of the identity confirmation method selected by the client, the courier will deliver the bank card to the client; the client gets access to phone payments right after they activate their mobile app.

Payments made easier than ever

Google Pay for Visa and Mastercard credit card holders



ING Bank Śląski launched the Google Pay service to Visa and Mastercard credit card holders. The bank clients can now use Google Pay and their phones to make contactless payments in stores with their debit- and credit cards. ING Bank Śląski launched the Google Pay payments for Visa payWave card holders in 2018.

Apple Pay for Visa and Mastercard debit- and credit card holders

ING Bank Śląski also launched the Apple Pay service. During the first stage, the service was launched for Visa payWave debit card for individual clients; later on, it was also made available for users of Visa and Mastercard credit cards and for Entrepreneurs. Apple Pay payments are fast, simple and convenient; they are also safe and ensure protection of the user’s privacy. Users of iPhone SE, iPhone 6 and newer versions, as well as the users of Apple Watch may use Apple Pay in stationary stores. Online payments with Apple Pay on websites and in applications that accept it are also

easy. With Apple Pay, users no longer need to fill in registration forms, card details or delivery details for each transaction.

### Garmin Pay for credit card holders and for Visa payWave debit card holders

ING Bank Śląski clients who use Visa payWave debit card for individual clients or credit cards for individual clients may use the Garmin Pay service. To make payments with Garmin watch, users need to download Garmin Connect app from AppStore (telephones with iOS system) or Google Play (telephones with Android system), and connect it with their watches. Then, they need to create a Garmin Pay wallet and set a four-digit code to access their wallet. As a final step, they need to add the supported card to the Garmin Pay wallet. To make contactless payments, all they need to do is to hold their wrist with their compatible Garmin watch near the card reader. To make the first payment, users need to unblock the watch, using the password set while creating the Garmin Pay portfolio.

### Recurring BLIK payments in Moje ING



ING Bank Śląski was one of the first banks in Poland to have launched recurring BLIK payments. Since March 2019, clients who use Moje ING mobile app have also been able to pay regular bills using BLIK. The service is available for individual clients, natural persons who are sole proprietors and single-member companies that use online banking system via Moje ING mobile app and that have an active BLIK function.

Clients select BLIK payments on the service provider’s website, enter the code, and then approve the payment with a PIN code in Moje ING app. Upon approval, clients may receive a proposal from the service provider prompting them to save the payment cycle – the payment amount, frequency and subscription end date. Upon acceptance of such a proposal, transactions will be made automatically or upon approval by the client. Clients are able to manage their subscription in full via Moje ING.

### Automaic instructions and notifications in Kantor in Moje ING

Clients who use the Kantor service may take advantage of new functions – automatic instruction and notification. With the automatic instruction, clients may order currency exchange as soon as the foreign exchange rate reaches a level they’d like. If the clients do not want to make a transaction but would like to receive notice as to when the exchange rate reaches a specific level, they may use the notification function – they will be notified as soon as the exchange rate reaches a level specified by the client.

## MyID Service

ING Bank Śląski clients were one of the first bank clients in Poland to have been able to use the electronic identity confirmation service that makes access to online services so much easier. The mojID service which is provided by the National Clearing House is available at ING. The mojID service helps clients confirm their identity on a remote basis using the bank’s authentication data. It enables the clients to access online services provided by vendors who also use mojID. It accelerates and simplifies many processes for which – so far – users needed to visit a customer service point or arrange a meeting with a courier.

## eID Service

ING Bank Śląski was the first bank in Poland that enabled clients to transfer data via the internet banking system as part of the eID solution offered by Blue Media. The eID service which is offered in collaboration with Orange Polska allows the bank clients to sign a subscription agreement and register the number fully online. With eID, the person’s identity may be verified using the form for the transfer of data in online banking system; consequently, clients can deal with the formalities without having to visit an Orange branch or having a courier visit them at home. The complete data verification process takes place online within only a few seconds. The scope of data to be transferred is not related to the bank account and only includes information that is necessary for the operator to complete a given operation. The application form for data transfer is available in Moje ING online banking system. The form may be used by clients who confirmed their identity in person in the presence of a bank employee during a visit at a bank branch.

## When clients find themselves in a difficult situation

ING Bank Śląski enabled clients to pay off their credit card debt in instalments. The “Repay in installments” service may be used by individual clients and entrepreneurs. Payments for all purchases, ATM withdrawals and transfers from the credit card account made with an ING credit card may be repaid in instalments. The minimum instalment period is 3 months, and the maximum one is 36 months. The interest rate on instalment debt is lower than the standard interest rate on credit card debt. One-off instalment debt commission is 1%. Since the “Repay in instalments” service is not a new loan, a creditworthiness assessment is no longer necessary. The client is already using the limit awarded on the credit card. ING Bank Śląski had launched the service earlier for new credit card agreements with individuals clients made as of 4 August 2019 and for credit cards for entrepreneurs. As of the end of December 2019, the service was made available to all the other credit card account holders.



### EUR transfers in SEPA countries

On 29 November 2019, we aligned the charges on EUR transfers in SEPA countries and European transfers with the charges on domestic transfers in PLN in order to comply with Regulation (EU) 2019/518 of the European Parliament and of the Council of 19 March 2019 amending Regulation (EC) No 924/2009 as regards certain charges on cross-border payments in the Union and currency conversion charges.

### Entrepreneurs

We support our clients when they set up their businesses but also when they develop their companies. We provide adequate tools and offer dedicated services with which clients are able to manage their corporate finances in an easier manner. We offer many banking products and services, including those that go beyond the traditional banking offer, such as:

- business accounts,
- loans and cash loans,
- leasing,
- savings,
- cards and payments,
- services,
- insurance products.
- terminals.
- the internet- and mobile banking.

Moje ING for businesses is more than a banking system/. We provide the most important information right away – in a simple and descriptive manner. Moje ING is also equipped with an integrated accounting system. If a clients hold their business- and personal accounts with us, all it takes is one login and one click to switch between the corporate finance and personal finance views.

### New functionalities implemented in 2019 (in addition to functionalities shared with individual clients)

#### A remote process of business registration in Moje ING



In April 2019, we launched the remote process of business registration. Clients may file an application with Moje ING for opening a company and ING allows them to register the company with Central Registration and Information on Business (CEiDG) on a remote basis. The application form is short and intuitive; it contains check boxes, as well as additional descriptions and explanations. Many fields are autopopulated using the client details held by the bank. The application form is signed with the Trusted Profile set up during the company registration process.

A bank account is also opened during the company set up process; the bank account will be activated upon receipt of a confirmation of successful company registration from the Central Registration and Information on Business. Clients receive a text message with a confirmation of application submission; the details of the new company, e.g. the tax identification number (NIP) and business statistical number (REGON) are e-mailed directly by the Central Registration and Information on Business.

With the application for business registration in Moje ING, clients also: apply for an entry to the register of business statistical identification numbers (REGON register), report the company to the tax office head (tax identification number), report the company as a contribution payer to the Social Insurance Institution (ZUS) or to the Agricultural Social Insurance Fund (KRUS).

The service was prepared in cooperation with the Ministry of Entrepreneurship and Technology.

#### Combining the accounting service with invoice financing at ING

Our bank integrated the Invoice Financing service with ING Accounting. With such a solution, invoices with a deferred due date may be financed from the level of the client’s accounting application. ING Accounting for entrepreneurs is a multi-functional tool that allows our clients to issue sales invoices, add cost invoices, manage counterparties and documents. Independent invoice posting, sending tax returns to the tax office and running the company’s HR matters is an additional option. ING Invoice Financing was created for small businesses so that they are able to finance single invoices online, even for the lowest amount.



With the integrated ING Accounting and ING Invoice Financing services, clients are able to issue invoices, order their financing, and then monitor their statuses. The price offer for a given transaction is visible right away; users can accept it with only one click. Once the invoice is confirmed by the counterparty, the client receives the funds on their account – even on the same day. The final step is the transaction finalisation, or the payment for the invoice to ING on the invoice due date.

#### Compliance with legal requirements

In November, we adjusted the split payment form to the amended Act of 9 August 2019 on the amendment to the VAT Act and certain other acts, which introduced the mandatory split payment mechanism for invoices in excess of PLN 15,000.

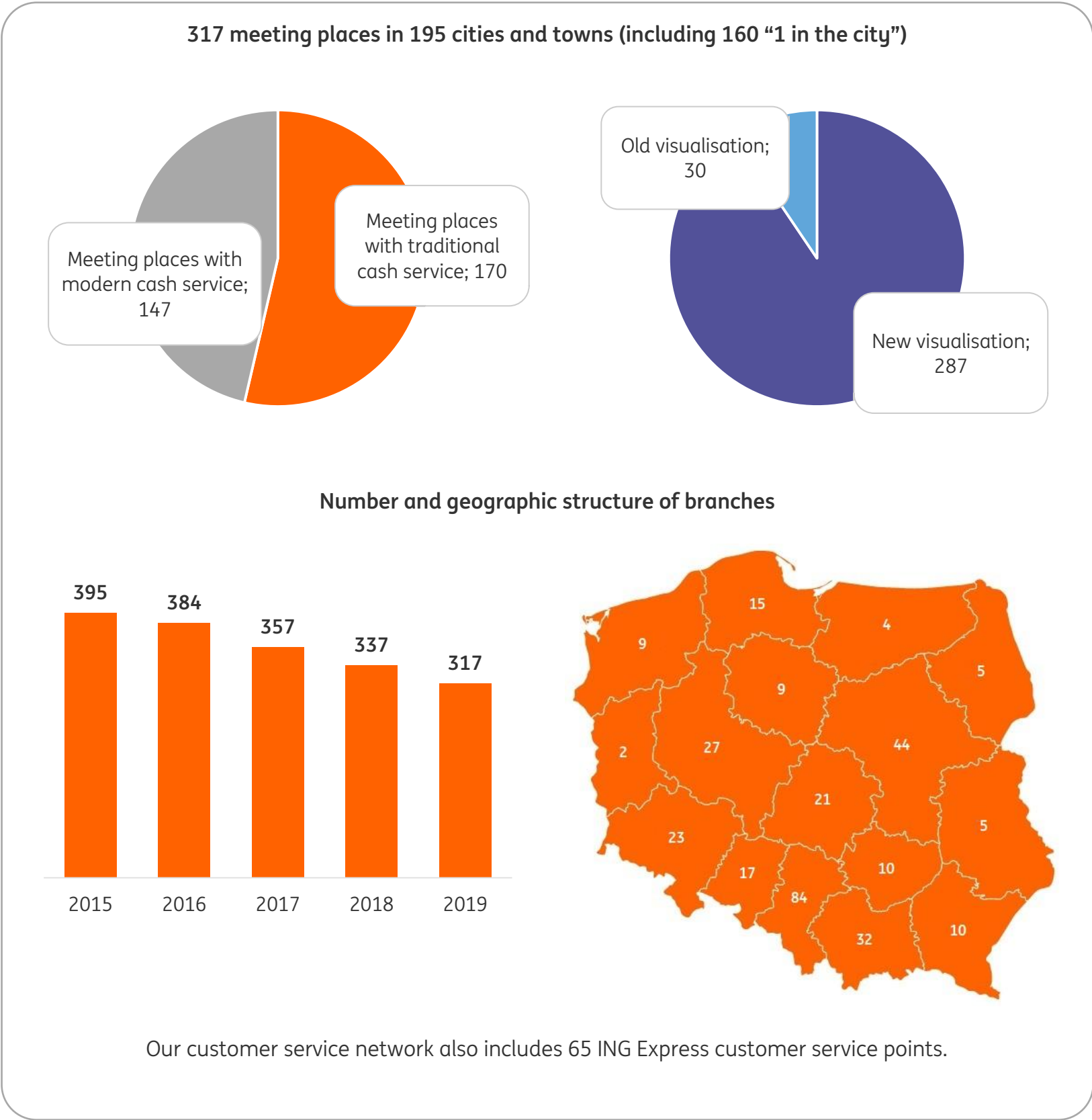
During the last quarter of the year, works were underway to adjust the tax payments so that they comply with the amended Tax Ordinance as of 1 January 2020. Under the said Tax Ordinance, taxes are to be paid to individual tax accounts.

### New role of branches – a meeting place

2019 was a year in which we prepared all of our employees responsible for customer service to perform their tasks in line with a specialisation-based model. Under that model, each specialist selected one specialty area on which they would focus in terms of developing their competences and customer service skills; the specialty areas were as follows:

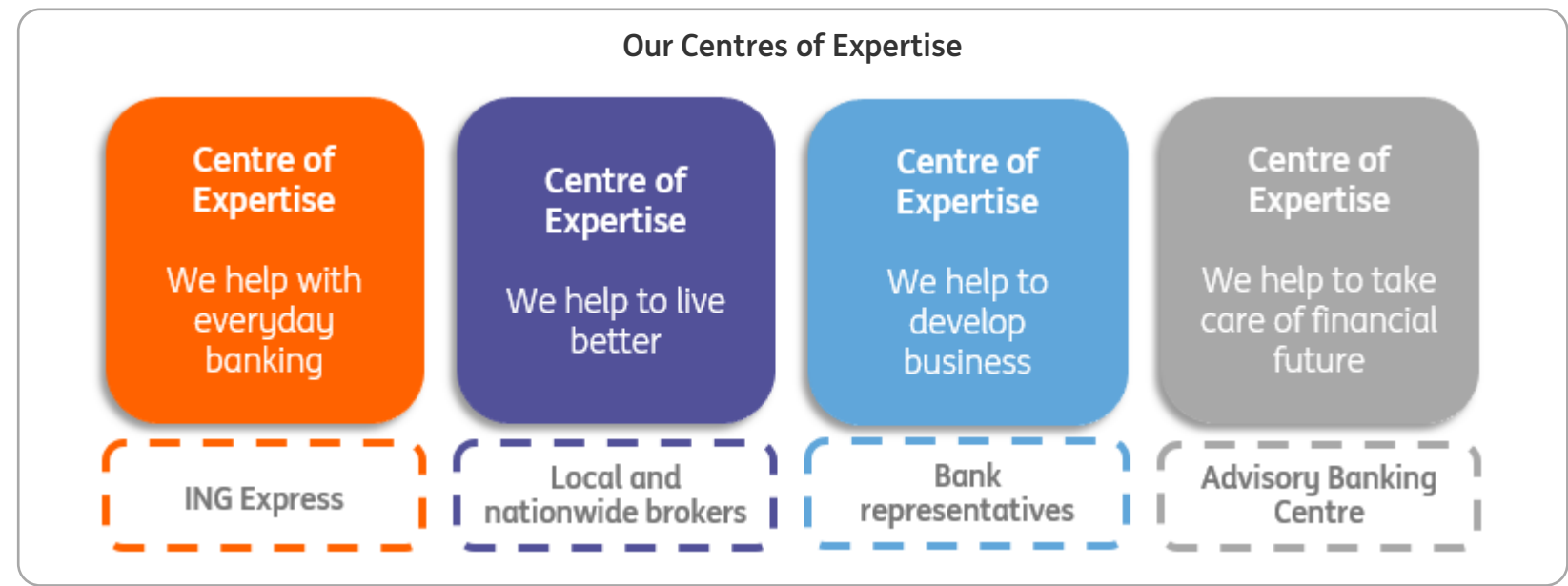
- daily banking,
- mortgage loans,
- investments, and
- entrepreneurs.

As at the end of 2019, we had 317 retail branches, or meeting places, including 147 with modern cash service (cash available only in ATMs, CDMs, and dual machines). All of our meeting places are equipped with self-banking zones where clients can deposit and withdraw money on their own. We continue the process of retail outlets modernisation. As part of the process, we change the furnishings and interior design, and introduce new functional solutions. As at the end of 2019, 287 of our meeting places were furnished according to the new standard. Currently, we continue our optimisation activities by relocating and consolidating outlets in the most attractive locations (in business terms) in the individual cities and regions.



## A new role of customer service units

We developed the assumptions of a model of work that would be effective in 2020, and presented them to the employees. We leave the rigid structures behind; instead, we organise our work around tasks that we are to perform. We take the client’s perspective. It is important for us to know the emotions they have when dealing with us, how we deal with matters clients entrust to us. In 2019, we presented HR solutions that would allow our employees to work in accordance with the new model in 2020. We rolled out some of the changes. Consequently, we were able to establish four Centres of Expertise as of 1 July 2019. Those Centres correspond to the four specialty areas:



We devised a model that will allow our clients to get consistent experience while:

- meeting our specialists in the meeting places,
- contacting our Contact Centre: by phone, e-mail or the social media,
- meeting our specialists at a place selected by the client (teams of bank representatives and advisors from the Advisory Banking Centre).

We took efforts to ensure that the customer service manner matches the matter the client entrusts to us. It is important for us that they get their things done here and now, end to end. We educate our clients on self-banking. We noticed that clients like to get in touch with us during chats and via the social media, and the popularity of those channels keeps growing. We worked on the quality and effectiveness of responses given by the virtual advisor in Moje ING – My Assistant; we taught him new things so that he would be able to answer client’s questions as effectively as possible.

We prepared our employees to work within their specialty areas so that they are able to provide customer service based on material needs. This will allow them to help clients:

- with everyday banking,
- live better,
- develop their business, and
- take care of their financial future.

### I help you with everyday banking

We facilitate everyday banking: payments and settlements – we promote state-of-the art and digital solutions. We care about the client’s safety by offering various types of insurance. We help them finance a car, holidays, pursue their dreams and passions. We teach them how to save to achieve various goals and how to save for retirement. We are present in our clients’ lives every single day – it is as simple as that.

It is our mission to help clients and facilitate everyday banking. We are effective and we simplify dealing with different things for our clients whenever they need it – at the same time, we offer them unique experience.

#### How?

We are there wherever and whenever our clients need us:

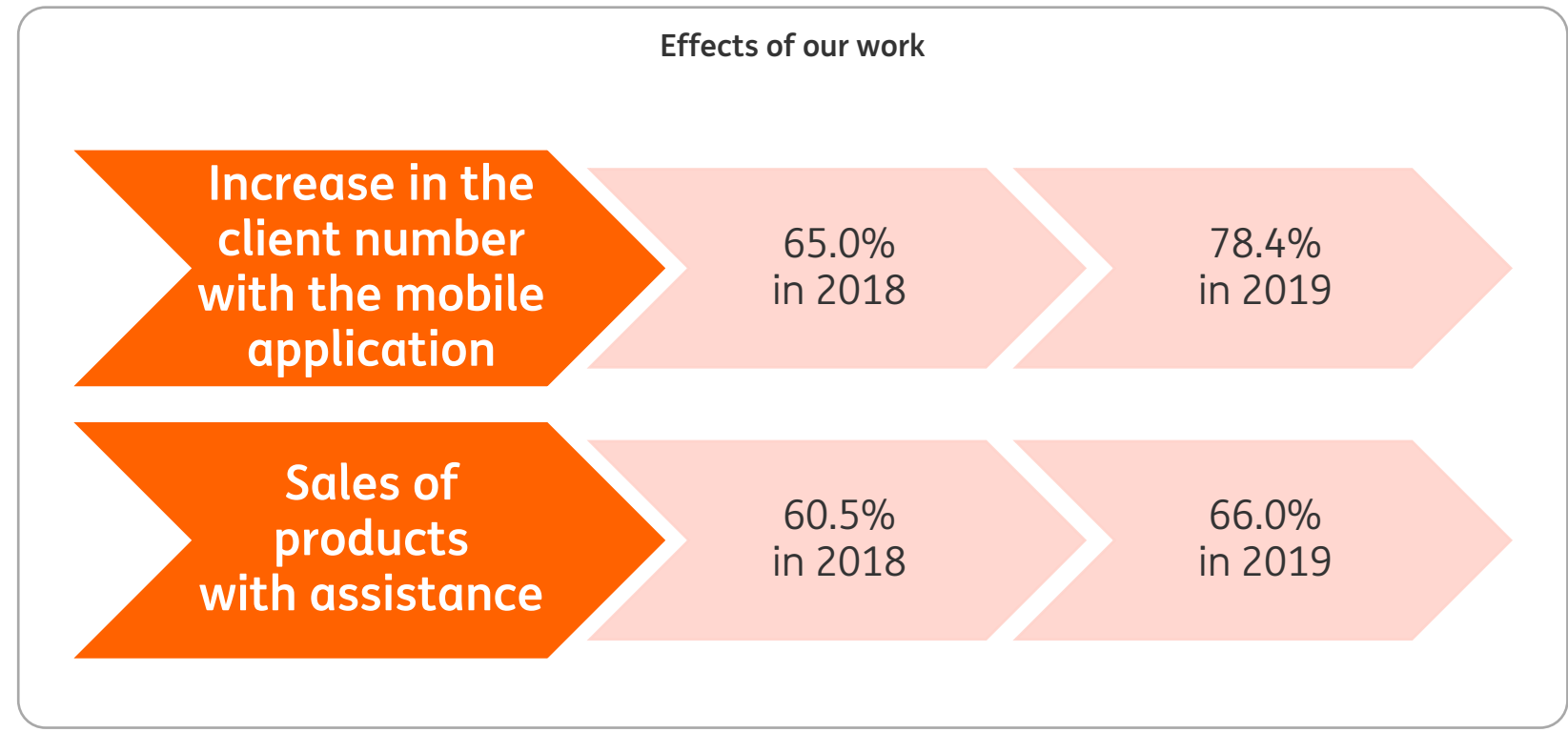
- we invite them to comfortable meeting places,
- we are present in shopping centres – 65 ING Express customer service points,
- clients can call us, write us, or log into Moje ING.

We care about personalisation and unique experience:

- we talk to our clients and recognise their needs – their plans for now and for the future. We choose solutions that are best for their unique circumstances.

We facilitate everyday banking:

- we promote digitalisation – we educate our clients and show them how they can get their things done in an effective, fast and modern manner so that they are a step ahead in life.



I help you live better

The decision on the purchase of a flat or construction of a house is one of the most important decisions in the life of each person – whether we want the place for ourselves, for our children or for rental. Those are investments that we often plan and finance for years. Emotions relating to the purchase or construction of a house are often mixed with stress and uncertainty. In such moments, it is important that there is a person who will accompany the clients throughout their journey to get their own place to live.

It is our mission to support and care about our client’s matters throughout their way to achieve their dreams and get their own place to live.

How?

It does not matter whether our clients have already taken a decision, are already pursuing their dreams or have received a loan, we are able to talk to them about matters that are important for them.

- Stage: I have a dream/ I am looking for a property – we know the local market and its characteristics, the property prices, real estate developers, etc.
- Stage: I am Buying/ Building/ Pursuing My Dream – we have knowledge about differnt house construction systems, new technologies, local subsidy programmes and real property events, etc.
- Stage: I live better – we know how to talk with clients and we explain them how to deal with matters related to housing, such as the agreement with the housing cooperative, utilities providers, etc.

Thanks to the development of our specialists, we were able to respond to those needs as we served our clients when they filed the application, signed the agreement, and got the funds disbursed – everything was done in one place by one specialist. In 2019, our specialists took part in workshops where they learned more about various aspects of house construction using modern technologies, about home staging or about the local real property market. We did all that to provide even better support to our clients as they are taking important life decisions.

I help you develop your business

Setting up and developing your own business is an enormous challenge. We are an innovative bank. We support people with business acumen. For many years, we have developed products and services for companies while going beyond the standard banking offer. We make it easier for enterprising people to become real entrepreneurs. We support them as they set up and develop their businesses.

We empower people to stay a step ahead in life and in business. We are confident when we tell companies they can get more clients with ING thanks to the tools we offer them.

How?

Since we know the entrepreneurs’ needs, we develop products, processes, service platforms, and models that fully satisfy those needs. We provide the same experience, and it does not matter how the clients want to bank with us.

I help you take care of your financial future

We want to act with joy and passion, and a conviction that we truly help our clients take care of their financial future. We support our clients during major milestones in their lives, for example, when they send their children off to college,

when they pursue their dreams or when they retire. We think about our clients not only here are now; we also think about them in 5, 10 or 20 years’ time. We want our specialists to be the first thing that comes to our clients' minds when they think about banking and finance. Systematic savings by phone? Yes, we also know how to build trust and a relationship between equal partners.

It is our mission to support our clients so that they achieve their financial goals at each stage of their lives.

#### How?

- We educate our clients on the savings and investment offer, and we share our knowledge on the current market environment and on the functioning of the financial market.
- We focus on the current and future needs of our clients.
- We support them as they actively build their financial cushion, implement short- and long-term goals and secure their financial future.
- We expand their knowledge on the pension system and solutions available in that regard.
- We explain the rules that govern financial instruments. We promote setting capital aside in a systematic and regular manner.
- We embrace the expectations of Premium and Private Banking clients by offering them a dedicated offer.
- We are a partner when discussing non-banking investments.

#### Sample activities

#### **NN IP TFI taking over the management of Unit-Linked Insurance Portfolio Strategies**

Portfolio Strategies are a product that the bank, acting as the insurance agent of NN Towarzystwo Ubezpieczeń na Życie, offers to Private Banking and Wealth Management clients. They comprise investment strategies in the form of insurance, with varied risk levels and investment potential, and they are a unique product on the Polish market.

The Portfolio Strategies used to be managed by the ING Brokerage Office. In order to reinforce and improve the quality of the products, and also to lower the costs for the clients, the portfolio management was entrusted to NN Investment Partners TFI, or one of the largest investment fund companies in Poland. As a member of a large international investment group, NN Investment Partners TFI has a wide access to global know-how on professional management of investment strategies.

#### **Implementation of the Wealth Management System (WMS) supporting the work of Private Banking- and Wealth Management advisers**

The WMS application integrates all functionalities required for effective work with clients in one place. It comprises modules that allow for a comprehensive register of interactions with the client, including: a meeting calendar, archiving and meeting management. More modules will be added to the application in 2020, including but not limited to modules on investment advice, end-to-end view and analysis of the client investment portfolio.

## Clients with disabilities

### Electronic and mobile banking

We keep striving at ING Bank Śląski to propose internet banking to our customers that would be useful for all. The actions we take do not result from legal regulations.

Persons with mobility impairment may use the Moje ING transactional service (main page, menu, transaction history and transaction execution) with tabs, arrows and enter. They are supported with a blue frame around the element that is active. People with visual impairment are provided with an alternative contrast version. Users may select the view when login to Moje ING.

In 2020, we will be launching a new site to be fully suited to the WCAG requirements.

The Moje ING mobile application relies on a responsive version of the Moje ING system so all enhancements made to the Moje ING transactional service apply also to the mobile application.

Moje ING transactional service (main page, menu, transaction history and execution) is available for the blind with screen readers (VoiceOver for iOS and TalkBack for Android).

As a result, the application may be handled with the swipe method moving a finger on the screen without looking at it.

For several years we have been cooperating with the Widzialni Foundation. For several months now the Foundation has been analysing selected functionalities of Moje ING for compliance with the WCAG guidelines. The principles tell us what to do so that the service is available to everybody, irrespective of disability, age, device or software used. The analysis covers most popular Banking sub-pages, like transfers, main page, history.



# Branches

We are striving to make our branches accessible to everyone, including those with disabilities or those who visit us with prams We design the interior to suit their needs and we eliminate barriers. We managed to accomplish the planned target and by the end of 2019 98% of our branches had no architectonic barriers at entry or were equipped with facilities to enable clients enter branches assisted by an employees – 91% of branches have no architectonic barriers, 7% of branches have barriers eased with collapsible rails and installation of paging bells (access to a branch by handicapped people requires assistance by an ING employee).

In all our branches clients have access to a sign language interpreter using the Migam application that is available on the telephones of our professionals.

Additionally, specialists assist everybody who may need it to open an account over the Internet, file a loan application or make a transfer. They also teach clients how to navigate in electronic Banking and step by step show various operations that clients can execute at home.

# Educational campaigns rather than only marketing ones

As part of its marketing campaigns in 2019, our bank educated clients on savings, investments, fundamentals of environment protection or the importance of positive reviews for companies.

## Savings Surveys



In January 2019, we published survey results, with more than 70% of Poles saying they had some savings. The share of respondents whose savings are lower than their three salaries was going down. Even so, more than 40% of respondent admitted that they sometimes run out of money before payday.

The results of ING survey show that the savings of Poles are growing; however, the growth rate is not fast enough to level the gap materially. Over time, the share of persons whose savings are lower than their earnings for three months will go down, and the share of people whose savings are higher than their annual earnings will go up.

The cyclic ING Finance Barometer study developed by ING Group aims to research behaviours and attitudes of consumers regarding financial issues in Poland and in the rest of the world. The survey was conducted in November 2018 in 15 countries: Poland, Austria, Belgium, Czech Republic, France, Spain, the Netherlands, Luxembourg, Germany,

Romania, Turkey, the United Kingdom, Italy, the United States and Australia. A total of 14,725 respondents took part in the survey, including 1,003 from Poland.

All "ING Finance Barometer" surveys can be found on our website at: [www.ingbank.pl/barometr](http://www.ingbank.pl/barometr).

# Campaigns

At the beginning of the year, we continued the savings campaign that we had started in 2018. We want to be vocal and we want to reach a broad audience with our message on responsible consumption and saving. That is why our efforts were a continuation of the campaign under the theme “Has possessing things become the sense of our lives?”, which had been launched on 25 December 2018.

The campaign supported a special offer on savings accounts – 2.5% per annum for 4 months from the date of setting up a savings account:

- “Bonus for Start” – the campaign was addressed to clients who just started saving with ING;
- ‘Bonus Open Savings Account” – on new funds deposited by clients who already save with ING.

In November, we launched an online campaign motivating Poles to put aside additional funds for their retirement. The campaign was coupled with a promotional offer, under which the bank offered a bonus for setting up and regular investments in the Individual Retirement Account. The offer “Invest in your future and get as much as PLN 200” was addressed to clients who did not have any investment funds.

Towards the end of the year, we encouraged Poles to make the best of their lives and to spend on things that matter while being more frugal on things that are less important. According to research, nearly 70% of Poles believe it is good to save money but making the best of their lives is also important. At the same time, 54% of Poles want to spend their savings on experiences rather than on more things. That observation inspired us to prepare a campaign that was slightly different from typical campaigns because it promoted keeping a balance between the desire to use life and the desire to save money. We encouraged Poles to spend a little more on things that matter, and be more frugal on things that are less important.

# Good Voice for Companies

In 2019, we continued our campaign “Good Voice for Companies” and encouraged people to share their opinion on companies. Their opinions are the best advertisements for the companies since they are created by the clients themselves. “Good Voice for Companies” is a campaign during which opinions on companies submitted by Internet



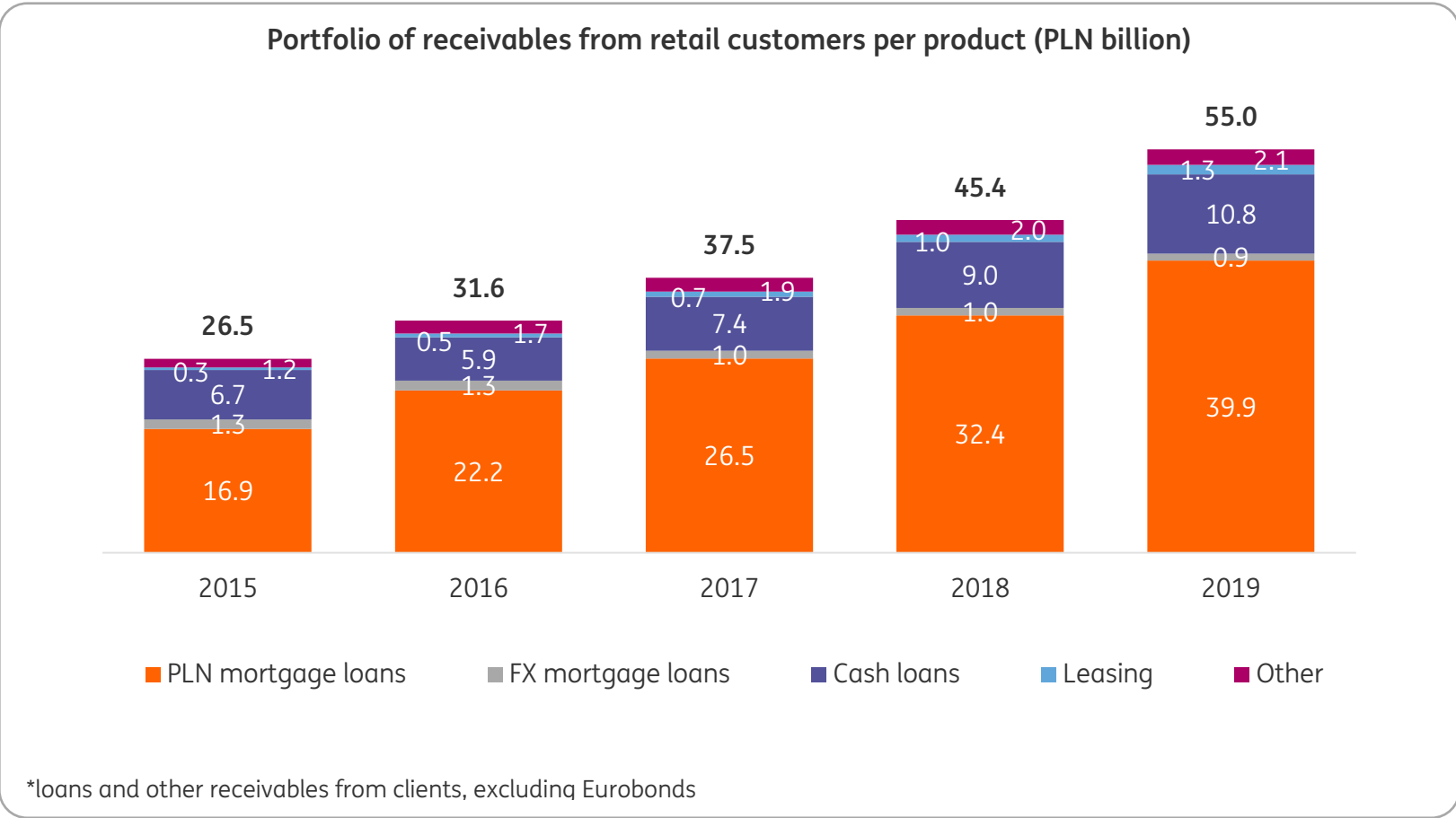
users are turned into songs performed by popular artists. The singer Katarzyna Nosowska who was the face of the 2019 edition performed songs and recorded video clips on 15 opinions submitted through the website at [www.glosdlafirm.pl](http://www.glosdlafirm.pl). She also encouraged radio listeners to share their good opinions during the holiday season. We reminded users of the “Good Voice for Companies” campaign all year round, also in the social media or radio spots.

How to grow your business today and earn good money?

We support people with business acumen and we give them solutions that help them win more clients. In June, we shared practical advice on how to grow a business today and earn good money. We prepared the best pieces of advice for business people based on the presentations we recorded during the 2019 edition of the European Start-up Days for which we took main sponsorship. The advice on “How to grow your business today and earn good money” and the video materials are available at [www.spolecznosc.ingbank.pl](http://www.spolecznosc.ingbank.pl).

Volumes of receivables in the retail banking segment

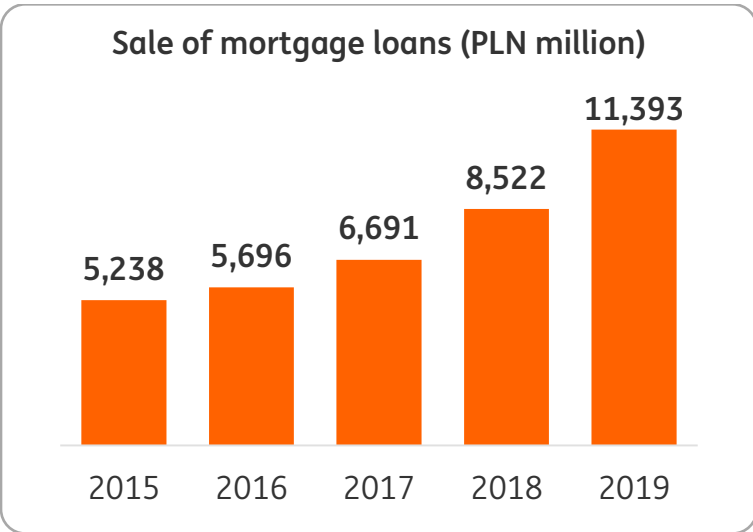
As at the end of 2019, the total value of gross receivables from retail customers grew by 21.3% y/y up to PLN 55.0 billion. This means that our market share in the retail segment (understood as households) grew at the end of 2019 up to 7.2% from 6.3% a year earlier.



We provide our retail clients with various credit facilities. Main of them are discussed below.

Mortgage loans

With mortgage loans, we help our customers fund the purchase of an apartment, construction of a house or performance of refurbishment works. In our offer, we also have a special mortgage loan for entrepreneurs and a mortgage cash loan which customers can use to pay for anything they like. In 2018, we also introduced mortgage loans with a temporary fixed (for 5 years) interest rate.



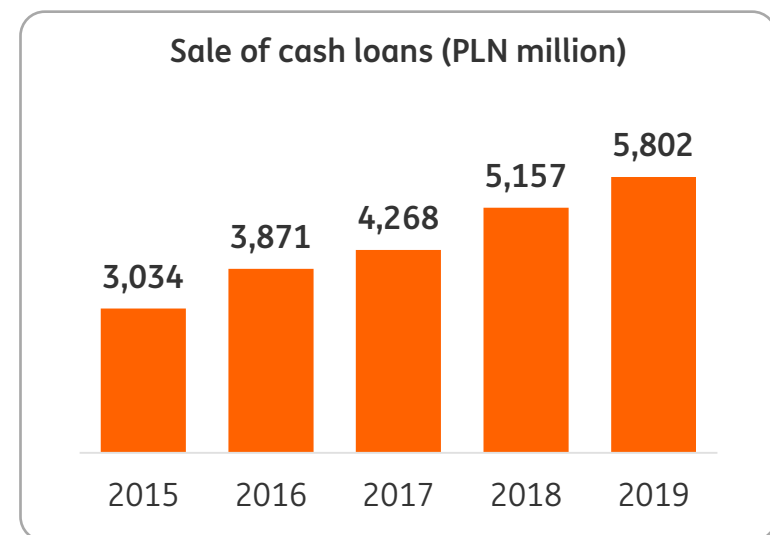
In 2019, we granted PLN 11.4 billion worth mortgage loans and mortgage cash loans in total i.e. up by as much as 33.7% y/y.

In that way, we were able to become second on the market in terms of new production, with the market share of 18.9% (versus 16.2% in 2018). As a result, the total amount of gross mortgage loans granted rose as at 2019 yearend to PLN 40.8 billion or by 22.2% y/y.

In 2019, the sales value of mortgage loans with temporarily fixed rates reached the value of PLN 2.9 billion and accounted for 26% of overall sales of mortgage loans.

## Cash loans

We grant cash loans for any purpose – our clients do not need to present us with any sureties or property. We accept various income sources like contracts of employment, mandate contracts, contracts for specific tasks as well as pension and retirement allowances. Customers may apply for cash loans at a branch or online.



In 2019, we granted PLN 5.8 billion worth mortgage cash loans (up by 12.5% y/y). 78.0% of those loans were sold via internet channel (75.7% in 2018).

As at 2019 yearend, the portfolio of gross cash loans totalled PLN 10.8 billion (up by 19.4% y/y).

## Consumer and mortgage loan prepayments

On 11 September 2019, the Court of Justice of the European Union (CJEU) passed a judgement on prepayments of consumer loans (C 383/18). In its judgement, CJEU held that the customer was to be refunded the costs incurred in connection with the loan agreement proportionately to the period by which the lending period was shortened (such as origination fee).

In connection with the judgement passed by CJEU, our Bank executes automatic refunds of the fees (without any request by clients) if the total premature repayment of the loan was made after 11 September 2019 and the refund is executed within 14 days. With respect to loans prepaid before the judgement date by CJEU, clients have to file complaints. The above refers to consumer loans granted since 18 December 2011 (effective date of the Act on consumer loans) and mortgage loans granted since 22 July 2017 to individual customers (effective date of the Act on mortgage loans). The fee is refunded as a result of a linear accounting for the fee – that is line with the interpretation of the Financial Ombudsperson and the Office of Competition and Consumer Protection.

We estimate that the annual impact of the CJEU judgement on our net interest (since the fee income is recognised with the effective interest rate in interest – in compliance with IFRS 9) is about PLN 30 million. In Q3 2019, our Bank recognised a provision for loan prepayments between 18 December 2011 and 11 September 2019 of PLN 17.1 million. Additionally, in Q4 2019 in net interest we recognised an adjustment resulting from the linear (and not effective) settlements with clients of million.

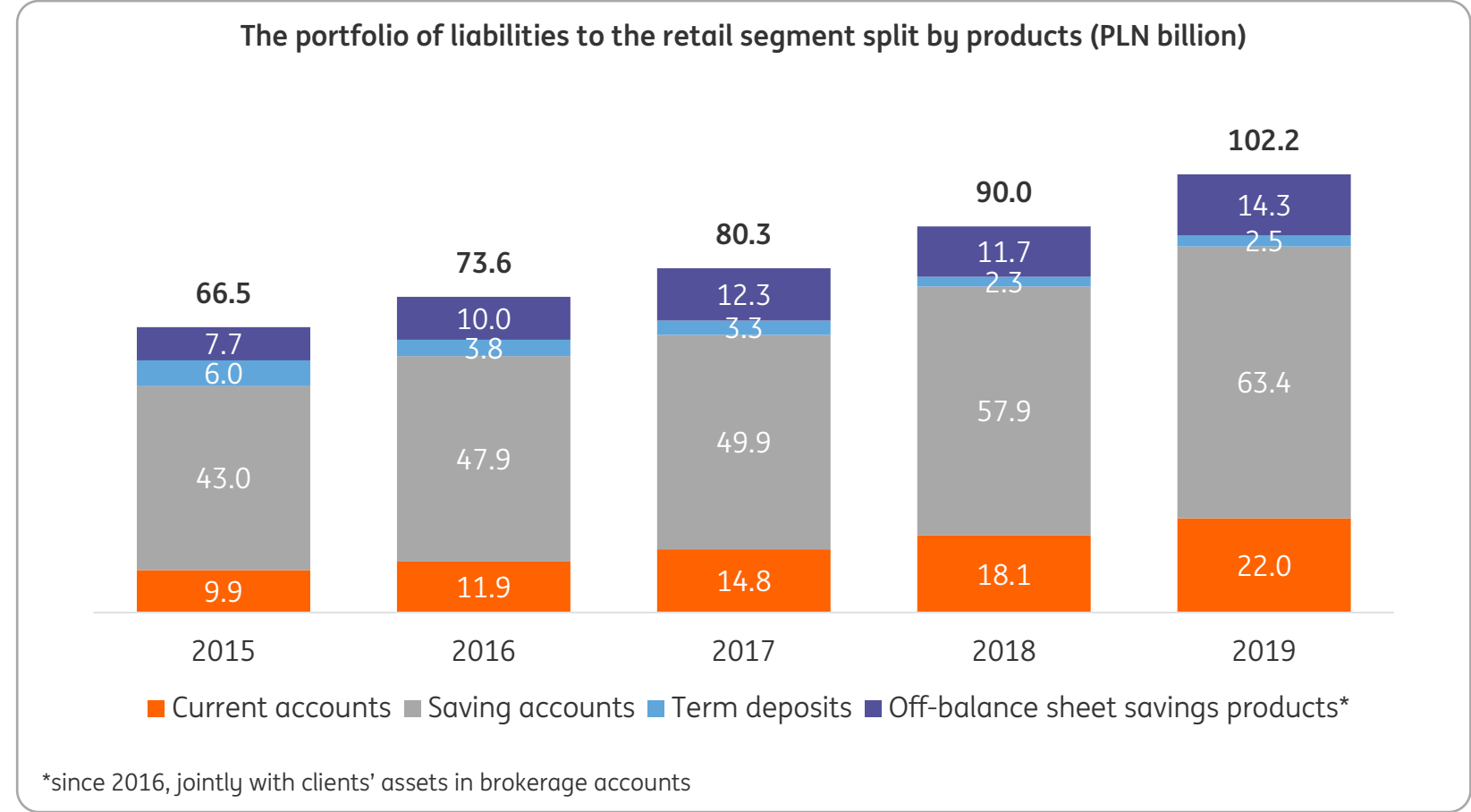
## Funding for entrepreneurs

Within the retail segment, we also have an offer for entrepreneurs. We know that they do not have time to ponder over it long. They need to act fast and they should have funding on hand. This is why, the customers running business more and more frequently opt for easy funding of needs – via internet. As far as loans to entrepreneurs are concerned, 71.7% of cash loans were sold via this channel. Customers activate cash loans, credit lines or credit cards online within minutes.

As at the end of 2019, gross debt of enterprises (including housing communities) with our Bank was PLN 6.6 billion – a growth by 19.8% y/y.

## Volumes of deposits of the retail Banking segment

Finally, the volume of deposits and off-balance sheet liabilities (assets in brokerage accounts and assets in TFI sold with our involvement) amounted to PLN 102.2 billion (+ 13.5% y/y) and covered primarily on-balance sheet liabilities (86%). Like in the previous years, the main liabilities to the retail customer segment covered funds in savings accounts – as at the end of 2019 the amount was PLN 63.4 billion (+9.4% y/y). Our market share in household deposits grew by 0.2 pp up to 9.5%.



## Corporate banking segment

### Banking and Non-Banking solutions for our clients

#### Our offer

ING has supported corporate clients on payment service, financing and cash management for years. We provide support by relationship managers who specialise in servicing of clients from the key economy sectors. As a result, we are able to understand the expectations better and to propose products and advanced structures that suit them. We offer, among other things:

- Services for Businesses
- Cash management
- Financing
- Trade services
- Corporate Finance
- Knowledge on financial markets
- Custody services

#### ING Business online banking

ING Business is the core online banking platform addressed to clients from the mid and big companies segment. The users' satisfaction rate measured through NPS survey throughout 2019 rose by more than 35% from 2018. We also recorded an increase in customer satisfaction level from 8.0 in 2018 to 8.3 in 2019. The ING Business platform is developed in terms of four aspects:

#### Security

In 2019, we implemented solutions that protect the safety of the system users and that prevent fraud. As part of our efforts to comply with PSD2 requirements, we implemented strong customer authentication (SCA). When accessing and implementing instructions via remote channels, SCA requires the application of elements from at least two out of three categories – knowledge, possession, and biometrics. For security reasons, we also resigned from using TLS 1.0 and TLS 1.1 protocols.

### Availability

The application availability throughout the year was 99.8%. We continue efforts to improve mechanisms and algorithms within the application to make the availability even higher.

### Efficiency

That parameter is important to our users and to us. In 2019, we implemented a number of improvements, including changes on the login page, the card module and in Kantor. We steadily introduce improvements to individual modules so that clients can take advantage of an application that is even faster. The upgrade of the Oracle data version from 11 to 12.2 was a key initiative taken in 2019 that had a significant impact on the application capacity; as a result of that upgrade, the user login time was reduced by 20%.

### Functionality

We keep working on the system usability. Last year, we implemented the ability use Apple Pay for our users. We improved the module of conditions to be fulfilled to get a loan. In the Kantor/ Financial Markets module, we launched modified functions of Offers, FX Alerts and FX Forward that allow for a simpler, faster and more intuitive foreign exchange. We also implemented improvements to the List of FX transactions and offers; as a result, transactions may be performed in an even better and faster way. We launched the FX Offers monitoring available 24 hours a day, 7 days a week. In the Leasing module, we launched a new list called Deposits, where clients can view the details of the company’s leasing payments, check whether a payment was settlement and the invoice in relation to which it was posted. Previously, that function was available only outside ING Business. We keep working on application forms and other forms to make them as user-friendly as possible.

### Compliance with regulations, mandatory tasks

2019 witnessed a number of regulatory changes to which our application needed to be adjusted. As part of works on PSD2 in ING Business, we introduced new services that allow third party providers, or TPP, to get access to accounts. We implemented payment initiation service (PIS) that grants online access to a payment account to check funds availability and make a payment. We also implemented the account information service (AIS) that allows users to get access to integrated online information on payment accounts with various providers. We also focused on adapting the application to the Split Payment Act. In 2019, we also worked on the individual tax accounts.

### ING Business Mobile Application

More than 38% of companies already use ING Business mobile application, and the number of users has increased by more than 30% year on year. That method of clients’ access to banking information is growing in popularity. More and more frequently, users use their mobile devices to make transfers or get information on their funds.


We keep developing and enhancing our mobile banking channel. In Q1 2020, we plan to provide the corporate clients with a new version of the mobile application with the possibility of logging into the web application via the mobile app.

### Solutions for corporate banking clients

#### Account opening over the Internet

It takes just 5 minutes to open a company account with us online – to complete a form with data that we provide ourselves downloading it from official databases. The client may login to ING Business to sign the agreement electronically and get the account number. Within a short time up to one hour, the customer may use all functionalities of the account – perform transactions, order more products, etc. The solution proved useful for our sales people who servicing customers in a remote manner (e.g. over ING Business Centre) also may resort to the fastest method. As many as 47% of relations with new customers are opened with the tool. NPS for the remote account opening is 60.3.

#### Foreign currency transfers



In 2019, we substantially extended the cut-off times for more currencies (EUR, RUB, NOK, TRY, DKK, AUD, JPY). As a result, our customers can execute FX transfers until a later time.

