

2020-03-27 report nr 17/2020: Update on impact of the coronavirus epidemic on the operations of ING Bank Śląski S.A. Group.

The Management Board of ING Bank Śląski S.A. (Bank) hereby communicate the preliminarily estimated impact of the adverse effects of spread of coronavirus COVID-19 on the operations, business and financial activity of the Bank Group and the measures introduced by public institutions, notably by the Polish government and the Monetary Policy Council, to alleviate the said adverse impact.

Impact on operations

The Bank and its subsidiaries maintain business continuity and all key processes are performed undisrupted. Due to the restrictions introduced in the operations of shopping malls and closure of schools and kindergartens, on 26 March 2020, 37 branches (out of 316 in total) were closed. The other branches were open, but with shorter business hours. 70% of employees, except those working at branches, perform their duties remotely, working from their homes.

Impact on business

The Bank and its subsidiaries actively encourage their clients to make use of mobile applications and online banking, that is Moje ING for individual clients and entrepreneurs and ING Business for businesses, local governments and large companies. Further, to alleviate the situation of some clients (from the segment of individual clients, enterprises, housing communities and businesses) adversely affected by the coronavirus epidemic, the Bank enabled suspension of repayment of instalments under loans, leasing and factoring up to 6 months, while extending the term of their credit agreements by that period (the so-called credit holidays). Clients will be able to use one of the two options:

1. suspension of principal instalment only and the client will continue to pay interest or
2. suspension of the entire principal and interest instalment with interest being accrued and moved directly to the outstanding debt balance.

Credit holidays do not apply to the clients served by the Wholesale Banking Division, where all potential support requests will be reviewed case by case.

The Bank Management Board notice a progressive change to the structure of retail clients' savings, being a shift of funds from off-balance sheet products to balance sheet ones, and expect reduced clients' activity, including lower sale of financial products.

The Bank Management Board is analysing the current economic situation and taking the decisions protecting the interests of its customers and own enterprise. The Bank Management Board is going to actively adjust its policies and procedures to the current economic conditions.

Impact on financial activity

The Bank and its subsidiaries maintain sound and stable liquidity and capital position.

The Bank Management Board would like to draw your attention to the reduction of the systemic risk buffer from 3% to 0%, the operation which as of 19 March effectively reduces the minimum capital requirement for the Bank and for the Group to 9.0% of Tier 1 and 11.0% for the total capital ratio. As at 2019 yearend, the consolidated Tier 1 was 14.4%, while the consolidated total capital ratio was 16.9%.

The Bank Management Board estimate that the Monetary Policy Council's decisions of 17 March pertaining to the change to the interest rates (including reference rate cut from 1.5% to 1.0% as of 18 March, mandatory reserve rate reduction from 3.5% to 0.5% and the increase in the mandatory reserve interest from 0.5% to 1.0% as of 30 April) will have a negative impact of PLN 50-80 million on the interest result of the Bank Group in 2020. The actual impact will depend on the profitability curve and delivery of business assumptions. Both the estimates and assumptions may change.

The Bank Management Board are of the opinion that for the time being one cannot really estimate the adverse impact of the coronavirus epidemic-driven Polish economy deterioration, volatility in the financial markets (the FX market included) or changes in the credit risk management process (including offering clients an option to suspend credit instalments) on the future financial results, and the risk costs in particular.

The Bank Management Board will present the update on the impact of the spread of the coronavirus COVID-19 on the operations of the Bank and its subsidiaries in the financial report for Q1 2020.

Legal grounds: Article 17. 1 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (MAR).