#### Cash management

For several years we have been offering our customers an innovative model of cash services – installation of cash devices, light depositories, mini ADMs and cash machines, at companies’ offices. ADMs accept cash in PLN and EUR, and depositories also in other currencies. With the cash machines, our customers may collect cash and cashless payments directly from their clients or from local inhabitants if installed in public offices. The solutions support cash handling – transactions are booked online and company accounts are credited immediately. All those devices can be leased by customers.



## Electronic Disbursement System (SWE)

Corporate customers may use a modern service of ordering cash disbursement services to any persons, e.g. employees or counterparties. Cash disbursement instructions are input to online banking ING Business and the specified person draws cash in an ATM of ING Bank Śląski or Planet Cash without any card – all information required to make the disbursement is provided in a text message.

## Apple Pay

We were the first Bank in the market to offer the Apple Pay service for business cards. The service provides for secure and comfortable payments with Apple phones and other devices. In order to use Apple Pay, it is necessary to provide consent to transfer transactional data to Apple. In case of companies, the consent is to be provided in line with the representation rules as specified in KRS. For the purpose, we have developed a comfortable process to grant consents in ING Business. Once the consent is granted, company employees may add their business cards to Apple Pay. In 2019, we offered to all users of ING CardsOnLine cards an application to handle business cards with remote registration.

## imoje

imoje is Poland’s first and only online payment system for internet stores provided by a Bank. The service has been available since June 2018 and it has been growing very fast in the market. By the end of 2019 we handled over 1 million transactions and the payment volume has been growing by over ten percent monthly. Imoje processes the most popular payment methods – BLIK, outright transfers, cards with the most important and unique function being an option of deferred payment. Internet store customers may pay for their shopping within as many up to 21 days of placing the order. The option does not require any additional data or documents to be signed – the purchase may be finalised with one click, also on a smartphone – without any authorisation codes or switching between windows of various applications. If a store client uses the Twisto Free service, they may pay for the purchase after as many as 45 days. The function is supported by Twisto – a Czech fintech for which ING is a strategic partner in Poland. imoje payments once again have been appreciated by the sector – we won an award of Portfele Wprost 2019 for the best payment platform.

## ALEO.com in a new version

In its new version, ALEO.com focuses on business transparency and easy access to information on companies – now one click away. Information on each company is contained in their individual profiles. The information includes:

- Registration, financial and contact details – all data is updated in real time and originates from official sources like KRS, CEiDG, REGON. Access to the information is possible without registration in the service and is free of charge.
- Reviews and opinions – issued by other companies as well as by individual users of each company services. Such shared opinions additionally improves business transparency.

Company profile on ALEO.com is a place where each company can take care of its image – companies may add their own information, photos or present their offers to effectively reach potential clients and counterparties. Companies may also respond to the opinions published on them. For smaller companies that do not have their own web sites, this is an opportunity for free and professional presence in the web.

## Invoice financing

Since 2018, along with ING Commercial Finance, we have been offering online factoring services to our business clients (also from outside of ING). This fully online solution supports companies in financing their sales invoices and they may receive cash even on the day the issue the invoice (we issue our decision within minutes after receipt of invoices). The offer is addressed primarily to smaller companies the often cooperate with larger buyers of their products or services that most often require that sales invoices are issued with longer payment date up to 90 days. 2019 was a year of a dynamic growth and development of the service – evidenced with over 2,700 clients as at the end of the year (increase by 115% y/y). Responding to our clients’ needs and the dynamic market situation, we keep developing Invoice Financing. We have integrated the service with ING Accounting thus enabling ING clients to issue sales invoices and have them financed in one system without registering and logging to two different systems. We have also implemented a possibility of a free increase of the factoring limit for our clients up to PLN 100,000 on the basis of JPK VAT files.

## Robotics

Cooperating with ING Services for Business, in July 2019 we launched a new product called Raboplatform. This is Robotics Process Automation (RPA) software that we offer to clients. With the software, companies can enhance their



internal processes, e.g. financial or related to procurement. The robotic platform was fully developed by ING and provides a full range of robotic services, starting from a review of processes to training and implementation. The final product is a robot that automatically executes clients’ processes. We have also developed a universal robot supporting the process of account verification in the white list register.

Roboplatform is already active among clients and supports multiple non-Banking services. The history of the solution covers over 10 years of experience with ING to apply robots to internal processes.

### We develop online services

#### Electronic signing of the first agreements with clients

In February 2019, we launched a solution providing for electronic conclusion of the first agreement and fast product implementation. Now we are the only Bank in the market that offers such service to the largest customers. In 2019, the implementation team, in cooperation with operational units, successfully implemented 19 transactional Banking agreements. The agreements obliged the Bank to implement several products (5 to 9) and accounted for 10% of all the new agreements.

#### Application of qualified signature



For a long time, our clients have been able to sign agreements and applications with electronic signature in ING Business. In 2019, we additionally offered the possibility to sign documents with qualified signatures. As a result, in order to file applications or sign agreements, our clients may use qualified signatures that they use for other processes in their companies.

#### Online access to funding

For years we have been offering our clients and potential clients to apply for loans online. The companies that do not have an account with us may use a special ING Direct Business Credit application available on the Bank website to file loan applications. Our clients who already use ING Business may file such an application in the system. In 2019, the share of applications filed online reached 95%. Last year we also observed a systematic growth of digitisation in credit approval decisions, conclusion of agreements and post-sale services of credit products:

- for clients with exposures to the Bank up to PLN 400 thousand we continued the development of the Easy Lending track which comprises automatic credit approval and renewal decisions. As a result of such automation of renewal

decisions and other process enhancements, we reached a dynamic growth of the share of the Easy Lending track from 13% to 28% in all products in the year. This means that during the year we handled over 3,400 loans totalling over PLN 375 million in that track.

- the number of loan agreements signed electronically grew from 31% to 38%,
- loan disbursement instructions – now 73% of such instructions are placed and executed electronically, most of them automatically. This is growth 13 pp versus the previous year (from 60%),
- disbursement instructions placed electronically and executed automatically recorded a growth from 26% to 40%.



We have been noting that the proportion of e-guarantees has been growing among our clients. Two years ago, we were the first in the market to offer e-guarantees and a platform to verify qualified signatures. In 2019, there was a dynamic growth of e-guarantees among the guaranteed issued with the share reaching almost 23% at the end of the year (in 2018 the share was 5%).

#### Loan handling for corporate clients

In 2019, we continued to automate and digitise and optimise lending processes. At the end of 2019, we launched an antifraud service Gandalf which keeps scanning activity of clients completing loan applications and detects suspicious events and marks a risk of fraud with the client. This is a flexible solution that may be applied in any Banking process and is to mitigate fraud risk. Next year we plan to develop new modules for the service.

In response to legislative changes requiring enterprises to make electronic financial statements, we have offered the possibility to import e-statements from KRS to the Banking system. We have launched a new restructuring and collection module covering exposures under PLN 1.2 million in a new dedicated head office unit. The new approach supports fast response and assistance to clients before they face major problems. We provide for assistance from the first day of delay, support of a dedicated Bank staff member and clear and flexible restructuring strategies. In September 2019, we launched a simplified track with automatic decisions for L/Cs and guarantees secured with deposits or funds in advance; as a result, we materially accelerated decisions in those cases.

In November 2019, we completed a pilot project for documentary letters of credit based on the Blockchain technology. With an electronic L/C a client of ours has secured an order from a counterparty from Taiwan. The solution is not yet available in the market but it shows the direction of L/C development to shorten transaction execution, improve communication between the parties and more effectively use credit lines.

For many years, the EU offer of Bank ING has been popular among clients. On 6 June 2019, at the BGK Partner Gala, ING Bank Śląski – as the only Bank – was awarded a prize from Bank Gospodarstwa Krajowego for its commitment in the distribution of EU funds. Our Bank, a leader in financing of innovations among SMEs – in the last EU perspective issued over 250 promises for technological loans and helped finance technological projects for over PLN 1 billion.

We keep working in improving user experience from the perspective in external and internal clients in systems. We have a number of UX enhancements in ING Business, inter alia a new template to account for contractual terms and conditions and the possibility to sign agreements and loan applications on the basis of data updated in real time with the e-KRS service.

Asset financing

We offer corporate clients attractive forms of asset financing: leasing and factoring.

In the area of leasing, we cooperate with a subsidiary, ING Lease (Poland), which offers operational and financial leasing, including repayable and leasing, which allow to finance the purchase of both movables (passenger cars and vans up to 3.5 tonnes, motorcycles and scooters, trucks, machinery and equipment, technological lines, commercial vehicles, medical, office and IT equipment) as well as real estate (office buildings, commercial buildings, logistics centers).

The company addresses its offer to micro, small and medium-sized enterprises as well as the largest companies operating on the Polish market.

ING Lease (Poland) is constantly developing its offer, products and tools for communication with clients, so as to best respond to their needs and expectations. Consistently implements the strategy of developing external channels, including online presence (in ING internet and mobile banking systems) and in dealerships. The company effectively increases the number of cooperating suppliers and importers.

ING Lease sees its competitive advantage in using the potential of ING Group clients in Poland and in close cooperation with ING Bank Śląski. In 2019, ING Bank Śląski, offering its clients ING Lease products, was awarded the Institution of the Year 2018 title in the 'Best Bank in Leasing Financing' category. What's more, in 2019, online leasing at Moje ING

received the Financial Order of the Home & Market monthly for the most interesting financial product for the small and medium-sized enterprises sector, and the ING Machines Program, thanks to which entrepreneurs can benefit from financing of machines and devices on simplified terms, was awarded in the Best Products for Business plebiscite.

Issue of electronic money

In our work related to search for new products, we applied the PACE methodology and developed a concept of applying electronic money. Digital PLN may support loyalty programmes or be an alternative to pre-paid cards. The above required an amendment to the by-laws of ING Bank Śląski S.A., approved in December 2019 by the Polish Financial Supervision Authority. ING Bank Śląski S.A., was among the first Banks in the market, to have added a provision on “issuing electronic money” to its by-laws. As a result, we can continue working on the solution.

Customer education and access to knowledge

Meetings with our clients

In 2019, we held numerous meetings with existing and prospective corporate customers. They were organised as conferences either by the Bank on its own or jointly with partners – media or regional business organisations.

The meetings with corporate segment customers covered the following subjects:

- optimisation of company finances (cash and settlement management, issues related to Split Payments),
- changes to the pension system,
- cyber security,
- robotics,
- succession in family businesses,
- selected factors of the economy (e.g. agriculture, transport and logistics),
- selected economic issues (recent analyses of FX exchange rates, interest rates, Brexit, issues related to sustainable development, power generation and electromobility).

#INFLU zone

At last year's edition of the European Economic Congress and the European Start-up Days, we invited participants to the influencer zone. At #INFLU, opinion leaders held discussions with ING experts. Our goal was to hold detailed discussions on the subjects presented at ECC and ESD, inter alia climate change, new technologies and their impact

on the society, electromobility as a key to success as well as Fintechs. We invited our management, Bank experts and influencers whom we appreciate. The meetings were held in an informal atmosphere and could be attended by anybody.

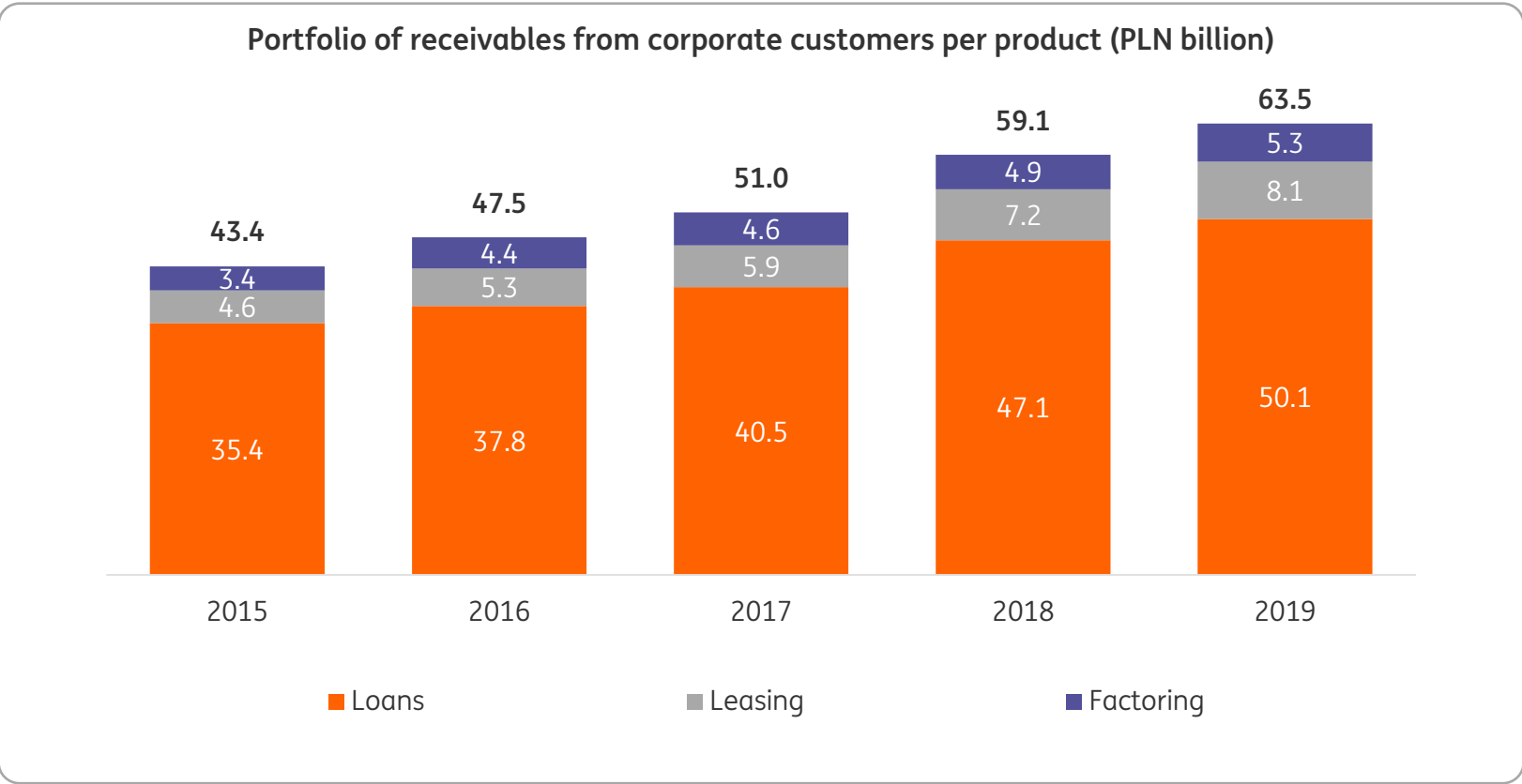
Conference "Day with e-commerce - sell more"

In 2019, in Katowice, we organized a conference "A day with e-commerce - sell more". During the event, the invited speakers were industry experts who gave practical tips on how to increase sales in e-commerce stores. Customers could broaden their knowledge of solutions focused on increasing online store conversions and payment innovations.

Volumes of receivables in the corporate Banking segment

As at 2019 yearend, total gross receivables from institutional clients went up by 7.4% y/y to PLN 63.5 billion. The dynamic growth in lending translated into a higher market share as at the 2019 yearend i.e. 11.5% from 11.2% a year ago.

As at 2019 yearend, portfolio of gross receivables of strategic clients was PLN 24.6 billion (+1.4% y/y), while portfolio of gross receivables from SME and mid-corporates was PLN 38.9 billion (+5.0% y/y).

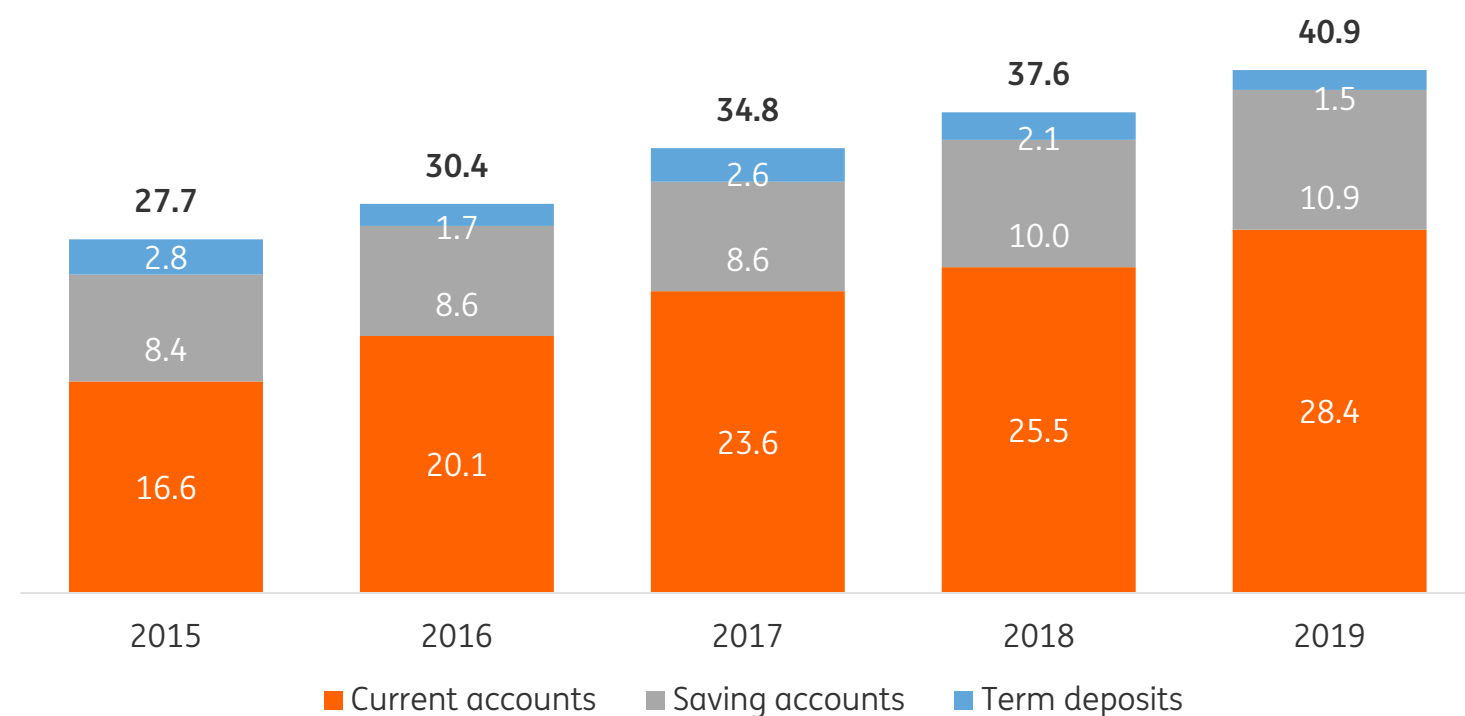


Volumes of deposits of the corporate banking segment

The funds deposited by our corporate clients as at the end of 2019 amounted to PLN 40.9 billion and were by 8.8% higher than at the end of the previous year. Funds in current accounts (69%) accounted for a major part of our liabilities to that group of clients.

As at the end of 2019, the deposit portfolio of strategic clients was PLN 13.4 billion (+5.3% y/y), and the portfolio of deposits from medium-sized and large companies – PLN 27.5 billion (+10.6% y/y). Our market share in corporate segment deposits was 8.8% and was by 0.2 pp higher versus the end of 2018.

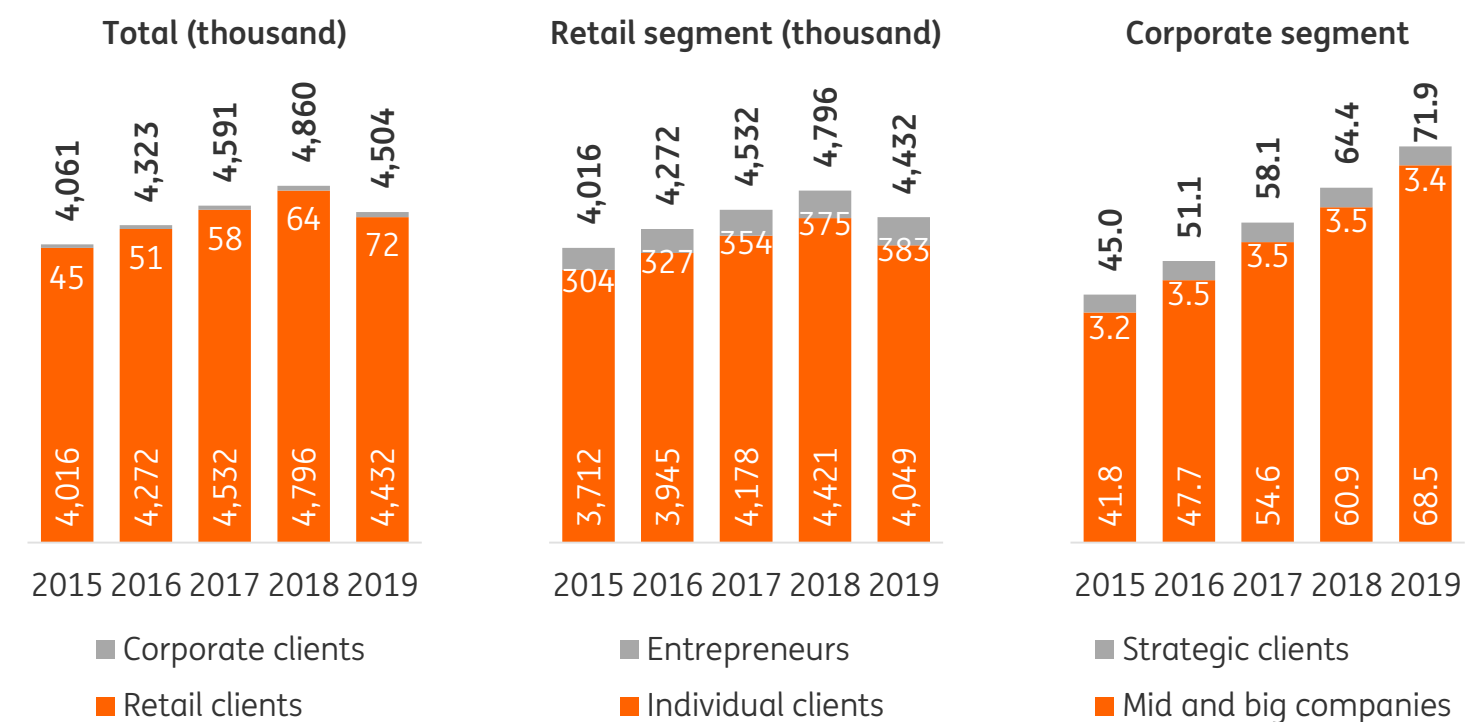
The portfolio of liabilities to the corporate segment split by products (PLN billion)



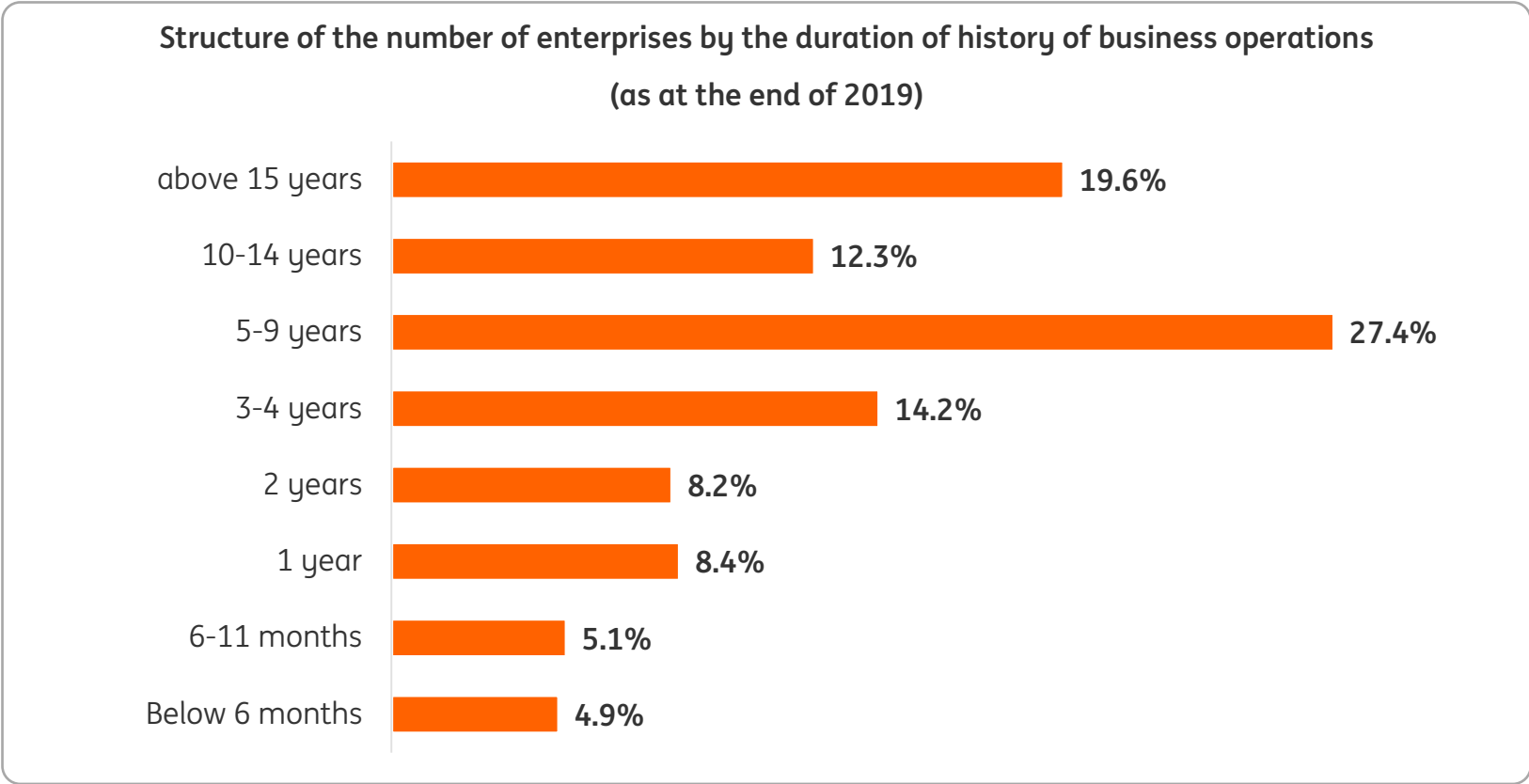
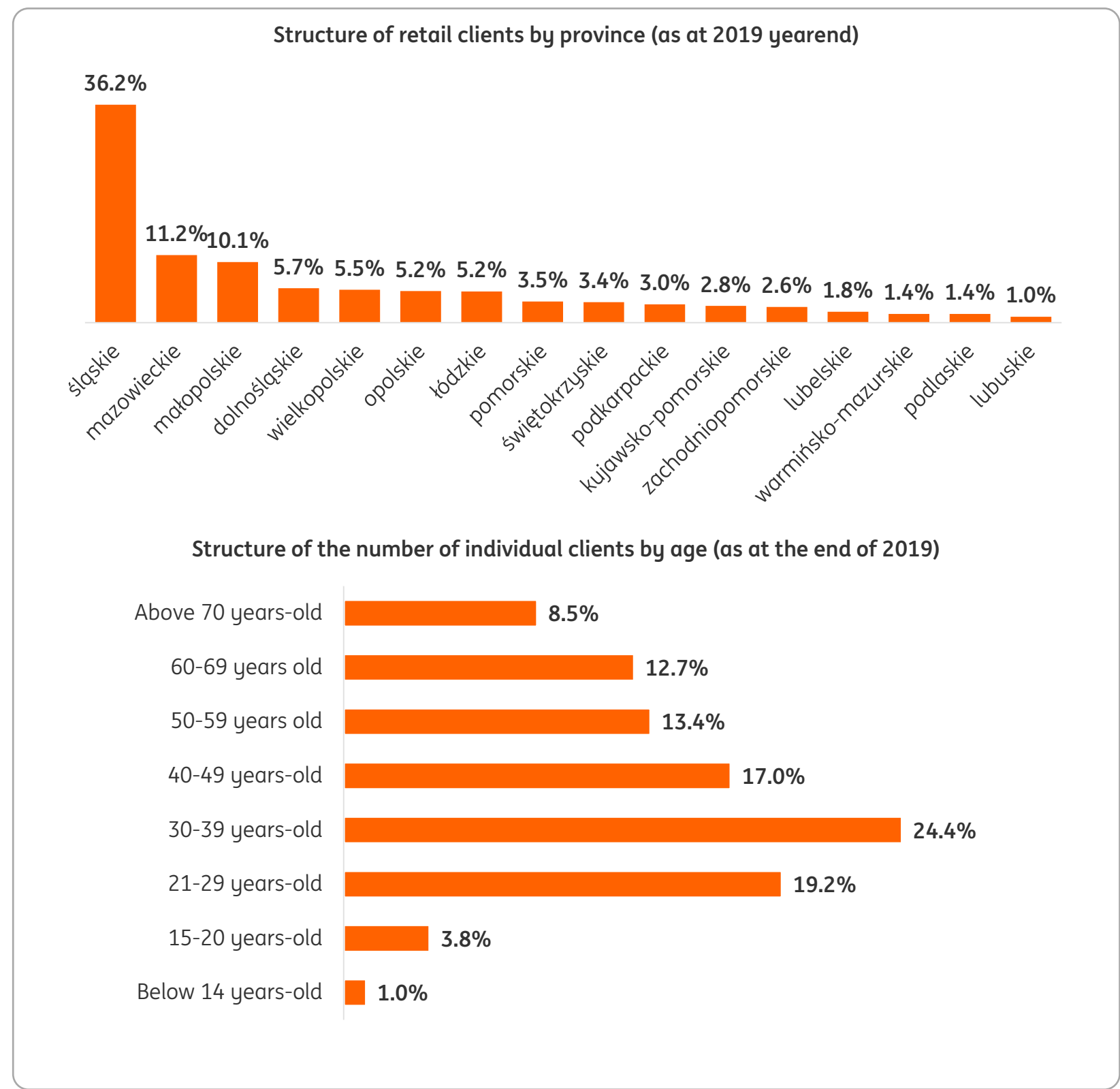
## Our clients in numbers

At the end of 2019, our capital group serviced over 4.5 million clients, of which 4.4 million in the retail segment and over 71 thousand clients in the corporate segment.

Number of ING Bank Śląski S.A. Group clients (as at yearend)

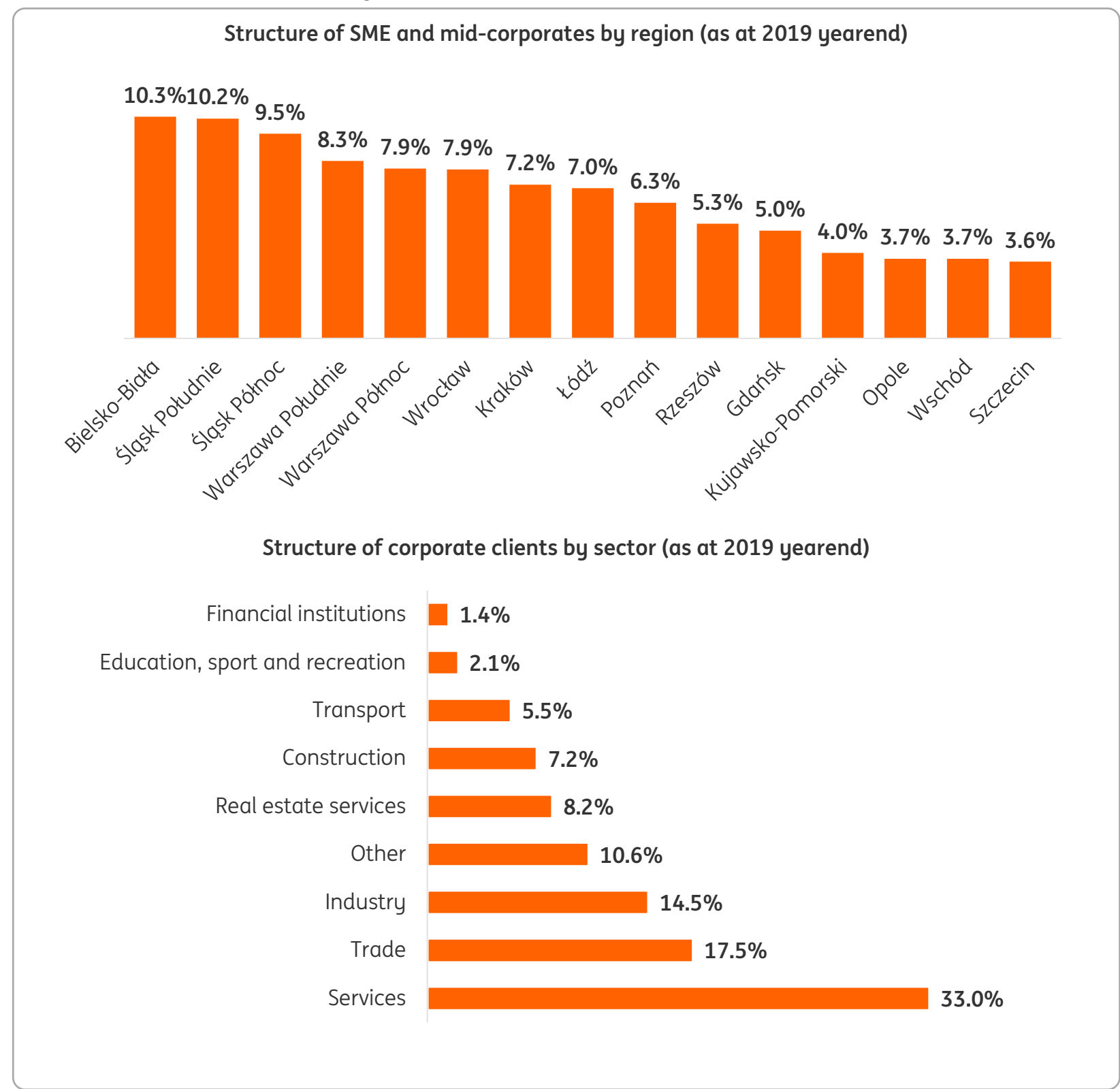


The structure of our retail clients





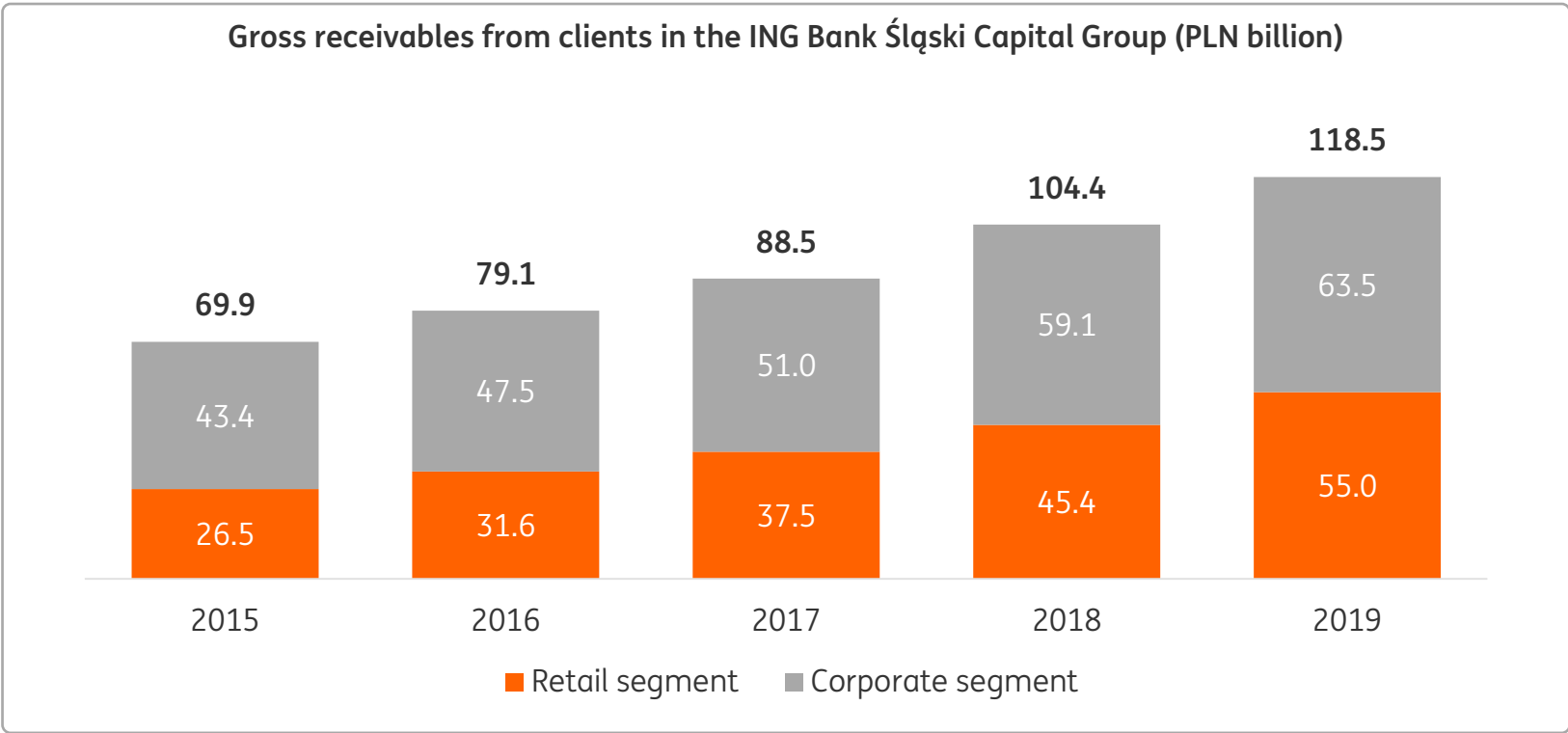
## The structure of our corporate clients



## Volumes of receivables from our clients

The volume of gross receivables from our clients as at the end of 2019 amounted to PLN 118.5 billion and was by 13.4% higher than at the end of 2018. The above was translated into an increase of our market share in loans up to 8.8% or by 0.7 pps more than at the end of 2019.

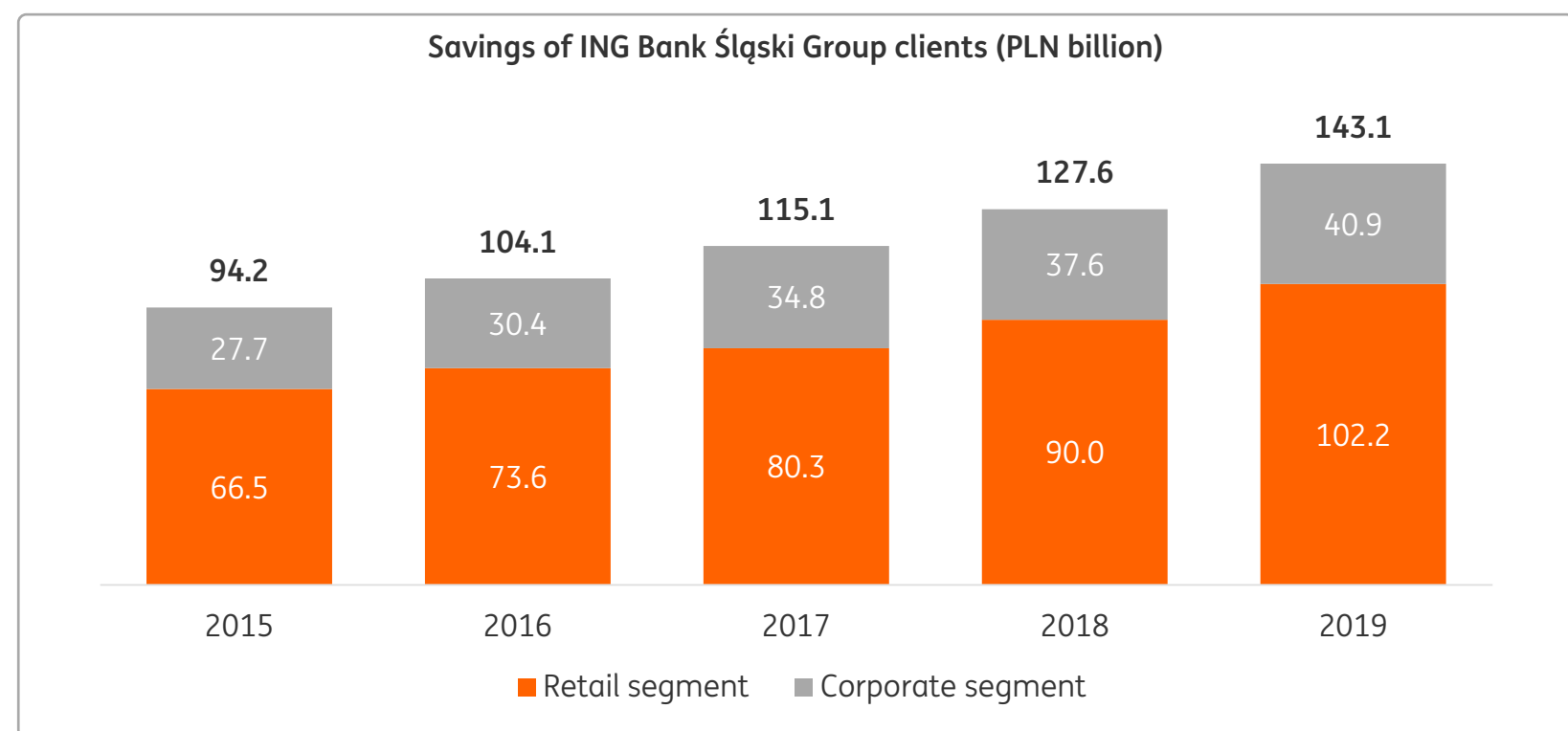
Receivables from corporate clients continue to be the major part of our gross receivable portfolio; however, their share in the structure has been decreasing successively (from 62% at the end of 2015 to 54% at the end of 2019).



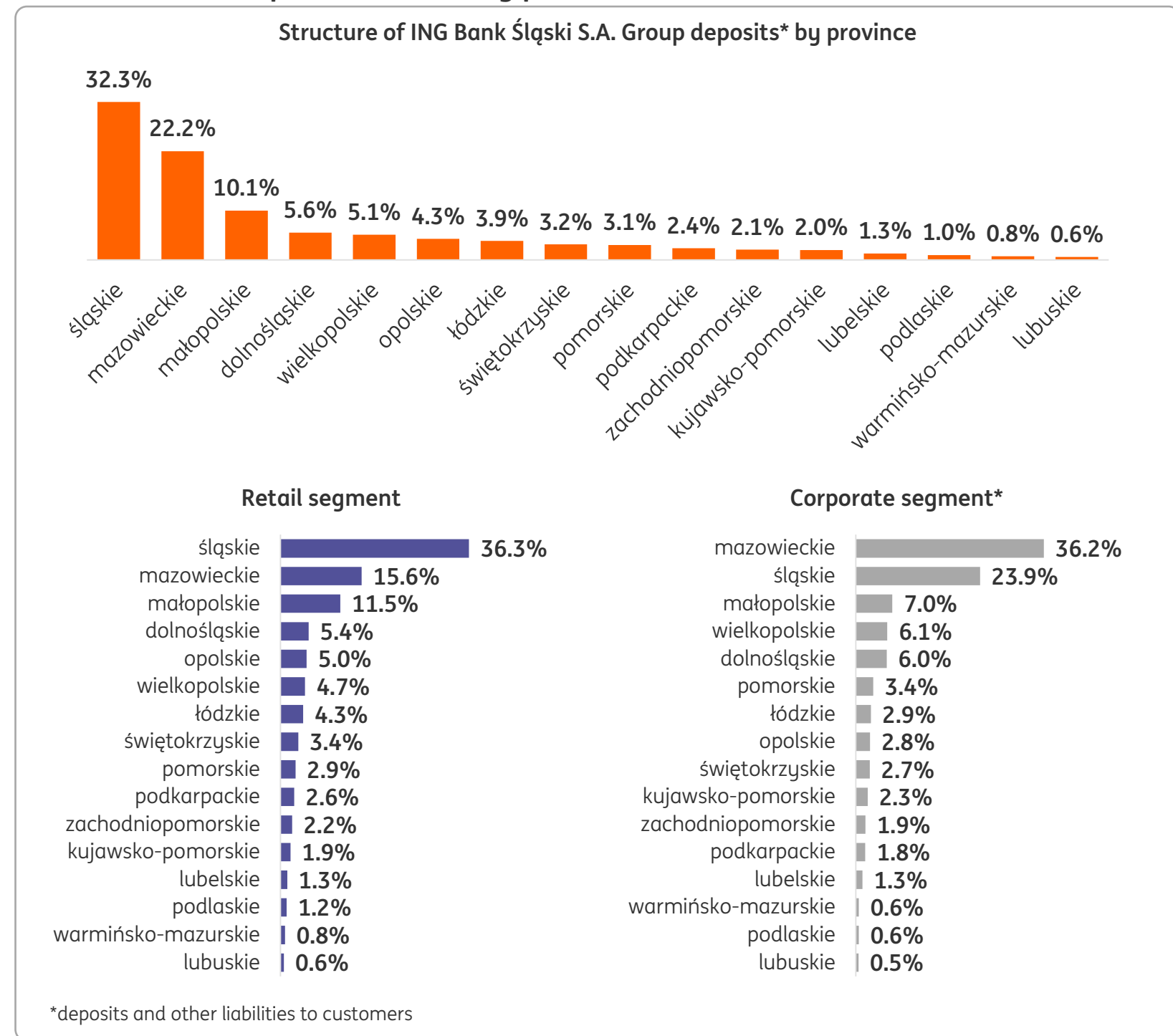
# The savings of our clients

The savings of our clients (including off-balance sheet savings of the retail Banking segment) at the end of 2019 amounted to PLN 143.1 billion and were higher by 12.1% y/y. On-balance sheet liabilities of our clients at the end of 2019 amounted to PLN 128.8 billion and were by 11.1 % higher versus the preceding year. As a result, our market share in deposits grew by 0.2 pps up to 9.3% at the end of 2019.

Liabilities to the retail segment remain the major part of the on-balance sheet volume of our clients’ savings (they accounted for 68% of all deposits at the end of 2019).

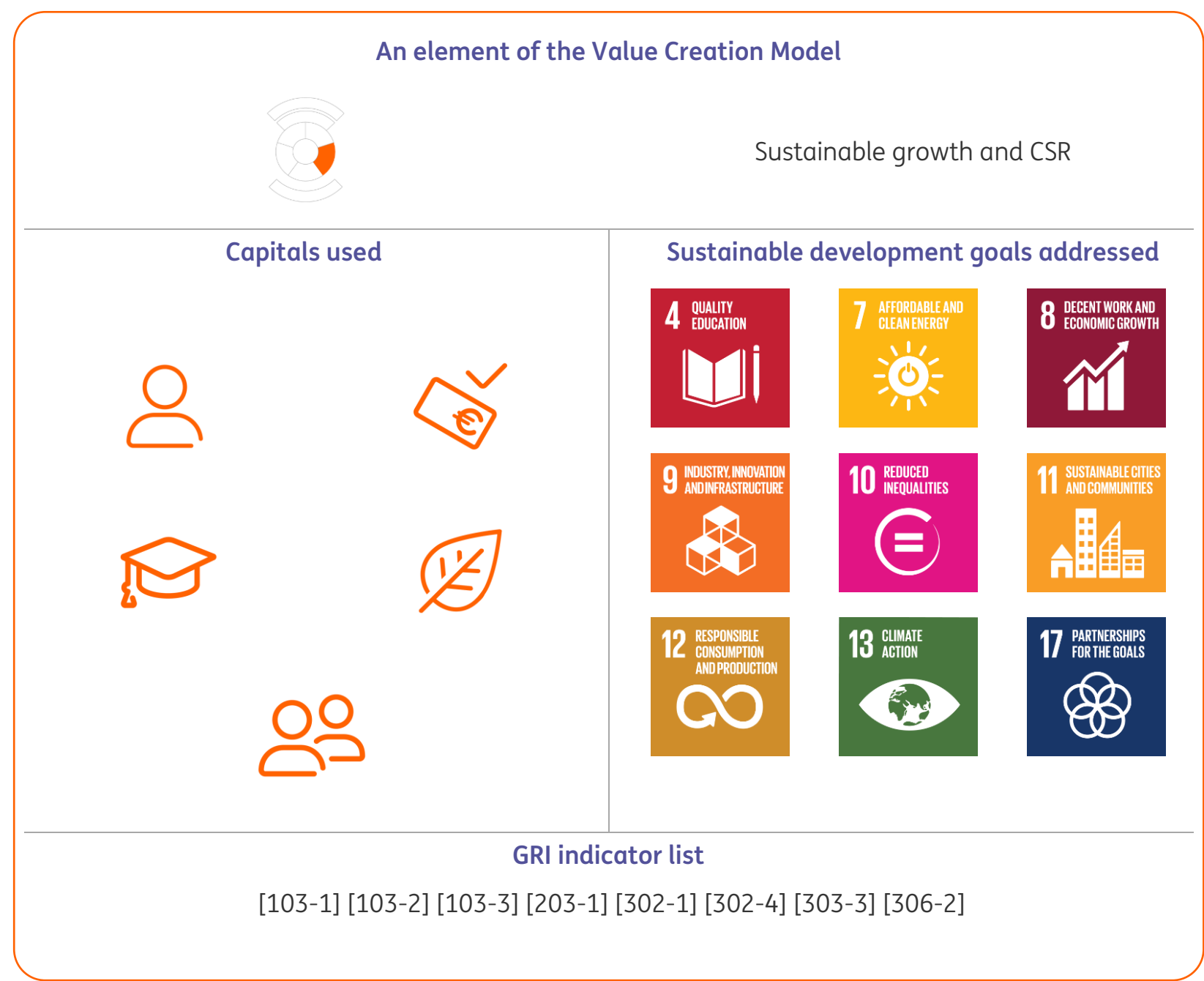


# The structure of deposit balances by province



# Sustainable growth and CSR

In our Bank, the Sustainable Development Strategy is implemented in accordance with the priorities concerning entrepreneurship, equal opportunities and the environment. A summary of the strategy implementation can be found on page 51. In the following chapter we focused on a broad description of our approach to environmental protection and Corporate Social Responsibility (CSR). The description of other activities in our strategy can be found in the chapters "Customer experience" and "Way of working"



## Environment

GRI [103-1] [103-2] [103-3]

In the current climate crisis, concern for the environment is not only good will but also duty and an inherent part of running business. That is why we implement the provisions of our Environmental Declaration. We know that each aspect of our business has an environmental impact. We support green businesses and give up financing for those that harm the environment. We are also limiting our negative impact on the Earth.

 Towards the end of 2017, we announced the Green Statement in which, among others, we committed ourselves to support areas, such as:

- Projects on renewable energy sources executed by electric power groups,
- projects supporting development of modern energy transmission and distribution infrastructure,
- ESCO projects to offer financing for energy efficiency solutions, where the repayment comes from a stream of financial savings, from a reduction in energy consumption,
- projects supporting electromobility,
- other projects aimed at preventing pollution and increasing recycling possibilities.

In our business activities, our priority is to implement environment-friendly projects. Therefore, we are gradually reducing our product and credit exposure to carbon intensive activities. Since 2015 we have not financed coal-fired power plants under green field projects, excluding our previous contractual obligations to these entities.

Additionally, the Management Board of ING Bank Śląski S.A. has resolved:

- by the end of 2025 at the latest, the bank will have completed its cooperation with entities that do not meet the environmental policy criterion, in particular with respect to coal combustion;

- beyond 2025, the bank will not finance customers whose operations are dependent on thermal coal more than 5%. At the same time, the Bank may support customers that implemented the plan to abandon coal firing in their energy transformation process;
- The Bank permits the establishment of relations with customers whose business is dependent on thermal coal not more than 10%, provided that they have a strategy to reduce this share to a level close to zero in 2025.

The Bank takes environment-friendly measures aimed, *inter alia*, at the reduction of energy consumption. Pursuant to the purchased certificates of origin, 100% of the electric energy used by the Bank comes from renewable sources. In order to minimise the environmental impact of its operations, including offices, branches and data processing centres, the Bank aims at reduction of energy consumption and carbon footprint, at the reduction of paper consumption and electronic waste. The Bank also runs communication operations that reduce the consumption of natural resources and improve environmental awareness of our staff.

"*The General Principles of Environmental and Social Risk*" indicate business activities in which the Bank does not invest due to especially high risk of an adverse impact on the natural environment and the principles of sustainable development. The General Principles consists of application rules, *Exclusion Policy* (list of activities excluded for ethical, reputational and environmental reasons) and Specific Policies (relating to the areas identified in the General Principles). We require that our customers run their businesses in compliance with the socio-environmental regulations and that they should have all permits and licences required under the law. The *General Principles* are applied to clients to whom we offer lending products. We do not establish relations with clients whose core business activity is covered by *the Policy of Exclusions*.

Detailed policies concerning the natural environment relate to the following areas:

- well-being of animals,
- forestry and plantations,
- industrial processing,
- chemical industry and utilisation of chemicals,
- hard coal mining, coal-fired power industry, and related businesses,
- other mining and power industry, petrochemical industry and metal manufacturing.

In 2019, we continued our activities in accordance with the Environmental Declaration and the Sustainable Development Strategy and priorities: Bank of green investments and Bank which is eco-aware. We have provided financing for projects enhancing energy efficiency and comprising investments into new sources of green wind energy and photovoltaics. We continued to support electromobility and offer eco-lending to retail clients.

Our attention is also attracted by the work progress on sustainable finance at the European Union level. In mid-2019 the European Commission published proposals for taxonomy of sustainable measures, standards for EU green bonds and the disclosure of climate indicators and ESG (environment, social responsibility and corporate governance) factors. At the yearend, EU member states and EU institutions reached a political compromise on the taxonomy, which defines 'green' investment projects in individual sectors of the economy.

## We support green investment projects

[GRI \[103-1\]](#) [\[103-2\]](#) [\[103-3\]](#) [\[203-1\]](#)

### Green bonds

In 2019, ING Bank Śląski contributed to the arrangement of an issue of green Treasury bonds denominated in euro. Under the bond issue, on 28 February, the Ministry offered 10- and 30-year bonds for sale.

### Energy partnership with Siemens

In May 2019, we signed a framework co-operation agreement with Siemens in the area of energy efficiency, dedicated to companies that run manufacturing activities. Under the cooperation agreement, ING Bank Śląski provides an eco-guarantee for the energy efficiency improvement service offered by Siemens. Based on an energy analysis, Siemens implements, monitors and manages technical improvements to buildings and their infrastructure, thus guaranteeing and achieving a predetermined reduction level of energy consumption. The client concludes a futures contract with Siemens for the provision of the service described above, paid for by means of a subscription fee. During contract life, Siemens remains the owner of the infrastructure. The project is addressed to ING's customers running production activities with revenues exceeding PLN 100 million. Granting of a bank guarantee is conditional upon obtaining a positive credit decision from ING Bank Śląski. By the end of the year, over 20 bilateral and group meetings were held at which recent changes and trends in the energy market were presented as well as technological and financial advantages of our solution. Now, three ING customers are involved in a pilot programme under which Siemens performs a technological audit on their sites.



# Eco-loan

Throughout the entire 2019 ING Bank Śląski offered eco-products to its customers.

The offer of Mortgage Eco-Loan is intended for construction of energy-efficient houses or purchase of such real estate in the primary market. This is a loan offer with an attractive margin (1.75%) and without loan arrangement fee. The minimum loan amount is PLN 100,000 and the maximum loan amount is PLN 1,500,000. The loan may be granted for a period of up to 35 years and the requirement is to meet the criterion of an 'energy-efficient house' whose annual heating and ventilation consumption does not exceed 40 kWh/m2. This requirement ensures that such an investment is based on technological solutions that minimize energy demand (e.g. building structure, quality of materials used, technological solutions).

The offered eco-loan for corporate customers is addressed to entrepreneurs who benefit from simplified accounting rules. In order to take advantage of the offer, you should apply to Moje ING for a loan without security in the variant with a commission and add to it an invoice for the purchase of environment-friendly merchandise (ecological objectives are included in the regulations).



The Housing Communities' Eco-loan is an eco-loan without a fee and with a lower margin (depending on the loan amount, from 1.5%). In order to take advantage of the offer, one should file an application for an eco-loan for environmental purposes the bank's branch and attach a resolution of the community where the purpose of the loan is related to ecology.

Eco-loan for individual customers is intended for people who plan to purchase environment-friendly goods or materials. The offer may include reimbursement of a fee for granting a cash loan. The fee is reimbursed after the bank has received an invoice confirming the purchase of goods / materials from the list in the Offer Rules and Regulations.

In 2019, the Bank granted 783 eco-lending products for the total amount of PLN 231.6 million.

In September, we also launched a new eco-campaign, under which we promoted the Eco-loan Offer. The TV commercial presented children and their efforts to improve the climate situation. It is children – as much as they can – that make the adults understand that they have to address the issue in a serious manner. In our TV commercial, children in a funny but decisive manner file a petition with adults, pointing out issues that should be addresses as soon as possible, such as proper waste segregation, less plastics or water saving.

# Electromobility

In 2019, we continued our efforts to develop electromobility in Poland.

## Cooperation with Innogy

As part of the partnership with Innogy, in addition to signing the letter of intent in 2018, we successfully carried out, among others a pilot programme for the lease of electric cars on car sharing principle. Under the pilot project 1,585 active users rented cars 1,225 times and covered a distance of 17,000 km.

In the agreement signed in December 2018, together with Innogy, we undertook to jointly develop solutions for the integration of electromobility market services, including both financial and transactional services. Thanks to ING Bank Śląski support, Innogy was able to offer 500 electric cars in Warsaw in spring 2019 on a car sharing basis. It is the largest fleet of electric cars offered on a sharing basis in Europe. New charging stations for electric vehicles will be also built.

## Cooperation with Tauron

In December 2018, we launched, and then in 2019 we followed up the car-sharing pilot programme and launched the first electric vehicle charging stations in Katowice: 23 charging stations and 20 electric vehicles. The electric car charging terminal network consists of four fast charging stations (DC) and 19 fast charging stations (AC). The location of the charging stations has been planned throughout the city in a manner allowing you to move around freely in an electric vehicle. The charging infrastructure is already available for electric vehicle drivers. All terminals can be used free of charge by the electric vehicle drivers.

## Cooperation with blinkee.city

In May 2019, we established a partnership with blinkee.city to expand the public sharing service for scooters and electric scooters. We also started distributing vehicles with ING logo to several locations in Poland. In Katowice there were 100 electric scooters and 100 kick scooters, in Warsaw – 200 electric scooters and 100 kick scooters, in Bydgoszcz, Kraków, Lublin, Łódź, Poznań and Tricity – 340 scooters in total. Additionally, in Tricity 100 kick scooters were made available.

## Strategic partnership with VOOM

In November 2019, we signed a Letter of Intent on joint activities with Voom. The scope of cooperation initiated covers the development and promotion of innovative solutions in the area of public transport, including



electromobility and vehicle sharing. In early 2020, ING acquired an 8.08% stake in Voom. In the months to come it is planned to support the development of the platform.

### Driving E-culture

During the European Sustainable Transport Week in Katowice last September, a presentation was made on driving e-culture – a code of good practices of transport sharing. Our Bank was involved in the development of this material. We have cooperated with other companies dealing with electromobility and vehicle sharing (TAURON, blinke.city, innogy) and with the Katowice City Hall. Driving E-culture presents not only the basic principles of sharing. It also has rules that apply to the use of different types of vehicles: cars, electric scooters and kick scooters. When we rent an electric scooter, kick scooter, bicycle or electric vehicle, we can travel more pleasantly, faster and in a more environment friendly manner.

### Move smart. Safely” with ING

In October we held a campaign “Move smart. Safely”, which encouraged to smart use of electric scooters. The campaign was accompanied by a 30-minute-long promotion of free driving using electric scooters and kick scooters, sponsored by ING.

### ING Bank Hipoteczny Green Mortgage Bonds

On 3 October 2019, ING Bank Hipoteczny closed the book for the first issue of 5-year green mortgage bonds. Consequently, ING Bank Hipoteczny issued mortgage bonds worth PLN 400 million. On 2 December 2019, the green mortgage bonds of ING Bank Hipoteczny were quoted for the first time at the Warsaw Stock Exchange. You can read more about this in the text box "First issue of mortgage bonds" on page 16.

### Climate changes vs. business – a round table for the banking sector

On 10 October 2019, a round table meeting was held at the ING headquarters in Warsaw. The main topic of round table talks was climate change in the context of the Polish financial market. The round table talks were attended by the representatives of all major banks in Poland, the Polish Banks Association, the Polish Insurance Association and NGOs. The event consisted of a subject matter part, during which, *inter alia*, ING economists presented projections on the impact of climate change on business, as well as debates involving the attendees. All guests received a document containing a summary and key conclusions of the meeting. Follow-up activities in this area have been planned.

### Circular economy



In 2019, we continued to promote the circular economy during events such as the following: European Economic Congress in Katowice or Open Eyes Economy Summit in Kraków. We also attended the debate on circular economy organized by Executive Club during the Sustainable Economy Summit Warsaw. These events included practical and financial aspects of circular economy implementation.

The circular economy creates many opportunities and challenges for the Polish economy, both for entrepreneurs and consumers, their implementation takes place gradually in the context of the extended legal framework of the European Union and Polish regulations. The circular economy ranks high in the European Green Deal, announced by the European Commission in December 2019.

### We Reduce Our Environmental Impact

[GRI \[103-1\]](#) [\[103-2\]](#) [\[103-3\]](#)

#### While exercising environment care we are involved in the Environmental Programme

Our own activities have also environmental impact, e.g. through the consumption of resources by our personnel, through the use of IT systems and business travel. We are committed to reduce the environmental impact and to work closely with customers and suppliers to seize opportunities in the low-carbon and resource-efficient economy of the future. Our environmental approach describes how we manage our direct environmental impact. By adopting the 2020 targets for improving environmental performance, we committed ourselves to:

- reduce of greenhouse gases emissions by 84% by 2020 (2014 – base year). By 2019, we reduced emissions by 89%,
- reduce our water consumption by 20% by 2020 (2014 – base year). By 2019, we reduced consumption by 9%.

### Electricity

Since 2016, 100% of electric energy purchased by our Bank has come from renewable energy sources (RES). In 2019, we purchased certificates of energy origin for the fourth time and as a result we reduced our carbon footprint by over 70%. In the years to come we will also use green energy.

Our activities and goals concerning our environmental footprint are managed through ING Environmental Programme that has established the Environmental Management System (EMS). It provides for effective processes and continued improvement of our efficiency.

GRI [302-4]

New energy-saving measures implemented in 2019:

- we completed the first project of photovoltaic (PV) system in 50 Chorzowska Street – we installed 178 PV panels on the roof of the headquarters building, the power generation capacity of the entire system is 49.84 kW. The estimated energy yield is about 2-3% of our energy demand in the building at Chorzowska 50.
- around the Katowice headquarters, we put up green benches, which use solar energy to recharge the phone or other devices. They are equipped with USB ports and an inductive charging capability. In addition, water bowls have been placed at the benches for tetrapods.

GRI [302-1]

Our electric energy consumption

Electric energy consumption			
kWh	2019	2018	2017
Electric energy	31,920,924	30,558,890	31,530,936

An increase of 4.5% compared to 2018 is largely due to the weather conditions (hot summer) and numerous renovations and conversions at the Katowice headquarters.

Other types of energy (except for electric energy)

Other types of energy			
	2019	2018	2017
Natural gas (m3)	105,356	188,968	202,705
Gas oil (l)	20,511	13,012	17,000

The increase in gas oil consumption is due to increased demand for the Data Centre services. If there are problems with the electric energy supply, the generator converts gas oil into electricity and thus takes over responsibility for the power supply to the individual components of the Data Centre infrastructure.

Car eco-policy



At the beginning of 2019, the Management Board approved the implementation of a long-term eco-strategy for the car fleet and changes in car policy. By 2022, we will have a full environment-friendly fleet at ING Bank Śląski, and by 2023 we will reduce our CO<sub>2</sub> emissions by as much as 30%.

Under this new policy, an employee who resigns from a company car (which is allocated as a benefit related to the position held) in favour of the monthly allowance and declares the use the allowance exclusively for an environmentally friendly form of commuting, e.g. by foot, public transport, train, bicycle or ecological car (understood as a hybrid, electric or hydrogen car), will receive an eco-allowance, i.e. a higher amount than in the absence of declaration. This is another encouragement of employees to use green forms of commuting.

We are also expanding our fleet of electric cars step by step. Now we have 11 electric cars and 11 bank charging stations in 6 Polish cities: Katowice, Łódź, Kraków, Warsaw, Gdańsk and Wrocław.

We manage waste wisely

- We mandatorily sort waste at our branches. On top of this, we collect and safely destroy data carriers (either the paper or magnetic ones).
- At each branch, we gather office waste like toners, furniture or electronic waste and have them recycled by an authorised company.
- We extended the waste segregation with the collection of dead batteries. The containers are located in the rooms with printers and kitchenettes in all buildings of the Bank.
- All Bank employees in Warsaw and Katowice Head Offices use the follow-me printing system. The solution enables printing a document only upon tapping the employee’s identification badge against the printer.

GRI [306-2]

Total weight of hazardous waste, broken down by the following disposal methods			
kg	2019	2018	2017
Recycling	1,487	4,130	17,894

Total weight of non-hazardous waste, broken down by the following disposal methods			
kg	2019	2018	2017
Recycling	507,543	536,836	571,028

The waste disposal method is determined by the company responsible for the recycling of the waste supplied by the Bank.

Total weight of waste			
kg	2019	2018	2017
Waste paper	486,125	523,040	554,052
Screens	1,487	570	14,094
Electronic equipment and bulk waste	18,154	13,796	16,976
Toners	3,264	3,560	3,800
<b>Total waste</b>	<b>509,030</b>	<b>540,966</b>	<b>588,922</b>
Waste to be recycled	509,030	540,966	585,390
Waste not to be recycled	0	0	3,532

### We get rid of plastics

The Activities related to the Environmental Programme are supported by the OFF Culture project. In 2019, we continued the action of getting rid of plastics from our environment under the slogan: Reusable Love In 2019, we gave up using plastic bottles in all our branches – for customers of the branch network, water is served in ecological cups by the water dispensing machine. Meanwhile our personnel have access to filtered water and glass decanters. In our opinion, the most effective education is to experience change and to participate actively in change. Therefore, apart from environmental care competitions, we offered our employees eco-packaging in restaurants located in the headquarters' buildings in Katowice and a coffee discount in "Po prostu" coffee shop – if the customer brings along his own mug. We have completely withdrawn products in plastic packaging from vending machines and purchasing systems. Our commitment was appreciated by both our employees and the jury of the Power of Content Marketing Awards 2019, which awarded us the first prize in the category: Content Marketing Strategy for Employees – for attentive and responsible trend-setting among employees. Through the OFF Culture operation we encourage to segregate waste

consciously and to take a closer look at your choices and... plastics. A small symbol of a triangle, placed on the bottom of the box with a digit in the middle, will tell us what kind of material the box is made of and whether it is safe for us.

### Used hardware and furniture

Used hardware such as laptops, PCs, monitors or printers, as well as furniture that is suitable for use are donated in kind to schools, hospitals or public interest organisations. Consequently hardware and furniture go to the needy instead of being disposed of.

### Eco-gadgets from our billboards

Since 2017, we have been converting our outdoor advertising into everyday products. For the first time, we converted the outdoor advertisements used in the "My City" campaign into 1,000 bags, which then went into the hands of our customers. Then "courier" backpacks became fashionable and we handed them out to young participants at the meetings accompanying the campaign titled "The best way is to do your things". So far, as much as 4,700 m2 of our billboards have been replaced with 7,400 ecological bags, backpacks, hip packs and laptop bags. We distribute them both to our customers and personnel members.

### Water consumption

We analysed the use of water for the Head Office buildings and regions. This helped us to set new modernisation standards for the Head Office and branch buildings. Another stage of the OFF Culture started; the action promotes water consumption reduction.

### GRI [303-3]

### Our water consumption

Water consumption			
m3	2019	2018	2017
Water (the source of intake is municipal water supply system)	58,284	57,130	55,541

We did not take into account 58 ING Express locations for analysis, due to the location in shopping malls and 64 other locations where payment for water is included in the rent or service charges. An increase in water consumption by 2.0% compared to 2018 was due to the failure of a 150 thousand litre fire water tank. To repair the leakage, the tank had to be emptied and then refilled after the repair. In addition, as a result of

flooding, the underground car park facility in the headquarters building was flooded and it was necessary to clean it from silt and dirt, which required a significant water volume. In addition, in 2019 we carried out repairs and alterations, which also affected water consumption.

### Aerators as a way to save water

In 2019, the water aerators were replaced in all retail branches. In total, we replaced 400 water aerators. They were replaced as early as 2018 at the Katowice headquarters and in Warsaw. Therefore, all our points have water-saving mechanisms. Thanks to the new overlays, the water flow rate is 1.7l/min instead of 5l/min, which allows to save up to 60% of water.

### Eco-volunteering and #Trashchallenge

An increasing number of volunteer Programmes, e.g. carried out under the Good Idea competition, belong to eco-volunteering category. Our employees develop with project beneficiaries, inter alia, ecological paths, insect houses, flower meadows, mini greenhouses, as well as educate beneficiaries about ecology.

We also take part in the global #TrashChallenge, which is Clean the World operation. In addition to nominating other companies, we decided to nominate our teams internally. We've already completed a few green belt cleaning operations, but after further nominations, there will certainly be more of them.

### We promote sustainable transport

Since June 2018, Nextbike Polska, working hand in hand with our Bank, provides access to two "City by bike" stations – ING Sokolska (between Sokolska and Chorzowska offices buildings) and ING Rożdzieńska. City bikes are a great alternative to other means of transport. It can be useful for people who do not have bicycles, but also for those who leave their cars in large car parks or commuting by train.

In the underground car park facility in Sokolska Street, next to the cyclists' zone, there is a scooter zone equipped with a stand for 20 electric scooters and a strip with charging terminals. This allows our personnel members who want to commute to work by electric scooters or bikes to recharge their vehicle while they are at work.

### Business travel data

Business travels			
km	2019	2018	2017
Business travels by company cars	24,684,714	26,450,992	26,829,329
Air travels	2,203,133	2,875,629	2,246,272

## Social responsibility and financial education

ING Bank Śląski S.A. runs social and charitable activities in priority areas, in compliance with the 2019-2021 Sustainable Development Strategy of ING Bank Śląski. In 2019, the activities were primarily targeted at children and young people. They served the development of entrepreneurship, financial education as well as local communities. The Bank implemented the programmes on its own, in cooperation with social partners and its corporate foundations. The Bank also supported employees' initiatives (volunteer work, charity collections) as a social partner, in national and local projects.

### Financial education and development of entrepreneurship

GRI [103-1] [103-2] [103-3]

### Cooperation with partners

#### Exempt from the Theory

"Exempt from the Theory" is the largest contest for social projects in Poland, with over 9,000 students having completed 2,000 social projects so far.

During the Contest, students organise their own social projects. Each finalist is awarded a certificate valued by employers all over the world. The best projects are awarded every year with prizes handed over by the President of Poland or the Prime Minister. The "Exempt from Theory Contest" has been developing for 5 years now, and this year it is attended by young people from 10% of schools throughout Poland. This means that 464 secondary comprehensive schools and technical colleges have entered social projects in their curricula in the 2019/20 school year, under the "Exempt from Theory" Contest. ING Bank Śląski, being a partner of the Contest, developed ING Challenge for the youth. Brunon Bartkiewicz invited to implement the project on developing entrepreneurship. Additionally, ING Challenge participants benefit from mentoring of Bank personnel, 3 webinars with experts, and in



March 2020 they will take part in a bootcamp in Katowice. More than 30 teams and more than 40 mentor employees from all over Poland have applied for the ING Challenge.

Centre for Citizenship Education – Entrepreneurial Youth Programme

In 2019, the Bank continued its cooperation under the Entrepreneurial Youth Programme with the social partner – Centre for Citizenship Education. This Programme provides practical and innovative education on entrepreneurship. As part of the project, students solve economy and entrepreneurship tasks on a dedicated on-line platform, after which they carry out their own projects with the assistance of teachers and mentors. The Programme helps them to understand, among others, how to manage their own funds, it teaches them how to save and shows selected banking services, etc.

The Programme has been implemented since 2008 by the Centre for Citizenship Education, since mid-November 2017 with the involvement of ING. In addition, the ING Children's Foundation, within the framework of trilateral cooperation, is, *inter alia*, the originator of the idea concerning new concept for the Programme. ING Bank Śląski provides expertise and financing. In 2019, the Programme was implemented by 54 schools, 89 student teams, i.e. nearly 400 students. Marcin Giżycki, Vice-President of the Management Board of ING Bank Śląski S.A., has become the patron of the Programme. The final of the 11<sup>th</sup> edition of the Programme, as in the previous 2 years, was the Entrepreneurial Youth Conference at the Bank's headquarters in Katowice – held on 13 June. 12 youth teams that we hosted in Katowice presented their business ideas. All of them received commemorative statuettes from Brunon Bartkiewicz. One of them, received an additional award from Marcin Giżycki for his presentation and business readiness to implement the idea in real life. Additionally, in recognition of the cooperation and on the occasion of the 25<sup>th</sup> anniversary of the Centre for Citizenship Education ING Bank Śląski received a commemorative statuette.

Warsaw Institute of Banking – the BAKCYL Programme

The Bank continues its involvement in the BAKCYL – a joint project of the banking sector organised by the Warsaw Institute of Banking to support finance education of teenagers from junior high schools.

Under the project, the Bank personnel volunteer to teach finance at schools (junior high schools) within the cycle of 2 lessons: Your money, From savings to investments, and in 1-4 forms of post-primary schools a cycle of 3 topics: Financial market – trust in business, My financial assets – I am entrepreneurial, Wise Investments. The most active Bank volunteers who ran over 10 classes in the 2019/2020 school year included: – Jarosław Głogowski, Beata Goliasz,

Violetta Król, Dariusz Drenda, Anna Mazurowska. In total ING volunteers ran 125 classes. The lessons are organised in schools all over Poland.

Social commitment and voluntary service programme

GRI [103-1] [103-2] [103-3]

As part of our ING Voluntary Services Programme, we encourage employees to show activeness in the fields of financial education, entrepreneurship and local community projects. The formula of the voluntary services programme is open and anybody can get involved the way they like. Our Bank ensures for every employee the option of devoting 8 hours of work per year to voluntary activities. The Bank volunteers closely cooperate with ING for Children Foundation.

In 2018 the employees devoted 7,283.5 hours for voluntary activities. It was 2,062.5 hours more than in 2018.

CoderDojo Foundation

CoderDojo is a national community of passionates for new technologies. Poland's first dojo was set up in Zambrów in 2013. CoderDojo is a place to develop technological talents (programming, modelling, graphic design, 3D printing) for children and teenagers. Classes are held away from schools, often in rooms provided by IT companies. The classes are free of charge and the community may be joined by all those who wish to become CoderDojo students or mentors. ING CoderDojo has already been operating in ING Bank Śląski for the second year in cooperation with the CoderDojo Foundation. In Katowice, Warsaw and Siedlce there are “clubs of modern technologies” – dojo. Bank personnel – volunteers (23 mentors) hold classes for children in programming, robotics and 3D design, mobile applications on Saturdays during the school year. The project was joined by ING Tech Polska. Within the framework of ING CoderDojo, the bank held Grandparents' Day, DojoKonf for the mentors from all over Poland, the First Birthday of the dojo, CodeWeek, as well as workshops during Sant Nicolaus' Day for children of Bank Personnel.

The Way to Harvard

In 2018 we started cooperation with Harvard Club of Poland Association to hold a competition for students of junior and senior high schools and of universities who interested in studying abroad – The way to Harvard.

In 2019, the Bank promoted a competition for talented youth among its personnel – 16 students applied for the competition, with a total of 3,000 applications. In addition, a representative of DnH, a speaker at the Entrepreneurial Youth conference – Anna Jastrzębska, a graduate of Harvard University among other things, encouraged the



participants, young people from small towns to show courage and to take up challenges, to shape consciously their educational paths and to believe in their own skills.

### Lesław Paga Foundation

In 2019, ING Bank was a partner of the CEE Fintech Leaders Forum project – an educational project on the capital market, educating modern managerial staff. As part of the cooperation, ING Bank Śląski got involved in workshops for students with the participation of ING experts. Additionally, the bank became involved in the Young Innovators project. ING's representation participated in the final of the programme, in which 5 teams made presentations about themselves. Bank employees ran design thinking classes and evaluated teams.

### Boston Consulting Group

As part of the EmpowerPL100 Programme, the mentors of selected, students with outstanding talents, studying at home and abroad in 2019 were Brunon Bartkiewicz and Joanna Erdman. The Programme, which began in 2018, was an opportunity to celebrate Centenary of Independence. The objective of the organisers was to gather 100 mentors from among the top management and 100 mentees (students) who will collaborate in 2019.

## Donations and sponsorship

### Donations

In 2019, ING Bank Śląski S.A. made financial and in-kind charitable donations. The Bank made 36 financial charitable donations.

Donations were made on the basis of ING Bank Śląski S.A.'s Donation Policy, which was updated in 2019. The Donation Policy defines the objectives that the bank supports as part of its donations, in selected areas of social investment:

- operations centred around children and youth, including holidays for children and youth,
- science, higher education, school system, education and schooling (including in particular financial education),
- health protection and disease prevention
- financial support in case of special events in which a worker or a member(s) of his family is affected.

The donations included financial education donations to the Centre for Citizenship Education for the development of the Entrepreneurial Youth Programme, the Warsaw Institute of Banking for the BAKCYL Programme, the CoderDojo Foundation for the development of ING CoderDojo, the Social Wolves Foundation for the development of the Exempt

from Theory Programme. In the area of higher education, among others, for the Silesian University of Technology to develop the initiative "My idea for business", and in the area of health care, *inter alia*, for the Foundation for Cardiac Surgery Development named after Professor Zbigniew Religa in Zabrze and Polish Foundation of Gastroenterology.

ING Bank Śląski continued to support local charities and made charitable donations as part of the ING Football Tournament Awards for the ING Foundation named after Dr. Piotr Janaszek "Pass On Foundation for the development of physical culture "Seeing No Obstacles" in Kraków and the Łukasz Piszczek Academy Foundation.

In 2019, the bank also made in-kind donations in the form of IT equipment (in good technical condition) and office furniture being decommissioned. The handover of in-kind donations was carried out on the basis of the Procedure of Resale/ Donations/Disposal of Assets at ING Bank Śląski S.A. In-kind donations were mostly made to kindergartens, schools, hospitals and charities.

### Sponsoring

In 2019, ING Bank Śląski S.A. was involved in sponsorship activities targeted at entrepreneurs, young people, activities related to ecology, electromobility, as well as SME owners and management. They were designed to empower and motivate people to stay a step ahead in life and in business.

The most important sponsored events included:

- European Economic Congress in Katowice,
- European Start-up Days in Katowice,
- Run Warsaw,
- Open Eyes Economy in Cracow,
- European Week of Sustainable Transport in Katowice.

ING Bank Śląski S.A. as the main sponsor supported the European Economic Congress in Katowice and European Startup Days. That was the largest business meeting in Central Europe, overall attended by almost 14 thousand people. ING experts shared their know-how and experience participating in discussion panels. In the MCK conference venue in Katowice, the ING Infl zone was organized, where the congress participants could listen to the discussion and meet with the influencers active in social media.

ING Bank Śląski S.A. once again co-operated with the organisers of the "Run Warsaw" sport event, once against performing the role of 2019 General Partner of the sport event. About 5,000 employees with their families represented

the majority of the participants in the 5 km march accompanying the running event, and more than 1,000 people from this group covered a distance of 10 km.

In addition, ING Bank Śląski has been involved in sponsoring TEDx Katowice Salon – a series of local events that bring together and engage the local community, teach, inspire innovation and engage in dialogue and action. It is a series of events promoting valuable ideas in Poland and encouraging their application.

## Fundacja ING Dzieciom [The ING for Children Foundation]

ING for Children Foundation pursues the social mission of ING by supporting development, education and self-reliance of children and youth. ING for Children Foundation is one of the oldest corporate foundations in Poland. The foundation strives after providing equal chances to young people whose adult life initiation is difficult for various reasons.

### Smiling Holidays

In 2019, the foundation hosted 1,054 children and their guardians at 22<sup>nd</sup> Smiling Holidays. For the first time ever the Foundation organised holidays with the aim to restore the bonds between the children staying in the orphanage and their parents. "Girls' Holidays", integrating children of different nationalities, cultures and religions, were also unique.

### Voluntary services

Since 2006, the ING Group employees have been participating in the Good Idea voluntary competition. They can win there the subsidies for a voluntary project from ING for Children Foundation. As part of the Good Idea and Ad hoc Volunteering competition in 2019, the Foundation supported 91 projects for the benefit of local communities, associations, foundations, schools for the total amount of PLN 477,870. The ING volunteers ran mainly educational activities, but there was also an increase in environmental initiatives. In January and August, the foundation organized training sessions for volunteers and leaders of winning projects, in which 83 ING employees were involved. The training sessions covered, *inter alia*, cooperation with social partners, social project management, diverse forms of both entrepreneurship and financial education.

Voluntary activities roundup			
Year	Good ideas - number of actions	Ad-hoc initiatives - number of initiative	Number of volunteered hours
2019	73	18	7,052
Total amount for the projects	PLN 396,750	PLN 81,120	-
2018	71	14	5,221
Total amount for the projects	PLN 361,900	PLN 70,804	-

## ING employee support to children

Following the long-standing tradition of social initiatives, employees engaged in charity collections for children. In September, the Orange Rucksack took place and the employees collected school articles, and in December, they prepared Christmas gifts in the Santa's Helpers initiative. In December, for the first time, employees could allocate unused points at the Cafeteria to the ING Children's Foundation. This option was used by 705 employees of the Bank and of the companies served by the Bank, which translated into PLN 7,741.42. The Foundation will allocate these funds to the attractions for children staying at the Smile Holidays in 2020.

### Run Warsaw

On 6 October 2019, 706 running and 1,500 marching ING employees turned up on the "Run Warsaw" starting line, thus breaking the attendance record. Thanks to such a large involvement of the Orange Team, ING Bank Śląski has donated PLN 145,600 to the ING Foundation for Children, and the Foundation will allocate these funds for sports equipment for children who will take part in the Olympic edition of the Orange Power Programme in 2020.

### Orange Power

PLN 100,050 was gained through running and marching by ING employees in 2018 Run Warsaw event were distributed to 10 NGOs on a competitive basis. In 2019, these organisations carried out their proprietary projects under which children practised sports and learned a healthy lifestyle.

- 1 Association for Assistance to the Disabled "Helpful Hand" in the town of Tarnowskie Góry – project "Noble health – we are nutrient conscious and active"
- 2 The Pińczów Local Government Community Centre – project titled "ROWELOVE. Orange Power on two wheels"

- 3
- The Imielin Municipal Sports Club – project titled "Turbo kids! Parabadminton trainings for disabled wheel-chaired children".
- 4
- St. Philippe Nereus Association, the town of Ruda Śląska – project "Active and Passionate"
- 5
- Bogucka Cottage Folk Association, the locality of Bogucice Pierwsze – the project titled "ATHLETIC AND HEALTHY BOGUCKA COTTAGE"
- 6
- Jointly Association for the Residents of Żeliszawice – the project titled "HEALTHY AND ACTIVE LIFESTYLE IN ŻELISŁAWICE".
- 7
- Association of Sports Lovers in Stróża – project titled "White Madness. Everybody at school goes skiing."
- 8
- Adults for Children Association for Education Development in Orzesze – Zazdrość – project totled "Correction of posture defects through physical activity"
- 9
- The Ark Foundation, Łódź – "Orange Academy of Sports and Health" project
- 10
- Social Welfare Foundation "Piece of Hapiness", Lubicz Dolny – project "Sports and recreation activities for children and youth from rural areas in the Lubicz Municipality".

Involvement of the ING running team / Orange Power competition			
Year	Number of runners	Funds for ING for Children Foundation	Sports projects
2019	706 runners and 1,500 walkers	PLN 145,600	In 2020, the funds raised by ING employees who ran and marched in various sports events, will be allocated to sports equipment for children and the youth taking part in the Olympic edition of the Orange Power Programme. It is targeted at the primary schools, sports clubs and organisations caring for children with motor, hearing or visual disabilities.
2018	708 runners and 585 walkers	PLN 100,050	In 2018, the Foundation announced a competition, Orange Power for the children and youth activating projects. The competition was attended by 51 social organisations recommended by the ING employees. The 10 projects selected in a vote were implemented in 2019.

### Books

The Foundation donated free of charge a total of 3208 copies of books on autism ("Kosmita" ("*Alien*"), "Mam Zespół Aspergera" ("*I have Asperger Syndrome*"), Handbook for students and teachers) to schools, libraries, NGOs and individuals throughout Poland. Other donated books included a therapeutical book "Łucjan. Lew, jakiego nie było" ("Luciano. A unique lion"). The ING Polish Art Foundation published a book on art for children titled "The art for children". "Bałwan w lodówce" ("*Snowman in the fridge*").

### Entrepreneurial Youth

In the 2018/2019 school year, 144 teams from 76 schools participated in the programme. During the final conference, which was held in June 13 teams presented their business ideas. The Programme is implemented by the Centre for Citizenship Education, with the support of ING Bank Śląski and ING Children Foundation.

### "Know more – meetings with the ING Children's Foundation"

The ING Children's Foundation has initiated a series of open meetings called "Know more – meetings with the ING Children's Foundation" In March, the experts invited by the Foundation talked about the spectrum of autism and Asperger's syndrome, and in November, people who, despite their disabilities, play sports, are artists and act socially had their presentations. The meetings are attended by ING employees, NGO representatives, teachers and all interested parties. The meetings are recorded and made available free of charge.

### Touch Art

From June to October 2019, the Centre for Contemporary Arts Ujazdowski Castle in Warsaw hosted the exhibition "Touch Art". The organizers' aim was to show that contemporary art does not have to be incomprehensible, and that contact with it can create an opportunity to experiment. The exhibition was accompanied by the workshop "Snowman at the Exhibition", prepared on the basis of the book "Snowman in the fridge" and the accompanying scenarios. Thanks to the support of the ING Children's Foundation and the ING Polish Arts Foundation, 546 children from 26 institutions attended the workshops.

### ING Polish Arts Foundation

The Foundation was established 20 years ago. We believe that by creating a good art collection we will help promote artists, both male and female, and contemporary art. We want to promote the tradition of art collecting. Our activity is funded from the annual donations made by ING Group companies in Poland.



## 20th anniversary of the Foundation



In 2019, the ING Polish Art Foundation celebrated the 20th anniversary of its establishment. To mark that occasion, the Foundation opened the exhibition called “The Spirit of Nature and Other Fairy Tales” in the Silesian Museum in Katowice. The exhibition presents 53 works of art from the Foundation’s collection and 3 works that are not a part of the collection. When organising the exhibition in the Silesian Museum, we asked Marek Pokorný, the curator and director of the PLATO Gallery in Ostrava, Czech Republic, to collaborate with us. It was a very difficult task to prepare an exhibition based on a specific collection of works of art due to the sheer number of themes and the relationships between the individual works of art. However, we have been able to combine two seemingly independent motifs in a surprisingly refreshing manner. The first motif is related to nature and the care about its condition. Silesia in general, and the Silesian Museum in particular (being a place built underground at a former mining site), seems to be the perfect place to ponder on the relationship between man and nature, and about the nature of human interference with the environment. Therefore, it made us particularly glad to be able to show our collection to the world in this very place. The second motif comes from the novel called “The Manuscript Found in Saragossa” by the Polish author Jan Potocki. The frame narrative of the novel was an inspiration to build the exhibition where each work of art is a separate story full of different plots and motifs that blend into a whole. The exhibition is a beautiful metaphor of the times we live in – the times of worry about the world and nature; the times that are difficult also due to the number of messages and ideas that are often conflicting, that make important things seem to be out of reach, and reaching the truth seem impossible. As part of the celebrations, there were also private viewings for guests and bank employees. The private viewing was translated into the Polish sign language; in addition, there were also assistants who were audio descriptors and who walked guests with visual impairment around the exhibition.

To celebrate the 20th anniversary of the Foundation, more than 8,000 employees of the Bank and ING companies received a book presenting the ING Polish Art Foundation collection built from 2000 to 2020.

### Collection

In 2019, 13 works of art, 3 female artists and 4 male artists representing various media: painting, sculpture, ceramics, video performance, work on paper and objects, joined the collection of ING Polish Art Foundation. The works from the collection were loaned to 7 exhibitions in museums and art galleries in Bydgoszcz, Wrocław, Poznań, Katowice and Warsaw.

## Polish Art Foundation Award

As of 2017, the works of one female artist, one male artist or a group of artists presented during the Warsaw Gallery Weekend are selected to join our collection in a competition. With our award, we not only want to express our recognition for the Polish female- and male artists but we also want to support art galleries within WGW that build the position of the Polish art scene on the international art market. Warsaw Gallery Weekend provides not only an opportunity to visit an exhibition but also to buy works of art. Art patronage by private patrons is indispensable for the development of the local art scene and it is also a token of recognition for the Polish artists. Therefore, we encourage both private individuals and companies to embark on that extraordinary journey that is called “art collecting”.

In 2019, the jury selected the work called “The Smiths” by Mikołaj Sobczak. The jury granted a special award in 2019 to Galeria Szara of Katowice.

### 2019 applications

#### The Collection of ING Polish Art Foundation 2000-2020

To mark the 20th anniversary of the ING Polish Art Foundation, the Foundation published a book called “The Collection of ING Polish Art Foundation 2000-2020”. The book which is available in Polish and English presents the entire collection held by the Foundation and the biographies of the artists whose works are displayed.

#### “Przewodnik kolekcjonowania sztuki najnowszej 2” [Guide to Collecting Contemporary Art, Vol. 2]

A book by Piotr Bazylko and Krzysztof Masiewicz. It is a new collection of information and advice addressed to all people who consider buying a work of art or collecting Polish contemporary art. In 2008, the authors published their first book called “Przewodnik kolekcjonera sztuki najnowszej” [Guide of Contemporary Art Collector]; it was the first guide on the market that presented biographies of 66 artists, as well as opinions of critics, curators, collectors, gallery owners and artists themselves. In “Przewodnik kolekcjonowania sztuki najnowszej 2” [Guide to Collecting Contemporary Art, Vol. 2], the authors revisited the themes while adding new chapters, including one on investing on the contemporary art market, the most important Polish works of art and collections in the 21st century which included works from the ING Polish Art Foundation.

“This publication is supposed to encourage readers to collect works of art and to show them that collecting art is not that difficult and it certainly is fascinating. The absolute majority of the Guide relies on our own personal experiences.



The book has not been written by outside observers of the Polish- or international art market. It has been written by people who have co-created and who have been active on that market for nearly two decades”, the authors wrote in the foreword. The book was published thanks to the collaboration between ING Polish Art Foundation and the publishing house Wydawnictwo Bęc Zmiana.

Professional Artist

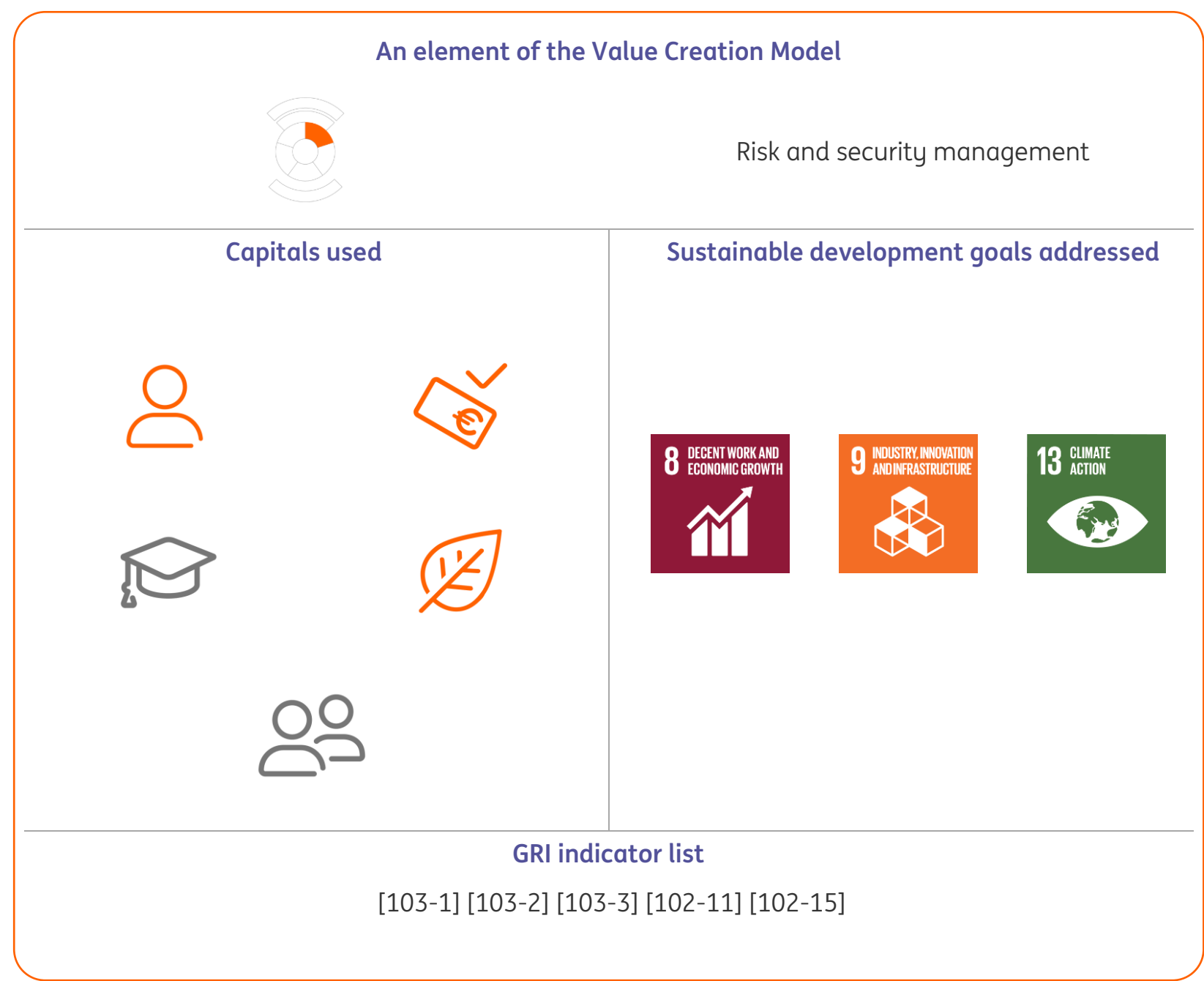
Professional Artist is an educational project addressed to art students in Poland. As part of the project, expert lecturers: artists, curators, critics and gallery owners employed by the Foundation offer cycles of classes in collaboration with art universities all over the country. In 2019, the Professional Artist project expanded its scope – the lecturers visited art universities in 10 Polish cities; the classes were attended by 633 students. During the classes, attendees were able to learn more about the tools and practices that will help them work as artists. The Professional Artist project was accompanied by a sociology study on perception of the future; the results were published in the “Notes na 6 Tygodni” magazine.

Promoting contemporary art

In 2019, the Foundation also continued the “Lew Salonowy” programme addressed to the bank employees. As part of the programme, the Foundation organised guided tours at exhibitions, private viewings and breakfasts with artists. Our collection remains one of few corporate collections in Poland. The works of art are normally shown in the registered offices of the Founders in Warsaw and Katowice. The reproductions are made available on the website as part of the Creative Commons licence.

# Bank and client safety

Throughout the recent years, we have proven that fast organic growth of our bank is not done at the expense of the quality of our assets. The speed and consistency of credit decisions can be a competitive edge. It was achieved by the entire organisation, thanks to the experience and motivation of our employees. With the ever-growing use of modern technology, the IT security and client data security area is more important than ever.



## Risk and capital management system

GRI [102-15]

### Risk management system

The risk management system is an integrated set of rules, mechanisms, and tools (including, among others, policies and procedures) concerning processes related to risks. The role of the risk management system is to permanently identify, measure or estimate and monitor the risk to which the Group is exposed and to mitigate potential losses with adequate control mechanisms, a limit system and an adequate level of provisions (allowances) as well as capitals and liquidity buffers.

Within the risk management system, the Group:

- applies formalised rules that are used to determine the size of undertaken risks and rules governing risk management,
- applies formalised procedures aimed at risk identification, measurement, or estimation that also includes a predicable risk level in the future,
- applies formalised limits that mitigate the risk and the rules of procedure if the limits have been exceeded,
- applies the adopted management reporting system that provides for risk level monitoring,
- has an organisational structure in place that is adjusted to the size and profile of the risk that the Group incurs.

The structure of risk and control at the Bank is based on a model of three lines of defence. The model is to ensure a stable and effective framework for risk management by defining and implementing three levels of “risk management” with various roles, duties and responsibilities related to supervision.

- **The first line of defence** – Business Managers at the Bank. The managers of each business unit are primarily responsible for the activity, operations, compliance with standards and effective control of risks affecting the

respective business unit. Business Managers are involved in the process of liquidity and funding risk management at all levels of the organisation.

- **The second line of defence** – Risk and finance risk Managers. The risk management functions and – when applicable – finance management functions are implemented by:
  - development of policies, standards and guidelines for each risk area,
  - coordination, supervision and control of actions taken by the first line of defence with respect to their tasks, management, control and reporting of risks generated by the first line of defence,
- escalation/vetoing of the activities of the unit that could generate risks unacceptable to the Bank.
- **The third line of defence** – Internal Audit Department. The Internal Audit Department is responsible for assuring an independent assessment and opinion on:
  - designing and effectiveness of internal audits of risks resulting from the Bank's operations,
  - designing and effectiveness of risk management carried out by the first and second lines of defence.

A special role in the risk management process is performed by the Bank's Management Board and Supervisory Board. The Bank operates a number of committees that are active in the management of specific risk types.

## Principles of risk management

ING Bank Śląski S.A. manages credit, market and operational risks in compliance with Polish law, regulations of the Polish Financial Supervision Authority and in compliance with the standards set by the ING Group to the extent that does not breach the regulations referred to above and best practice documents.

Irrespective of the need to assure regulatory and legal compliance, the Group treats credit, market and operational risk management as a fundamental and integral part of overall management of the Group.

## Internal Capital Adequacy Assessment Process

In the Group of ING Bank Śląski S.A., the identification process of core risk types, basic elements concerning risk quantification and management rules of capital adequacy are regulated in the Capital Management Policy at ING Bank Śląski S.A.

Relying on the document, the Group identifies the following risk types:

- permanently material risks – due to the nature of the Group's business they are and will remain material in the future. The nature of the Group's business is understood as its activity in the sphere of deposit and lending services and the following related thereto: management of liquidity, interest rates and FX rates as well as management of risk relating to incompliance or unreliability of internal processes, people and technical systems or external events.
- material risks – which may generate potential losses with a frequency of occurrence of values qualifying them as material in compliance with the following table:

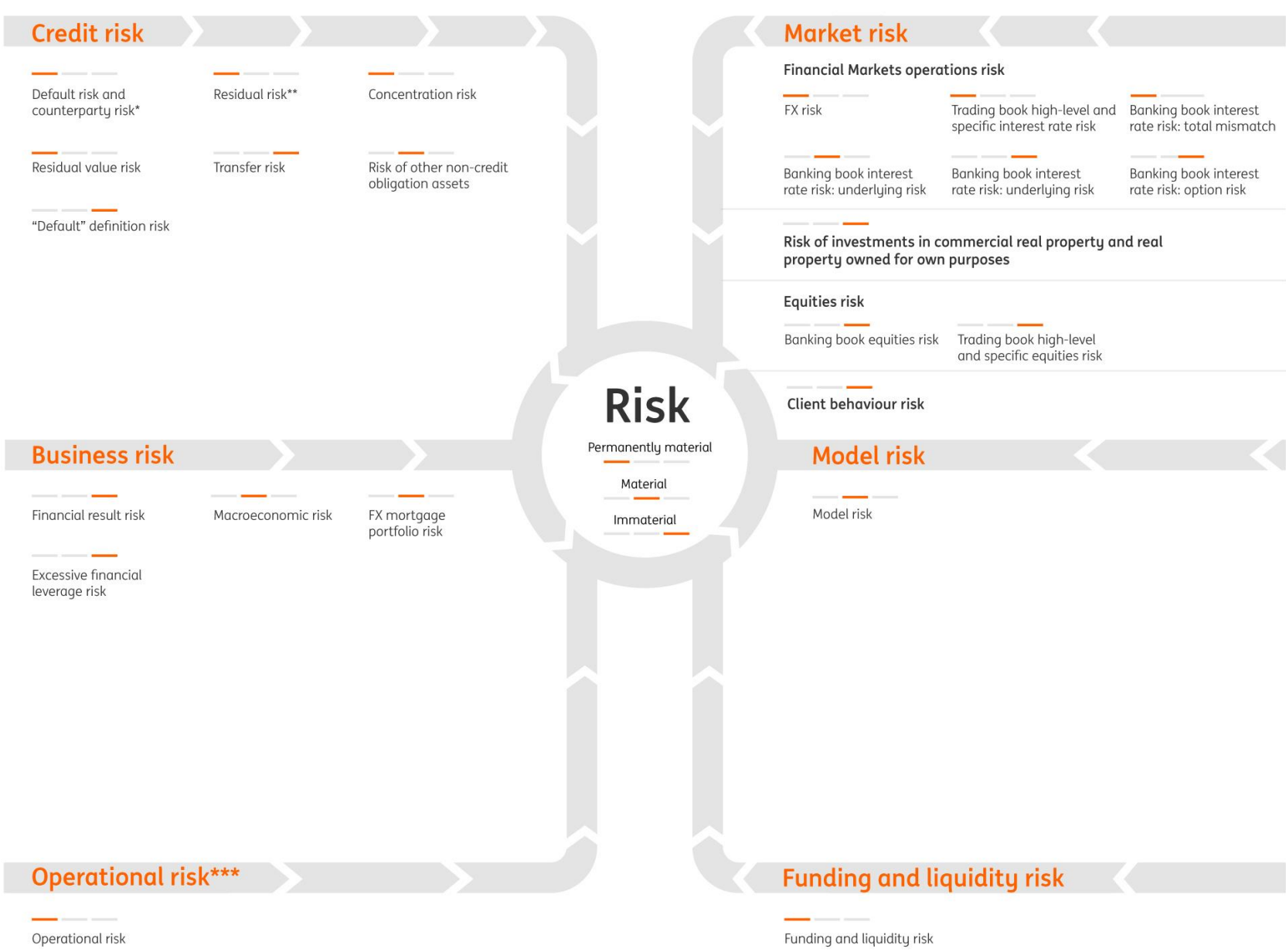
Risk classification as material				
Frequency	At least every year	immaterial	material	material
	At least once every 5 years	immaterial	immaterial	material
	Less than once in five years	immaterial	immaterial	material
	Potential loss (PLN)	up to 0.2% of equity	0.2% to 1% of equity	1% to 5% of equity
			in excess of 5% of equity	

Each month the Group prepares standalone and consolidated reports containing accomplished and planned capital requirements related to all material risk types. The related information is provided the Asset and Liabilities Committee (ALCO) and the Bank's Management Board. On a quarterly basis, the Supervisory Board is informed of the Bank's and Group's capital adequacy, including the adequacy of internal capital.

Once a year, a review of the internal capital adequacy assessment process (ICAAP) is performed and a review report is submitted to the Management Board and Supervisory Board of ING Bank Śląski S.A. Additionally, the internal audit unit performs an independent audit of ICAAP.

## Risk categories

In its ICAAP process, in Q1 2019 the Group held a workshop on risk materiality assessment. As a result, the Group changed the units monitoring those risks that until the end of 2018 had been monitored by the Capital Management Department (DZK) and classified the risk of financial results as an immaterial risk.



\*The risk definition covers the delivery settlement risk.  
\*\*Capital requirement quantified in the approach for the default risk and counterparty risk.  
\*\*\*It includes, inter alia, the compliance risk and legal risk as well as the IT risk managed within that risk.

## Risk appetite

Risk appetite determines the maximum risk volume which the Group is ready to accept thus supporting stability and further development. Within risk and equity capital management the Group sets parameters of risk appetite (RAS – Risk Appetite Statement) in the following basic areas:

- RAS covering capital adequacy,
- RAS covering liquidity and funding risk and market risk,
- RAS covering credit risk,
- RAS covering operational risk.

RAS covering the Group's capital adequacy was set in 2019 for the following capital ratios (The reference levels set in RAS rely on nominal levels of each capital buffer. The applied approach means that RAS for capital adequacy is somewhat higher than resulting from regulatory minimum levels of capital ratios relying on effective and time variable levels of certain capital buffers):

- core capital ratio Tier 1 (CET1) at the minimum level of 10.5%,
- Tier 1 (T1) at the minimum level of 12%, and
- total capital ratio (TCR) at the minimum level of 14%.

RAS concerning capital adequacy results from the duty to maintain minimum levels of capital ratios resulting from the following external regulations:

- Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (4.5% for CET1, 6% for T1 and 8% for TCR),
- Act of 5 August 2015 on macro-prudential supervision over the financial system and crisis management in the financial system sanctioning additional equity buffers, including:
  - capital conservation buffer which was 2.5% in 2019,
- the buffer of another systemic institution of 0.5% imposed by the decision of PFSA of 19 December 2017 and reiterated in PFSA's letters of 2 August 2018 and 19 August 2019,
- the countercyclical buffer applies to the exposures to which such a buffer has been imposed by the competent authorities. The countercyclical buffer is variable over time depending on the structure of the relevant exposures



and the levels of the countercyclical buffer rates imposed on the relevant exposures (as at December 2019 the countercyclical buffer was 0.002% effectively)

- Regulation of the Minister for Economic Development and Finance on systemic risk buffer of 1 September 2017 introducing a systemic risk buffer of 3% of the total risk exposure amount applicable to all exposures in the territory of the Republic of Poland (since the Group has a small portfolio of foreign exposures, the effective level of systemic risk buffer is variable over time (as at 31 December 2019 it was 2.953%).

Within RAS concerning capital adequacy, capital limits for each risk type are also set.

## Economic capital, equity and capital requirement

### Economic capital

Now the Group of ING Bank Śląski S.A. estimates capital for the following risk types:

- repayment default risk and counterparty risk and residual,
- risk of other non-credit assets,
- concentration risk,
- risk of residual value,.
- FX risk,
- general and specific interest rate risk in the trading book,
- interest rate risk in the banking book: residual convexity risk,
- interest rate risk in the banking book: total mismatch,
- risk of customers' conduct,
- macroeconomic risk,
- risk of the FX mortgage portfolio,
- liquidity and funding risk,
- model risk,
- operational risk.

Definitions of the above risks were presented in the Consolidated Financial Statement of ING Bank Śląski S.A. Group for the year 2019.

In 2019, the level of equity was above the level of internal capital.

### Equity

The Group's equity is composed of:

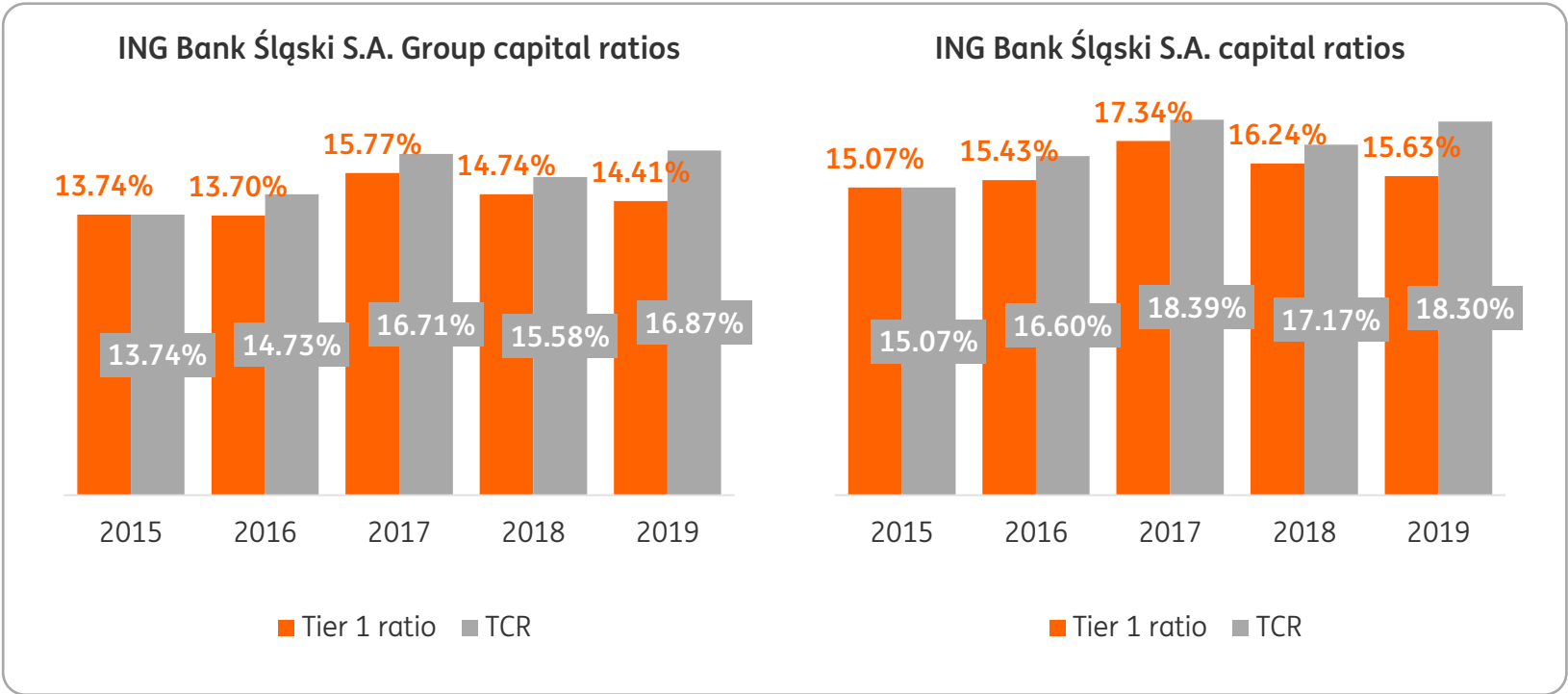
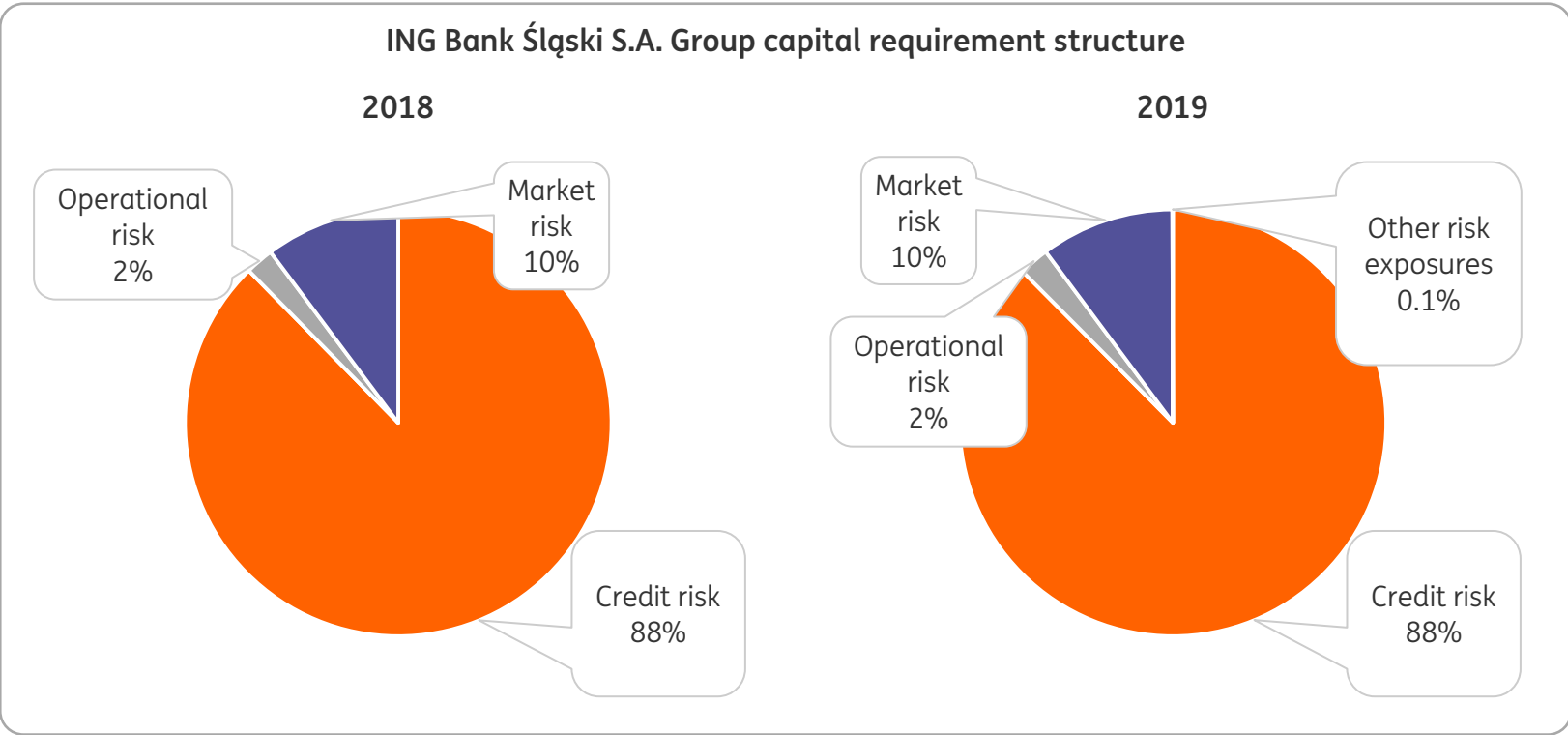
- core capital Tier 1 which at the end of 2019 was PLN 12,462.4 million at the Group level and PLN 12,473.7 million at the separate level,
- Tier 2 capital which at the end of 2019 was PLN 2,129.3 million both at the Group and separate level.

As at 31 December 2019, the Group did not identify additional Tier 1 capital (AT1).

### Capital requirement

In 2019, for reporting purposes, the calculation of capital requirement relating to credit risk was made by the Group with an advanced method of internal ratings and the standard method. The Group obtained consent of the Polish Financial Supervision Authority and of the Dutch National Bank to apply the advanced internal rating method (AIRB) for the following exposure classes: corporates and credit institutions for the Bank and ING Lease Sp. z o.o. In the area of operational risk, the Group applies the BIA (Basic Indicator Approach) method. In the area of market risk, the Group applies standard methods. Additionally, the Group determines capital requirements relating to concentration risk, settlement risk and adjustment risk or credit valuation (CVA). In all the cases, the requirements are determined in compliance with the CRR Regulation.

The total capital requirement is dominated with the requirement relating to credit risk. As at the end of 2019 it accounted for as much as 88% of the total requirement.



### Capital adequacy

On 31 December 2019, the TCR ratio for the ING Bank Śląski Group was 16.87% versus 15.58% at the end of 2018 and the Tier 1 ratio was 14.41% versus 14.74% as at the end of December 2018. The changes to the capital ratios are due to the following factors:

- incorporation in equity of a part of net profit generated in 2018 after the General Meeting has approved a resolution on 2018 profit distribution net of the amount classified by the Bank to equity during 2018 (PLN 328 million) and a part of the Bank's profit for the first 9 months of 2019 (PLN 849 million),
- incorporation of EUR 250 million of subordinated loans to Tier 2 capital after receipt of PFSA's approval,
- taking into account the impact of IFRS 9 being a result of the application of the transition period,
- growth of business volumes and operational activity,
- a review of the calculation methods of risk-weighted assets and a review of recognition of collateral.

In its calculations of capital ratios, the Group was applying interim regulations mitigating the implementation effects of IFRS 9 on equity. If the implementation effect of IFRS 9 were fully recognised as at the end of 2019:

- at the consolidated level, the total capital requirement would have been 16.64% and the Tier I ratio – 14.18%,
- at the separate level, the total capital requirement would have been 18.05% and the Tier I ratio – 15.38%.

### Stress tests

In compliance with the Stress test policy at ING Bank Śląski S.A., the Group holds stress tests for economic capital and capital requirements. The results of the stress tests are submitted to ALCO, the Bank's Management Board and the Bank's Supervisory Board.

As at 30 June 2019, the Bank held stress tests on a consolidated basis relying on assumptions developed by the Chief Economist. The stress tests covered:

- scenario tests: a scenario of moderate recession, a scenario of long-term recession and a scenario of a rapid recession;

- sensitivity tests (growth of interest rates by 400 bps and 200 bps; drop of property prices by 30%; PLN exchange rate weakening by 30% and 50%; reduced GDP growth to -5%; growth of unemployment to 20%; drop of salaries by 10%; drop of demand to -10%).
- concentration tests,
- tests of financial leverage ratio.

As a result of the completed stress tests, the Group receives information on changes to capital requirements, economic capital and equity in case of occurrence of the assumed macroeconomic parameters

## Dividend policy

The Bank's dividend policy provides for the following:

- stable dividend payouts over a long time horizon subject to the principle of prudent management and compliance with all regulatory requirements applicable to the Bank,
- possibility of dividend payouts from capital surplus over the minimum capital adequacy ratios and above the minimum levels of capital ratios determined by the Polish Financial Supervision Authority (“PFSA”) for dividend payouts.

Determining the proposed amount of dividend, the Management Board takes the following into account in particular:

- the current economic and financial condition of the Bank and the Bank's Group, including limitations when financial losses are generated or in case of low profitability (low return on assets / equity),
- assumptions underlying the management strategy of the Bank and the Bank's Group, including risk management strategy,
- PFSA’s position on banks’ dividend policies,
- restrictions resulting from Art. 56 of the Act on Macro-prudential Supervision over the Financial System and Crisis Management in the Financial System of 5 August 2015.

### PFSA’s guidelines with respect to dividend for 2019

On 3 December 2019, the Polish Financial Supervision Authority approved its position on dividend policies of banks in 2020 (dividend for 2019). PFSA recommends that dividend of up to 50% of the profit earned in 2019 can only be distributed by those banks that fulfil all of the following criteria:

- that do not pursue any remedy plan;
- have a final BION rating not less than 2.5;
- with financial leverage level (LR) of no more than 5%;
- that hold their Tier 1 (CET1) core capital ratio not lower than the required minimum: 4.5% + 56%\*add-on + combined buffer requirement in force since 2020;
- that hold their Tier 1 (T1) capital ratio not lower than the required minimum: 6% + 75%\*add-on + combined buffer requirement in force since 2020;
- that hold their total capital ratio (TCR) not lower than the required minimum: 8% + add-on + combined buffer requirement in force since 2020.

Additionally, PFSA provided for a possibility of payout:

- up to 75% – if banks meet all the criteria for dividend up to 50% subject to the additional buffer of 1.5 pp in capital requirements;
- up to 100% – if banks meet all the criteria for dividend up to 75% subject to the bank's sensitivity to unfavourable macroeconomic scenarios (ST) in capital requirements. The bank's sensitivity to unfavourable macroeconomic scenarios measured with supervisory stress tests defined as: the difference between TCR in the reference scenario and TCR in a shock scenario at the end of 2021, providing for supervisory adjustments.

Full stance of the PFSA on the dividend in 2020 (for 2019) is available on the PFSA’s website at:

[https://www.knf.gov.pl/knf/pl/komponenty/img/Komunikat\\_ws\\_polityki\\_dywidendowej\\_w\\_2020\\_67952.pdf](https://www.knf.gov.pl/knf/pl/komponenty/img/Komunikat_ws_polityki_dywidendowej_w_2020_67952.pdf).

The sensitivity to unfavourable macroeconomic scenarios was set for ING Bank Śląski S.A. in PFSA’s letter of 24 December 2019 at 0.00%.

In compliance with the guidelines, PFSA’s requirements vis-a-vis ING Bank Śląski S.A. for the purposes of dividend payout for 2019 up to 50% of net profit are as follows (subject to nominal values of capital buffers):

- CET1 >= 10.5% (and 12% with dividend in excess of 50%),
- T1 >= 12% (and 13.5% with dividend in excess of 50%),
- TCR >= 14% (and 15.5% with dividend in excess of 50%).

### Dividends declared

The Bank Management Board recommends to the General Meeting the dividend for 2019 totalling PLN 494.4 million or 29.8% of the consolidated profit of the ING Bank Śląski S.A. Group or 29.8% of the standalone profit of ING Bank Śląski S.A. The proposed dividend per share is PLN 3.80 gross. The proposed record date is 23 April 2020 and the proposed dividend payout date is 11 May 2020. The dividend proposal takes account of the current financial standing of the Group and BankBank when capitalised means ING Bank Śląski S.A. and its development plans.

### History of paid dividends

In 2019, ING Bank Śląski paid a dividend from 2018 net profit in the total amount of PLN 455.4 million, or PLN 3.50 gross per share. It accounted for 29.8% of the consolidated profit of the ING Bank Śląski Group and 29.8% of the net profit of shown in the separate financial statement of ING Bank Śląski. The dividend right acquisition day was 18 April 2019 and the date of dividend payment was 6 May 2019.

The history of dividends paid in the last five years is shown in the table below. Full history is available on a website at <https://en.ing.pl/company-profile/investor-relations#dividends=3>.

Abridged history of dividend payment by ING Bank Śląski S.A.					
	2018	2017	2016	2015	2014
Dividend amount in a given year (PLN million)	455.4	416.3	-	559.4	520.4
Dividend amount per share (PLN)	3.50	3.20	-	4.30	4.00
Dividend payment rate (to consolidated profit)	29.8%	29.7%	-	49.6%	50.0%
Dividend payment rate (to the share price on the dividend rights acquisition day)	1.8%	1.7%	-	3.5%	2.8%

### Remedy plan and enforced restructuring

On 28 May 2019, the Group of ING Bank Śląski S.A. received a positive administrative decision of the Polish Financial Supervision Authority (PFSA) with respect to the update of the Recovery Plan. The Bank Guarantee Fund was also involved in the process of issuing this decision by the PFSA as an opinion maker. The Recovery Plan complies with the Polish law transposing the requirements of the BRR Directive, i.e. the Act on the Bank Guarantee Fund of 10 June 2016 and the secondary legislation under the Act.

In parallel to the Bank's efforts on the Recovery Plan, the Bank Guarantee Fund, pursuant to its responsibilities referred to in the Act, is obliged to prepare, update and assess the feasibility of Forced Restructuring Plans for domestic entities. The Bank Guarantee Fund in its letter of 29 January 2020 sustained for ING Bank Śląski S.A. the restructuring strategy in the form of debt write-offs and conversions (Eng. ("bail-in tool") to cover the incurred losses and to recapitalise the Bank and to restore market confidence in the Bank in respect to its potential to pay its debt. The Bank Guarantee Fund set an MREL requirement for the Bank and it was obliged to comply with it effective from 31 December 2022. The Bank Guarantee Fund set the MREL requirement for the Bank at the level of 21.28% of risk-weighted assets (11.679% of total equity and liabilities). The MREL requirement, according to the current Bank Guarantee Fund methodology for bail-in strategies for risk-weighted assets, can be estimated using the following formula:

$$(CRR_{TCR} + BFX + OSII) + [1 - (CRR_{TCR} + BFX + OSII)] * (CRR_{TCR} + BFX + OSII + BZ + BRS + BA)$$

- CRR<sub>TCR</sub> – The minimum required by CRR with respect to the total capital ratio,
- BFX – Pillar 2 or add-on for exposures under FX mortgage loans,
- OSII – Buffer of another systemically-important institution,
- BZ – Capital conservation buffer,
- BRS – Systemic risk buffer,
- BA – Countercyclical buffer.

The restructuring strategy and the MREL requirement may be changed, in particular as a result of work in supervisory bodies, including in connection with common supervisory decisions as well as the implementation of the Banking Packet (CRR2, BRRD2 and CRD V).

## Credit risk

### Introduction

Credit risk is understood as:

- a risk of a financial loss that may be suffered by the Group as a result of default by debtors in whole and at the agreed time on their credit obligations to the Group, or



- a risk of reduced economic value of credit exposures or groups of credit exposures as a result of impaired ability of debtors to service their debt at the agreed time.

The Group’s Policy relating to the risk of the credit exposure portfolio provides for the fact that the activity generating credit risk may be related also to other risk types as follows: liquidity, market, operational, environmental, social, legal and reputational risks that may reinforce one another.

The Group optimises and mitigates losses relating to risk exposure by:

- setting internal limits,
- an adequate structure of credit products,
- applying collateral,
- applying functional controls,
- effective monitoring, restructuring and collection,
- monitoring of changes to the customers’ credit worthiness and reliability,
- regular monitoring and validation of models used to identify and measure credit risk
- performing analyses of trends and the values of key risk indicators.

The Group’s core objective in the process of credit risk management is to support effective accomplishment of business goals by active risk management and efforts supporting organic growth while:

- maintaining a secure level of solvency and liquidity and an adequate level of provisions,
- ensuring compliance with the law and supervisory requirements.

The Group manages credit risk in an integrated manner on the basis of:

- strategic planning,
- a consistent system of limits, policies and procedures, and
- tools for risk management, including those to identify, measure and control risks.

The integrated system includes all processes in the Group pursued in connection with credit activity.

Detailed credit risk management objectives are as follows:

- support to business initiatives,

- maintenance of credit losses at a pre-determined level,
- ongoing verification, review of adequacy and development of the applied procedures, models and other elements of the risk management system,
- adaptation of activities to the changing external conditions,
- maintenance of an adequate level of capital requirements related to credit risk and provisions,
- ensuring compliance with the regulator’s requirements.

Credit risk management strategy

The credit risk management strategy supports implementation of business objectives while maintaining the Bank's safe level of solvency and liquidity and an adequate level of provisions. The strategy is determined in order to ensure an optimum development of the credit portfolio while maintaining an adequate quality and profitability of credit operations and capital allocation. The primary goal of defining the credit risk management strategy is to optimise the risk/return on equity ratio, while considering information on the current and prospective macroeconomic environment, the Bank's portfolio and the level of execution of the RAS limits.

The credit risk management strategy provides for a “lookout to the future”, including the need to remain competitive, attractive and to develop the Bank's offer.

Risk Appetite Statement (RAS)

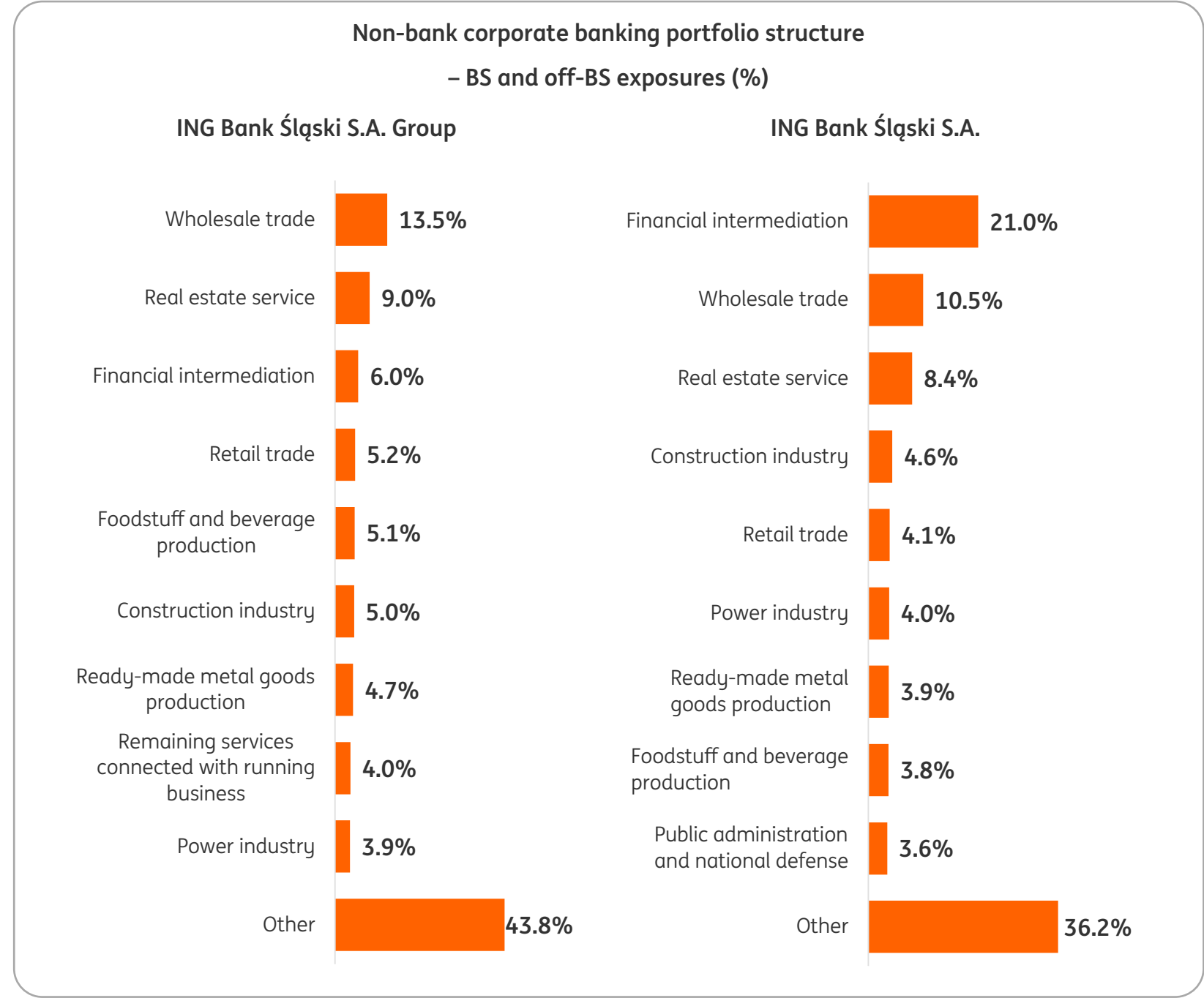
RAS means the Bank's risk appetite which is defined by setting key and specific limits. The determination and monitoring of the risk appetite level (RAS parameters) constitute an integral part of the planning process at the Bank and management of concentration risk by the Bank.

Types of RAS limits for credit risk:

- limits of portfolio volume,
- limits for the risk parameters of the portfolio and new sales,
- concentration limits, including limits for the mortgage-backed credit exposures resulting from Recommendation S of the Polish Financial Supervision Authority.

Apart from RAS limits, the Bank sets limits for credit risk for each area, business lines, products and transaction limits that are approved by the competent credit decision maker. Additionally, internal concentration limits are set for

economic sectors, accepted collateral, regions and mortgage-backed credit exposures. The compliance with RAS limits is monitored and reported during the year on a monthly basis.



## Credit risk management process

Credit risk management is a continuous process which includes all activities of the Bank related to its credit business. All units and persons that perform tasks in the credit process closely cooperate in order to:

- improve the effectiveness of risk management, and
- maintain risks at a level compliant with the Bank's strategy, risk appetite and financial appetite and the approved RAS level.

The credit risk management process is carried out at the Bank within three lines of defence that are independent organisationally and functionally.

The Bank applies organisational solutions providing for separation of the sales functions of banking products from the risk underwriting functions at all levels of the organisational structure, including the Bank's Management Board. The separation of the monitoring functions and risk control of credit exposures (including concentration risk) from the sales functions of banking products and the risk underwriting functions is maintained below the level of the Bank's Management Board; for retail credit exposures – also at the level of the Management Board.

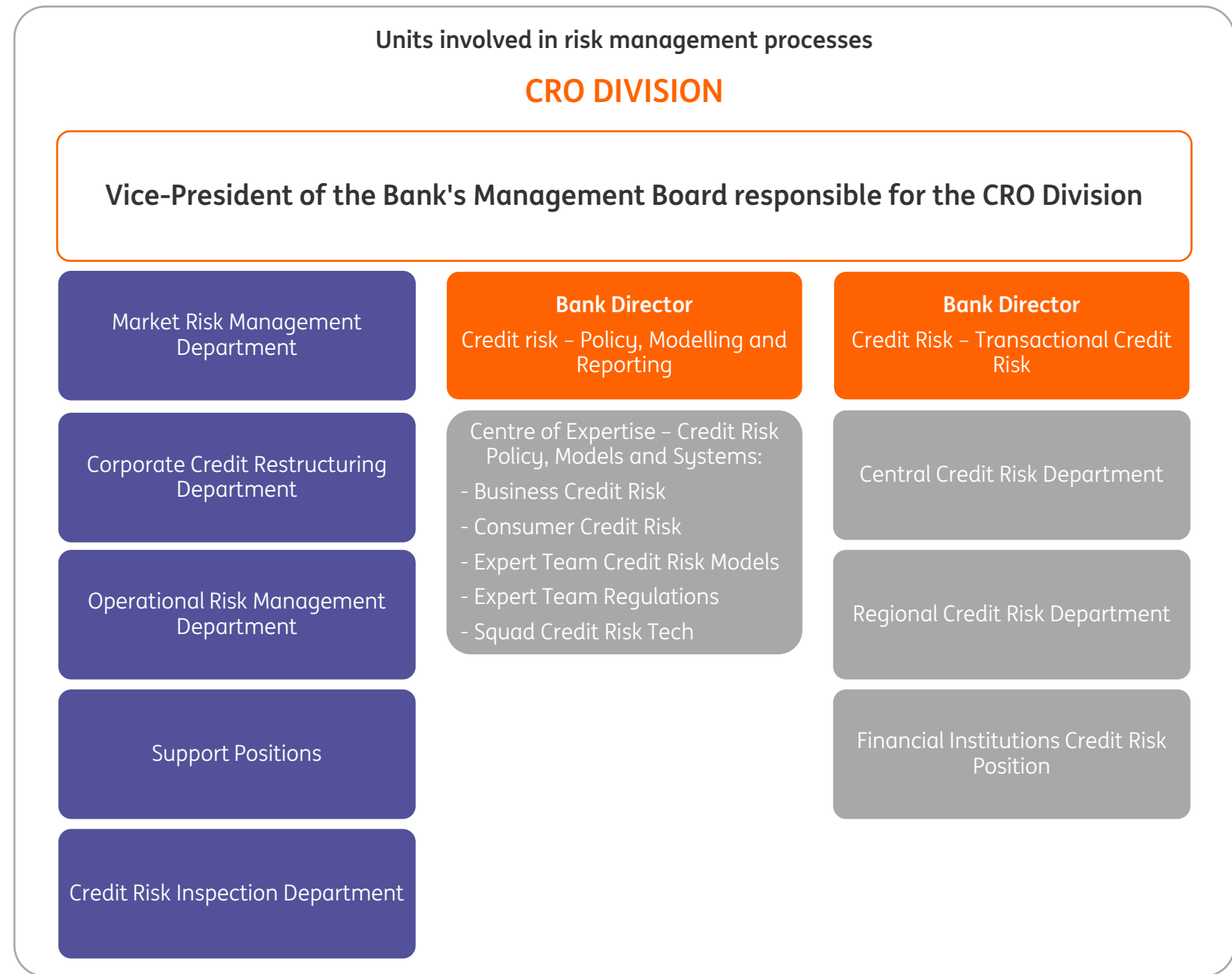
In case of simplified, automatic credit process paths, the separation of the sales functions of banking products from the risk underwriting functions of credit exposures relies on the independence of the development and validation process of tools supporting the process of risk underwriting from the sales and operational functions. Competences with respect to credit decisions relating to individual credit transactions are separated from decision authority on the development of credit policies and credit risk management principles.

## Risk management organisational structure

Within the CRO Division, two credit risk areas were identified that report to Bank Directors:

- Transactional Credit Risk, including:
  - Central Credit Risk Department,
  - Credit Risk Department in the Regions,
  - Financial Institutions Credit Risk Position.
- Centre of Expertise – Credit Risk Policy, Models and Systems.

Each area controls and supervises the Bank's business and risk management processes assigned to them.



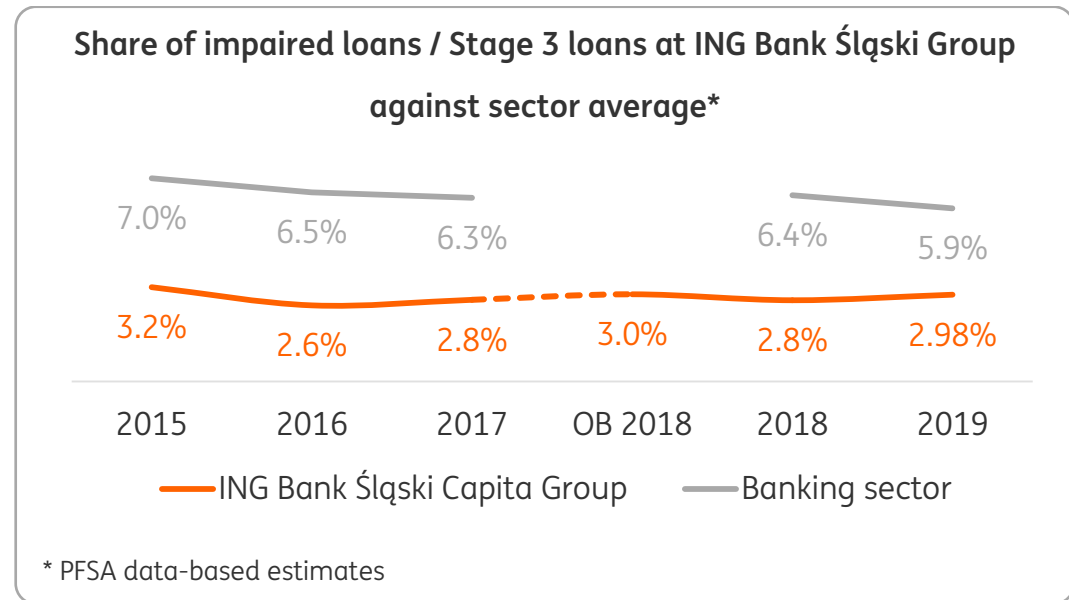
More information on the organizational structure of Risk Division were presented in the Consolidated Financial Statement of ING Bank Śląski S.A. Group for the year 2019.

Information on lending principles, credit risk management, risk management system were discussed in the Consolidated Financial Statement of ING Bank Śląski S.A. Group for the year 2019.

## Lending portfolio quality

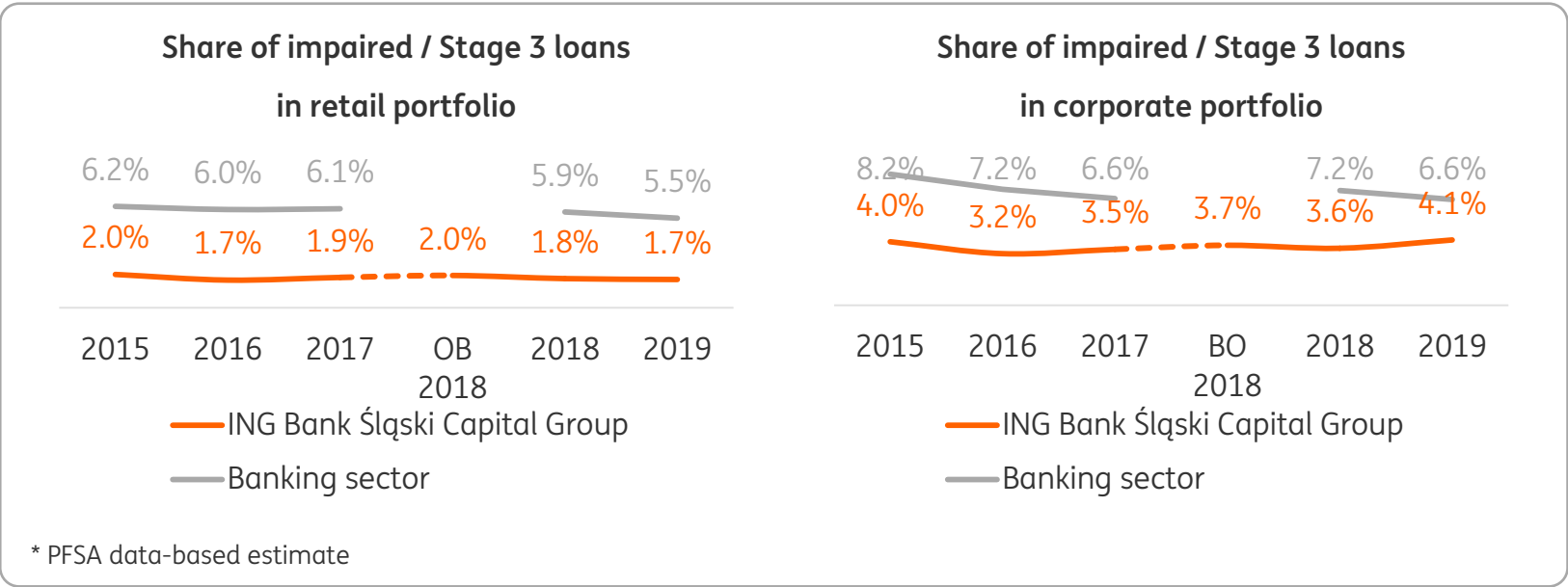
### Share of receivables at stage 3

In 2019, the quality of our loan portfolio slightly deteriorated compared to 2018. The share of Stage 3 loans in our Bank's Group rose from 2.8% at the end of 2018 to 3.0% at the end of 2019. The value of Stage 3 loans in the Group amounted to PLN 3,530.3 million compared to PLN 2,905.0 million at the end of 2018 (up by 21.5%).



Invariably for many years, the quality of our Bank's loan portfolios is significantly higher than the average in the entire banking sector. The share of Stage 3 receivables in the sector at the end of the year was 5.9%.

Importantly, both our retail and corporate loans are of a higher credit quality than the respective averages for the entire banking sector. As at 2019 yearend, the share of Stage 3 loans in the retail segment in ING Bank Śląski Group accounted for 1.7% against 5.5% for the household sector. Analogous ratios for the corporate segment are 4.1% for the ING Bank Śląski Group and 6.6% for the institutional clients sector, respectively.



In 2019, the quality of our loan portfolio, apart from the increase in business volumes and prudent lending policy, was also affected by the sale of receivables classified as Stage 3 loans. The total amount of receivables sold (principal, interest, other costs as of the contract date) was PLN 437.2 million, of which PLN 337.0 million concerned receivables representing credit commitment.



Quality of portfolio of receivables extended to the ING Bank Śląski S.A. Group clients\*

	2019	2018	OB 2018	Change 2019 / 2018	
PLN million	IFRS 9	IFRS 9	IFRS 9	PLN million	%
<b>Total exposure</b>	<b>118,312.3</b>	<b>104,226.8</b>	<b>88,313.4</b>	<b>14,085.5</b>	<b>13.5%</b>
Stage 1 and 2 / non-impaired portfolio	114,782.0	101,321.8	85,668.2	13,460.2	13.3%
Stage 3 / impaired portfolio	3,530.3	2,905.0	2,645.2	625.3	21.5%
Impairment loss and provisions	2,588.4	2,348.5	2,593.4	239.9	10.2%
Stage 1 and 2 / non-impaired portfolio provision	572.3	539.0	953.1	33.3	6.2%
Stage 3 / impaired portfolio provision	1,909.0	1,731.0	1,576.8	178.0	10.3%
Provisions for off-balance sheet liabilities	107.1	78.5	63.5	28.6	36.4%
Stage 3 / impaired portfolio share	3.0%	2.8%	3.0%	-	0.2 p.p.
Stage 3 / impaired portfolio coverage ratio	54.1%	59.6%	59.6%	-	-5.5 p.p.
<b>Exposure – corporate banking</b>	<b>63,300.5</b>	<b>58,863.5</b>	<b>50,763.5</b>	<b>4,437.0</b>	<b>7.5%</b>
Stage 1 and 2 / non-impaired portfolio	60,726.2	56,772.1	48,864.8	3,954.1	7.0%
Stage 3 / impaired portfolio	2,574.3	2,091.4	1,898.7	482.9	23.1%
Impairment loss and provisions	1,447.7	1,324.9	1,213.3	122.8	9.3%
Stage 1 and 2 / non-impaired portfolio provision	104.2	118.8	122.3	-14.6	-12.3%
Stage 3 / impaired portfolio provision	1,251.1	1,142.7	1,035.1	108.4	9.5%
Provisions for off-balance sheet liabilities	92.4	63.4	55.9	29.0	45.7%
Stage 3 / impaired portfolio share	4.1%	3.6%	3.7%	-	0.5 p.p.
Stage 3 / impaired portfolio coverage ratio	48.6%	54.6%	54.5%	-	-6.0 p.p.
<b>Exposure – retail banking</b>	<b>55,011.8</b>	<b>45,363.3</b>	<b>37,549.9</b>	<b>9,648.5</b>	<b>21.3%</b>
Stage 1 and 2 / non-impaired portfolio	54,055.8	44,549.7	36,803.4	9,506.1	21.3%
Stage 3 / impaired portfolio	956.0	813.6	746.5	142.4	17.5%
Impairment loss and provisions	1,140.7	1,023.6	1,380.1	117.1	11.4%
Stage 1 and 2 / non-impaired portfolio provision	468.1	420.2	830.8	47.9	11.4%
Stage 3 / impaired portfolio provision	657.9	588.3	541.7	69.6	11.8%
Provisions for off-balance sheet liabilities	14.7	15.1	7.6	-0.4	-2.6%
Stage 3 / impaired portfolio share	1.7%	1.8%	2.0%	-	-0.1 p.p.
Stage 3 / impaired portfolio coverage ratio	68.8%	72.3%	72.6%	-	-3.5 p.p.

\*excluding Eurobonds and other receivables

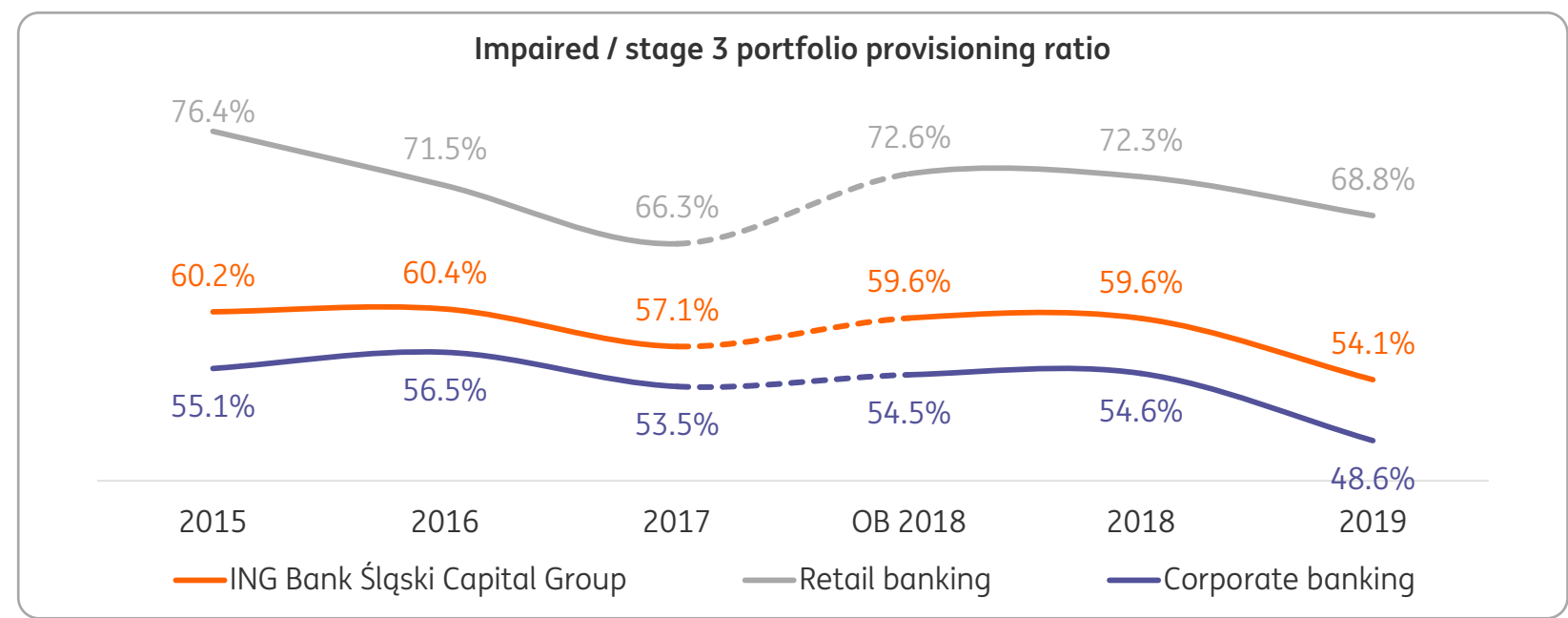
Quality of portfolio of receivables extended to the ING Bank Śląski S.A. clients\*

	2019	2018	OB 2018	Change 2019 / 2018	
PLN million	IFRS 9	IFRS 9	IFRS 9	PLN million	IFRS 9
<b>Total exposure</b>	<b>102,523.3</b>	<b>100,067.6</b>	<b>84,431.0</b>	<b>2,455.7</b>	<b>2.5%</b>
Stage 1 and 2 / non-impaired portfolio	99,654.4	97,600.6	82,185.6	2,053.8	2.1%
Stage 3 / impaired portfolio	2,868.9	2,467.0	2,245.4	401.9	16.3%
Impairment loss and provisions	2,403.0	2,189.3	1,965.1	213.7	9.8%
Stage 1 and 2 / non-impaired portfolio provision	557.8	520.3	454.3	37.5	7.2%
Stage 3 / impaired portfolio provision	1,738.1	1,590.5	1,447.3	147.6	9.3%
Provisions for off-balance sheet liabilities	107.1	78.5	63.5	28.6	36.4%
Stage 3 / impaired portfolio share	2.8%	2.5%	2.7%	-	0.3 p.p.
Stage 3 / impaired portfolio coverage ratio	60.6%	64.5%	64.5%	-	-3.9 p.p.
<b>Exposure – corporate banking</b>	<b>59,911.0</b>	<b>55,693.0</b>	<b>47,575.7</b>	<b>4,218.0</b>	<b>7.6%</b>
Stage 1 and 2 / non-impaired portfolio	57,935.7	54,005.1	46,048.5	3,930.6	7.3%
Stage 3 / impaired portfolio	1,975.3	1,687.9	1,527.2	287.4	17.0%
Impairment loss and provisions	1,269.0	1,169.6	1,071.4	99.4	8.5%
Stage 1 and 2 / non-impaired portfolio provision	94.5	101.5	107.6	-7.0	-6.9%
Stage 3 / impaired portfolio provision	1,082.1	1,004.7	907.9	77.4	7.7%
Provisions for off-balance sheet liabilities	92.4	63.4	55.9	29.0	45.7%
Stage 3 / impaired portfolio share	3.3%	3.0%	3.2%	-	0.3 p.p.
Stage 3 / impaired portfolio coverage ratio	54.8%	59.5%	59.4%	-	-4.7 p.p.
<b>Exposure – retail banking</b>	<b>42,612.3</b>	<b>44,374.6</b>	<b>36,855.3</b>	<b>-1,762.3</b>	<b>-4.0%</b>
Stage 1 and 2 / non-impaired portfolio	41,718.7	43,595.5	36,137.1	-1,876.8	-4.3%
Stage 3 / impaired portfolio	893.6	779.1	718.2	114.5	14.7%
Impairment loss and provisions	1,134.0	1,019.7	893.7	114.3	11.2%
Stage 1 and 2 / non-impaired portfolio provision	463.3	418.8	346.7	44.5	10.6%
Stage 3 / impaired portfolio provision	656.0	585.8	539.4	70.2	12.0%
Provisions for off-balance sheet liabilities	14.7	15.1	7.6	-0.4	-2.6%
Stage 3 / impaired portfolio share	2.1%	1.8%	1.9%	-	0.3 p.p.
Stage 3 / impaired portfolio coverage ratio	73.4%	75.2%	75.1%	-	-1.8 p.p.

\*excluding Eurobonds and other receivables

### Impaired / stage 3 loans' provisioning

As at the end of December 2019, the ING Bank Śląski S.A. Group had PLN 1,909.0 million worth of provisions for the lending portfolio in stage 3. The stage 3 portfolio provisioning ratio was 54.1%.



### Risk costs

In 2019, there was a slight y/y increase in the risk cost margin ratio (ratio of net loan provisioning to gross loan portfolio), due to the higher level of the ratio in the corporate segment.

For more information on the cost of risk, see Our financial results section.

### Types of credit risk collateral

To safeguard the Bank against the credit risk, the Bank accepts various personal and tangible legal collaterals such as: bank guarantee, surety under the civil law, blank promissory note, draft guarantee, assignment of receivables, mortgage, registered pledge, ordinary pledge, repossession for collateral, transfer of a specific amount to the Bank account and freezing of funds in the bank account.

As at 2019 yearend, the Basel II collateral established on borrowers' accounts or assets totalled PLN 134,165.3 billion (out of which 68.1% were mortgages) for the ING Bank Śląski S.A. Group and PLN 11,970.3 billion (out of which 80.2% are mortgages) for ING Bank Śląski S.A.

Following the amended Banking Law Act of 27 November 2015, the Bank no longer issues banking writs of execution.

### Core modifications to the Bank's credit policy in 2019

The modifications to the Bank's credit policy introduced in 2019 were aimed at ensuring a correct and stable functioning of the credit risk management system in the changing legal, economic and business environment and at keeping it enhanced regularly. Additionally, another objective was to ensure compliance of the policy with the approved credit risk appetite. The modifications provided inter alia for the overall economic situation in Poland and the financial condition of each borrower group.

#### Objectives of the modifications

- Further improvement of the effectiveness of credit processes while ensuring adequate mechanisms to identify, measure and control credit risk.
- Increased attractiveness of the Bank's credit offer for its customers assuming the Bank's credit risk remains at an acceptable level.
- Adaptation of the Bank's internal regulations to changes in the legal environment.
- Further development of the credit risk reporting and monitoring systems in order to support fast and effective risk identification and measurement.
- Further reinforcement of active management of sectoral policies by:
  - quarterly reviews of the situation in individual economic sectors, and
  - differentiation of the principles of credit policies on the basis of customer classification to sectoral risk groups (preferred sectors, neutral, watch and non-preferred sectors).

### Core modifications to the Bank's credit policy in the retail customer segment

- A periodic update of assessment parameters of creditworthiness in all retail segments,

- Completion of tests of granting credit products (other than mortgage) in the channel of banking representatives in the segment of enterprises and individual customers with the launch of the process permanently to the Bank’s offer,
- Adaptation of the Bank’s regulations to EBA guidelines on the management of non-performing and restructured exposures,
- Launch of a new credit card – Visa Infinite for customers in the Private Banking and Wealth Management segments,
- With reference to mortgage loans:
  - modifications to credit risk regulations to mitigate the risk resulting from reduced income when borrowers retire,
  - determination of the borrowers' maximum age at loan repayment to 75 years,
- With reference to non-mortgage loans to individual customers:
  - implementation of a new CARE model using artificial intelligence and change to rejection criteria for electronic channels,
  - permanent implementation to the offer (after a summary of completed tests) of the possibility to grant loans without the spouse's consent,
  - implementation of automatic verification of inflows for applications in electronic channels (MING),
  - implementation of additional documentary requirements in external channels for income from business activity,
  - commencement of new tests of e-cash offers addressed mainly to new customers,
- With reference to loans to enterprises:
  - commencement of a test for e-application processes in the unsecured offer,
  - tightening of assessment criteria for loan applications submitted by customers acquired through external channels,
  - an update to the assessment principles of Housing Communities in the granting process of investment loans,
  - change to the monitoring principles of customers’ economic and financial situation.

**Core modifications to the Bank's credit policy in the corporate customer segment**

- Optimisation of the calculation and reporting processes of provisions for expected credit losses under exposures from transactions in financial markets with an update of the FM Methodology,
- Enhancement of the credit process for Investment Fund Companies (pilot program) by implementing an automatic monthly monitoring,
- Adaptation of the Bank’s regulations to EBA guidelines on the management of non-performing and restructured exposures.
- Implementation of part automation of decisions taken in remote renewal processes,
- Adding an electronic process of signing credit documentation to shorten the time to sign agreements and thus simplifying the entire sales process of credit products,
- Implementation of a possibility to approve ratings in the ING CMS system for corporate customers with annual sales up to EUR 100 million thus incorporating the IT system to the list of systems of the AIRB approach,
- Incorporation of one more business activity to be covered with the regulation concerning Environmental and Social Risk along with an extension of the coverage of the Exclusion Policy (inter alia: manufacturing, delivery and trade in asbestos fibres),
- Implementation of modifications to the regulations concerning the credit Fast Track as a result of a new limit dedicated to trade finance products secured with cash,
- Implementation of modifications to the credit risk regulations as a result of a review of the rules on collateralisation of credit exposures.

**Core activities in the modelling area**

- Ensuring progress in the reconstruction process of SME capital models. Development of a PD model approved by the working group, completion of works on the structure of the EAD model and work on calibration, determination of achieved parameters of the LGD model and work on risk drivers.
- Cooperation with ING Bank N.V. over the enhancement of group standards for model design that are used to calculate capital requirements with an Advanced Internal Rating-Based approach.



- We conducted the first monitoring of IFRS 9 models. As a consequence, we adapted, among others criterion for identifying a significant increase in credit risk for SME enterprises by changing the value of the transaction classification threshold to Stage 2. We have also updated the methodology of estimating the total prepayment rate (ESR) used in the process of calculating provisions for all clients, so that ESR better reflects the actual prepayment rate of exposures by clients.
- Development of a specification for data structure to support the application of analytical tables for risks in the following processes: modelling, monitoring, model re-implementation, ad-hoc analyses, provision of data for other projects. The first evidence for the anticipated functionality of the analytical tables is the application of data from the structures in the development process of a model for personalised (pre-approved) offers for retail customers.
- Development of a new application PD model for corporate customers handled in the Easy Lending path. The project is to be completed in Q2 2020.
- Implementation of modifications of a new version of the CARE model, supporting the process of retail customer risk assessment in remote channels.
- Work on automation of the monitoring process of capital models.
- Completion of stress tests for credit risk in all stress-test processes, also in compliance with the requirements of the Polish Financial Supervision Authority.

## Market risk

### Introduction

The core objectives of credit risk management at ING Bank Śląski S.A. include: ensuring that awareness and understanding exists of the Bank's market risk exposure and that the exposure is adequately managed and falls within the approved limits when applicable.

Market risk is defined as a potential loss that may be suffered by the Bank in connection with unfavourable changes to market prices (such as profitability curves, FX rate, prices in capital markets), market parameters (volatility of market prices, correlation between price changes) and customer behaviour (e.g. loan prepayments).

### Policy of market risk management

The market risk management process at the Bank covers risk identification, measurement, monitoring and reporting. The Market Risk Management Department (DZRR) provides managers of the Financial Market Division and the Group Treasury, selected members of the Management Board and ALCO with regular risk reports. Additionally, ALCO, the Bank's Management Board and Supervisory Board are provided with periodic reports with the major measures of market risk. Employees of the Market Risk Management Department are qualified specialists and the independence of the department is assured by its separation from the risk generating units.

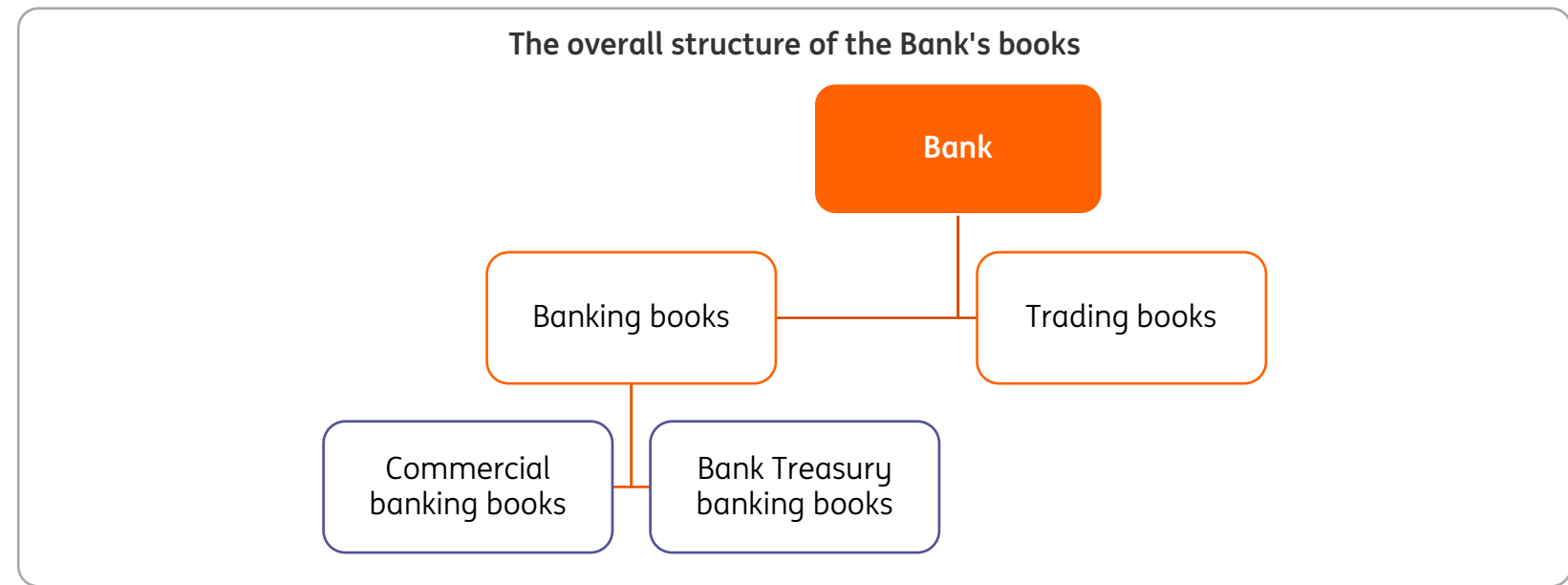
Credit risk management in the Bank also includes the Product Control function which assures correct pricing of products of the Financial Markets and the Group Treasury by monitoring the adequacy of pricing models and quality control of market data used to the evaluation and calculation of financial results. Decisions related to the pricing process such as: sources of market data used for valuation, calculation of provisions concerning market pricing models, are taken by the Parametrisation Committee which is composed of representatives of DZRR, the Financial Markets Division, the CFO Division, including the Group Treasury.

In the period under report, the market risk profile and the risk management methods were not materially changed

### Structure of the Bank’s books and methods of risk management

The Bank maintains the structure of its books relying on intentions which is translated into multiple processes, including market risk management. The book structure reflects the types of market risk that are anticipated and accepted in the Bank’s areas and of the fact that market risk should be internally transferred/mitigated. The books are grouped by an intention to maintain positions split into:

- “trading” (positions taken in order to generate benefits in a short period of time due to market price fluctuations), and
- “banking” (all other positions).



The Banking Books are split into Banking Commercial Books and Banking Books of the Group Treasury. The Banking Commercial Books include books of the retail and corporate divisions containing deposits and commercial loans. The risks relating to those positions are transferred to:

- banking books of the Group Treasury (for interest rate risk, base and liquidity risk), and
- commercial books of the Financial Markets Division (for FX risk)

via internal transactions.

The process ensures that the banking commercial books do not retain any material economic market risk. However, as described in more detail further below, the short-term financial result in those books is sensitive to changes of market rates. The commercial activity of the subsidiary companies is included in the Bank's commercial books.

The Banking Books of the Group Treasury are books used to manage:

- the Bank’s liquidity risk as a whole, and
- interest rate risk in the banking book.

Maintenance of open positions is permissible within the approved market risk limits.

Trading Books are the books of the Financial Markets area: FX and interest rate books. The books embrace positions maintained for a short time in order:

- to be resold, or

- to obtain financial benefits on the current price fluctuations or expected within a short time,
- or positions opened for arbitration purposes.

The open positions in the trading books are limited.

More information on the methods of the interest rate risk measurement were presented in the Consolidated Financial Statement of ING Bank Śląski S.A. Group for the year 2019.

## Measurement of interest rate risk in the banking book

In its measurements of interest rate risk in its banking book, the Bank applies measures required by the European Banking Authority (EBA/GL/2018/02).

More information on the measuring the interest rate risk in the banking book were presented in the Consolidated Financial Statement of ING Bank Śląski S.A. Group for the year 2019.

## Measurement of market risk in the trading book

The VaR measured by the Bank is compliant with the best market practices. In the calculation of VaR, the Bank applies the following assumptions:

- one-day positions, 99% confidentiality level,
- 260-day observation period.

More information on the market risk measurement in trading book were presented in the Consolidated Financial Statement of ING Bank Śląski S.A. Group for the year 2019.

## Sensitivity of profit and equity to interest rate risk

The tables below present a review of the Bank's consolidated sensitivity to interest rate risk:

- banking book – the changes observed in the measurements both for NII and EVE result primarily from two factors:
  - changes (growth) of product volumes, and
  - changes to model parameters applied to determine the economic value of product portfolios without maturity
- market value of debt instruments classified HTC&S in the portfolio of the Group Treasury:
  - slight changes were observed to the sensitivity of the HTC&S portfolio versus the previous year. The portfolio BPV measure (short BPV position) has decreased from PLN 1.36 million to PLN 1.13 million.

The sensitivity of consolidated results to interest rate changes resulting from the banking book				
PLN million	Changes to economic results with an amended curve		Changes to the reported financial results with an amended curve	
	-2%	2%	-2% gradual	2% gradual
	2019	-503.9	-1,433.7	-115.5
2018	-1,104.0	-158.5	-76.3	3.9

The sensitivity of equity to changes of interest rates under HTC&S debt securities				
	Approximate change in the regulatory capital base with a curve shift			
PLN million	-2%	-1%	+1%	+2%
2019	225,5	112,7	-112,7	-225,5
2018	221,0	110,5	-110,5	-221,0

Information regarding hedge accounting can be found in the "Market risk - Hedge accounting" section of the Annual Consolidated Financial Statements of the ING Bank Śląski S.A.Capital Group for 2019.

## Liquidity and funding risk

### Introduction

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

Liquidity and funding risk is understood by the Bank as the risk of the lack of ability to perform financial liabilities under on- and off-balance sheet items at reasonable prices

The Bank maintains liquidity so that the Bank's financial liabilities can always be repaid with the available funds, inflows from maturing transactions, available funding sources at market prices and/or liquidation of negotiable assets.

### Liquidity and funding risk management process

In order to optimise the liquidity and funding risk management process, the Bank has developed the Management policy of liquidity and funding risk at ING Bank Śląski S.A. which sets forth the principles ensuring adequate funding

sources and mitigation of risks and costs related to funding. The Policy describes a general approach to the liquidity and funding risk management process in the Bank. The core objective of the liquidity and funding risk management process is to maintain an adequate liquidity level to ensure secure and stable operation of the Bank in normal market conditions and in crisis.

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

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

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

- Risk identification and assessment. Risk identification is performed on an annual basis by organising risk identification workshops. Each identified risk is assessed in order to determine its materiality for the Bank. Risk identification is also performed when new products are launched. Risk valuation and its materiality are assessed in terms of likelihood of risk occurrence and the financial effects should such risk materialise.
- Control. Risks are controlled with actions that mitigate the likelihood or risk occurrence or with actions that mitigate the effects should such risk materialise. Important elements of risk management include ongoing verification if the implemented controls are performed. Definition of acceptable risk levels is an element of risk control. Regular inspection should evidence that risk control actions are effective. Adequate reporting is a major element of the liquidity and funding risk management process which provides the managers with information required for risk management.
- Monitoring and reporting. Risk monitoring serves three important objectives: ongoing verification if the implemented risk control is performed; if risk control actions are effective. Such actions support their confidence which is a major element in banking. Well organised and designed regular controls or monitoring that are referred

to as risk management are indispensable for correct risk management. Adequate reporting provides information to managers as is indispensable for risk management.

- In accordance with PFSA’s resolution No. 386/2008 and Recommendation S, the Bank makes a detailed analysis of long-term liquidity with focus on mortgage loans. The above liquidity analysis shows risk levels related to long-term funding of mortgage loans.

The Bank pursues an active policy of liquidity management with reference to core currencies. For those currencies, liquidity risk measurement and limitation is made per currency and the management of operational liquidity is performed separately for each currency and it is incorporated in the risk transfer system.

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

The Bank operates a risk transfer system within which market risks, including liquidity risk, are transferred to the Group Treasury. Applying adequate tools, it manages the risks in a centralised manner within the limit system applied by the Bank.

## Risk types

The Bank splits liquidity risk into two groups:

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

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

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

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

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

- structural,

- related to customers’ behaviour,
- related to stress conditions.

More information on the structure and organization of the risk management process were presented in the Consolidated Financial Statement of ING Bank Śląski S.A. Group for the year 2019.

## Framework risk management principles

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

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

More information on the risk management framework were presented in the Consolidated Financial Statement of ING Bank Śląski S.A. Group for the year 2019.

## Non-financial risks

### Introduction

Non-financial risks cover management functions of operational and compliance risk based on a common framework, setting forth clear principles and standards of risk identification, assessment, monitoring, mitigation and reporting.

The Bank manages non-financial risks in compliance with the Strategy and Risk Appetite Statement for Non-financial Risks approved by the Bank's Management Board that set forth risk limits and tolerance. Compliance with the declared risk appetite is monitored in a periodic report on non-financial risks (NFRD). Additionally, the Bank operates the Non-financial Risk Committee appointed by the Bank's Management Board – the Committee advises the Bank's Management Board with respect to the management of non-financial risks. The Supervisory Board supervises the



management of operational risk by the Management Board and minimum on a yearly basis reviews the effectiveness of the related activities.

The common management framework of non-financial risks support the Bank in active identification of core hazards and gaps and the related risks which may result in undesirable events. The framework supports such processes as self-assessment of risks and controls, scenario analyses, monitoring of key risk indicators or testing of key controls. The results of analyses of internal and external events keep improving the adequacy and effectiveness of the internal control system functioning in the Bank.

The Bank is convinced that an effective control environment is required to development and maintenance of sustainable business as well as maintains and improves the trust of customers, employees and shareholders.

## Operational risk

### Introduction

The Bank defines the operational risk as a possibility of occurrence of a direct or indirect loss resulting from misalignment or failure of internal processes, people, and systems or from external events. The Bank identifies legal risk as an element of operational risk.

The definition of operational risk is broad and covers the following areas:

- Risk of errors in control,
- Risk of disallowed activities,
- Risk of errors in processing,
- Risk of irregular personnel practices and safety at work,
- Risk of breach of people and resource safety,
- IT risk,
- Risk of business disruption,
- Risk of internal and external fraud.

Definitions of the above risks were presented in the Consolidated Financial Statement of ING Bank Śląski S.A. Group for the year 2019.

### Operational risk management process

The Bank’s objective in operational risk management is to ensure regular improvement of the safety of the Bank and its customers, reduction of operating costs and improvement of operating effectiveness.

The Bank’s Management Board – subject to approval of the Supervisory Board – has developed a strategy of operational risk management. The Bank has implemented a consistent package of internal normative documents. The documents regulate the scope, principles and duties of organisational units and employees to mitigate the effects and likelihood of financial and reputational losses in that respect. The Bank's management strategy of operational risk provides for legal and regulatory requirements and relies on good practices of the ING Group.

Additionally, the Management Board – also in agreement with the Supervisory Board – in its risk appetite statement defined the maximum acceptable loss limits, capital limits and risk scope that it is willing to accept in the pursuance of the planned business objectives – subject to full compliance with the law and regulations. The level of limit utilisation is monitored and periodically submitted to the Management Board, Risk Committee and the Supervisory Board.

The operational risk management system applies to all business spheres of the Bank and the activity of the Group, cooperation with customers, providers and partners. It is a cohesive, regular practice that covers the following elements:

- risk identification and assessment,
- mitigation or risks and monitoring of mitigation activities,
- performance of inspections,
- quality monitoring and assurance.

The management of operational risks in the Bank relies on the following general principles:

- we maintain a complete, consistent and transparent management structure of operational risk with explicitly assigned tasks and responsibilities.
- we recognise the nature of the internal and external environment – including limitations and weaknesses – we draw conclusions from external and internal events to identify root reasons and to identify potential irregularities in the control environment or identify unrecognised risk exposures.

- we identify the reasons, types and levels of risk that we are ready to accept. We set standards of control and mitigation activities that provide for risk transfer to the insurance market.
- we have an efficient and consistent identification and control of risks for all products, activities, processes and systems functioning in the Bank.
- we monitor and report the volume of the required capital, risk profile and risk exposure.
- we are focused on improving the awareness of employees and managers. We ensure that the employees have adequate qualifications to perform activities related to management of non-financial risks and are provided with adequate tools.

Our priorities include the effectiveness of risk management processes and high quality of the used data.

We recognise the following as core factors affecting risk levels:

- staff expertise and qualifications,
- working conditions,
- an adequate split of duties and supervision over compliance therewith,
- information security level,
- integrity of business processes and IT and technical systems,
- outsourcing,
- quality of internal and external documentation,
- external events related to changes in the business environment,
- natural calamities, failures and catastrophes.

### Core modifications that occurred in 2019

In 2019 we continued the enhancement of the operational risk management system while focusing on ensuring compliance with new regulatory requirements, including inter alia:

- we have reinforced control mechanisms and scope of monitoring in the area of internal and external fraud prevention.
- we have analysed risk factors providing for business measures investigating their mutual relationships,

- we keep extending the use of stress tests in compliance with the EBA Stress tests guidelines.
- we have been optimising the Internal Control System by an appropriate selection of control mechanisms for key processes on the basis of a period effectiveness assessment
- we have reviewed risk management processes for optimisation of the first and second lines of defence and the use of the designed data management tools
- we have implemented an integrated calculation method of business continuity risk level;
- we have commenced work on ensuring compliance with EBA requirements concerning outsourcing.
- we have continued work on the security of the Bank's functioning after implementation of the PSD2 directive;
- we have enhanced the methods of crisis communication;
- we have introduced new or updated existing regulations, including the operational risk management policy, information security policy, policy concerning the internal control system, procedures concerning data management, risk assessment and testing of key controls.

We keep caring about the quality of the used data, we enhance our qualifications and we extend the possibilities to use advanced data analysis methods in the risk identification and monitoring processes. We also have been automating operations related to risk management with the use of RPA (Robotics Process Automation) tools.

We keep raising the Bank's employee awareness and that of our customers indicating current hazards and appropriate conduct. We draw lessons from events that occur. We clarify reasons thereof and implement solutions mitigating their recurrence.

## Compliance risk

### Introduction

The Bank's mission in the area of ensuring compliance is to develop a cultural function relying on knowledge and compliance with law, internal regulations, market standards and ING Values and Conduct as specified in the Orange Code.

### Compliance risk management process

The Bank's Supervisory Board oversees the management of compliance risk at the Bank and the Bank's Management Board is responsible for effective management of compliance risk, including for: implementation of organisational

solutions, regulations and procedures, supporting effective compliance risk management and for ensuring adequate resources and funds required to carry out the tasks.

The Compliance unit acts as a compliance risk management unit and is responsible for the organisation and functioning of the compliance risk management process understood as a process of identification, assessment, control and monitoring of compliance risk in the Bank’s business in accordance with the law, internal regulations and market standards and submission of related reports.

Last year, the Compliance unit adjusted its organisation to the changing external environment in order to better manage compliance risk relying on activities of employees in all areas and responsibilities, focusing on its effective mitigation. The organisational change with a simultaneous reinforcement of employee competences will be translated into a reduction of errors in process designing and in risk identification in similar business processes in order to identify risks that remain omitted in single processes.

In order to effectively manage compliance risk, the Compliance unit continued independent inspections, designed and monitored training programs, issued recommendations in providing its opinion on product and legislative changes and marketing materials.

### Core initiatives that occurred in 2019

In 2019 the Bank continued work to implement regulatory requirements: MIFID II Directive and Polish secondary regulations, Directive on payment services and secondary regulations (PSDII), Act on counteraction to money laundering and terrorism financing as well as regulations concerning counteraction to abuse of the financial sector for treasury fraud (STIR and Split Payment) and regulations relating to reporting tax schemes and tax avoidance (MDR).

## Transaction security and IT system stability

### Introduction



The security of our and our customers’ and partners’ funds is a key issue on which we focus in our daily activity. We keep observing hazards and analyse their impact on the ITC infrastructure (applications, systems, networks) and on our business processes, processes of our partners and their potential impact on customers. On that basis, we design and implement appropriate organisational and technical solutions in the areas of prevention, detection and response. Our ITC systems are protected with multi-layer mechanisms and cybersecurity systems.

To this end, we pursue various actions such as:

- ensuring an adequate change management process in IT systems that guarantee adequate tests of impact of changes in system operation;
- ensuring an adequate system architecture of critical systems guaranteeing complete redundancy of component and resilience to failures,
- implementation of a mechanism monitoring correct system operation, supporting early detection of symptoms of incorrect operation of components and fast error diagnosis,
- implementation of a management process of increased demand for resources guaranteeing the adaptation of hardware and software resources to changes in business volumes and changes to customers’ behaviour.

### IT security management process

We approach the management of IT security in a systemic and regular way, starting from an appropriate delegation of tasks and attributed responsibility for execution. The security is ensured not only with the dedicated units and processes and additionally its aspects are embedded in all processes and operating actions of our Bank. Processes and roles are designed and organised in compliance with the best and recognised international standards (such as COBIT).

The ICT Environment Security Council operates in our Bank. The Council is composed inter alia of managers from business units, IT, cybersecurity, operational risk, data security, fraud prevention. The Council issues directional

technological and procedural decisions ensuring an adequate cybersecurity level of our Bank. Daily, the tasks related to cybersecurity, including monitoring of security on an ongoing basis, lie within the responsibility of a dedicated unit. At the level of technical solutions, first we design and update standards and security architectures in force at the Bank. On that basis, ICT systems are designed, developed and implemented in compliance with the principle to ensure security at the earliest possible time. During development, before implementation and cyclically after implementation, the systems are subject to various tests, including penetration tests.

For each ICT technology at our Bank, we develop model security requirements and their effectiveness and correct functioning are regularly verified within security tests and reviews as well as internal and external audits. Such audits and tests are carried out by renowned expert entities.

Components of our Bank’s ICT systems are subject to an ongoing scanning process in order to detect all vulnerabilities and to eliminate them immediately. Additionally, the banking systems (network, infrastructure and applications) are monitored for security to detect anomalies, undesirable actions and security incidents.

The processes aimed at ensuring security are subject to ongoing review of effectiveness thus supporting regular enhancement of our processes and procedures related to counteraction, detection and responding to hazards as well as taking actions eliminating their potential effects (e.g. unavailability of banking services). Consistently, we have implemented additional authentication mechanisms and monitoring of activity of ICT system users and we have sealed the protection layer against malware (such as e.g., ransomware).

We apply solutions acquired from leading providers of cybersecurity tools and services and unique solutions developed by our own specialists. Additionally, we cooperate with ING Group entities and other companies and organisations in Poland (banks, sectoral associations, Police). As a result, we can follow trends, detect new vulnerabilities and prevent hazards in IT security in advance.

We also require an adequate security level from our cooperating Partners – in appropriate contractual provisions related to IT security and by verification of compliance therewith by cooperating companies in regular audits.

In our Internet banking, we apply the following security solutions:

- Transaction authorisation with one-off codes – the method provides for authorisation of instructions in the Internet banking system with an authorisation code. Users receive codes in an SMS message. The code is generated for one particular instruction and is valid for a pre-determined time. Along with the code, customers get transaction details to verify the instructions additionally.

- Strict daily limit – an ceiling up to which transfers can be made on a day in Internet banking.
- Encrypted Internet connections – access to banking systems is possible only with an ID and password. Communication between customers’ computers and the Bank's servers is encrypted with a TLS protocol. The ingbank.pl portal and the Internet banking system are protected with highly confidential digital certificates to protect connection over the encrypted HTTPS protocol. These guarantees fully secure data transfer in encrypted form, protect the data against third-party modifications and authenticate the computers that communicate with each other.
- 3D Secure (a standard of card payments over the Internet) – when our customers pay with cards in an Internet store handling 3D Secure, the payment is additionally confirmed with a one-off SMS code. To use payments in 3D Secure with our Bank, nothing has to be activated – a card suffices that handles Internet payments.
- Masked password – logging to the Internet banking system is made without providing the entire password – automatically the system selects only certain characters.
- Automatic log-out as a result of user inactivity – after 5 minutes of user inactivity, the system logs out automatically.

In our mobile banking, we apply the following security solutions:

- Transaction authorisation in the mobile application – the method is available to customers who use the Internet banking system Moje ING, who make transfers from their computers and have the Moje ING mobile application installed; it is applied interchangeably with SMS codes.
- Fingerprint logging – the option is available for phones with fingerprint readers. This logging method may be activated after logging to the application.
- Strict daily limit – a ceiling up to which transfers can be made on a day via the mobile application.
- Automatic log-out as a result of user inactivity – after 60 seconds of user inactivity, the system logs out automatically.

In case of a justified suspicion of cybercrime hazards or fraud against customers, we block the services protecting customers against interception of their data or funds by unauthorised persons.



## Cyber security

The year 2019 was full of events related to the publication of information about new vulnerabilities in the security of IT products of various suppliers and new methods of implementing intrusions, cybercrime and frauds that were carried out around the world. The visible trends that can be distinguished on this basis are as follows:

- Phishing campaigns, especially those distributed via SMS, are still popular, although customers react better and better to such scams and the Bank is better prepared,
- We have not recorded any significant changes compared to previous years in the context of abuses and advances in social engineering applied to individuals,
- the degree of technological advancement of malware attacks is higher, attacks of this type become more directional, or lead to theft of resources by means of an attack using social engineering, however, the number of attacks has definitely declined,
- The severity of attacks targeted at businesses and institutions (mainly financial) carried out by organised cybercrime groups is similar to previous years.

Attempts have been made to attack / compromise external suppliers in order to access the infrastructure of cooperating companies.

At the same time, the environment in which we live and operate is undergoing changes. Fast development is specific to:

- Internet of Things (IoT),
- smart cities,
- e-state / e-administration,
- cloud computing services,
- 5G networks,

which not only affects comfort, efficiency and performance, but also involves many risks.



Bearing this in mind, we are constantly strengthening and developing our own cyber security system at the local level and across the ING Group in order to prevent acts of cybercrime against clients, employees and our Bank's information and communication system.

We are constantly improving security solutions and systems used to protect our customers, as well as the Bank itself, constantly testing their real effectiveness through, among others, penetration tests of banking infrastructure and applications, advanced APT tests (Eng. Advanced Persistent Threat), tests of immunity to DDoS (Eng.. Distributed Denial of Service) and many others.

We have maintained and updated existing and implement new tools for early detection of all types of fraud and abuse, advanced targeted attacks, including preventing information leakage or execution of unauthorized transfer of large amounts of money from the banking system.

We are working to improve the prevention of cybercrime through Programmes undertaken within the ING Group. We actively cooperate with other financial institutions, governmental and law enforcement authorities and Internet service providers, especially after our Bank has been recognised as a key service provider under the National Cyber Security System Act.

Last year, our Bank carried out a number of activities aimed at raising the level of awareness of the Bank's employees of the threats of cyber security and implemented Programmes aimed at improving the skills of IT staff and teams responsible for ensuring an appropriate level of the Bank's cyber security. We have launched new communication campaigns for our Bank's customers warning about current threats.

Moreover, for several years now the Bank has been cooperating with the Polish Banks' Association by creating the "Documents Reserved" campaign. It is primarily intended to inform the general public, both those who are customers of the banks and those who are not yet, about an option of endorsing identity documents in case of their loss (loss, theft). The informational campaign is carried out through, among others, posters, leaflets, signs available in the outlets, mailing, banners, announcements and press materials.

Thanks to coordinated actions aimed at ensuring an optimal level of cyber security, in 2019 our Bank did not record any significant cyber security incidents or frauds that would result from the weakness of the banking security system. Counteracting cybercrime is one of our Bank's basic methods of building secure and attack resistant channels of interaction with customers. Due to the continuous development of new, advanced attack methods, the bank's security teams are constantly improving existing systems and building new, more effective detection and prevention mechanisms. An important element of our development strategy is the continuous improvement of the competence of security professionals and the testing of systems, processes and people in numerous APTs ( Advanced Persistent

Threat) and DDoS (Distributed Denial of Service). All these activities are aimed at protecting the bank's resources from threats from inside and outside and thus protecting our clients and the funds entrusted to us.

In H2 2019, we implemented behavioural verification, i.e. a service consisting in analysing customer behaviour when using the transactional service. The created user profile allows to detect fraud in case an unauthorized person tries to perform a transaction.

Behavioural verification analyses the user's interaction with the computer or mobile device. During this verification we do not check what the user does, but how he does it. We collect and analyse, *inter alia*, information on how fast and often the user clicks on individual keys on the keyboard, how to scroll the screen, how fast and often the user clicks the computer mouse and how to hold the device. We build a user profile only after logging in to Moje ING and compare the behaviour after each login.

Thanks to this solution, we will soon be able to secure additionally our transactions and access internet banking. In this way we will prevent third parties from impersonating Moje ING user.

On current basis we keep our customers informed about existing threats through our websites, educate them and show them how to behave in order to use online and mobile banking safely. Such activities are visible in our e-banking system for each user, and up-to-date information is systematically placed on the basis of the currently detected threat targeting each electronic banking user.

We are constantly developing tools, algorithms and rules to detect various types of fraud and abuse, including preventing data leakage. We execute many of these tasks together with other ING Group member companies, as well as in cooperation with financial institutions, state bodies and law enforcement agencies. We establish cooperation with suppliers of modern technologies in order to introduce new authorisation factors based on e.g. biometrics or customer behaviour.

The year 2019 saw primarily the strengthening the security of many systems to the existing technical and legal requirements aimed at better protection of customer data processed in our systems and about starting the bank's operations within the national cyber security system.

## Personal data security

[GRI \[103-1\]](#) [\[103-2\]](#) [\[103-3\]](#)

### Introduction



The stability of IT systems also includes protection of personal data of customers, business partners and employees. Apart from IT security, we also focus on physical security of data and information stored in our Bank. Our internal regulations strictly determine the presence of outsiders in our offices and prohibit the connection of unverified devices to out ITC network. We regularly test our physical security devices and conclusions from inspections inspire changes. Testing of physical security devices has become an integral part of APT tests verifying the Bank's cybersecurity resilience.

### Management of personal data security

Last year we received no justified complaints concerning breaches of customer privacy.

We see to a high awareness level of our Bank's employees on protection of personal, financial and business data and the employees are obliged to attend mandatory training. We keep implementing programs to support regular enhancement of employee competencies in the sphere of data protection, indicating the importance of the privacy of customers, business partners and customers. For that purpose, we use meetings, workshops and periodic communication to employees.

Consistently to the changes, we have adapted our technical and procedural safeguards, required by law, internal regulations and good practices, in order to ensure better protection of our customers' data.

The security of using banking services is also up to our customers and therefore we share information with our customers on potential hazards and we recommend security solutions to devices with which customers access Internet banking. Each customer of our Bank has access to a set of rules how to use on-line banking correctly:

- we provide tips how to create a secure password,
- we keep informing about hazards in Internet banking,
- we remind of secure banking rules,
- we clarify how to safeguard against data theft in the Internet,

- we teach how to protect the devices used by our customers,
- we block access to services in justified instances thus protecting customers against interception of their data by unauthorised people,
- we make our customers aware of hazards during their meetings to our branches,
- we meet senior citizens so that being aware of hazards they can protect themselves more effectively,
- we attend academic workshops to enhance awareness.

We care about retail customers but we never forget about the security of our corporate customers. Similarly to previous years, we continue conferences for corporate and strategic customers at which we present hazards related to cybercrime and mechanisms of our applications and solutions to prevent abuse.

The Bank not only has implemented the requirements related to the Regulation of the European Union on personal data protection but the Bank also keeps analysing changes and implements them without delay into internal procedures and regulations. The most recent example of such ongoing analysis and updates of internal regulations is the implementation of the sectoral Act which – implementing GDPR to Poland’s regulations – has amended the Banking Law thus providing easier access to information on automatic decisions relating to customers. Similarly to previous years, we cooperate with the Polish Bank Association, other banks in order to develop a common code of conduct and to develop common solutions related to personal data protection.

Environmental and social risk

As a bank, we have an influence on financing and lending projects that could have a significant negative impact on society and the environment. Respect for human rights, protection of the natural environment and sustainable development are an important element of the long-term strategy of building the value of our bank. We are aware of the dangers of irresponsible use of natural resources. We support clients in conducting business in a sustainable manner and encourage continuous improvement in this area. We require our clients to operate in accordance with the regulations governing social and environmental issues and to have all the permits and licenses required by law. Therefore, in order to avoid the risks associated with financing projects that have a negative impact on the environment, we use environmental and social risk assessment as well as the Policy of Exclusion. The most important social and-environmental risks include:

- violation of human rights as a result of forced labour, child labour, inadequate working conditions, and violence. The risk occurs primarily in forestry, agrocommodities and manufacturing,
- zagrożen threat to the health of employees and local communities as a result of environmental contamination, contact with harmful chemical materials, transmission of animal diseases to people, non-compliance with labour law. The risk is primarily associated with the chemical industry, energy, mining, metal production and animal husbandry,
- threat to the health and lives of consumers as a result of consuming products harmful to health. The risk is primarily in the tobacco industry,
- controversial trade policy consisting in contracting extremely low prices for products produced in economically underdeveloped countries. The risk is mainly related to manufacturing,
- inhumane treatment of animals in the process of husbandring, transporting, slaughtering or conducting medical experiments (animal welfare),
- loss of biodiversity and uncontrolled spread of invasive species, including those genetically modified; erosion and soil degradation. The risk is associated primarily with forestry and agrocommodities,
- pollution of soils and waters with heavy metals, waste, sewage and increase of water consumption in areas poor in water resources. The risk is associated primarily with animal husbandry, forestry and agrocommodities, manufacturing, chemical industry, energy, mining and metal production.

Environmental and social risk management

GRI [102-11]

The environmental and social risk assessment covers the client and the transaction. We make the assessments to the best of our knowledge. At the client's level, we assess whether the activity is conducted with respect for human rights, environmental protection principles and whether it is not covered by the policy of exclusion. At the transaction level, we assess whether it is consistent with the requirements of sector policies.

Exclusion policy refers to activities with a particularly high risk of violation of human rights and the risk of negative impact on the natural environment and the principles of sustainable development. We do not establish relationships with clients whose core business is covered by the exclusion policy. We identify and properly manage relationships

with clients who operate in areas more susceptible to social or environmental threats. We apply detailed policies that are designed to support environmental protection and minimize risks in vulnerable areas.

The ESR Sector Policies cover the following sectors:

- Animal Husbandry,
- Forestry and Agrocommodities,
- Manufacturing,
- Chemical industry and the use of chemicals,
- Defense and the arms industry,
- Coal mining, coal and related activities,
- Other mining and energy, petrochemistry and metal production.

In order to better manage risk, we have created an Environmental and Social Risk Manual for our employees. It supports the identification and proper management of customer relationships that operate in areas that significantly affect the environment in which we live.

## Model risk

### Introduction

Model risk management is performed in compliance with the Model risk management policy at ING Bank Śląski S.A.

The Policy provides for:

- model life cycle,
- assessment principles of the model materiality,
- functioning principles of the model register,
- capital calculation rules for model risk
- validation principles.

### Model risk management process

The Model Validation Department keeps a model register which is a repository of information on the risk models and valuation models functioning in the Bank's Group. The model register and logs contain inter alia information on model materiality, results of monitoring and results of model validation and their risk levels.

The Bank’s Group regularly assesses the risk related to each model and estimates the related economic capital in compliance with the rules set forth in internal regulations. The calculation method of capital if material and medium material models are identified with an increased or high risk is set in the economic capital calculation methodology for model risk.

The quality of model functioning is subject to verification within model monitoring and validation when an assessment is made of the extent of their exposure to model risk. Model validation is performed in compliance with the Model Validation Policy at ING Bank Śląski S.A. and validation instructions.

Management reporting to Committees, the Management Board and the Supervisory Board of the status of actions related to model management and validation covers inter alia: results of model validation and risk assessment, assessment of the aggregated model risk level in the context of the approved risk tolerance as well as the capital assigned to model risk.

In 2019 the economic capital relating to model risk of PLN 138.5 million was allocated between January and December 2019.

## Business risk

### Introduction

Business risk encompasses the following risks:

- macroeconomic risk,
- risk of FX mortgage portfolio.

### Macroeconomic risk

Macroeconomic risk is the risk due to macroeconomic factors and their impact on the levels of minimum capital requirements. The Bank manages the risk by regular holding of internal stress tests to support ongoing monitoring of



sensitivity or minimum capital requirements to macroeconomic factors. In 2019 the Bank carried out full capital tests twice: as at Q4 of 2018 and Q2 of 2019.

On the basis of results of internal stress tests for a mild recession scenario, the Bank's Group estimates an additional capital requirement to safeguard against the materialisation effect of the scenario. The results of the stress tests show that should a mild recession materialise, the Bank's capital adequacy will not drop below the required level.

### Risk of FX mortgage portfolio

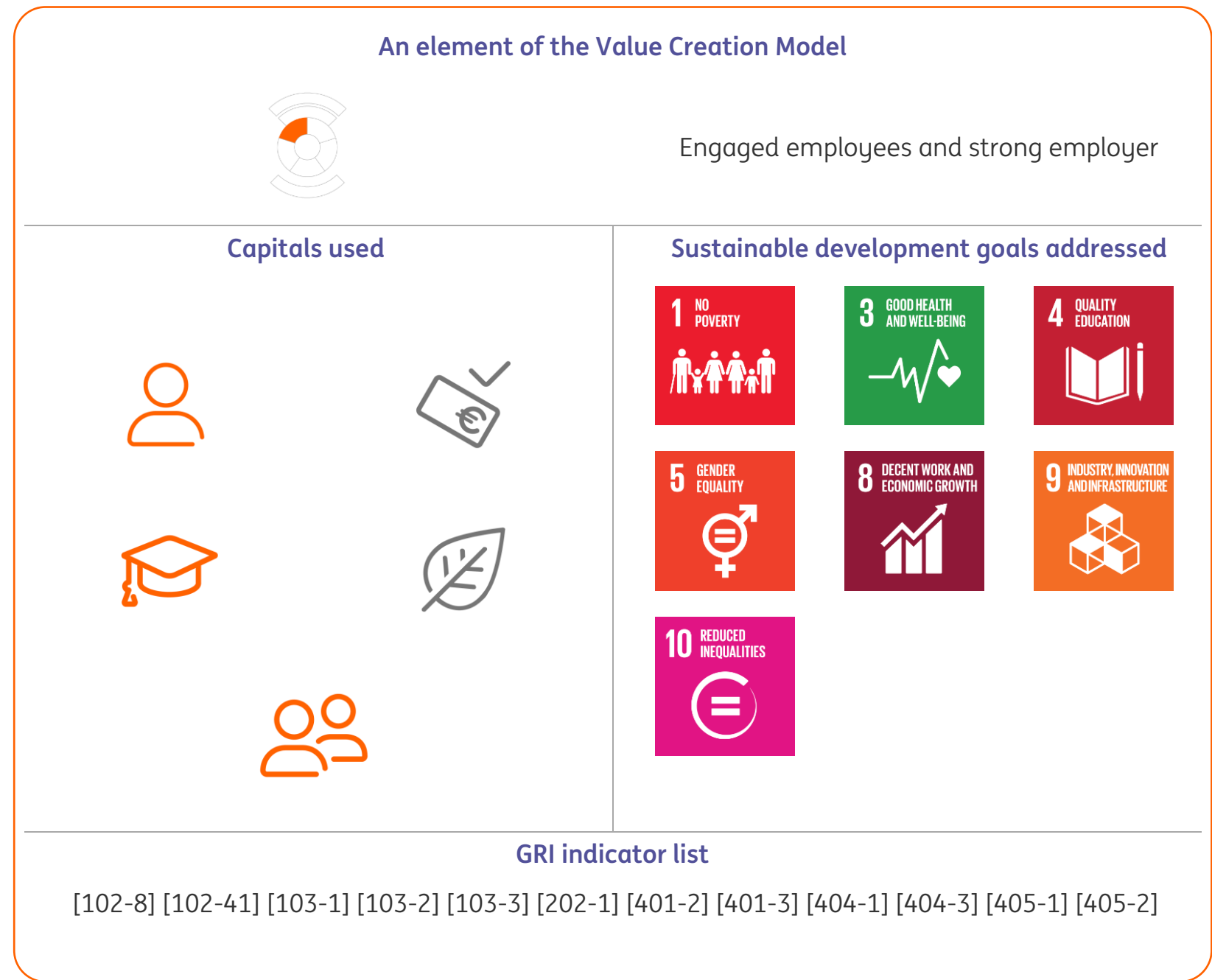
As regards ICAAP, during the risk materiality assessment workshops which were held in Q1 2019, FX mortgage portfolio risk was defined the risk of financial losses connected with FX mortgage loans conversion into PLN mortgage loans. Throughout 2019, following the CJEU judgement (C-260/18) and, consequently, the growing risk of material increase in the number of disputes in the banking sector, the risk profile and the approach to estimating and presenting provisions for legal risk were changed.

As at the end of 2019, the Group held PLN 45.0 million worth of provision for CHF mortgage loans portfolio, which represented 4.80 percent of that portfolio in gross terms (including PLN 9.7 million worth of provision for disputes concerning repaid exposures and PLN 35.3 million as an impairment charge for expected credit losses under Stage 2 loans, for existing and future disputes concerning balance sheet exposures). Furthermore, the Bank has PLN 4.6 million worth of impairment charge for expected credit losses in relation to stage 2 loans due to classification of all CHF mortgage loans as stage 2 loans. For more information on that topic please read the Annual Consolidated Financial Statements of ING Bank Śląski S.A. Group for 2019.

In parallel, the Bank maintains additional economic capital for that risk in pillar II.

# Way of working

Employees represent the foundation of our business model. That is why we care for their competences, give them tools and opportunities for development. As an employer, we focus on implementing new, flexible working methods. Taking care of our employees, we undertake initiatives under the Well-beING Programme, which aim to promote a healthy and active lifestyle. The most important aspects to which we pay attention in the Programme are primarily employee health, well-being, and the balance between work and rest. The results of the Well-beING Programme are additional days off offered to employees and a unique Oncological Prevention Programme on the market.



## Who are our employees

GRI [103-1] [103-2] [103-3]

Every day, the ING Bank Śląski S.A. brand is created by over 8,000 employees. We hire not only financial advisers. Our modern organisational structure accepts many professions. Our employees have various interests and passions which contribute too increased effectiveness and higher engagement in work performance, striving after development and innovativeness. As much as 67% of the Bank staff are women. Most of them are between 30 and 50 years of age. 50% of managers are women.

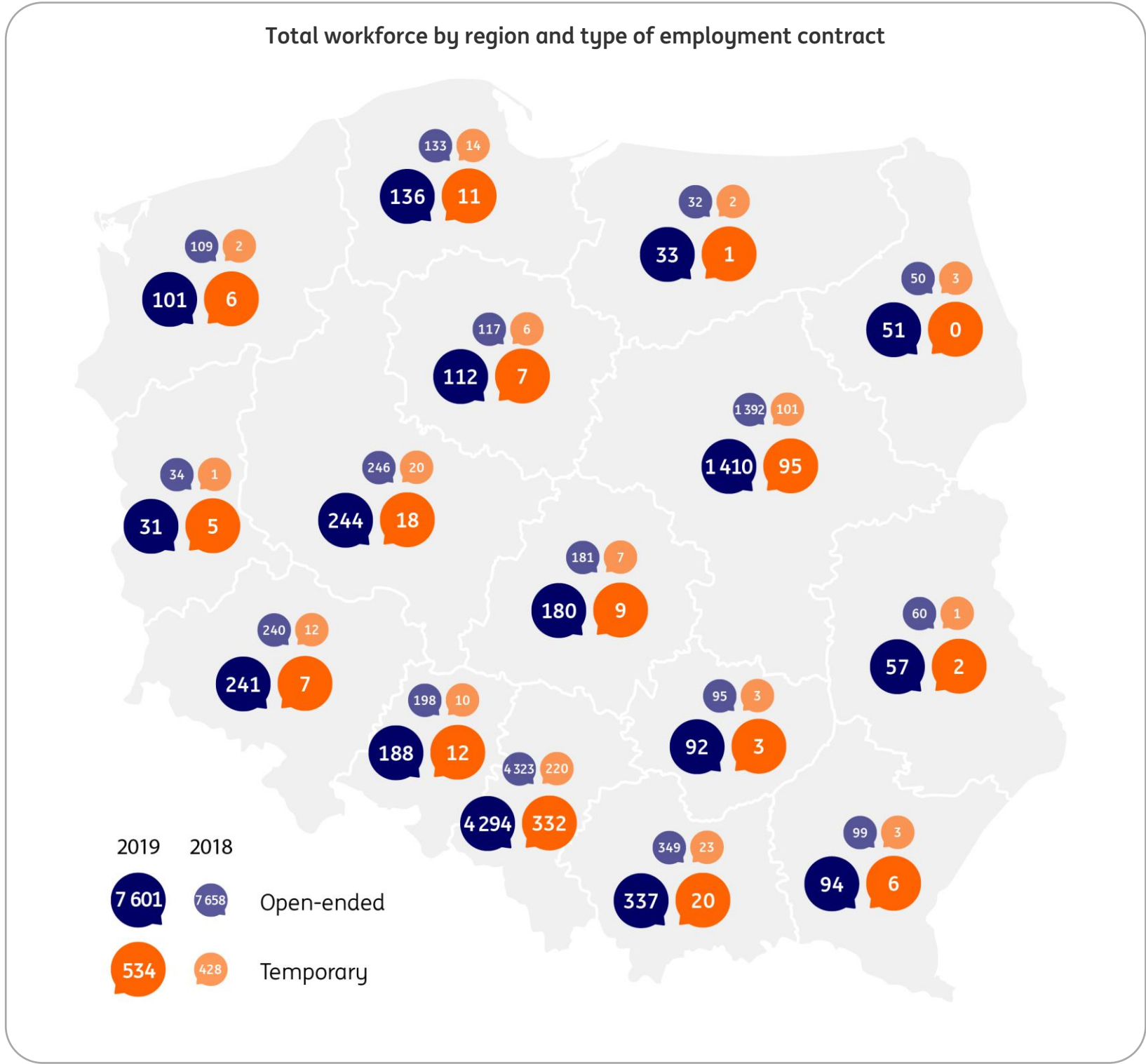
As at 31 December 2019, the ING Bank Śląski S.A. Group employed 8,135 persons. There were 49 persons (or 0.6%) more than in December 2018. As at the end of December 2019, ING Bank Śląski S.A. hired 7,690 employees that is 25 persons more than in December 2018.

GRI [102-8]

Number of employees			
	2019	2018	2017
Head Office in Katowice	3,117	3,085	2,990
Head Office in Warsaw	746	729	725
Branches	3,827	3,851	3,946
Bank Total	7,690	7,665	7,661
ING Lease (Polska) Sp. z o.o.	232	227	208
ING Commercial Finance Polska S.A.	112	110	105
ING Bank Hipoteczny S.A.	39	30	-
Solver Sp. z o.o.	2	2	3
ING Usługi dla Biznesu Sp. z o.o.	57	49	52
Nowe Usługi S.A.	3	3	3
Subsidiaries	445	421	371
ING Bank Śląski S.A. Group	8,135	8,086	8,032

Total workforce by gender and type of employment contract			
	2019	2018	2017
Female	5,480	5,506	5,531
Open-ended	5,146	5,259	5,283
Temporary	334	247	248
Male	2,655	2,580	2,501
Open-ended	2,455	2,399	2,328
Temporary	200	181	173
Total	8,135	8,086	8,032
Open-ended	7,601	7,658	7,611
Temporary	534	428	421

Total workforce by gender and type of employment contract			
	2019	2018	2017
Female	5,480	5,506	5,531
Full-time employment	5,353	5,383	5,406
Part-time employment	127	123	125
Male	2,655	2,580	2,501
Full-time employment	2,597	2,540	2,456
Part-time employment	58	40	45
Total	8,135	8,086	8,032
Full-time employment	7,950	7,923	7,862
Part-time employment	185	163	170



**GRI [102-41] Percentage of total employees covered by collective bargaining agreements**

The percentage of total employees covered by collective bargaining agreements was:

- 2019: 6.0%,
- 2018: 5.4%,
- 2017:5.6%.

**Strong employer**

The future of our Bank depends on its employees. It is their engagement, creative ideas and innovative concepts that make the Bank successful in business.

**We know how employees evaluate us**



Committed employees form the basis for our development, so we regularly ask them what impacts their work most and what they need to make it even more satisfying. We invite them to participate in cyclical and anonymous WPC (Winning Performance Culture Scan), OHI (Organizational Health Index) and Pulse Check surveys. The OHI survey verifies how we can adapt to the changing environment and perform well. On the other hand, the WPC concentrates on examining the employees' engagement in a given period. The OHI gives a much broader picture of the organisation and its health, as it explores many areas.

Pulse Check supplements OHI and WPC surveys. Thanks to the Pulse Check, we keep our “finger on the pulse” and we are constantly monitoring ING – our engagement, organisation's health and leadership and other areas. The WPC and OHI surveys are carried out alternately, once a year. And Pulse Check is a quarterly survey. After each survey, we analyse the results together and talk about how to perfect our organisation – how to consolidate our strengths and develop the areas which need improvement. On that basis, we develop action plans and report on their performance.

The last edition of the WPC survey took place in October 2018. It was attended by 80% of ING employees in Poland. The permanent commitment rate was 82%. The survey findings show that employees know their responsibilities (92% of positive responses) and are able to successfully face challenges together with their teams (93% of positive



responses) – and last but not least, they enjoy being accompanied by colleagues from their teams (90%). The areas we worked on after the survey were energy and commitment and an inclusive leadership style based on working together, listening to the voice of employees and encouraging them to contribute to the organization. After the survey, we have implemented many interesting initiatives, such as conferences and workshops on healthy lifestyle, workshops on appreciation and a number of local initiatives.

The last edition of the OHI survey, which took place in September 2019, was attended by 65% of employees. The health level was 84%. The highest grade was given by the employees to the development (90%) and innovation (92%) areas. As part of our post survey activities, we want to focus not only on areas that need to be improved, but above all on our strengths. Therefore, our priorities will include innovation, strategy and motivation.

## Employment terms and conditions

### GRI [202-1]

Our employees are offered marked-to-market and stable employment conditions. The remuneration of the bottom-level employees – vis-à-vis the minimum wage – is shown below.

Remuneration of the bottom-level employees (split into male and female staff) vis-à-vis the minimum wage			
	2019	2018	2017
Female	178%	190%	200%
Male	178%	190%	200%

During the recruitment process as well as when taking promotion-related decisions, the candidates' salaries are consulted with individual HR business partners. The practice is intended to counteract the unjustified remuneration differences. At the same time, there is a simplified management structure with the expert career path aimed at expanding the employee development options. It enable systematic promotion of employees and remuneration increase.

Remuneration of the bottom-level employees vis-à-vis the market*			
	2019	2018	2017
Bank/Market	119%	125%	143%

\*base remuneration against the banking sector

The document defining the remuneration principles is the Remuneration Policy at the ING Bank Śląski S.A.Capital Group. This policy sets out key assumptions for shaping the remuneration policy used to attract and retain employees by ensuring a competitive market level of remuneration and defines the components of remuneration. The bonus rules are set out in the ING Bank Śląski S.A. employee evaluation regulations, which describe the principles of assigning tasks, employee evaluation and bonus summoning rules. The bonus is due to employees for achieving the objectives on the principles set out in the Regulations.

## A package of disability-related benefits

The Bank's Management Board made the decision to introduce, from January 2019, monthly permanent supplements financed from the in-house social benefits fund for employees with a moderate or severe disability certificate and raising children with a disability certificate. The first payouts will be effected in January 2019.

By supporting people who take care of their loved ones with a moderate or significant degree of disability, we offer an option of taking an additional 2 days off from work. Taking care of our employees with a certified slight degree of disability, we offer an additional 3 days off.

We are building a working environment where all employees have level playing field. Since 1 January 2019, we have provided a benefits package for employees with disabilities that supports them and their families.

- 1Cash benefits
- Monthly, fixed allowances, financed from the company's social benefit fund for:
- 1.1Workers with a moderate or significant degree of disability
- 1.2Employees raising children with disabilities
- 2Days-off
- 2.1For Employees with a certified mild degree of disability, an additional 3 days off per year,
- 2.2For Employees looking after their spouse/partner, parents, in-laws, grandparents with a moderate or significant degree of disability, an additional 2 days off per year.

## Diversity and equal chances

“At ING we promote diversity – not only because it is proper to do so. We promote diversity because we cannot deliver on our strategy without it.” – so starts the ING Diversity Manifesto which we adopted in 2016. We believe that taking

various perspectives drives innovativeness, boosts growth and helps one in taking proper decisions and achieving better results.

With this Manifesto, we want to show that we are open and responsible and that our intention is to stimulate creation of culture that is based on mutual respect. We want to be a workplace where all can feel themselves. The experiences stemming from, inter alia, the gender, age, origin or religion differences enable us to face up to challenges.

In 2016, we approved the diversity strategy for the years 2017-2019 which covers the care of diversity in terms of gender, experience, education, employment of women in managerial positions. In 2019, we focused, *inter alia*, on promoting effective management of different generations in the organisation and raising employees' awareness of diversity and inclusion. We organized Diversity and Inclusion Week under the motto "Everyone is welcome here as they are. Consider this as our promise." During the event, we focused on topics related to many dimensions and aspects of diversity, including disability, unconscious bias, generations and parenting. Workshops with inspiring people, lectures, articles and competitions were waiting for employees. One of the meetings was moderated by Jasiel Mela who told his story including how to overcome one's own limitations and convinced the participants that " 'it is impossible' is just an excuse". Additionally, there were lunch&learn sessions, which are an open forum to share knowledge and experiences related to diversity.

ING is consistently implementing the adopted Diversity Strategy. The confirmation of good practices in this respect is the fact that ING Bank Śląski joined the group of signatories of the Diversity Charter. The Diversity Charter is a written declaration signed by employers undertaking to implement equal treatment policies and diversity management at work. To date the Charter has been signed by 250 organisations – companies, town halls and universities The Diversity Charter is an international initiative supported by the European Commission. The Responsible Business Forum in the co-ordinator of Charter-related activities in Poland.

The Bank was also included in the first edition of Diversity&Inclusion Rating. Diversity&Inclusion Rating is a new initiative of Responsible Business Forum, which was developed jointly with Deloitte experts. It brings together actors who draw strength from different dimensions of diversity, allows the assessment of a company's level of maturity in diversity management and an inclusive organisational culture, and is also a summary of activities in this area. The questionnaire that was completed by the companies consisted of 4 parts: the rudiments of management, Programmes and activities, commitment building and performance indicators.

GRI [405-1] [405-2]

Headcount structure and ratio of basic salary of women to men			
	Female	Male	Salary ratio
2019			
Senior management staff	9	25	113%
Management staff	225	202	95%
Junior management staff	159	160	94%
Specialists	4,903	2,212	97%
Other employees	184	56	100%
2018			
Senior management staff	10	26	108%
Management staff	221	194	100%
Junior management staff	188	166	95%
Specialists	4,964	2,150	92%
Other employees	123	44	100%
2017			
Senior management staff	10	22	98%
Management staff	227	197	95%
Junior management staff	180	159	97%
Specialists	4,969	2,091	97%
Other employees	145	32	100%

One of the elements of the strategy defined for the years 2017-2019 in the diversity policy is to take measures to eliminate the gender pay gap. The basic assumption in this aspect is to conduct a transparent remuneration policy that ensures equal treatment for all employees. In 2018, we conducted an in-depth analysis of employees' remuneration in the context of gender, which included criteria such as pay grade, absences related to parenthood, seniority, evaluation and results achieved, and the number of promotions. The analysis showed no statistically significant differences in the remuneration of women and men.

GRI [405-1]

Total workforce by gender and age group			
	2019	2018	2017
Senior management staff	34	36	32
Below 30 years of age	0	0	0
From 30 to 50 years of age	20	24	25
Above 50 years of age	14	12	7
Management staff	427	415	424
Below 30 years of age	0	0	3
From 30 to 50 years of age	342	344	359
Above 50 years of age	85	71	62
Junior management staff	319	354	339
Below 30 years of age	3	4	5
From 30 to 50 years of age	254	294	280
Above 50 years of age	62	56	54
Specialists	7,115	7,114	7,060
Below 30 years of age	987	992	1,023
From 30 to 50 years of age	5,121	5,178	5,122
Above 50 years of age	1,007	944	915
Other employees	240	167	177
Below 30 years of age	137	78	78
From 30 to 50 years of age	86	74	79
Above 50 years of age	17	15	20

Parents at work

We attach particular importance to special protection of permanent employment of the employees returning from the parental leave. We also support those who become parents in their new role. At the beginning, we provide them with information about the rights and privileges they are entitled to, and then we pay out a one-off newborn allowance. Male employees of our Bank use a paid two-week paternity leave. They can do so until their child becomes 2 years of age.

Parental leave returns

GRI [401-3]

Retention ratio for employees returning from the parental leave (percentage of persons eligible for parental leave who returned after the parental leave and continued to work for at least 12 months afterwards)*			
	Female	Male	Total
2019	99.0%	98.4%	98.9%
2018	99.7%	100.0%	99.7%
2017	98.0%	100.0%	99.0%

\*save for the persons for whom the temporary contract of employment came to an end or who tendered resignation letters themselves

Employee Pension Programme (EPP)

The Employee Pension Programme is a solution whereby the Bank enables employees to jointly and voluntarily accumulate extra funds for future pension.

The programme is designed for all employees who have been hired for the period of at least 3 months. You just need to file a participation declaration. The Bank finances the basic premium of those employees who decided to enrol for the Programme; the premium is invested in selected mutual funds. With the programme, one can also systematically invest additional own funds. The account balance can be viewed via the online application. Upon acceding to the Employee Pension Programme, ING Bank Śląski S.A. each month pays in to an individual employee register the premiums which build up extra capital for the future pension.

We aim to keep the employee participation in the Employee Pension Programme at over 60%. The target performance was as follows:

- in 2017: 70% of employees participated in the Employee Pension Programme,
- in 2018: 77% of employees participated in the Employee Pension Programme,
- in 2019: 77% of employees participated in the Employee Pension Programme.

Under this form of saving for future pensions, the Bank finances for the employees, who have joined the scheme, the basic contribution of 3.5% of their salary. Due to the rules of the EPP Programme, which were beneficial for the employees, the bank didn't need to launch the Employee Capital Plans Programme.

# Well-beING

## GRI [401-2]

We complement the solid foundations with an attractive package of additional benefits such as:

- additional days of special leave, on the occasion of the birth of a child or wedding (higher than specified in state regulations),
- an additional 5 days of leave per year for parents of a child with a disability certificate,
- an additional 2 days off for workers caring for the disabled family members,
- an additional 3 days off for employees with a certified mild degree of disability,
- an additional Family Day Off, which can be enjoyed by employees on an hourly basis,
- an option to receive days off as an award, up to 5 days per calendar year,
- an additional day off for employees working on a shift basis (i.e. at night, on Sundays and public holidays),
- an option to take advantage of sabbatical (a longer break at work to regenerate forces or for additional training),
- an option to work from home,
- an option to use 8 hours per year for volunteer activities,
- medical care, occupational pension scheme and group insurance,
- Oncology Prevention Programme
- cafeteria Programme.

## Cafeteria Programme

The cafeteria Programme has been operational at the Bank for 2 years now. Employees have access to sports cards and flexible offer of benefits. The cafeteria is available to all employees and the number of scored points depends on the employee's salary level.

Employees can choose from a wide range of products on-line, such as cinema or theatre tickets, weekend or vacation time, or they can do shopping at sports stores or bookstores. In 2019 we launched two new cafeteria functionalities:

- Transfer of the remaining points to the ING Foundation for Children, which allows to support the Foundation's statutory objectives and to use the pool of scored points during the year in a more efficient way (an option to transfer individual points that do not allow to purchase a benefit in the cafeteria).
- Subscriptions for various types of initiatives organised by the employer, e.g. oncological prevention tests. A friendly and intuitive form collecting the necessary data is available at the cafeteria and significantly facilitates the coordination of benefit activities organised by the bank.

The cafeteria offer is under constant development, and employees can report themselves to potential suppliers whose products they would like to see in the system.

## Sabbatical

As part of the Sabbatical Programme, which has been in operation since 2018 and is designed to enable employees to take a break from their work, our employees can enjoy:

- one month off – once every 3 years,
- three months off – once every 5 years,
- six months off – once every 7 years,

The program allows employees to take advantage of a free break from work, the purpose of which is to relax from everyday life. An employee during the period of Sabbatical stays on a justified dismissal without the right to remuneration but at the same time has the right to benefits, i.e.: medical care, social fund, benefits related to the Cafeteria Program, group insurance, Employee Pension Plans, company car (if granted in under the status benefit). After completing Sabbatical, the employee is guaranteed a return to the position he or she occupied before taking advantage of the absence with unchanged remuneration. Upon return from Sabbatical leave, the employee is guaranteed to return to his current position with his current salary. Since the beginning of the Programme, 41 employees have already taken advantage of this form of rest from work (34 of them in 2019).



# Oncology Prevention Programme



The Oncological Prevention Programme is an important element of activities that are part of the Well-beING Programme, promoting an active and healthy lifestyle. As the incidence of cancer increases each year, we have set ourselves the goal of raising employee awareness of oncological prevention. We are committed to promoting preventive testing and to mobilising and creating conditions for all employees to participate in such medical testing.

Since October 2019 the bank has started cooperation with renowned diagnostic and therapeutic centres in Poland. By the end of January 2020, 592 people had already registered for health checks (514 ladies and gentlemen for endoscopic examination and 145 ladies for breast examination). The employees covered by the Programme may take advantage of a day off to carry out the tests. Additionally, 4 workshops with a psychooncologist were organized under the Programme, which were attended by 50 people. If a cancer has been diagnosed, each of the employees can count on support in the treatment process, recovery and professional activity.

# "Health Culture" Programme

The aim of the Programme is to promote a healthy lifestyle among employees and equip them with knowledge on how to protect the backbone during office work. We offer employees ergonomic desks with height-adjustable top, so they can combine sitting and standing and vice versa, introducing the movement necessary for the proper functioning of the backbone. On the Employee Intranet we reminded the rules of ergonomic positioning of chairs. Brief training sessions were also held in open spaces. Every Monday, "Fruit Mondays" are held at the Bank's headquarters in Katowice and Warsaw. In 2018 we organized a Body Power conference. The lead motif of the meeting was life energy and its maintenance at a high level. In April 2019, we organized the Work&Power conference concerned with emotions and dealing with stress.

# We are active

## Run Warsaw

Since 2017 we have been the General Partner of the Run Warsaw event. For every runner who completes a 10 km run and has covered the distance 5 km while marching, the bank transfers money to the ING Foundation for Children. In

2019 the run was completed by 706 runners – ING employees, and "I'm marching – I'm cheering" contest was completed by 1 500 marching employees. In addition, through the culture of running and racing together, we strengthen employee commitment, integration and support a healthy lifestyle.

## Football tournament

In June 2019, football players – employees of our Bank from all over Poland were fighting for the title of ING Champion at the charity tournament at the stadium of Municipal Sports and Leisure Centre in Chorzów. The winners passed their awards to 3 foundations: Łukasz Piszczek Academy Foundation, I See No Obstacles Association and the Doctor Piotr Janaszek's Pass On Foundation.

The ING charity tournament was attended by 309 players from all over Poland, in 32 teams. The tournament is an initiative of our employees, related to the 30<sup>th</sup> anniversary of the Bank.

## Beach Volleyball Tournament

On 31 August 2019 we held the ING Beach Volleyball Tournament. The event took place at Monta Beach Club in Warsaw. 24 teams took part in the tournament. Marcin Nowak, a Polish volleyball player was a special guest of the tournament – a former representative of Poland, participant of the Olympic Games in Atlanta. Support to sports and active attitudes are an important part of the well-being Programme at the Bank. We also organized this tournament upon the initiative of our employees.

## Mocodajnia *[Power House]*

Mocodajnia project started on 28 October 2019 in Katowice. This is a place which may serve as a fitness room, meeting room or a creative workshop space as needs arise. The equipment and classes are adapted to the reported needs. Throughout the week before and after working hours there are exercises for our employees. Most of them are aimed at preventing spinal disorders and reducing stress levels.

# Communication is a part of corporate culture

## Kudos

Kudos is our way to show recognition. We use it every day, as it is a convenient and good method of thanking others for the behaviours which agree with our Orange Code. The word “kudos” comes from Greek and means recognition, prestige and respect expressed for accomplishments. At ING, kudos is used to mean two things. First, “kudos” stands

for praise. Second, “kudos” is the application used to express recognition. Since the launch of the application (June 2016), we have given in total 120 thousand kudos in Poland.

### Chats with Management Board members

A few times a year, the employees can pose questions to the Management Board members using an anonymous chat. The Management Board answers each question directly during a chat or, if this is not possible due to time constraints, later in chat wrap up. It is up to 400 questions at a time. The questions often concern business topics, changes in the bank but also everyday life such as broken down ventilation system or recommended reading.

### One intranet

One intranet uses the latest technologies (search, personalization, statistics, RWD), that allow to focus on the really important things in our daily work. Each employee first receives the information he or she needs most to do his or her job. The subscription system also allows you to view content of a variety of topics, including intranets from other ING Group countries. We write simply – in a brief, clear and comprehensible manner. Thanks to integration with Lync/Skype we can easily contact the author of the post. An important element of the new intranet is the community thread. We can comment, post and create our own communities. We also have an option to track ING social profiles. In 2019, there were 179 communities created by our employees.

### CEO blog

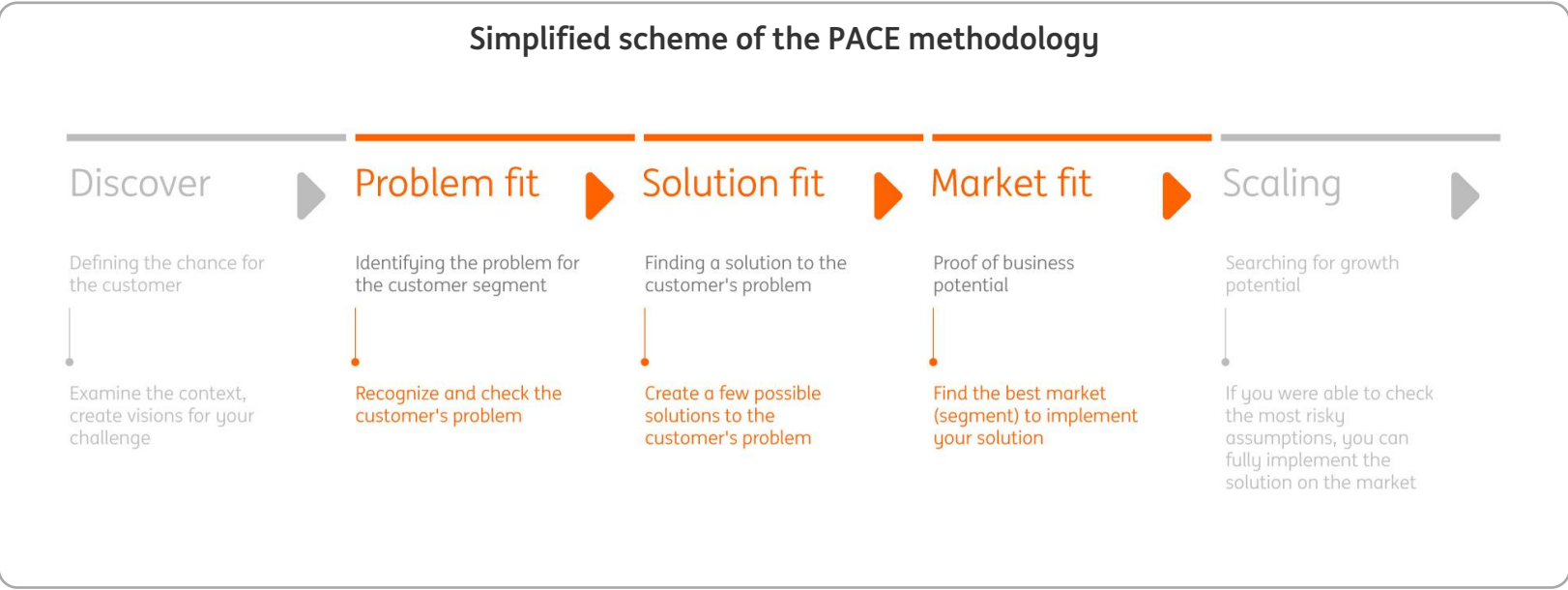
One of the channels of open communication with staff members is BBblog. The blog is run by the CEO, Brunon Bartkiewicz. He shares there his reflections and observations as well as publishes information on both important events at the Bank and those concerning the daily life. The blog has been operational for over three years now and is currently followed by over 7.1 thousand people. All entries are freely commented on by the employees.

## An innovative workplace and competent employees

GRI [103-1] [103-2] [103-3]

### PACE – proprietary methodology of the ING Group

PACE is ING Group's proprietary methodology that enables us to develop new products or services for and with the customers. This allows us to provide solutions to their real problems.



The established PACE projects support the day-to-day implementation of the PACE methodology. One of the examples is ING Accelerator.

In practice, the Accelerator is about small, self-organising teams established for a definite period of time. They are composed of employees from various Bank divisions, delegated to work solely on a given project.

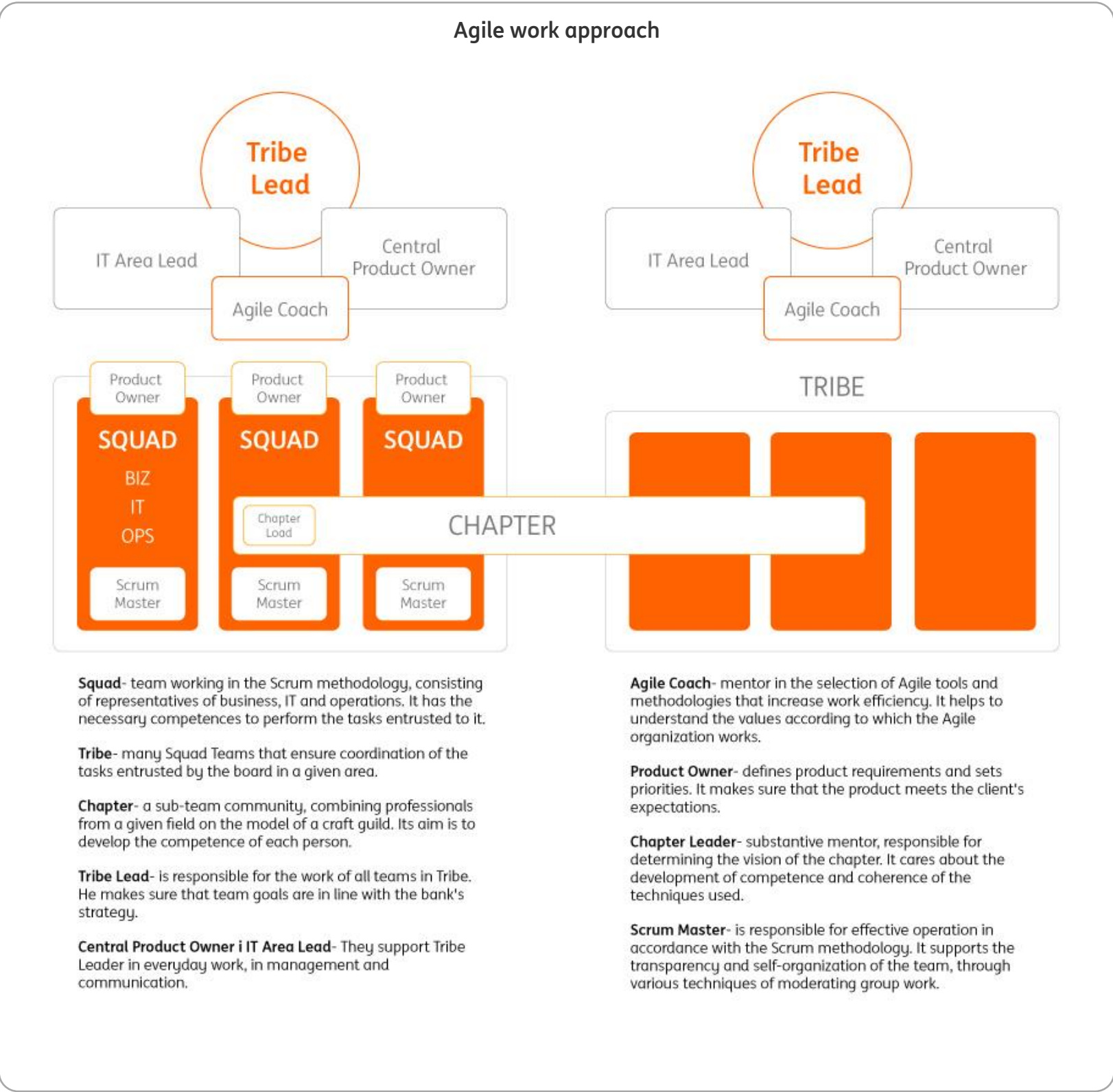
The overriding principle is that teams are always close to the client. To verify their assumptions and identify at the testing stage what is working and what calls for improvement. As a result, they can easily extract key functionalities of a given product from the user's point of view. Then they verify the assumptions about whether and how much the client is willing to pay for a specific solution. Rapid prototyping involving the use of MVP (Minimum Viable Product

- the first version of the product that captures the heart of its operation), gathering feedback and learning from own mistakes allows for a significant minimisation of costs. During the accelerator, a group of external experts and PACE coaches support our teams on a permanent basis. Each of the teams works on a different solution, but the goal is similar - to create a product that will suit client needs and solve their problems.

## Agile

The development of technology contributes to the today's world changing at a remarkable pace. All technology companies change the way of dialogue with clients and models of creating new products or services. The same pertains to the banking industry - until recently considered very traditional and conservative; today, it is seen as very modern and technology-based. We want to transform ourselves to respond to clients' needs faster, engage them as frequently as possible in the solution development process and verify every step of the way whether or not our solutions hold well in reality.

That is why we have introduced the Agile way of working, mainly known from technology companies, on a large scale. The persons that formerly used to work in separate units were joined into interdisciplinary teams. Now, colleagues from business, IT, operations and other units sit together side by side in one team (depending on the needs). All this is to enable the team to carry out its tasks end-to-end. Our goal is to create self-organized teams that will achieve the best possible results.





Squads usually work in two-week cycles called Sprints. Each Sprint starts with the planning of the work to be done in a given cycle. In addition, the teams meet daily at the Daily Scrum to plan the work for the next day, identify possible threats to the achievement of the Sprint goal and adapt the work plan to the current situation. The Sprint ends with Retrospection, a team meeting where Squad members analyse their work during this cycle and work out improvements they will implement in the next Sprint.

## Employee development

[GRI \[103-1\]](#) [\[103-2\]](#) [\[103-3\]](#)

We help to discover and channel our employees’ potential. We care about upgrading employees’ competence and we empower them to make informed choices of a career path.

We want each employee to get everything they need to perform their job tasks. We ensure various packages of development and training activities – both internally and using the third-party training courses, workshops and conferences. Moreover, projects based on knowledge sharing and teaming up with another person are also implemented, including: coaching, mentoring and one-on-one consultations.

We also support self-enhancement of professional qualifications by employees, through certification, post-graduate studies or the Polish Bank Association standards. We promote activities, inspire one another towards development and recommend specific tools. In communication, we use the internal community devoted to learning and development. We promote digital development activities, while encouraging employees to use external training platforms available online.

### Year-end evaluation



Year-end evaluation is the basic tool supporting employee development. It is a special type of a meeting of the employee and the superior. During such meetings, we create development plans for the coming year, set new priorities and assess employee task performance. We also talk about aspirations and stretch ambitions. Two-way feedback holds the key here – the employee and superior need to be at the receiving end.

The internal regulations also reflected a new approach to employee evaluation, applicable throughout the ING Group. This approach intuitively combines the assessment of work results with the increased role of the so-called soft or non-financial categories. It also affects our strong organizational culture.

The new assessment model - Step Up - implemented in 2017 combines values, supports commitment and ensures partnership. Step Up is a philosophy of dialogue with employees and at the same time an approach to motivating. We focus on continuous dialogue and current feedback - not only as part of formal meetings. This philosophy introduces four main changes:

- Strengthens current feedback: by supplementing formal conversations with current feedback that has a positive impact on all employees, both at the individual and team level;
- Incorporates the Orange Code into the motivating system: Orange Code behavior is one of the three dimensions of goal setting and employee evaluation;
- Focuses on strengthening the practice of putting individual Challenges on each employee, encouraging them to leave the comfort zone;
- Combines the two existing KPI and Annual Talk systems into one coherent process of Annual Talk - Step Up, in which we set and account for goals.

We want our employees to discover their potential, realize their ambitions and have a sense of full support. This is an approach in which we focus on dialogue and motivating the employee. It assumes the change of the system of annual conversations to more intuitive ones, related to the values and individual results of the employee. The Step Up model assumes setting annual goals in three independent categories: Work Results, Orange Code and Challenges. Goals in the dimension of Work Results are set by the supervisor, while the employee himself proposes goals that are Challenges. All goals set for a given year should be in line with the Bank's strategy. As part of the annual interview, each employee assesses himself (self-assessment) and is assessed by his supervisor (manager's assessment) in all categories. Both the employee's self-assessment and the manager's assessment take place on a descriptive scale: Below expectations, As expected, Above expectations. Based on the descriptive assessment, bonus points for a given category will be automatically calculated. The final evaluation of the employee is established by the supervisor and discusses it with the employee during the conversation.

[GRI \[404-3\]](#)

Percentage of employees who took part in the year-end evaluations:

- 2019 – 93% (only long-term absentees did not take part in the talks),
- 2018 – 96%,
- 2017 – 97%.



## E-learning and multimedia tools

We also want our employees to have an easy access to diverse and customised training materials. Self-study is often the first step to taking relevant career-related decisions. That is why we activated a wide array of e-learning training courses. They provide employees with immediate access to effective laws and regulations, e.g. in the compliance area or best practice recommended in everyday work. We employ modern technologies, especially in the knowledge sharing area, such as: chats, webinars and fora (communities). We encourage employees to use courses on MOOC (massive open online course) platforms, which are ready-made training courses and materials prepared by renowned universities and organizations around the world, covering a very wide spectrum of knowledge. All employees can also use a well-equipped e-book library and access the electronic version of Harvard Business Review Polska magazine. Thanks to diversity of tools, almost each employee took part in at least one development action. Multimedia sources of information are another form of self-improvement, with the so-called knowledge pills, e.g. presentations and videos. Going one step further – in 2018 we made available to employees a tool in which they can prepare attractive e-learning materials and even more effectively share knowledge.

### GRI [404-1]

Training courses in figures in 2019:

- Number of development actions/ employee – 12.5,
- Number of development actions’ hours/ employee – 24.4,
- 97% of employees took part in at least one development action.

Training courses in figures in 2018:

- Number of development actions/ employee – 10.6,
- Number of development actions’ hours/ employee – 40.6,
- 99% of employees took part in at least one development action.

## Assignments and placements for employees

An internal assignment is a well-tried professional development solution. It enables the employee to gain professional experience in other organisational units of the Bank located in Poland or abroad. A development assignment usually

lasts from one to three months. Such a solution makes it possible to get to know the work in a given job, but even more importantly, to gain new skills and professional experience.

Participation in internal assignments looked as follows:

- 2017 – 170,
- 2018 – 180,
- 2019 – 151.

## Unlearning and self-development

Unlearning – a key skill of companies and people open to change. Speaking of unlearning, we think about the ability to switch to an alternative way of thinking, different logic of action, and depart from old habits. Unlearning is much harder than learning. Unlearning is going beyond the mental model and choosing a new way of working. It happens every day in business, at work. Many ways of doing things that we've learned at schools and we've been building on, based on which we've achieved excellent results as employees, are no longer working or work differently. Let us not confuse the unlearning with forgetfulness. We forget unused knowledge, unpractised skills, and unnecessary messages. Forgetting does not require effort, while unlearning is hard work. It applies to automatisms, habits, skills that have worked and served us well and which we must now give up because circumstances have changed.

Take, for example, the organisational structure – we still think of it as schematic, usually hierarchical structure with different management layers. In fact, it is more and more a network, not a ladder. What does it mean for unlearning? For example, traditional thinking about the structure means that we mainly assign the responsibility for decisions to the bosses. Meanwhile, in a network organisation, every employee must have autonomy and responsibility for decisions.

Therefore, they must develop completely new habits and a new way of thinking about managing.

To promote this way of thinking in the organisation, we have created a community that will help us to get inspiration how to meet the current trends in learning new habits that support the acquisition of knowledge. It is a virtual platform OD-UCZANIE [UNLEARNING] for sharing inspirations, experiences and discussions.

While strengthening the unlearning, we are also committed to self-development. In 2019, we devoted a series of development activities to it – "I'm growing because I want to", which consisted, *inter alia*, of conferences organised in

various cities, experience zones and inspiring materials made available on-line – articles, films, knowledge pills. Both external experts and our colleagues from various areas of the Bank shared their experiences and development methods.

### Programmes for students and graduates



We encourage students to cooperate with us in internship initiatives and programmes. This solution helps them to get to know their future employer. We offer many development paths in multiple internship programmes:

#### Traineeship with the Lion

Traineeship with the Lion is a unique traineeship addressed to students who are agile in the world of technology and have a variety of passions.

At ING Bank Śląski, we develop trainees throughout the year. We offer Traineeships with the Lion to all students and graduates in all areas of the Bank. Our trainees gain valuable experience working with the best experts on the market, for example in the Agile methodology. Many of them after a traineeship receive an offer of permanent cooperation. In 2019, 530 trainees from all over the country participated in the Internship with the Lion, 84 of whom were employed.

#### ChallengING

ChallengING is an annual Programme of development, intensive learning and work on ambitious tasks within the path chosen by the student. We delegate to the participants the execution of independent tasks in a given department or under a specific project. On the design and software development path, students receive tasks related to business analysis of internal customer needs, solution design, Programming and testing. Meanwhile on the Data Science path, the participants carry out tasks by taking on two rotating roles – that of Big Data analyst and data engineer.

#### ING Ambassadors Programme

We once again organised the ING Ambassadors Programme which is a form of cooperation between ING Bank Śląski S.A. and university circles in the entire territory of Poland.

ING student ambassadors cooperate with us in building the Bank's image as an attractive employer at selected universities. Last year, 12 selected students represented us at universities. The ambassadors act under the mentor

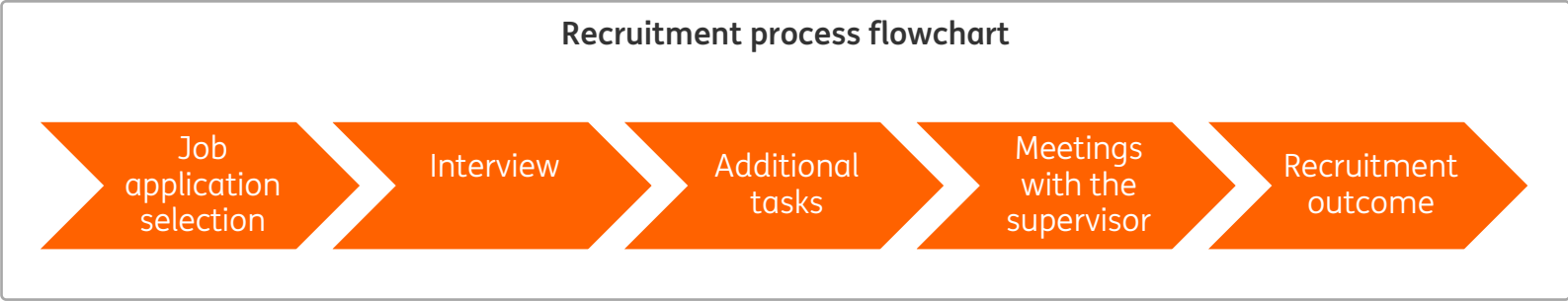
care of our employees who offer support in getting to know ING and shaping career paths.International Talent Programme

International Talent Programme covers 6 business paths: Risk, IT, Retail and Corporate Banking, Finance and HR. It gives its participants the possibility of joining important projects, taking multiple development actions and participating in international assignments.

### Recruitment of new employees

All our job advertisements are published on our website at <https://www.ing.jobs/polska/doacz-do-nas.htm>. The employee selection process may vary depending on the position.

Typically, we recruit new staff members using the following scheme:



In addition, we have included a candidate’s guide to the recruitment process where we presented advice on how to write successful CV or prepare for the interview.

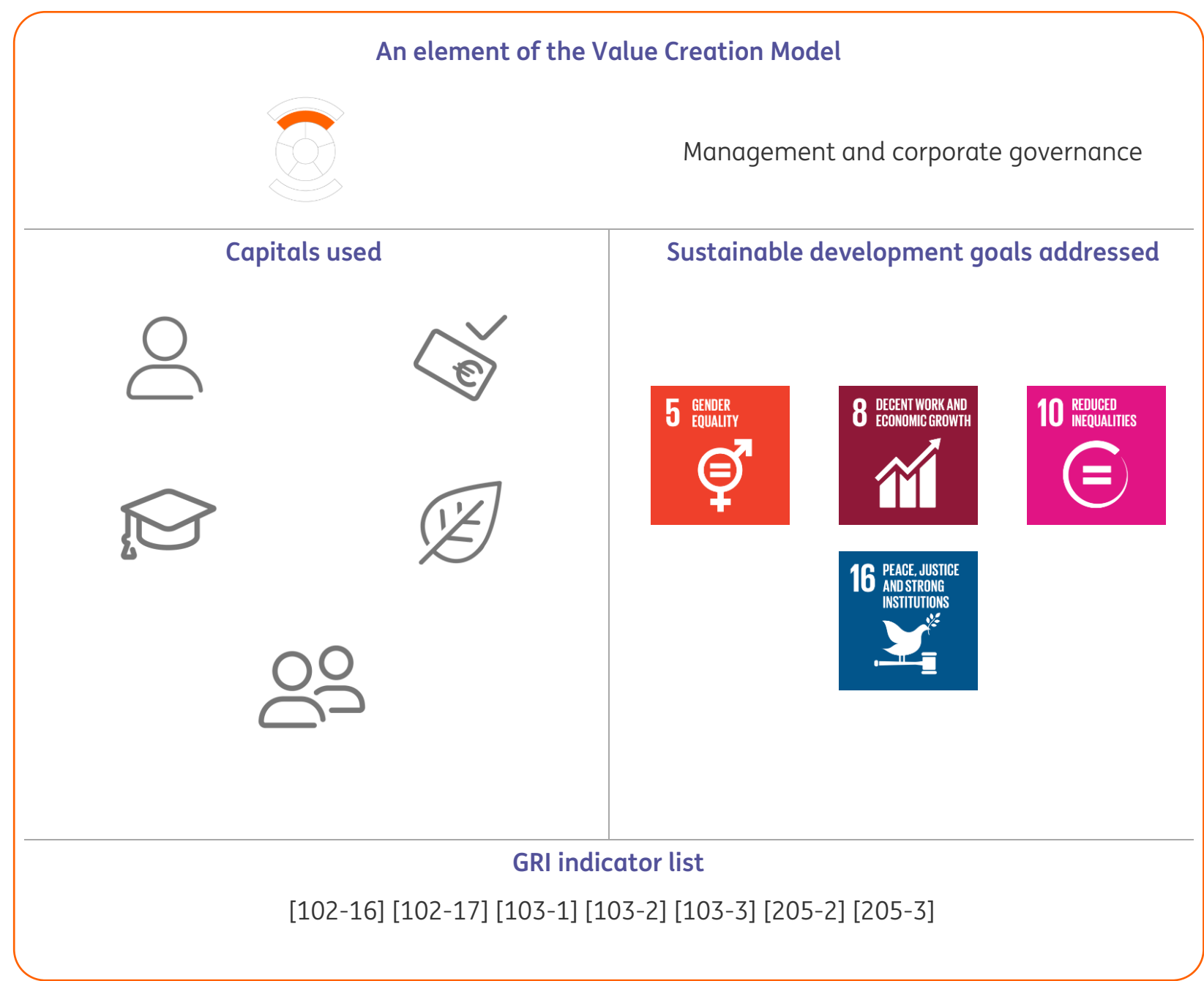
### Employee Referral Programme

We have launched the Employee Referral Programme at our bank because we want to take advantage of our employees’ network and to build ING’s future together.

The bank is primarily about the people. We want our employees to be able to shape our workplace and have an influence on who we work with. We care in particular about the knowledge and experience of people who work here. We launched the programme in mid-2018 and have so far hired 95 people based on our employee’s referrals.

# ING Bank Śląski S.A. Management Board statement on corporate governance rules

Pursuant to Article 70.6.5 of the Minister for Finance Ordinance on current and interim information published by issuers of securities and the conditions for regarding information required by the law of a non-member state as equivalent of 29 March 2018 (Journal of Laws, item 757), the ING Bank Śląski S.A. Management Board present the Report on Observance of Principles of Corporate Governance in 2019.



## Ethics, values and compliance


GRI [102-16] [103-1] [103-2] [103-3]

### Corporate culture


We have clear ethical principles. We make sure that our principles are complied with. As a public trust organisation, we comply with the requirements set out by the Polish Financial Supervision Authority and the Code of Banking Ethics. Business ethics standards of our employees are based on “ING Values and Behaviours” set out in the Orange Code. Compliance with those principles is one of the fundamental employee obligations.

The Orange Code consists of ING Values (we are honest; we are prudent/we apply common sense; we are responsible) and ING Behaviours (you take it on and make it happen; you help others to be successful; you are always a step ahead).


The Orange Code is an important element of our corporate culture. It is also applied in many banking processes, e.g. in the employee performance evaluation. Employees together with their supervisors set the actions through which the Orange Code is being implemented. Our values and behaviours are also part of a recruitment process. Employees can give each other Kudos. Kudos is our way of showing recognition. We use it every day as it is a convenient and good method of thanking others for the behaviours which are consistent with our Orange Code. Since the launch of the application (June 2016), we have given in total 100 thousand Kudos in Poland.




You take it on and make it happen




You help others to be successful




You are a step ahead



We are honest



We are prudent



We are responsible

- hiring a given person by the Bank or offering him or her a traineeship or internship,
- sponsoring or charity donations by the Bank,
- business meals,
- relationships with business partners.

In line with the accepted *Policy*, the Group follows the rules of integrity and ethics and applies the “zero tolerance rule to unfair behaviour”.

Should an employee accept or give gifts or benefits due to the participation in events – such an action always needs to be rationalised in business terms and the value of such benefits must be proportional to the specific nature of a business relationship. There must be always a legally compliant purpose of accepting or giving benefits. No such action can entail a conflict of interest, or even imply that such a conflict has occurred. The Bank disapproves giving benefits being political donations on its behalf. Staff decisions concerning employee hiring and secondment have to be substantiated with professional and objective criteria and they cannot serve illegal exertion of influence. The *Policy* provides for the amount thresholds on the benefits being gifts and participation in events which can be given or accepted by our employees.

Furthermore, the Group maintains a Register of Benefits. Accepted or given gifts, participation in events or business meals – in contacts with clients, business partners, and public servants – may need to be reported depending on their value.

The above rules are an element of the *Anti-corruption Declaration ING Bank Śląski S.A.*, which is always enclosed with agreements made with vendors. As per the *Declaration*, the ING Group disapproves of actions which satisfy the criteria of or imply bribery, and expects its business partners to comply with the anti-corruption standards. Further, the Group does not cooperate with business partners who do not accept our standards.

All employees are required to report corruption- or conflicts of interest-related irregularities. Infringements of the above regulations and laws can be reported in person or anonymously via the whistleblowing procedure set out in the *Whistleblowing Policy for Infringements of Law, Internal Regulations and Ethical Standards*.

Compliance with policies is also ensured at the level of subsidiaries.

## Anti-corruption policies

As a public trust organisation, the Bank sees anti-corruption practices as the top priority in its relationships with clients, business partners, and among employees. Any and all forms of bribery or corruption are absolutely forbidden. All Group employees are required not to accept any actions suggesting an attempt to commit a crime or of corruption. The *Regulations – Employee Business Ethics Standards of ING Bank Śląski S.A.*, which lay down the principles of conduct for each employee in the context of anti-corruption and combating conflicts of interest, information protection, and the whistleblowing procedure is the formal document regulating those aspects.

The anti-corruption aspects are detailed in the *Anti-Bribery and Corruption Policy* which all our employees are required to comply with. The *Policy* provides for the restrictions on accepting and giving material and non-material benefits in contact with clients, business partners, and public servants as regards:

- gifts or invitations to events,
- cash or its equivalents,
- trip or accommodation funding,



## We counteract corruption

GRI [205-2] [205-3]

At ING Bank Śląski S.A. we do not tolerate corruption. We raise awareness of our employees in that regard so that they could identify and counteract corruption better. We apply several simple rules:

- We do not take or give any gifts or invitations to events whose value exceeds the amount thresholds set.
- We declare acceptance or presentation of benefits above the permitted value to the electronic Register of Gifts- currently the threshold is PLN 200. We report such acceptance or handing in relations with clients and business partners. In relations with public officials, we report each case of accepting or giving benefits regardless of value.

We also require our vendors and business partners to comply with those rules. We encourage them to adopt the ING Bank Śląski S.A. Anti-Bribery and Corruption Declaration.

The content of Declaration in on the website at: [https://www.ing.pl/\\_files/assetmanager/item/1102683](https://www.ing.pl/_files/assetmanager/item/1102683).

In 2019, no cases of bribery or corruption were identified.

## We combat conflicts of interest

GRI [102-17]

We introduced internal procedures and controls to combat conflicts of interest. They cover:

- the segregation of duties in the Bank’s organisational structure and relations between different management levels as well as personal links between employees,
- the requirement to consult and inform the Bank for employees that want to start or started additional professional activity,
- private account dealings by employees having access to confidential, insider information or professional privilege.

## We report instances of breach of law and Business Ethics Standards

GRI [102-17]

Employees can report suspicions of crimes and violation of Business Ethics Standards anonymously. They can also report the same by name and we ensure confidentiality and discretion as well as protection against repressive actions. If a report is confirmed, appropriate corrective and preventing measures are taken for the future. The reports are received by the Compliance Department Director who alerts the CEO and agrees with him on the next steps.

There were 13 reports made in 2019. After analysis and explanatory proceedings, irregularities were confirmed in 4 cases and corrective measures were applied.

In order to recall the rules for reporting illegal, inappropriate or unethical behaviour, an e-learning training course was implemented at the turn of 2018/2019. The training course presents how an employee can act in case of suspected violations of law, internal regulations and ethical standards. Training is mandatory for all employees.

The Bank does not have external dedicated channels for reporting violations of law and ethical principles. Stakeholders can, however, contact us through all available channels and inform us of any violations. If such a case were to occur, it would be referred directly to the Expert Centre – Compliance Department.

## Principles and scope of corporate governance

GRI [103-1] [103-2] [103-2]

### Code of Best Practice for WSE Listed Companies 2016

A set of principles of corporate governance the Bank complied with in 2019 is included in the Code of Best Practice for WSE Listed Companies 2016 passed with Resolution No. 26/413/2015 of the Supervisory Board of the Warsaw Stock Exchange of 13 October 2015. The document is available on the Bank’s website: <https://en.ing.pl/company-profile/corporate-governance>.

The Bank applies the recommendations and principles laid down in the Code of Best Practice for WSE Listed Companies 2016 with the following reservations:

- Rule VI.Z.2.: To tie the remuneration of members of the management board and key managers to the company’s long-term business and financial goals, the period between the award of options or other instruments linked to the company’s shares under the incentive scheme and their exercisability should be no less than two years.

The Bank’s comment on the application of the above rule:

The Bank adopted and applies the *Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A.* (the Policy).

It determines a period between the award and possible exercise of financial instruments under variable remuneration in line with variable remuneration regulations and guidelines for financial institutions applicable in Poland (Regulation of the Minister of Economic Development and Finance of 6 March 2017, CRD III, CRD IV, CEBS/EBA Guidelines). Under the Policy, minimum 40% of the variable remuneration of the executive staff shall be deferred for four years (in the case of the President of the Bank’s Management Board – at least 50%, with a deferral period

of six years and the bonus being divided into five equal parts) and paid during a deferral period in subsequent four years in equal parts, provided that there have been no premises for lowering or not paying a portion of the remuneration. A material part of the variable remuneration (at least 50%) granted in the form of phantom stocks with the Bank’s shares as an underlying instrument is subject to a one-year retention period, respectively for each tranche. The above provisions are aimed at tying the remuneration of the management with the long-term strategic goals of the Bank. The Bank plans to apply the above rule as far as provided for by the aforementioned regulations;

- Furthermore, the Bank does not apply Recommendation IV.R.2. of the Code of Best Practice for WSE Listed Companies 2016 in full, and limits itself to broadcasting the General Meetings online. As in the previous years, the said decision was substantiated with the impossibility to fully eliminate the risks of a legal as well as organisational and technical nature associated with providing shareholders not participating personally at the General Meeting with an option of real-time bilateral communication and voting with the use of electronic means of communication, which may negatively affect the course of the General Meeting.

### Principles of corporate governance for supervised institutions

The Bank applies the Principles of Corporate Governance for Supervised Financial Institutions (hereinafter the CG Principles) introduced by the Polish Financial Supervision Authority by way of Resolution No. 218/2014 of 22 July 2014 (PFSA Official Journal No. 17). The CG Principles were adopted in the scope as laid down in the Management Board’s report of 30 December 2014, published on the Bank’s website: <https://en.ing.pl/company-profile/corporate-governance>.

Following amendments to the Bank Charter made by virtue of Resolution No. 26 of the Bank’s Annual General Meeting of 31 March 2015, the Bank applies all rules set out in the CG Principles, with the proviso that, due to the impossibility of total elimination of risks of a legal as well as organisational and technical nature that may adversely affect the course of the General Meeting, the Bank applies the rule set out under Article 8.4 of the CG Principles to the extent limited to the broadcasting of the Bank’s General Meetings online.

Concurrently, with its Resolution No. 25 of 31 March 2015 the Annual General Meeting accepted the Bank’s Management Board’s report of 30 December 2014 and declared readiness to apply the CG Principles in the part regarding shareholders and relations of the Bank, as a supervised institution, with its shareholders, on the terms and

conditions set out in the Resolution. The Resolution is available on the Bank’s website: [https://www.ing.pl/\\_files/ingserver/item/1105190](https://www.ing.pl/_files/ingserver/item/1105190).

### Management Board Report on Observance of Principles of Corporate Governance

Taking into account the above explanations, the Bank’s Management Board hereby submits the following statement on the observance of principles of corporate governance:

**The Management Board of ING Bank Śląski S.A. hereby declare that in 2019 the Bank observed the principles of corporate governance as set out in the Code of Best Practice for WSE Listed Companies and the Principles of Corporate Governance for Supervised Institutions, in the scope as adopted by the Bank.**

The Bank did not identify any cases of non-observance of the principles of corporate governance adopted by the Bank in the period reported.

### Code of Banking Ethics

Regardless of the principles of corporate governance, the Bank applies the Code of Banking Ethics as adopted at the 25th General Meeting of the Polish Bank Association held on 18 April 2013. The Code of Banking Ethics is available on the Polish Bank Association’s website ([https://zbp.pl/getmedia/c54fc557-0e78-48e2-a92b-1a601685dbc7/KEB\\_final\\_WZ](https://zbp.pl/getmedia/c54fc557-0e78-48e2-a92b-1a601685dbc7/KEB_final_WZ)). As the General Data Protection Regulation became effective, the Polish Bank Association, in cooperation with banks, undertook works on the code of conduct to elaborate there on the application of the GDPR. Currently, the Code is being agreed upon with the Personal Data Protection Office.

### Business Ethics Standards of ING Bank Śląski S.A.

The Bank introduced the Regulations – Employee Business Ethics Standards of ING Bank Śląski S.A. as well. These Regulations are intended to mitigate the compliance risk by indicating to the employees the rules abiding whereby is a precondition of ensuring the integrity of Bank’s operations, including ensuring compliance with legal and regulatory requirements, as well as ethical standards binding in the financial services sector. The rules stipulated therein shall apply to any and all employee activities related to performance of their professional duties. Some of the said rules

may apply to the private activities of employees which may negatively affect Bank’s reputation or give rise to a conflict of interest.

Orange Code

Orange Code is the starting point to define the elements of ethics of ING Bank Śląski employees. It determines the manner in which the strategic objective of the Bank – empowering people to stay a step ahead in life and in business – is delivered. The Orange Code defines our banking identity. It provides a set of standards valued by all bank employees who choose to follow them in their actions, and by which they are assessed by others. The Orange Code is composed of two parts:

- ING Values, being a promise made to our external stakeholders:
  - We are honest;
  - We are prudent/We apply common sense;
  - We are responsible;
- ING Behaviours which define the employees’ way of life. These are the commitments the employees make towards each other and standards allowing for the assessment of their actions:
  - You take it on and make it happen;
  - You help others to be successful;
  - You are always a step ahead.

ING Bank Śląski S.A. disclosure policy

Being a public trust organisation, the Bank pursues disclosure policy which consists in keeping an open and transparent line of communication with its shareholders, investors, the media and all stakeholders. As part of the disclosure policy, the Bank as a public company and regulated institution meets requirements regarding information confidentiality and security imposed thereon by applicable laws. Pursuing the disclosure policy, the Bank abides by corporate governance rules, in particular by ensuring proper access to information about the Bank to shareholders, investors, media and all stakeholders. The full text of the Disclosure Policy is available on the website: <https://www.ing.pl/relacje-inwestorskie/polityka-informacyjna>.

Risk control and management system in financial reporting process

Financial statements are developed by the CFO Division, with this process being one of the key elements of compliance. The basic components enabling the performance of the process encompass: the Accounting Policy adopted by the Bank’s Management Board and an accounting framework within the Bank which defines the main principles of recording business events at the Bank. Recording of events leads to the formation of the Bank’s books, which, in turn, are the basis for the development of financial statements.

The Bank identified the following risks in the financial statements development process:

- risk of incorrect input data,
- risk of inappropriate presentation of data in financial statements,
- risk of use of incorrect estimates, and
- risk of lack of integration of IT systems and operating and reporting applications.

To mitigate the aforementioned risk, the Bank structured the process of financial statements development in two layers: application- and content-related ones.

The application part of the process comprises the flow of data from the Bank’s core operating systems via various interfaces to a reporting database which hosts reporting applications. The application layer is controlled in line with the IT systems security policy adopted by the Bank. The following elements are controlled: user management, development environment management and integrity of data transmission systems, including the correct operation of interfaces in terms of the completeness of data transfer from operating systems to a reporting environment.

To ensure its adequate management, the Bank described the process of financial statements development in line with the principles binding at the Bank. The description covers the workflow, its actors and the “if... then...” situations. It also indicates the key financial statements development process controls, which include but are not limited to:

- quality control of input data for financial statements, supported by data control applications; a variety of principles concerning data correctness, error correction track and close monitoring of data quality were defined in the applications;
- control of data mapping from source systems to financial statements ensuring correct data presentation;

- analytic review based on specialists’ expertise, the main objective of which is to confront business know-how with financial data and identify potential indicators of incorrect data presentation or incorrect input data, if any.

The estimates adopted by the Bank and compliant with the IAS/ IFRS were detailed in the Accounting Policy. To avoid the risk of incorrect estimates, the Bank adopted the following solutions:

- to estimate loan impairment – the Bank implemented specific models and applications as well as internal regulations for credit risk assessment;
- to measure debt financial instruments quoted in active markets or in the case of which valuation is based on those quotations – the Bank implemented the required functionality of core systems; furthermore, the control exercised by market risk management units was instituted;
- to estimate provisions for a legal risk related to Swiss franc indexed mortgage loans – the Bank estimated expected losses based on a scenario analysis assuming the expected number of court cases and possible court decisions;
- to estimate the impact of the change in the interpretation of regulations concerning the return of a consumer loan commission – assumptions were adopted with regard to expected outflows due to complaints and prepayment profiles based on historical data;
- to measure financial instruments not quoted in active markets – the Bank implemented valuation models which had been subject to validation before application;
- to estimate pension and disability provisions – the Bank commissioned an independent actuary to prepare an estimate;
- to estimate provisions for bonuses for employees and executive staff – the Bank uses calculations in line with the General Terms and Conditions of Bonus Award adopted at the Bank, considering forecasts regarding the Bank’s results;
- to appraise own properties – the Bank adopted a rule that the appraisal is obtained from independent experts every three to five years.

The accounting principles have been detailed in the Annual Consolidated Financial Statements in the section called “Accounting policies and additional explanatory notes” and “Material principles of accounting”.

The Bank’s organisational structure makes it possible to retain the segregation of duties between the Front Office, Back Office, Risk and Finance. In addition, the institution of an adequate internal control system enforces the implementation of control of transactions and financial data in the Back Office and support units. The area is subject to the independent and objective assessment performed by the Internal Audit Department in terms of adequacy of the internal control system and risk management as well as in terms of corporate governance.

## Shares and shareholding structure of ING Bank Śląski S.A.

### Shareholding structure

ING Bank Śląski S.A. is a subsidiary of ING Bank N.V. which as at 31 December 2019 held a 75% stake in the share capital of ING Bank Śląski S.A. and 75% of the overall number of votes at the General Meeting – the figures that have not changed since March 2005. The remaining shares in the Bank (25.0%) are in free float. They are held by institutional investors, especially Polish pension funds and domestic and foreign investment funds, and by individual investors. As at the 2019 yearend, Aviva Otwarty Fundusz Emerytalny (Open-End Pension Fund) Aviva Santander was the largest among them. As per the annually reported assets structure of the fund, as at 31 December 2019 it had a 8.40% stake in the share capital and in the overall number of votes at the General Meeting. As at the date hereof, the Bank does not have any information about any other shareholder going over the threshold of 5% of the Company’s equity.

Throughout 2019, the value of ING Bank Śląski S.A.’s share capital as well as the majority shareholder’s stake in the share capital remained unchanged.



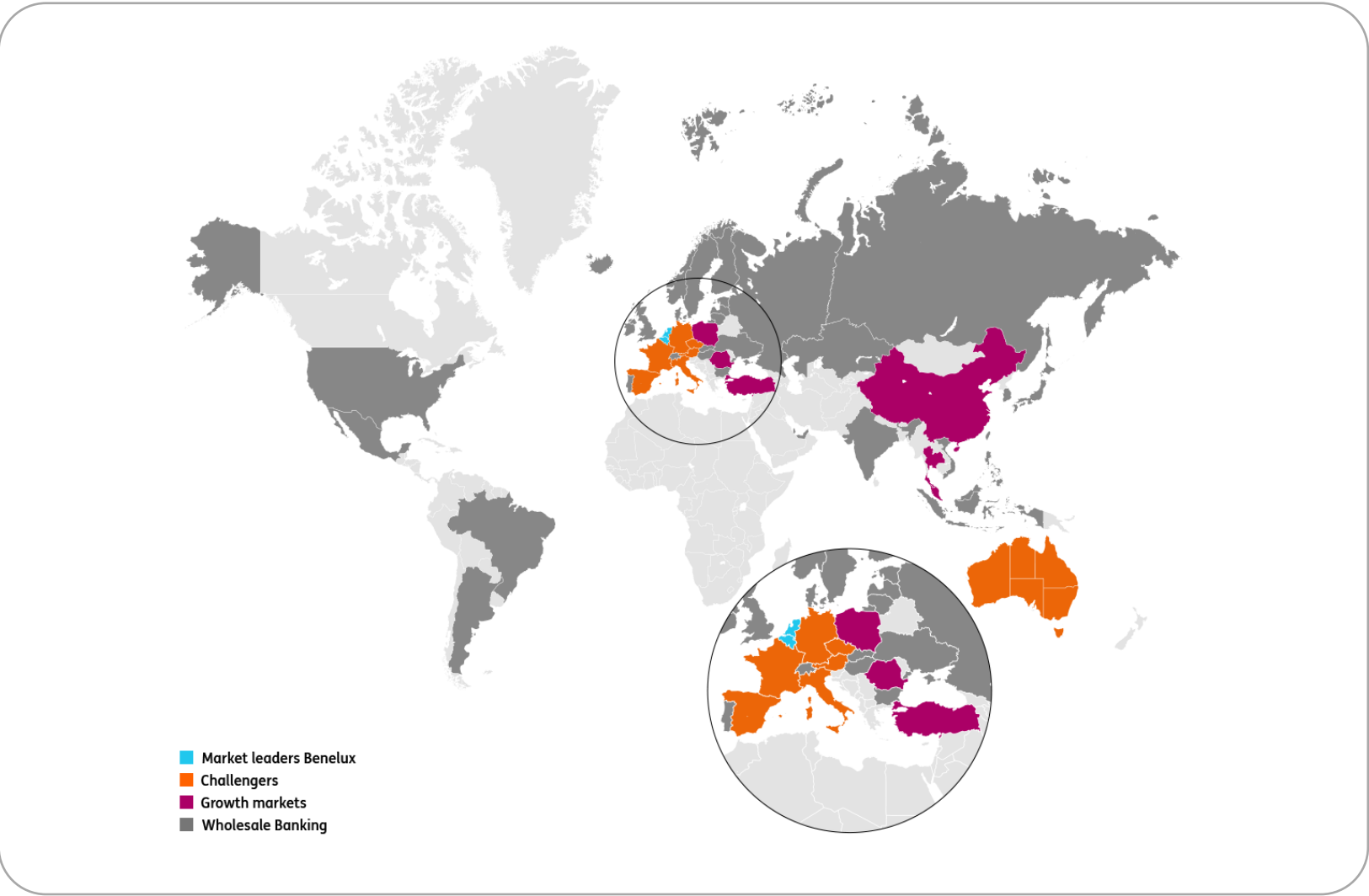
Shareholding structure of ING Bank Śląski S.A.

Shareholder	31 December 2019		31 December 2018	
	Number of shares and votes at GM	Stake in share capital and in overall number of votes at GM	Number of shares and votes at GM	Stake in share capital and in overall number of votes at GM
ING Bank N.V. (subsidiary of ING Groep N.V.)	97,575,000	75.00%	97,575,000	75.00%
Aviva Otwarty Fundusz Emerytalny Aviva Santander*	10,923,351	8.40%	10,732,305	8.25%
Other	21,601,649	16.60%	21,792,695	16.75%
<b>Total</b>	<b>130,100,000</b>	<b>100.00%</b>	<b>130,100,000</b>	<b>100.00%</b>

\*As per the annually reported assets structure of Aviva Otwarty Fundusz Emerytalny Aviva Santander as at 31 December 2018 and as at 31 December 2019

Profile of the controlling shareholder

ING Bank N.V. is a member of ING Group – a global group of financial institutions offering retail and corporate banking services to over 38 million clients. The ING Group companies have over 54 thousand employees and pursue business in more than 40 countries in Europe, North and South Americas, the Near East, Asia and Australia. The ING ING Group pursues business in four areas: Market Leaders – businesses in the Netherlands, Belgium and Luxembourg; Challengers – businesses in Germany, Austria, Spain, Italy, France, Australia and Czech Republic; Growth Markets – businesses in Poland, Romania, Turkey and Asia as a well as through a global corporate banking network dedicated to strategic clients – Wholesale Banking.



A Dutch financial institution, ING Groep N.V., is the ING Group’s parent company. It was incorporated in 1991 through the merger of a Dutch insurance company, Nationale-Nederlanden, with a Dutch bank, NMB Postbank Groep. In subsequent years, the ING Group developed, leveraging both on organic growth as well as mergers and acquisitions. During the financial crisis, in 2008–2009 the Group received state aid (later repaid in 2009–2014) conditioned by a restructuring programme. The restructuring involved the separation of banking operations from insurance and investment ones that should be divested. The restructuring of the ING Group was finalised in April 2016. ING Groep N.V. is a public company, listed on the stock exchanges in Amsterdam, Brussels and New York. Its shareholding is dispersed. As at the 2019 yearend, there were only two shareholders with capital holdings of over 3%. These were: BlackRock Inc. (5.03%) and Artisan Investments GP LLC (3.01%). In 2019, the ING Group generated the net

profit of EUR 4,781 million compared to EUR 4,703 million in 2018. The assets totalled EUR 892 billion. As at the 2019 yearend, the assets of the ING Bank Śląski Group accounted for 4.2% of the ING Group's assets. Our net profit, on the other hand, represented 8.1% of the ING Group's net profit.

More information about the controlling shareholder is available on the website: <https://www.ing.com/Home.htm>.

## Shares and share capital

In line with the Charter, ING Bank Śląski S.A.'s share capital is divided into 130,100,000 shares with a par value of PLN 1 per share. The shares in the Bank are ordinary bearer shares. No additional special controlling rights are attached thereto. The Bank Charter does not impose any restrictions on transferring the ownership of the shares issued by the Bank or exercising voting rights; further, it does not contain any stipulations whereunder share-based equity rights shall be separated from share ownership.

Moreover, the Charter authorises the Management Board to increase the share capital by an amount of up to PLN 26 million (i.e. to issue up to 26 million shares) until 21 April 2020 (authorised capital) and to exclude the pre-emptive right for the issue of the shares under the authorised capital. The amendment to the Charter was entered into the National Court Register on 22 May 2017. The Management Board decisions concerning fixing an issue price and excluding the pre-emptive right shall be approved by the Supervisory Board.

As at the date hereof, ING Bank Śląski S.A. did not have any information about any agreements which might change the ratio of the shares held by the existing shareholders in the future.

## Charter and rules of amending the Charter

The current Charter of ING Bank Śląski S.A. is available on the website: [https://en.ing.pl/\\_fileserver/item/1100492](https://en.ing.pl/_fileserver/item/1100492).

## Rules of amending the Charter

An amendment to the Bank Charter requires a resolution of the General Meeting and registration in the Register of Entrepreneurs of the National Court Register. Further, an amendment thereto requires consent of the Polish Financial Supervision Authority.

An amendment to the Bank Charter providing for a change to the Bank's business objects does not require buyout of the shares from those shareholders who do not approve such an amendment, provided that a resolution of the

General Meeting concerning the amendment is adopted by a two-third majority of votes in the presence of individuals representing at least half of the share capital.

## Charter amendments in 2019

Amendments to the Bank Charter registered in 2019 encompass:

- taking into account operations carried out by the Bank under the Family Support and Foster Care Act of 9 June 2011, reflecting requirements concerning participation of independent members of the Supervisory Board in the Risk Committee, in compliance with the Guidelines on Internal Governance issued by the European Banking Authority.

Moreover, the General Meeting passed a resolution on a change to the Bank's object of business involving the introduction of agency with regard to services provided by investment fund companies referred to in Article 45.2.2) of the Investment Funds and Alternative Investment Funds Management Act of 27 May 2004. Proceedings before the Polish Financial Supervision Authority to secure consent to the change are currently ongoing.

Further, the Bank received consent of the Polish Financial Supervision Authority to an amendment to the Charter consisting in the replacement of the existing provision involving the issue of an electronic money instrument with the one providing for an option to issue electronic money (Resolution No. 27 of the General Meeting of 5 April 2018). A motion to register the amendment was filed with the court.

## General Meeting

### Principles of convening the General Meeting

The General Meeting is convened by way of an announcement on the Bank's website and in a manner provided for the announcement of current information by public companies. The General Meeting operates according to the principles defined in the Commercial Companies and Partnerships Code and in the Bank Charter as an Annual or Extraordinary Meeting.

General Meetings are convened at the time enabling all eligible and interested shareholders to attend them.

### Shareholder rights

Shareholders in the Bank that represent at least one-twentieth of the share capital are entitled to:

- request for the Extraordinary General Meeting to be convened,

- request for particular items to be included in the agenda of the nearest General Meeting,
- submit draft resolutions concerning items put on the agenda prior to the General Meeting.

Each shareholder is entitled to submit during the General Meeting draft resolutions concerning items put on the agenda.

## Operations of the General Meeting

When an Extraordinary General Meeting is convened, the Management Board presents the rationale for convening such a meeting and for putting specific matters on the agenda or asks for presentation of the rationale, if the General Meeting was convened upon the request of another eligible entity.

Draft resolutions are presented to the General Meeting by the Management Board upon advice of the Bank’s Supervisory Board.

Subject to the cases provided for in the Commercial Companies and Partnerships Code, the General Meeting shall be valid regardless of the number of the shares represented. Each share confers the right to one vote. In principle, resolutions of the General Meeting are passed with the absolute majority of votes, except for the cases provided for in the Commercial Companies and Partnerships Code and the Charter. Apart from the Commercial Companies and Partnerships Code, the issues related to the convening and functioning of the General Meeting are specified in the Bank Charter, the Bylaw of the General Meeting and a notice of the General Meeting.

General Meetings are held in the Company’s registered office in Katowice and are transmitted online. The General Meeting may also be attended by interested media representatives acting as observers.

The principles concerning shareholders participation in the General Meeting, the mode of conduct during the General Meeting as well as the manner of shareholders’ communication with the Bank are provided for in the Bylaw of the General Meeting which is available on the website: [https://www.ing.pl/\\_files/assetmanager/1000491](https://www.ing.pl/_files/assetmanager/1000491).

In keeping with the Code of Best Practice for WSE Listed Companies 2016 adopted by the Bank, the amendments to the Bylaw become effective as of the subsequent General Meeting.

The powers of the General Meeting are set out in particular by the regulations of the Commercial Companies and Partnerships Code, the Banking Law Act and the stipulations of the Bank Charter.

## Supervisory Board

### Supervisory Board composition

GRI [102-18]

The Supervisory Board consists of 5 to 11 Members appointed by the General Meeting for a 5-year common term of office that starts from the date of appointment and runs for four full consecutive financial years.

The General Meeting determines the number of the Supervisory Board members for a given term of office. The Supervisory Board members may be dismissed at any time by a resolution of the General Meeting.

In conformity with the principles of corporate governance adopted by the Bank and requirements stemming from the law, the Supervisory Board includes independent members. In line with the Charter, at least two members of the Supervisory Board should have no ties with the Bank, its shareholders or employees if such relations could materially affect the ability of these members to take impartial decisions (independent members). The minimum number of the independent members of the Supervisory Board and detailed criteria of independence are prescribed by the law and the Code of Best Practice for WSE Listed Companies adopted by the Bank and are specified in detail in the Bylaw of the Supervisory Board.

The General Meeting held on 29 March 2019 approved the financial statements for 2018. This marked the end of the current Supervisory Board’s term of office. On 29 March 2019, the General Meeting appointed the Board composed of its current members. The term of office of the newly appointed Board shall end on a date of the General Meeting approving the financial statements for 2023.

Supervisory Board composition as at 31 December 2019

	Function in the Supervisory Board	Audit Committee	Remuneration and Nomination Committee	Risk Committee
Mr Antoni F. Reczek	Chairperson, independent member	●		●
Ms Małgorzata Kołakowska	Deputy Chairperson	●	●	
Mr Aleksander Galos	Secretary, independent member	●	●	●
Mr Ad Kas	Member			●
Ms Aleksander Kutela	Independent member	●	●	●
Mr. Michał Szczurek	Member			●
Mr Norman Tambach	Member	●		

● – Chairperson      ● – Member

The qualifications of the Supervisory Board members of ING Bank Śląski S.A. are presented on the Bank’s website: <https://en.ing.pl/#management=2>.

In keeping with the Bank’s Policy for the Assessment of Suitability of Members of the Supervisory Board, Management Board and Key Function Holders at ING Bank Śląski S.A., the candidates for the Board members underwent suitability assessment. The said assessment was performed by an independent third party, i.e. EY Doradztwo Podatkowe Krupa Sp.k. It confirmed that all the candidates had relevant expertise, skills and experience to perform the function of a Supervisory Board member, warranted due performance of duties involved and met other requirements set out in Article 22aa of the Banking Law Act, and thus fulfilled the suitability criteria laid down in the Policy. At the same time, the Remuneration and Nomination Committee stated that the individual competences of the particular members of the Supervisory Board were complementary and allowed for ensuring the adequate level of collective performance of supervision duties with regard to all of the Bank’s areas of operation.

Rights and duties of the Supervisory Board

The primary mission of the Supervisory Board is to perform a supervisory function – the Board, on an ongoing basis, supervises the Bank’s operations across all areas. Special powers and duties of the Supervisory Board include the assessment of a report on the Bank’s operations and financial statements for a previous financial year and motions

of the Management Board regarding profit distribution or loss coverage, and the submission of an annual written report on the outcome of the assessment to the General Meeting.

Apart from the aforementioned powers and duties, the Supervisory Board passes resolutions on matters specified in the Bank Charter.

The resolutions of the Supervisory Board are passed with the absolute majority of votes, whereas in case of a tie, the Chairman of the Supervisory Board has the casting vote.

Resolutions of the Supervisory Board may be passed if more than half of the Supervisory Board members, including the Chairperson or Deputy Chairperson, are present at a meeting to which all the Supervisory Board members have been invited.

Meetings of the Supervisory Board take place at least five times a year. In 2019, eight meetings of the Supervisory Board were held; additionally, eleven times the Board took decisions by correspondence.

In cases stipulated in the Charter and the Bylaw of the Supervisory Board, resolutions of the Supervisory Board may be passed without holding a meeting, either in writing or by means of distance communication.

The detailed principles governing the operation of the Supervisory Board are determined in the Bank Charter and the Bylaw of the Supervisory Board passed by the Supervisory Board.

Out of its members, the Supervisory Board appoints members of the Audit Committee, the Remuneration and Nomination Committee and the Risk Committee to support the Supervisory Board in performing its duties.

Audit Committee

The Audit Committee supports the Supervisory Board in the monitoring of and supervision over the financial reporting, the internal and external audits and management system at the Bank and its subsidiaries. In particular, this covers the adequacy and effectiveness of the internal control system and the system of risk management and the relations between the Bank and the entity auditing the Bank’s financial statements.

The operations of the Audit Committee are described in detail in the *Bylaw of the Supervisory Board’s Audit Committee of ING Bank Śląski S.A.* passed by the Supervisory Board.

In accordance with the By-law, the Audit Committee consists of at least 3 Members of the Supervisory Board. The majority of the Members of the Audit Committee, inclusive of its Chairman, should meet the independence criteria, and at least one of the Independent Members in the Audit Committee should additionally have qualifications in accounting or financial audit. Currently, there are three Independent Members of the Supervisory Board in the Audit



Committee, which fulfils the requirements of the Act on Statutory Auditors, Auditing Firms and Public Oversight of 11 May 2017.

The Audit Committee meets at least once per quarter. While performing its tasks, the Audit Committee may use expert assistance.

In 2019, the composition of the Audit Committee did not change.

The independent members who meet the statutory independence criteria are: Antoni F. Reczek (Chairperson), Aleksander Galos and Aleksander Kutela. The other members of the Audit Committee, namely Małgorzata Kołakowska and Norman Tambach, are related to the strategic shareholder, ING Bank NV. Mr Antoni F. Reczek has expertise and skills in accounting and auditing of financial statements. He became a licensed auditor of the Republic of Poland in 1993. Also Mr Norman Tambach has knowledge and skills in these areas – he has been a chartered accountant registered with the Netherlands Institute of Chartered Accountants since 2002. All Members of the Audit Committee have knowledge and skills in finances and banking.

In 2019, the Audit Committee held six meetings; additionally, eight meetings were held by way of correspondence.

In 2019, an auditing firm that audited financial statements (KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k.) provided the following services other than the audit:

- the review of the interim (semi-annual) financial statements of the Bank and of the ING Bank Śląski S.A. Group,
- an assurance engagement concerning the satisfaction of requirements for the storage of clients' assets,
- an attestation service regarding the compliance of annual disclosure on the Bank's capital adequacy,
- the review of the Bank's interim (quarterly) financial statements for capital requirements needs.

Provision of the aforementioned services was approved by the Audit Committee after the assessment of threats to and safeguards for independence of the statutory auditor and auditing firm was carried out.

The main assumptions of the *Policy on Selection of Auditing firm to Audit Financial Statements, Assessment of its Independence and Provision of Other Permitted Services at ING Bank Śląski S.A.* are:

- 1 the Audit Committee makes a decision on giving consent for hiring an auditor (auditing firm carrying out an audit, an entity related thereto and by a member of the auditing firm's network) to provide permitted services other than the audit; the permitted services may be provided only within the scope other than the Bank's tax policy

- 3 following the Audit Committee's assessment of threats to and safeguards for the independence of an auditor and auditing firm;
- 4 the independence of an auditor or auditing firm is verified and monitored at each stage of an auditing firm selection process;
- 5 when making a final decision on the selection of an auditing firm or preparing recommendations, the Supervisory Board or the Audit Committee, respectively, observe the following transparent and non-discriminating selection criteria that are applied by the Bank to appraise tenders submitted by auditing firms:
  - 5.1 the assessment of the independence of an auditing firm to carry out an audit already at a selection procedure stage,
  - 5.2 potential to provide all services specified by the Bank (audit of separate financial statements, audit of consolidated financial statements, reviews, etc.),
  - 5.3 the track record of an auditing firm as regards the audit of financial statements of the entities with a business profile similar to that of the Bank,
  - 5.4 the track record of an auditing firm as regards the audit of financial statements of public interest entities from the banking sector,
  - 5.5 professional qualifications and experience relevant for the performance of audit activities, and the number of individuals directly involved in an audit carried out at the Bank, price terms offered by an auditing firm.

The recommendation of the Audit Committee concerning the selection of an auditing firm to audit the Bank's financial statements satisfied the applicable terms and conditions and was issued following the selection procedure organised by the Bank that fulfilled the applicable criteria.

## Remuneration and Nomination Committee

The Remuneration and Nomination Committee support the Supervisory Board in the area of monitoring and supervision of the Bank's HR and payroll area, including in particular selection of the Management Board Members, diversity policy, assessment of suitability of the Management Board Members, succession plans, the process of employee turnover, measuring the Bank employees' satisfaction and policy of remuneration and bonus award system, inclusive of the variable remuneration policy.

The operations of the Remuneration and Nomination Committee are described in detail in the *Bylaw of the Supervisory Board Remuneration and Nomination Committee of ING Bank Śląski S.A.* passed by the Supervisory Board.

The Remuneration and Nomination Committee consists of at least 3 Members of the Supervisory Board. The majority of the Remuneration and Nomination Committee members, including the Chairperson, should meet the independence criteria of the Independent Members of the Supervisory Board. Currently three Members of the Supervisory Board are also the Committee Members. Two of them are Independent ones.

The Remuneration and Nomination Committee meets at least once per quarter.

In 2019, the composition of the Remuneration and Nomination Committee did not change. In 2019, eight meetings of the Remuneration and Nomination Committee were held; additionally, three meetings were held by correspondence.

## Risk Committee

The Risk Committee supports the Supervisory Board in monitoring and supervising a process of risk management, including the operational risk, credit risk and market risk, and an internal capital estimation process, capital management and planning, a model risk process and a capital adequacy area.

The operations of the Risk Committee are described in detail in the *Bylaw of the Supervisory Board Risk Committee of ING Bank Śląski S.A.* passed by the Supervisory Board.

According to the Bylaw, the Risk Committee consists of at least 3 Members of the Supervisory Board. The majority of the Committee members, including the Chairperson, should satisfy the criteria laid down for the Independent Members of the Supervisory Board.

The Risk Committee meets at least once per quarter.

In 2019, the composition of the Risk Committee did not change.

Currently, the Risk Committee consists of five members, with three of them being independent. In 2019, the Risk Committee held four meetings; additionally, six meetings were held by way of correspondence.

## Management Board

### Management Board composition

The Bank Management Board is composed of 3 to 8 members appointed by the Supervisory Board. The number of the Management Board Members in a given term of office is determined by the Supervisory Board. The Management

Board Members are appointed for a common term of office that starts from the date of appointment and runs for four full consecutive financial years.

At least half of the Management Board members have to be Polish citizens. Two Management Board members, including the President and the Vice-President in charge of management of the risk material to the Bank’s business, are appointed with consent of the Polish Financial Supervision Authority. The Management Board members may be dismissed at any time by the Supervisory Board. The Vice-President of the Management Board may be dismissed by the Supervisory Board upon consultation with the President of the Management Board.

On 1 January 2019, Mr Lorenzo Tassan-Bassut became the Vice-President of the Bank Management Board, in compliance with a resolution of the Supervisory Board of 23 November 2018. On 24 June 2019, the Supervisory Board appointed Mr Sławomir Soszyński as the Vice-President of the Bank Management Board, effective as of 1 October 2019.

In keeping with the Bank’s *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.*, prior to appointment to the position of the Vice President of the Management Board, the Suitability Assessment of the candidate was conducted. The said assessment was performed by an independent third party, i.e. EY Doradztwo Podatkowe Krupa Sp.k. It confirmed that Mr Sławomir Soszyński had relevant expertise, skills and experience to perform the function of a Management Board member of ING Bank Śląski S.A., warranted due performance of duties involved and met other requirements set out in Article 22aa of the Banking Law Act, and thus fulfilled the suitability criteria laid down in the Policy. At the same time, the Remuneration and Nomination Committee stated that the individual competences of the particular members of the Bank’s Management Board were complementary and allowed for ensuring the adequate level of collective performance of supervision duties with regard to all of the Bank’s areas of operation.

On 20 September 2019, Mr Patrick Roesink tendered his resignation from a position of the Vice-President of the Management Board of ING Bank Śląski S.A., effective as of 31 March 2020. Concurrently, on 23 December 2019 the Supervisory Board, having consulted the President of the Management Board and recommendation issued by the Remuneration and Nomination Committee, decided to appoint Ms Joanna Erdman to a position of the Vice-President of the Management Board of ING Bank Śląski S.A. responsible for the CRO Division. Given that for the appointment to the position to be effective it is necessary to secure consent of the Polish Financial Supervision Authority, the

resolution shall enter into force provided that the Authority gives its consent, in any case as of 1 April 2020 at the earliest.

The qualifications of the individual Management Board members are presented on ING Bank Śląski S.A.’s website: <https://en.ing.pl/#management=1>.

Powers of the Management Board

The Management Board shall manage the Bank and represent it outside. Any matters not restricted to the competence of other bodies of the Bank by the laws or the Bank Charter shall rest with the Management Board. The Management Board acts collectively except for those matters which in line with the Bank’s internal regulations have been entrusted to individual Management Board members.

The Management Board formulates a strategy of the Bank’s operation as part of a three-year rolling action plan, to be approved by the Supervisory Board.

The Management Board passes resolutions if its meeting is attended by more than half of its members and all the Management Board members have been correctly invited thereto. Resolutions of the Management Board are adopted by an absolute majority of votes. In the case of a tie, the President of the Management Board shall have a casting vote.

The Bank’s Management Board members supervise particular divisions and organisational units in accordance with the segregation of duties defined by the Management Board and approved by the Supervisory Board, and bear responsibility for the implementation of their missions and core tasks.

The organisation of work of the Management Board, matters requiring a resolution of the Management Board and the Management Board’s way of operation are set forth in the Bylaw of the Management Board passed by the Management Board and approved by the Supervisory Board. Powers of individual Management Board members are defined in the Organisational Bylaw and regulations concerning functioning of their areas as enacted by the Management Board.

The Management Board is authorised to increase the share capital by an amount of up to PLN 26 million (i.e. to issue up to 26 million shares) until 21 April 2020 (authorised capital) and to exclude the pre-emptive right for the issue of the shares under the authorised capital. The Management Board decisions concerning fixing an issue price and excluding the pre-emptive right shall be approved by the Supervisory Board.

Scope of Responsibilities of Bank Management Board Members			
From 1 January 2019		As at 31 December 2019	
Mr Brunon Bartkiewicz	<b>President of the Bank Management Board</b> in charge of some units reporting directly to the Bank Management Board (including: Management Board Bureau, Spokesperson, Internal Audit Department, Legal Department, Compliance Department, HR units, Macroeconomic Research Bureau, Centre of Expertise Communication and Brand Experience, Chief Data Officer and a subsidiary – ING Bank Hipoteczny S.A.)	Mr Brunon Bartkiewicz	<b>President of the Bank Management Board</b> in charge of the CEO Division (supervised units such as the Management Board Bureau, Spokesperson, Internal Audit Department, Legal Department, Centre of Expertise – Compliance Department, Centre of Expertise – HR, Macroeconomic Research Bureau, Centre of Expertise Communication and Brand Experience)
Mr Michał Bolesławski	<b>Vice-President of the Bank Management Board</b> in charge of the Corporate Clients Business Line and the following subsidiaries: ING Usługi dla Biznesu S.A., ING Investment Holding (Polska) S.A. (ING Lease (Polska) Sp. z o.o. and ING Commercial Finance Polska S.A.)	Mr Michał Bolesławski	<b>Vice-President of the Bank Management Board</b> in charge of the Corporate Clients Division and the following subsidiaries: ING Usługi dla Biznesu S.A., ING Investment Holding (Polska) S.A. (ING Lease (Polska) Sp. z o.o. and ING Commercial Finance Polska S.A.)
Ms Joanna Erdman	<b>Vice-President of the Bank Management Board</b> in charge of the Strategic Clients Business Line and the Financial Markets Division and of the following subsidiary – Nowe Usługi S.A.	Ms Joanna Erdman	<b>Vice-President of the Bank Management Board</b> in charge of the Wholesale Banking Division (as regards the Strategic Clients and Financial Markets) and of a subsidiary – Nowe Usługi S.A.
Mr Marcin Giżycki	<b>Vice-President of the Bank Management Board</b> in charge of the Retail Clients Business Line	Mr. Marcin Giżycki	<b>Vice-President of the Bank Management Board</b> in charge of the Retail Clients Division (all units, including the Brokerage Office)
Ms Bożena Graczyk	<b>Vice-President of the Bank Management Board</b> in charge of the Finance Division, Treasury Department, Procurement and Vendor Management Department	Ms Bożena Graczyk	<b>Vice-President of the Bank Management Board</b> in charge of the CFO Division (supervised units such as the Treasury Department, Procurement and Vendor Management Department, Accounting Department, Controlling Department and other units) and the following subsidiaries – Solver Sp. z o.o., ING Bank Hipoteczny S.A.
Mr Lorenzo Tassan-Bassut	<b>Vice President of the Bank Management Board</b> in charge of the Operations Division, Tech Division, Transformation and Change Management Department, IT Security Department, ING Hub Services Department, Monitoring and Process Control Centre, Data Management Centre, Chief Data Officer, Real Property Management and Bank Servicing Department	Mr Patrick Roesink	<b>Vice-President of the Bank Management Board</b> in charge of the CRO Division (i.e. the Model Validation Department and other units)
Mr Patrick Roesink	<b>Vice-President of the Bank Management Board</b> in charge of the Risk Division, the Model Validation Department, and the Credit Risk Inspection Department	Mr Sławomir Soszyński	<b>Vice-President of the Bank Management Board</b> in charge of the CIO Division (all units)
		Mr Lorenzo Tassan-Bassut	<b>Vice-President of the Bank Management Board</b> in charge of the COO Division (supervised units such as the Transformation and Change Management Department, IT Security Department, KYC Tribe, Business Control Office, Data Management Centre, Chief Data Officer, Real Property Management and Bank Servicing Department and other units)



# Remuneration of the Management Board and the Supervisory Board members

## The rules of the Management Board Members remuneration

In line with the Executive Compensation Bylaw for Members of the Management Board of ING Bank Śląski S.A. which follows the *Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A.*, the remuneration of a Bank Management Board Member is composed of:

- fixed remuneration comprising basic remuneration and fringe benefits, and
- variable remuneration, i.e. an annual bonus.

Base remuneration is determined by benchmarking it to the market, in accordance with the salary grade under the Hay job valuation methodology.

The Bank provides its Management Board members with the following fringe benefits:

- life and accident insurance with a guaranteed insured sum in the amount of gross annual basic remuneration, another type of protection and investment insurance or an investment fund, with the same premium,
- payments towards an investment fund in the amount of 15% of the monthly basic remuneration of a Management Board member,
- medical care (Golden Family Card Package).

Furthermore, the Supervisory Board may decide on granting other benefits, e.g. covering private school tuition for children, rent and fittings of an apartment or a house or payment of a rent allowance, covering membership fees in clubs and associations in Poland and abroad, provided this is justified by interest of the Bank.

A Management Board Member may be awarded a bonus of up to 100% of the annual base remuneration for performance of the bonus tasks set by the Supervisory Board. Bonus tasks support creating long-term goodwill of the Bank and take account of care about the risk cost of the Bank, the capital cost and liquidity risk. Objectives have the following nature:

- financial, including the Bank's gross profit, financial risk cost and tasks within a Management Board member's responsibility, and

- non-financial.

Non-financial objectives constitute at least 50% of all objectives except for the Management Board Member exercising control functions where the objectives are based in at least 75% on the function-based targets and they comprise quality tasks. Moreover, the financial tasks cannot be linked to the results generated in the areas controlled by this particular Management Board Member.

A right to an annual bonus depends on the attainment by the Bank in a financial year representing an assessment period of at least 80% of a gross profit forecast in a plan for the given year. Should such profit not be achieved, a Management Board member shall not have the right to an annual bonus and a base value thereof shall not be computed. In compliance with the *Capital Management Policy at ING Bank Śląski S.A.*, ING Bank Śląski S.A tests capital to ensure that a total bonus pool for all the employees does not limit the Bank's ability to maintain an adequate capital base. In case of such limitation, a decision may be taken not to activate the bonus pool. 40% of the bonus is deferred, 60% – if a threshold defined by the Bylaw is exceeded. The outcome of assessment of the objectives attainment is verified in a deferral period, i.e. for four subsequent years, so as to evaluate the impact of an employee's actions on the Bank's long-term results. For the President of the Bank's Management Board, at least 50% of the variable remuneration is deferred, with a deferral period lasting six years and the bonus being divided into five equal portions.

The bonus is divided into two parts (rounding up to the integer of a financial instrument):

- at least 50% as phantom stocks making its beneficiaries eligible for cash in an amount depending on the Bank's stock price, and the remainder as cash.

No bonus shall be due should an employment contract be terminated under Article 52 of the Labour Code. The Supervisory Board may also decide to reduce the annual bonus or not to pay it out in a given bonus award period based on the verification of assessment of the execution of the bonus tasks, taking the ex post risk into account.

## Remuneration of Management Board members

In 2019, the total emoluments due and paid by the Bank to the Management Board members reached PLN 16,812.4 thousand, while in 2018 it was PLN 18,239.4 thousand.

Emoluments due and paid to members of the Management Board of ING Bank Śląski S.A. in 2019

PLN thousand	From – to	Remuneration	Awards*	Other benefits**	Total
Brunon Bartkiewicz	01.01.2019 – 31.12.2019	2,514.0	845.9	436.8	3,796.7
Michał Bolesławski	01.01.2019 – 31.12.2019	1,348.8	1,024.6	227.6	2,601.0
Joanna Erdman	01.01.2019 – 31.12.2019	1,348.8	895.6	232.1	2,476.5
Patrick Roesink	01.01.2019 – 31.12.2019	1,179.1	376.3	652.1	2,207.4
Marcin Giżycki	01.01.2019 – 31.12.2019	1,218.7	546.4***	213.7	1,978.8***
Bożena Graczyk	01.01.2019 – 31.12.2019	1,320.0	408.7	210.2	1,938.8
Lorenzo Tassan-Bassut	01.01.2019 – 31.12.2019	1,016.8	0.0	452.0	1,468.8
Soszyński Sławomir	01.10.2019 – 31.12.2019	270.0	0.0	74.3	344.3
Total		10,216.1	4,097.5	2,498.7	16,812.4

\*The awards encompass: 1) a bonus under the Variable Remuneration Programme: for 2018 non-deferred cash, for 2016 the 2nd tranche of deferred cash and for 2015 the 3rd tranche of deferred cash; and 2) phantom stocks under the Variable Remuneration Programme: for 2017 retained, for 2016 the 1st tranche deferred, for 2015 the 2nd tranche deferred and for 2014 the 3rd tranche deferred.

\*\*Other benefits include insurance, payments towards an investment fund, medical care, health insurance and other benefits awarded by the Bank’s Supervisory Board.

\*\*\*Including the amount of PLN 70.3 thousand as a bonus paid by ING Securities S.A. under the Variable Remuneration Programme: for 2016 deferred cash the 2nd tranche, for 2015 deferred cash the 3rd tranche and phantom stocks under the Variable Remuneration Programme: for 2016 the 1st tranche deferred, for 2015 the 2nd tranche deferred

Emoluments due to the members of ING Bank Śląski S.A.’s Management Board for 2019 under the Variable Remuneration Programme have not been awarded yet. In keeping with the Bank’s remuneration system, the Bank’s Management Board members may be entitled to a 2019 bonus to be paid out in 2020–2027. Accordingly, a provision was set up for the payment of the 2019 bonus for the Management Board members, which as at 31 December 2019 stood at PLN 9.75 million. The Bank’s Supervisory Board will take a final decision on the amount of the bonus.

Emoluments due and paid to members of the Management Board of ING Bank Śląski S.A. in 2018

PLN thousand	From – to	Remuneration	Awards*	Other benefits**	Total
Brunon Bartkiewicz	01.01.2018 – 31.12.2018	2,514.0	1,019.3	436.0	3,969.3
Michał Bolesławski	01.01.2018 – 31.12.2018	1,334.1	1,406.9	224.2	2,965.1
Joanna Erdman	01.01.2018 – 31.12.2018	1,338.9	1,129.3	227.8	2,695.9
Justyna Kesler	01.01.2018 – 31.12.2018	1,200.0	1,292.6	231.8	2,724.4
Patrick Roesink	01.01.2018 – 31.12.2018	1,100.0	496.9	801.3	2,398.1
Marcin Giżycki	01.01.2018 – 31.12.2018	1,092.6	515.9***	189.7	1,798.3***
Bożena Graczyk	01.01.2018 – 31.12.2018	1,320.0	158.7	209.5	1,688.2
Total		9,899.6	6,019.6	2,320.2	18,239.4

\*The awards encompass: 1) a bonus under the Variable Remuneration Programme: for 2017 non-deferred cash, for 2016 the 1st tranche of deferred cash, for 2015 the 2nd tranche of deferred cash and for 2014 the 3rd tranche of deferred cash; 2) phantom stocks under the Variable Remuneration Programme: for 2016 retained, for 2015 the 1st tranche deferred, for 2014 the 2nd tranche deferred and for 2013 the 3rd tranche deferred.

\*\*Other benefits include insurance, payments towards an investment fund, medical care, health insurance, tax advisory services, social insurance contributions in a home country, other benefits awarded by the Bank’s Supervisory Board and financial instruments exercised under the Long-term Incentive Schemes.

\*\*\*Including the amount of PLN 111.6 thousand as a bonus paid by ING Securities S.A. under the Variable Remuneration Programme: for 2016 – deferred cash the 1st tranche, for 2015 – deferred cash the 2nd tranche and phantom stocks under the Variable Remuneration Programme: for 2016 – retained, for 2015 the 2nd tranche deferred

As at the 2018 yearend, a provision for the 2018 bonus payment for the Management Board members amounted to PLN 9.25 million.

Employment contracts provide for benefits for all Bank Management Board Members being sixfold of their monthly base remuneration calculated for the last six months prior to the employment contract termination, if their term of office expires and they are not appointed for the next term of office or they are dismissed.

The above provision does not apply should:

- an employment relationship be terminated under Article 52 of the Labour Code,
- an employment contract is terminated following the resignation of a Management Board member

- if a Management Board member or the entire Management Board has been suspended by the Polish Financial Supervision Authority under the Banking Law.

Furthermore, the Bank’s Management Board members conclude non-competition agreements with the Bank to govern the rights and obligations of the parties to the agreement with regard to competitive activities during and after the expiry of the employment contract, during 12 months from the date of termination of the employment contract, with an option of the payment of non-competition compensation being twelvefold of the gross basic remuneration received by a Management Board member during the last year of the agreement term.

Should a Management Board member be dismissed for reasons substantiating the termination of an employment relationship without termination notice (pursuant to Article 52 of the Labour Code) or should a Management Board member or the entire Management Board of the Bank be suspended by the Polish Financial Supervision Authority under the Banking Law, the non-competition compensation shall amount to 25% of the 12-month gross basic remuneration received in the last year of the agreement term.

If an employment relationship is terminated due to the resignation of a Management Board member, the non-competition compensation shall amount to 50% of the 12-month gross basic remuneration received in the last year of the agreement term, where the Supervisory Body authorises the Chairperson to increase the compensation over the above threshold.

The Management Board members and other individuals employed by ING Bank Śląski S.A. receive neither compensation nor awards for holding functions in the governing bodies of subsidiaries or affiliates of the ING Bank Śląski S.A. Group.

### Remuneration of Supervisory Board Members

In 2019, the total remuneration (defined as for the Management Board members) due and paid out by the Bank to the Supervisory Board members reached PLN 840.0 thousand, while in 2018 it stood at PLN 774.5 thousand.

Emoluments due and paid to members of the Supervisory Board of ING Bank Śląski S.A. in 2019				
PLN thousand	From – to	Remuneration and awards*	Other benefits	Total
Aleksander Galos	01.01.2019 – 31.12.2019	264.3	0.0	264.3
Aleksander Kutela	01.01.2019 – 31.12.2019	227.4	0.0	227.4
Antoni Reczek	01.01.2019 – 31.12.2019	348.3	0.0	348.3
Małgorzata Kołakowska	01.01.2019 – 31.12.2019	0.0	0.0	0.0
Michał Szczurek	01.01.2019 – 31.12.2019	0.0	0.0	0.0
Christopher Steane	01.01.2019 – 31.12.2019	0.0	0.0	0.0
Ad Kas	01.01.2019 – 31.12.2019	0.0	0.0	0.0
Norman Tambach	01.01.2019 – 31.12.2019	0.0	0.0	0.0
Total		840.0	0.0	840.0

\*The remuneration and awards include the return of contributions to the Social Insurance Institution due to exceeding the annual basis of contributions for retirement and disability pension insurance in keeping with a decision by the Social Insurance Institution.

Emoluments due and paid to members of the Supervisory Board of ING Bank Śląski S.A. in 2018				
PLN thousand	From – to	Remuneration and awards*	Other benefits	Total
Aleksander Galos	01.01.2018 – 31.12.2018	235.3	0.0	235.3
Aleksander Kutela	01.01.2018 – 31.12.2018	208.6	0.0	208.6
Antoni Reczek	01.01.2018 – 31.12.2018	330.5	0.0	330.5
Małgorzata Kołakowska	01.01.2018 – 31.12.2018	0.0	0.0	0.0
Michał Szczurek	05.04.2018 – 31.12.2018	0.0	0.0	0.0
Christopher Steane	01.01.2018 – 05.04.2018	0.0	0.0	0.0
Ad Kas	01.01.2018 – 31.12.2018	0.0	0.0	0.0
Norman Tambach	01.01.2018 – 31.12.2018	0.0	0.0	0.0
Total		774.5	0.0	774.5

\*The remuneration and awards include the return of contributions to the Social Insurance Institution due to exceeding the annual basis of contributions for retirement and disability pension insurance in keeping with a decision by the Social Insurance Institution.

As at the 2019 yearend, no member of the Bank’s Management Board or Supervisory Board held any shares in ING Bank Śląski S.A. or in any associated company.

## Diversity Policy

Our Diversity Policy:

- defines diversity management focus areas at the Bank;
- lays down the way of diversity management at our Bank;
- integrates all actions, including processes, procedures and other documents, that are associated with diversity management at our Bank;
- ensures equal treatment and friendly work environment for all employees and candidates for employees;
- supports the organisation in building the awareness of the principles of equal treatment at work, which means no discrimination in any manner whatsoever, both direct and indirect, because of: gender, age, disability, health condition, race, nationality, ethnic origin, religion, denomination, irreligion, political convictions, trade union membership, sexual orientation, gender identity, family status, lifestyle, form, scope and basis of employment, other cooperation types and other triggers of discriminatory behaviours;
- pertains to all employees and candidates, regardless of the positions they hold, and especially to the Bank’s authorities and key managers;
- is regularly monitored, every six months.

More information on the Diversity Policy is described in the Chapter “Way of working” in the section “Diversity and equal chances” on page 152.

### Diversity policy for supervisory, managing and administrative bodies

ING Bank Śląski S.A. has a *Diversity Policy for ING Bank Śląski S.A Management Board and Supervisory Board* Members in place. The Policy seeks to:

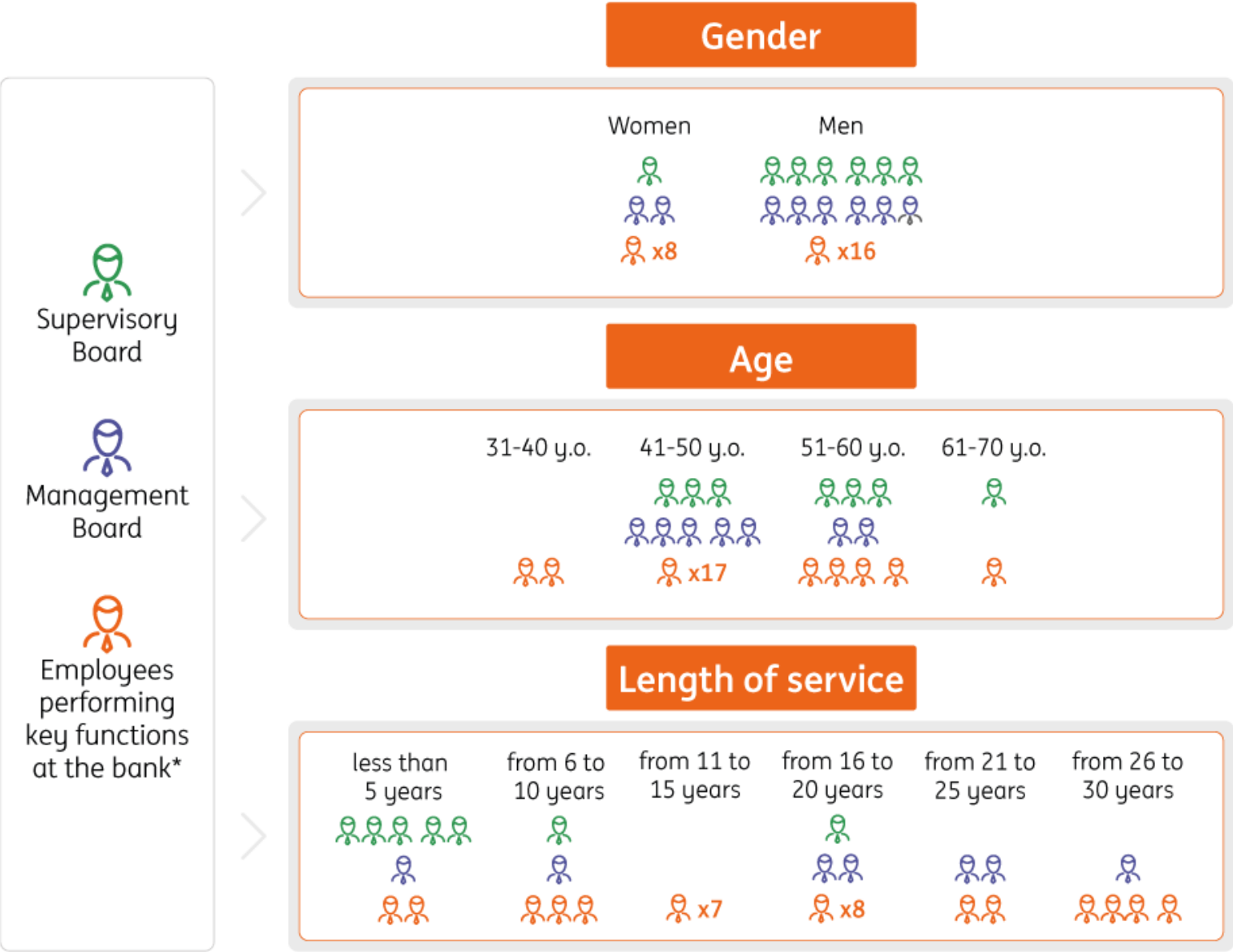
- reach a broad spectrum of competence when appointing Supervisory Board and Management Board members so as to have diverse points of view and experience and to facilitate independent opinions and reasonable decisions to be issued by a given body;

- ensure the high quality of tasks performed by managing bodies by way of selecting competent individuals to the Supervisory Board and Management Board, primarily applying objective business-related criteria and taking into account benefits stemming from diversity.

As regards business-related criteria, the diversity strategy ensures selection of persons with diverse knowledge, skills and experience, suitable for positions held by them and duties entrusted to them, who complement each other at the level of the Management Board and Supervisory Board. The criteria are verified in the suitability assessment process described in 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.* Moreover, apart from knowledge, competences and professional experience, the diversity policy covers gender- and age-related differences, and applies them to arrive at the best outcome.

The policy assumes aiming at ensuring representation of both genders in the processes of selection and succession plans, keeping in mind the laws on fair treatment while establishing employment relationship.





\* Key functions at ING Bank Śląski S.A. are defined in accordance with the definition from item 15 of the EBA Guidelines and 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.

# Other information

## Position of the Management Board on potential realisation of previously published forecasts

The Bank did not publish any forecast of the 2019 financial results.

## Seasonal or cyclical nature of business in the reporting period

The operations of the Bank and the Bank Group are conditioned by the seasonal and cyclical nature of the Polish economy. The Bank’s economic expectations on the condition of the Polish economy are described in Chapter “Our Environment”.

## Instigated court proceedings

As at the yearend 2019, the value of disputed liabilities or debt claims did not exceed 10% of the Bank’s equity. The Bank is of the opinion that neither any of the individual proceedings that were pending in 2019 before any court of justice, competent arbitration body or public administration authority nor all the proceedings combined pose any threat to the financial liquidity of the Bank.

## Non-financial data

The Management Board of ING Bank Śląski S.A. informs that the required information falling into the scope of non-financial data, in pursuant to Articles 49b and 55 of the Accounting Act (Journal of Laws 1994.121.591 as amended) was included in the Non-financial Statement of ING Bank Śląski S.A. Group in 2019, including non-financial information of ING Bank Śląski S.A.

## Agreements concluded

The Bank Management Board represents that as at 31 December 2019, ING Bank Śląski S.A. did not have any:

- significant cash loan agreements, sureties or guarantees not concerning operating activity,
- significant underwriting agreements,
- significant agreements on guarantees extended to subsidiaries,

- liabilities towards the central bank,
- significant agreements with the central bank or regulators, or
- agreements referred to in Article 141t.1 of the Banking Law Act.

Detailed information on transactions with related parties was presented in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for 2019 and in the 2019 Financial Statements of ING Bank Śląski S.A. ING Lease (Polska), a subsidiary of the bank, provides financing to mid and big companies, among other based on the loan that it received from the European Investment Bank (EIB). You can read more on this cooperation in “Our financial results” chapter on page 70.

## Entity authorised to audit financial statements

The independent chartered auditor of financial statements is selected by the Bank Supervisory Board on the basis of the recommendation provided by the Audit Committee. The choice is made taking into consideration the requirement to consolidate the financial statements and the related unified approach of ING Group as regards the change of the auditor. Such an approach is compliant with the applicable EU regulations.

On 2 July 2019, the Bank’s Supervisory Board selected KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. with registered office in Warsaw as the entity authorised to audit the financial statements of ING Bank Śląski S.A. and of the Bank Group for 2019.

Auditor’s net fee				
	Financial year ending 31 December 2019		Financial year ending 31 December 2018	
	KPMG	Other auditors	KPMG	Other auditors
Audit of the annual consolidated financial statements	PLN 790.0 thousand*	PLN 128.5 thousand	PLN 700.0 thousand*	PLN 83.5 thousand
Other assurance engagements	PLN 392.0 thousand	PLN 66.5 thousand	PLN 372.0 thousand	-

\*\*In addition, reimbursement of documented expense

# About the report

GRI [102-44] [102-46] [102-47] [102-48] [102-49] [102-50] [102-51] [102-52] [102-53] [102-54]

We are glad to provide you with another integrated report of ING Bank Śląski S.A., for the year 2019. We drafted the document in keeping with the top global standards:

- international non-financial data reporting guidelines – Global Reporting Initiative GRI Standards – compliance with Core indicators, and
- the integrated reporting guidelines of the International Integrated Reporting Council (IIRC).

The report also meets the formal requirements set out in the Minister of Finance Ordinance of 19 February 2009 on Current and Periodic Information Published by Issuers of Securities and the Conditions for Regarding Information Required by the Law of a Non-Member State as Equivalent.

The report discusses the operations of the ING Bank Śląski S.A. Group from 1 January 2019 to 31 December 2019, unless another period has been given. Both the financial and non-financial data are disclosed for the ING Bank Śląski S.A. Group (plus selected financial data for ING Bank Śląski S.A.). The size, structure, ownership or supply chain of our bank did not change materially in the reporting period. The report does not include any restatements. As far as the reporting scope or applied measurement methods are concerned, this report does not differ from the previous one. It discusses the operations of the ING Bank Śląski S.A. Group and their deliverables.

In the report, we included material particulars of the strategy, management and results of as well as the outlook for our bank. The information was disclosed considering the economic, social and environmental landscapes. We also presented our understanding of the corporate responsibility and our social footprint – today and in the future. We believe that our integrated report explains how the non-financial aspects of our business shape our capacity to create and keep value in the short-, mid- and long-term.

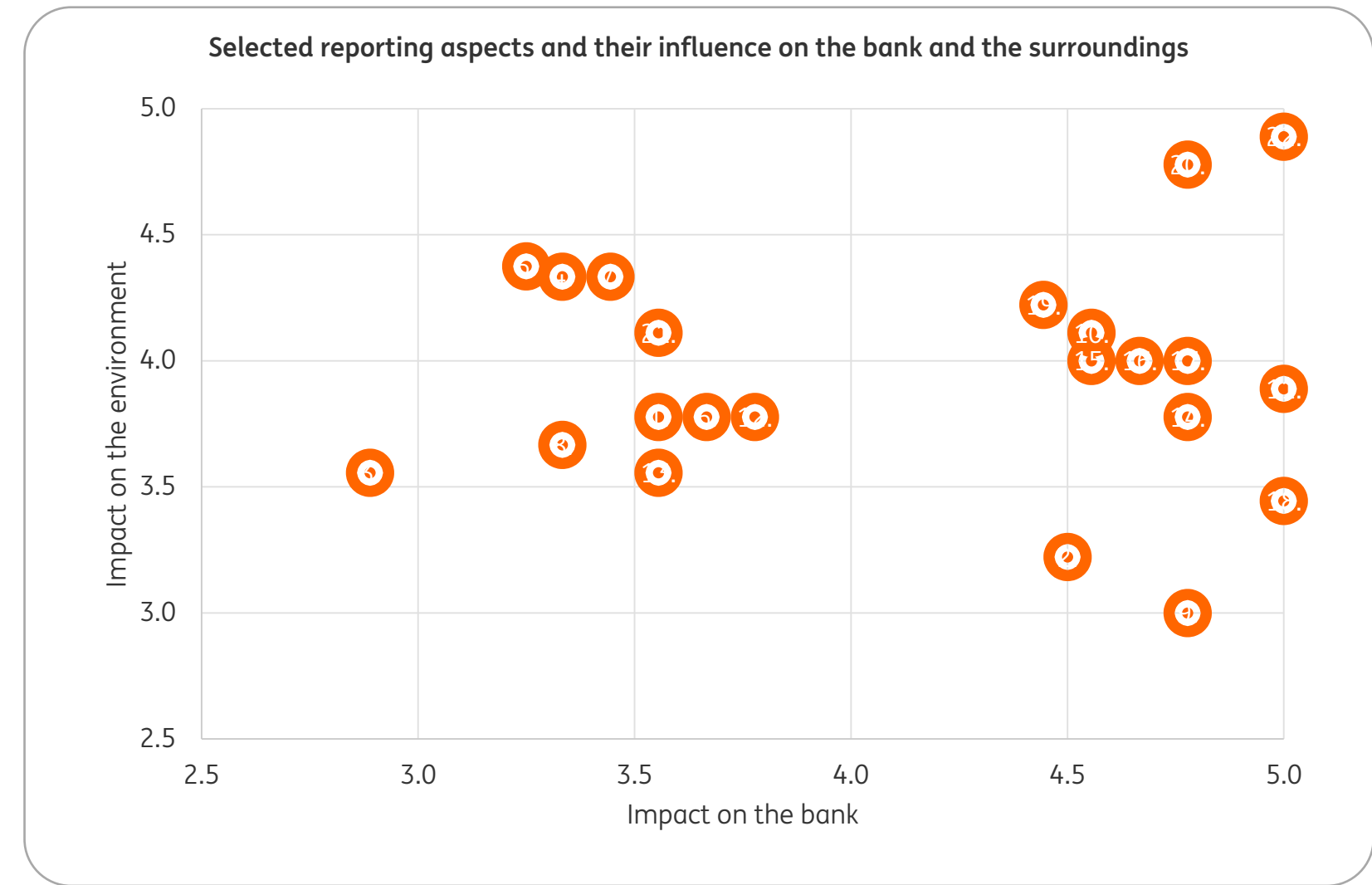
We publish the report on an annual basis. The previous report for 2018 was published in March 2019.

## How was the report compiled

In accordance with the guidelines of GRI Standards, we carried out a three-stage process:

- Identification  
During that stage, we identified the key issues concerning the bank’s responsibility and business. We analysed other sources, too. They included but were not limited to press publications in the reporting period, the topics covered by internal communications, the current business blueprint and the sustainability strategy. We also reviewed the topics of significance for non-financial reporting by our sector.
- Prioritization  
We have conducted surveys among external stakeholders, including: clients, analysts, regulators, investors, the media, NGOs, suppliers, students and our employees. With the survey deliverables, we were able to define the most important topics to be included in the report.
- Validation  
We have verified and clarified the indicated topics with the management staff. The management has determined the measure of the impact of the identified topics on the environment and on the Bank. It translated directly into the reported aspects.

Key prioritisation and validation process aspects		
No.	Aspect	Our response in the report
1.	Environmental initiatives as part of the green office	– We are reducing our environmental impact
2.	Employer branding, approach to recruitment, promotion and bonus rules in the company	– Employment terms and conditions – Recruitment of new employees
3.	Initiatives in the field of financial education	– Financial education and development of entrepreneurship
4.	Investments supporting environmental protection	– We support green investment projects
5.	Key stakeholders and relations with them, relations with local communities	– Our relationships with external parties
6.	The bank's response to climate changes	– Environment
7.	Approach to the reduction of resources consumption	– We are reducing our environmental impact
8.	Bank employees – value and potential, knowledge management, training and development	– An innovative workplace and competent employees – Employees' development
9.	Ensure respect for human rights.	– Ethics, values and compliance
10.	Digitisation/ digitalization, e.g. electronic banking	– Customer experience
11.	Educational activities addressed to clients	– Customer experience
12.	Innovativeness, such as cooperation with start-ups	– We support green investment projects – An innovative workplace and competent employees
13.	Corporate governance and the manner of bank management	– Rules and scope of corporate governance
14.	Opportunities and plans for the bank's development, ING Bank Śląski against the background of competition in Poland	– What makes us stand out
15.	Types of bank products, launch of new products	– Customer experience
16.	The method of building customer relations, customer satisfaction, matching banking services to the needs of various customer groups, serving customers with disabilities.	– Customer experience
17.	Bank's strategy and its implementation	– ING Bank Śląski strategy
18.	Difficult situations in relationships with clients – complaints and grievances	– Customer experience
19.	Integrity and ethical attitude in all business activities, compliance with anti-corruption regulations	– Ethics, values and compliance
20.	ING Bank Śląski footprint	– Value creation model
21.	Preserving the security of customer data	– Personal data security
22.	Environmental initiatives as part of the green office	– We are reducing our environmental impact



In the report, we have described in detail the key topics. We make both disclosures on management approach and the corresponding indicators. Further, we resolved to present the other reporting aspects reflecting best their nature and weight for the organisation.

- Occupational health and safety
- Investment activity, securing funding for investment projects, ensuring financial stability of the Company
- Activities in the field of bank's social involvement, employee volunteering
- Responsible sales, responsible marketing – internal policies, procedures, etc.
- Relationships with trade unions



- Improvements in procurement practices, such as vendor assessment in non-financial terms, environmental terms, and in terms of employee practices
- Promoting entrepreneurship – products and services dedicated to Small and Mid-Sized Enterprises
- Diversity management – guidelines and policies (information about employees with disabilities, older people at particular levels in the management structure, equality of wages for women and men)
- Risk management, including image risk, social risk, environmental risk (e.g. environmental risk of investment projects funded by the bank)

Figures used in the report were retrieved from internal reporting systems. Before being published they were all internally verified.

## Who was involved in the report compilation

Report compilation works were coordinated by a team composed of representatives of CSR, investor relations and financial reporting areas. This report was produced thanks to many people.

These are first and foremost:

- employees of all layers who participated in the preparatory works, filled in the questionnaires, attended the workshops and developed report data,
- customers, analysts, regulators, investors, the media, NGOs, vendors, who responded to our survey.

The contribution of all the people and institutions allowed us to prepare the Management Board Report on ING Bank Śląski S.A. Group Operations in 2019.

In case of questions, please inquire about the report with:

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# Glossary

**500+** – A governmental Family 500+ programme which warrants regular assistance for parents raising children. The monthly amount of PLN 500 is awarded to the second and every subsequent child in a family.

**Add-on** – Imposed on the capital requirements in keeping with Regulation No. 575/2013 (CRR).

**Agile** – It is a new way of working at selected Bank units, adopted from the IT sector. It enables fast response to changing client and market needs.

**AIRB** – Advanced Internal Rating-Based – It is a method used to measure credit risk.

**Interest assets** – Assets earning interest income for the bank; loans granted to clients form their major portion.

**ALCO** – Asset– Liabilities Committee.

**Bank** – Bank when capitalised means ING Bank Śląski S.A.

**Basel III** – Regulations on capital requirements and risk management at credit institutions. The Basel III solutions were introduced in the European Union with Regulation No 575/2013 (CRR) and Directive No 2013/36/EU (CRD IV).

**BGF** – Bank Guarantee Fund – A deposit guarantee and resolution scheme. BGF guarantee covers deposits being the equivalent of up to EUR 100,000.

**BGK** – Bank Gospodarstwa Krajowego – a state-owned development bank. The main task of BGK is to support economic development of Poland and improve the quality of life for Poles.

**Credit Information Bureau** – An institution that processes information on the repayment discipline of liabilities of natural and legal persons

**Supervisory Review and Evaluation** – one of the supervisory tools of the Polish Financial Supervision Authority (PFSA). The SREP seeks to identify the volume and nature of risk exposure at banks, evaluate the quality of the risk management process and assess the capital covering the risk associated with bank business and bank governance

**Brexit** – A popular name of the process whereby Great Britain is to exit the European Union.

**BRRD** – Bank Recovery and Resolution Directive of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms.

**O-SII buffer** – Buffer of Other Systemically-Important Institution – an element of macroeconomic supervision of the banking sector. The buffer is imposed on banks of systemic importance on both the standalone and consolidated bases. The buffer takes values from 0% to 2% of the capital requirement.

**Capital conservation buffer** – An element of macroeconomic supervision of the banking sector. The buffer is imposed on all banks; it has to comprise the top-quality capital (Tier 1) and account for 2.5% of the capital requirement at the maximum. In 2016-2017, it was 1.25%; in 2018, it went up to 1.875%; and in 2019 has increased to 2.5%.

**Carbon Disclosure Project (CDP)** – CDP is an independent non-profit organisation from London. It encourages companies to reduce the emission of greenhouse gases and foster sustainable usage of water resources.

**Compliance** – Ensuring observance of laws, norms and standards, and recommendations.

**Corporate Finance** – A specific finance area dealing with financial, investment and operational decisions taken by companies as well as tools and analyses supporting and helping them in the decision-making process

**CPI** – Consumer Price Index that measures changes in the price level of consumer goods and services. The most popular global inflation/deflation index.

**CSR** – Corporate Social Responsibility.

**CVA** – Credit Value Adjustment is the difference between the risk-free portfolio value and the true portfolio value that takes into account the possibility of a counterparty’s default.

**EAD** – Exposure At Default – It is a measure showing bank exposures at client’s default.

**EaR** – Earnings at Risk – It is a measure showing the maximum potential change in earnings versus the earnings budgeted in the financial plan.

**Easy lending** – The Bank’s approach to financing the mid and big companies. It covers the option of electronic conclusion of credit agreements and tracking the status of applications filed by clients in the ING Business system.

**EBA** – European Banking Authority.

**Equator Principles Association** – The rules adopted by international financial institutions which set the social and environmental responsibility standards for financial risk management of development projects.

**ESR** – Environmental and Social Risk.

**EWS** – Early Warnings Signal – It is a predictive model used to assess the probability of the client’s financial standing deterioration.

**Factoring** – Purchase by the factor of not past-due receivables of companies (clients) due thereto from business partners (offtakers) under delivery of goods and services.

**Fast Track** – A simplified lending track in the mid and big companies segment.

**FCR** – **FCR** – First Call Resolution – It is a contact centre performance evaluation. It checks what volume of problems reported by clients to the contact centre is solved at the first contact.

**Own funds** – The funds forming Tier 1 capital (encompassing, inter alia, share capital, supplementary capital, reserve capital and retained earnings of previous years) and Tier 2 capital (encompassing inter alia subordinated liabilities, when approved by the competent regulator).

**Global Investor Statement on Climate Change** – A global arrangement of investors which lays down the manner in which investors can contribute to increasing the number of low-emission and climate-resistant investment projects. The arrangement also provides for practical proposals how to multiply this contribution with adequate government measures.

**Global Reporting Initiative (GRI)** – An international organisation which publishes non-financial reporting guidelines.

**Bank Group** – Bank Group when capitalised means the ING Bank Śląski S.A. Group.

**Guarantee** – A bank guarantee is a written commitment of the bank to pay the amount given there to the beneficiary on the terms and conditions stated therein. The agreement is, however, of securing nature only. It is not a tool to settle commercial agreements.

**ICAAP** – Internal Capital Adequacy Assessment Process.

**ILAAP** – Internal Liquidity Adequacy Assessment Process.

**IIRC** – International Integrated Reporting Council.

**PFSA** – Polish Financial Supervision Authority – supervises the banking sector as well as the capital, insurance and pension markets, payment institutions and payment services offices, electronic money institutions and the sector of credit unions.

**Funding cost** – interest cost/ average interest liabilities for 5 subsequent quarters.

**Costs of risk** – Pursuant to IAS 39: the balance of provisions made and released under impairment of assets, credit facilities and cash loans granted to clients, first and foremost. Pursuant to IFRS 9: the balance of allowances for credit losses.

**KRS** – National Court Register.

**LCR** – Liquidity Coverage Ratio. Computed as a ratio of very liquid assets to short-term liabilities. It is introduced in stages. The minimum value is: 60% in 2014 and 2015, 70% in 2016, 80% in 2017 and 100% starting from 2018.

**Leasing** – The agreement, whereunder the owner of an assets item (lessor) provides the user (lessee) with the right to use the assets item for a defined period in exchange for payment or a series of payments.

**LGD** – Loss Given Default – The share of an asset (exposure) that is lost if a borrower defaults.

**TCR** – Total Capital Ratio – It is computed as the relation of own funds to off-balance sheet assets and liabilities including risk weights; the ratio is calculated in line with Basel III regulations

**CAPI Method** – Computer Assisted Personal Interview – an interviewing technique in which the interviewer records the answers of the respondent on mobile devices

**CAWI Method** – Computer Assisted Web Interview – an interviewing technique in which the respondent or interviewer uses electronic questionnaires.

**MiFID II** – Markets in Financial Instruments Directive II.

**MREL** – Minimum Requirement for own funds and Eligible Liabilities. The institution transposed into Polish law under the Act on the Bank Guarantee Fund, Deposit Guarantee Scheme and Resolution of 10 June 2016.

**IAS** – International Accounting Standards; gradually superseded by the IFRS, i.e. International Financial Reporting Standards

**IFRS** – International Financial Reporting Standards and their interpretations approved by the International Accounting Standards Board.

**Mystery Shopper** – One of the methods used to score the client service satisfaction where service quality is assessed during client sales and service points visits.

**NPL** – Non-Performing Loans – “Bad” loans in simple terms; that is loans wherefor clients default on payment or it is highly probable that they will default in the future. Pursuant to IFRS 9 the term covers receivables reflected in Stage 3 and POCI (purchased or originated credit impairment) assets.

**NBP** – National Bank of Poland – a central bank which acts as the issue bank, the bank of banks and the central state-owned bank.

**NPS** – Net Promoter Score – a client loyalty survey. Client database is split into three categories: promoters, neutral clients and detractors. NPS ratio is the difference between the share of promoters and detractors in the entire client database.

**NSFR** – Net Stable Funding Ratio. It is computed as the ratio of available stable funding to required stable funding. In keeping with Regulation No 575/2013 of the European Parliament and of the Council (EU), the target net stable funding ratio (NSFR) was not defined.

**OHI** – Organizational Health Index.

**PACE** – An organised process boosting innovations across ING Group. It fosters a fast market launch of new products and services, developed by small and independent scrums

**Interest liabilities** – Liabilities generating interest cost for the bank; client deposits form their major portion.

**PD** – Probability of Default.

**GDP** – Gross Domestic Product – Aggregated market value of goods and services produced by national and foreign factors in a given country and in a given period.

**Bank tax, Bank levy** – A popular name of the tax on certain financial institutions. The monthly tax of 0.0366% (0.44% per year) is collected from the value of assets as at the month-end – upon previous deductions. For banks, the value of assets is reduced by the amount of sovereigns held and own funds of a bank and PLN 4 billion, for example. The banks that have launched rehabilitation proceedings and state-owned banks (BGK – Bank Gospodarstwa Krajowego) are exempted from the tax

**Non-Performing Loans Coverage Ratio** – NPL Coverage Ratio. The ratio of impairment losses and other client receivables to clients to the value of impaired loans and other receivables to clients. Pursuant to IFRS 9 the ratio of impairment losses reflected in Stage 3 and POCI (purchased or originated credit impairment) assets to the value of such receivables

**RAS** – Risk Appetite Statement – The document that sets the maximum risk the Group is willing to accept for a given type of risk.

**Credit rating** – Evaluation of the ability of a legal entity drawing a loan to repay the debt in full that is to repay interest and principal on the contractual terms and conditions. The entity can be both a company and a state, for example

**Interest assets profitability** – Income under interest/ average interest assets for 5 subsequent quarters.

**Respect Index** – Index of the most socially responsible companies on the Warsaw Stock Exchange.

**MPC** – Monetary Policy Council – A body of the National Bank of Poland (NBP). Its tasks include but are not limited to determining the NBP interest rates.

**Retail segment** – Simply: natural persons and natural persons running business.

**Corporate segment** – Simply: clients of mid and big companies segments and strategic clients.

**STIR** – ICT System of the National Clearing House – a set of algorithms that analyse financial data delivered obligatorily by banks and credit unions on entrepreneurs designed to identify potential VAT frauds.

**SWIFT** – Society For Worldwide Interbank Financial Telecommunication. SWIFT participates in international transactions between financial institutions.

**Carbon footprint** – The total set of greenhouse gas emissions caused directly or indirectly by an individual, organisation, event or product.

**Tier 1** – Top-quality capital, computed in line with Basel III regulations.

**United Nations Environment Programme Finance Initiative** – A global partnership between the United Nations and over 200 representatives of the world financial sector. The partnership seeks to promote sustainable funding.

**United Nations Global Compact** – The largest global initiative gathering business striving after sustainable growth.

**VaR** – Value at Risk – the ratio which defines the anticipated maximum potential loss at certain probability.

**WCAG** – International guidelines on making Web content more accessible. These guidelines read how to make content accessible to everyone, regardless of one’s ability, age, equipment or software.

**WIBOR** – Warsaw Interbank Offered Rate – It is a reference interest rate of loans on the Polish interbank market.



**WIG 30** – WIG 30 index has been published by the Warsaw Stock Exchange (WSE) since 23 September 2013. It is a capitalization-weighted stock market index of the thirty largest companies on the Warsaw Stock Exchange.

**WPC** – Winning Performance Culture – It is a survey to measure employee engagement.

**NPL Ratio** – Non-Performing Loans Ratio – simply: the share of “bad” loans in the gross lending portfolio. Pursuant to IFRS 9 it is the share of receivables reflected in Stage 3 and POCI (purchased or originated credit impairment) assets to the gross lending portfolio

**L/D ratio** – Loans/ Deposits ratio – Total net loans and other receivables to customers without Eurobonds/ liabilities to customers

**Risk costs margin ratio** – Net loan loss provisions (pursuant to IFRS 9: allowances for expected credit losses) to the average value of the gross lending portfolio in a given period.

**Interest margin ratio** – net interest income/ average interest assets for 5 consecutive quarters.

**C/I ratio** – Cost to Income ratio – The ratio calculated as the relation of the general and administrative expenses (banking tax excluded) to income with the net result of associated entities recognised on an equity basis.

**ROA** – Return on Assets – net profit/ average assets for 5 subsequent quarters.

**ROE** – Return on Equity – net profit/ average equity for 5 consecutive quarters.

**Tier 1 capital ratio** – The ratio of the Tier 1 capital to off-balance sheet assets and liabilities, including risk weights; the ratio is calculated in line with Basel III regulations.

# GRI index

GRI [102-55]

## Profile indicators

General disclosures		
Disclosure number	Disclosure	Reference in the content of the report
GRI 102-1	Name of the organisation	– How does ING Group operate in Poland
GRI 102-2	Activities, brands, products, and services	– Offered products
GRI 102-3	Location of organization's headquarters	– Who we are
GRI 102-4	Location of operations	– Who we are
GRI 102-5	Ownership and legal form	– Who is the owner of our bank
GRI 102-6	Markets served	– Who we are – Offered products
GRI 102-7	Scale of the organization	– Who we are
GRI 102-8	Information on employees and other workers	– Who are our employees
GRI 102-9	Supply chain	– Supply chain
GRI 102-10	Significant changes to the organization and its supply chain	– How does ING Group operate in Poland
GRI 102-11	Precautionary Principle or approach	– Risk- and capital management system
GRI 102-12	External initiatives	– External initiatives

GRI 102-13	Membership of associations	– External initiatives
GRI 102-14	Statement from senior decision-maker	– Letter from the President
		– Letter from the President
GRI 102-15	Key impacts, risks, and opportunities	– Market now and in the future – Risk- and capital management system
GRI 102-16	Values, principles, standards, and norms of behaviour	– Ethics, values and compliance
GRI 102-17	Mechanisms for advice and concerns about ethics	– We combat conflicts of interest – We report instances of breach of law and Business Ethics Standards
GRI 102-18	Governance structure	– Supervisory Board composition
GRI 102-40	List of stakeholder groups	– Our relationships with external parties
GRI 102-41	Collective bargaining agreements	– Who are our employees
GRI 102-42	Identifying and selecting stakeholders	– Our relationships with external parties
GRI 102-43	Approach to stakeholder engagement	– Our relationships with external parties
GRI 102-44	Key topics and concerns raised	– About the report

Reporting		
Disclosure number	Disclosure	Reference in the content of the report
GRI 102-45	Entities included in the consolidated financial statements	– How does ING Group operate in Poland
GRI 102-46	Defining report content and topic Boundaries	– About the report
GRI 102-47	List of material topics	– About the report
GRI 102-48	Restatements of information	– About the report
GRI 102-49	Changes in reporting	– About the report
GRI 102-50	Reporting period	– About the report
GRI 102-51	Date of most recent report	– About the report
GRI 102-52	Reporting cycle	– About the report
GRI 102-53	Contact point for questions regarding the report	– About the report
GRI 102-54	Claims of reporting in accordance with the GRI Standards	– About the report
GRI 102-55	GRI content index	– GRI index
GRI 102-56	External assurance	– GRI index

GRI 102-56 - Report was subject to external assurance.

Management approach		
Disclosure number	Disclosure	Reference in the content of the report
GRI 103-1	Explanation of the material topic and its Boundary	– What makes us stand out
		– Customer experience
		– Financial education and development of entrepreneurship
		– Ethics, values and compliance
		– An innovative workplace and competent employees
		– Our relationships with external parties
		– Employees’ development
		– ING Bank Śląski strategy
		– Environment
		– We support green investment projects
		– Rules and scope of corporate governance
		– We are reducing our environmental impact
		– Employment terms and conditions
		– Recruitment of new employees
		– What makes us stand out
		– Customer experience
		– Financial education and development of entrepreneurship
		– Ethics, values and compliance
		– An innovative workplace and competent employees
		– Our relationships with external parties
		– Employees’ development
		– ING Bank Śląski strategy
		– Environment
		– We support green investment projects
		– Rules and scope of corporate governance
		– We are reducing our environmental impact
		– Employment terms and conditions
		– Recruitment of new employees

GRI 103-3	Evaluation of the management approach	<div><div></div><div><ul style="list-style-type: none"><li>– What makes us stand out</li><li>– Customer experience</li><li>– Financial education and development of entrepreneurship</li><li>– Ethics, values and compliance</li><li>– An innovative workplace and competent employees</li><li>– Our relationships with external parties</li><li>– Employees’ development</li><li>– ING Bank Śląski strategy</li><li>– Environment</li><li>– We support green investment projects</li><li>– Rules and scope of corporate governance</li><li>– We are reducing our environmental impact</li><li>– Employment terms and conditions</li><li>– Recruitment of new employees</li></ul></div></div>
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## Detailed disclosure

GRI 401-3, 404-1 - The disclosures reported in part due to a unavailability of some of the data required in the guidelines.

Detailed disclosures		
Disclosure number	Disclosure	Reference in the content of the report
GRI 201-1	Direct economic value generated and distributed	<div><div></div><div><ul style="list-style-type: none"><li>– What makes us stand out</li><li>– Consolidated results of ING Bank Śląski S.A. Group</li></ul></div></div>
GRI 202-1	Ratios of standard entry level wage by gender compared to the local minimum wage	<div><div></div><div><ul style="list-style-type: none"><li>– Employment terms and conditions</li></ul></div></div>
GRI 203-1	Infrastructure investments and services supported	<div><div></div><div><ul style="list-style-type: none"><li>– We support green investment projects</li></ul></div></div>
GRI 203-2	Significant indirect economic impacts	<div><div></div><div><ul style="list-style-type: none"><li>– ING Bank Śląski strategy</li></ul></div></div>
GRI 205-2	Communication and training about anti-corruption policies and procedures	<div><div></div><div><ul style="list-style-type: none"><li>– We counteract corruption</li></ul></div></div>
GRI 205-3	Confirmed incidents of corruption and actions taken	<div><div></div><div><ul style="list-style-type: none"><li>– We counteract corruption</li></ul></div></div>
GRI 302-1	Energy consumption within the organization	<div><div></div><div><ul style="list-style-type: none"><li>– Electricity</li></ul></div></div>
GRI 302-4	Reduction of energy consumption	<div><div></div><div><ul style="list-style-type: none"><li>– Electricity</li></ul></div></div>
GRI 303-3	Water withdrawal	<div><div></div><div><ul style="list-style-type: none"><li>– Our water footprint</li></ul></div></div>
GRI 306-2	Waste by type and disposal method	<div><div></div><div><ul style="list-style-type: none"><li>– We manage waste wisely</li></ul></div></div>
GRI 308-1	New suppliers that were screened using environmental criteria	<div><div></div><div><ul style="list-style-type: none"><li>– Supply chain</li></ul></div></div>
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	<div><div></div><div><ul style="list-style-type: none"><li>– Well-beING</li></ul></div></div>
GRI 401-3	Parental leave	<div><div></div><div><ul style="list-style-type: none"><li>– Parents at work</li></ul></div></div>
GRI 404-1	Average hours of training per year per employee	<div><div></div><div><ul style="list-style-type: none"><li>– E-learning and multimedia tools</li></ul></div></div>
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	<div><div></div><div><ul style="list-style-type: none"><li>– Year-end evaluations</li></ul></div></div>
GRI 405-1	Diversity of governance bodies and employees	<div><div></div><div><ul style="list-style-type: none"><li>– Diversity and equal opportunities</li></ul></div></div>
GRI 405-2	Ratio of basic salary and remuneration of women to men	<div><div></div><div><ul style="list-style-type: none"><li>– Diversity and equal opportunities</li></ul></div></div>
GRI 414-1	New suppliers that were screened using social criteria	<div><div></div><div><ul style="list-style-type: none"><li>– Supply chain</li></ul></div></div>



# Management Board statements

## Truthfulness and fairness of statements

To the best knowledge of the Bank’s Management Board, the financial data for 2019 and comparable data presented in the annual financial statements of ING Bank Śląski S.A. and the annual consolidated financial statements of the ING Bank Śląski S.A. Group were prepared in accordance with applicable accounting principles, and present fairly, accurately and transparently the assets and financial standing of the Bank and of the Bank Group and the financial result generated by the Bank and by the Bank Group. The Management Board’s Report included herein is the true presentation of the development, achievements and situation (including the description of the key risks and threats) of the Bank and of the Bank Group in 2019.

## Selection of entity authorised to audit financial statements

Auditing firm to audit the separate and consolidated financial statements for 2019 was selected in accordance with applicable regulations, including regulations on the selection of an auditing firm and an auditing firm selection procedure.

According to the presented statement KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k. and members of the auditing team met the prerequisites to issue an impartial and independent report from the audit of the annual financial statements in line with applicable regulations and professional and business ethics standards.

The Bank complies with regulations in force regarding rotation of an auditing firm and key auditor as well as mandatory grace periods. The maximum five-year term of the engagement granted by the Bank to the current auditing firm (KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k.) ended with the audit of the financial statements for 2017. On 28 May 2018, with a decision of the Polish Financial Supervision Authority (subsequently changed on 29 July 2019) the Bank was allowed to extend the maximum term of the engagement with the current auditing firm for the period of two years under Article 17.6 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities.

An agreement between the Bank and KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k. was signed on 13 June 2016. It was annexed six times on: 20 September 2017, 26 February 2018, 1 July 2018, 29 July 2019, 28 October 2019 and 13 November 2019. The annex signed on 29 July 2019 concerned the statutory audit for 2019.

The Bank has the “Policy on Selection of Auditing firm to Audit Financial Statements, Assessment of its Independence and Provision of Other Permitted Services at ING Bank Śląski S.A.” in place which encompasses a policy concerning the selection of an auditing firm and a policy on the provision of additional services other than an audit, including services conditionally exempted from the prohibition on being provided by an auditing firm, for the Bank by an auditing firm, any entity related to an auditing firm or a member of its network. Services provided by the audit company have been assessed as allowed and approved in accordance with the provisions of this policy.

This Management Board’s Report on Operations of the ING Bank Śląski S.A. Group in 2019 encompassing the Management Board Report on Operations of ING Bank Śląski S.A.in 2019 has 193 consecutively numbered pages.

Signatures of the Management Board members of ING Bank Śląski S.A.:

<i>The original Polish document is signed with a qualified electronic signature</i>	<i>The original Polish document is signed with a qualified electronic signature</i>
Brunon Bartkiewicz	Michał Bolesławski
President of the Bank’s Management Board	Vice-President of the Bank Management Board
<hr/>	
<i>The original Polish document is signed with a qualified electronic signature</i>	<i>The original Polish document is signed with a qualified electronic signature</i>
Joanna Erdman	Marcin Giżycki
Vice-President of the Bank Management Board	Vice-President of the Bank Management Board
<hr/>	
<i>The original Polish document is signed with a qualified electronic signature</i>	<i>The original Polish document is signed with a qualified electronic signature</i>
Bożena Graczyk	Patrick Roesink
Vice-President of the Bank Management Board	Vice-President of the Bank Management Board
<hr/>	
<i>The original Polish document is signed with a qualified electronic signature</i>	<i>The original Polish document is signed with a qualified electronic signature</i>
Lorenzo Tassan-Bassut	Sławomir Soszyński
Vice-President of the Bank Management Board	Vice-President of the Bank Management Board
<hr/>	

5 March 2020