Information on preliminary and unaudited consolidated financial results of the ING Bank Śląski S.A. Group for the fourth quarter of 2020

The most important financial and business data of the ING Bank Śląski S.A. Group in the fourth quarter of 2020

During the four quarters of 2020 the consolidated net profit of the ING Bank Śląski S.A. amounted to PLN 1 337.6 million, and decreased by 19.4% in comparison to the same period last year. The ING Bank Śląski S.A. Group recorded the increase of basic commercial volumes – loans by 6.1%, and deposits by 15.8%.

Key financial data of the ING Bank Śląski Group for 4 quarters of 2020 in comparison to the corresponding period of the previous year:

- result on basic activities increased by 7.3% to PLN 6 214.6 million, including:
  - net interest income, which increased by 5.0% to PLN 4 541.8 million,
  - net commission income, which increased by 14.0% to PLN 1 528.4 million,
- general and administrative expenses increased by 10.6% to PLN 2 762.5 million,
- result before the risk costs decreased by 4.1% to PLN 2 716.3 million,
- impairment for expected credit losses increased by 40.1% to PLN 804.6 million,
- gross profit decreased by 15.3% to PLN 1 911.7 million,
- net profit decreased by 19.4% to PLN 1 337.6 million ,
- return on equity (ROE) reached 7.6% compared to 11.6% in the previous year,
- cost to income ratio (C/I) reached 44.5% compared to 43.1% in the previous year,
- net interest margin reached 2.63% compared to 2.95% in the previous year,
- total capital ratio was 18.72% compared to 16.87% last year.

Key business results of the ING Bank Śląski Group after 4 quarters of 2020 in comparison to the corresponding period of the previous year:

- increase in the value of loans by 6.1% to PLN 127.9 billion, of which:
  - loans for retail clients – increase by 15.5% to PLN 55.8 billion,
  - loans for corporate clients - increase by 0.3% to PLN 70.2 billion,
- increase in deposits value by 15.8% to PLN 151.0 billion.

Key business results of ING Bank Śląski for 4 quarters of 2020 in comparison to the corresponding period of the previous year:

- net profit decreased by 19.4% to PLN 1 337.6 million,
- total assets increased by 17.7% to PLN 181.1 billion,
- equity increased by 21.5% to PLN 18.4 billion,
- total capital ratio amounted to 20.00% compared to 18.30% last year.

Preliminary unaudited consolidated financial results for the 4th quarter 2020 (PLN million)

• Selected financial data and key effectiveness ratios

	4 quarter 2020	4 quarters 2020 YTD	4 quarter 2019	4 quarters 2019 YTD	change 4Q/4Q	change y/y
Net interest income	1 154.2	4 541.8	1 123.9	4 325.1	2.7%	5.0%
Net commission income	431.7	1 528.4	336.4	1 340.5	28.3%	14.0%
Result on basic activities	1 599.8	6 214.6	1 482.8	5 789.8	7.9%	7.3%
Gross profit	476.5	1 911.7	618.0	2 257.8	-22.9%	-15.3%
Net profit attributable to shareholders of ING Bank Śląski S.A.	313.9	1 337.6	450.3	1 658.7	-30.3%	-19.4%
Earnings per ordinary share (PLN)	2.41	10.28	3.46	12.75	-30.3%	-19.4%

	as at 31 Dec 2020	as at 30 Sep 2020	as at 31 Dec 2019	change Q/Q	change y/y
Loans and other receivables to customers (net)	124 655.3	122 382.0	118 127.8	1.9%	5.5%
Liabilities to customers	151 028.5	154 399.8	130 473.5	-2.2%	15.8%
Total assets	186 595.7	184 859.5	158 610.7	0.9%	17.6%
Equity attributable to shareholders of ING Bank Śląski S.A.	18 618.3	18 595.8	15 223.3	0.1%	22.3%
Share capital	130.1	130.1	130.1	0.0%	0.0%
C/I - Cost/Income ratio (%)	44.5%	45.1%	43.1%	-1.4%	3.1%
ROA - Return on assets (%)	0.8%	0.9%	1.1%	-12.4%	-31.1%
ROE - Return on equity (%)	7.6%	8.7%	11.6%	-12.7%	-34.5%
NIM - Net interest margin (%)	2.63%	2.71%	2.95%	-3.1%	-11.0%
L/D - Loans-to-deposits ratio (%)	82.5%	79.3%	90.5%	4.1%	-8.8%
Total Group's capital ratio (%)	18.72%	18.64%	16.87%	0.4%	11.0%
Total Bank's capital ratio (%)	20.00%	19.74%	18.30%	1.3%	9.3%

Explanations:

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

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

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

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

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

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

Preliminary unaudited consolidated financial results for the 4th quarter 2020 (PLN million)

• Consolidated income statement

	4 quarter 2020	4 quarters 2020 YTD	4 quarter 2019	4 quarters 2019 YTD	change 4Q/4Q	change y/y
Interest income	1 279.0	5 246.9	1 366.6	5 311.3	-6.4%	-1.2%
calculated using effective interest rate method	1 278.4	5 244.1	1 365.7	5 307.2	-6.4%	-1.2%
other interest income	0.6	2.8	0.9	4.1	-33.3%	-31.7%
Interest expenses	124.8	705.1	242.7	986.2	-48.6%	-28.5%
Net interest income *(note 1)*	**1 154.2**	**4 541.8**	**1 123.9**	**4 325.1**	2.7%	5.0%
Commission income	547.9	1 963.5	446.7	1 724.1	22.7%	13.9%
Commission expenses	116.2	435.1	110.3	383.6	5.3%	13.4%
Net commission income *(note 2)*	**431.7**	**1 528.4**	**336.4**	**1 340.5**	28.3%	14.0%
Net income on financial instruments measured at fair value through profit or loss and FX result	20.9	103.5	25.2	108.3	-17.1%	-4.4%
Net income on the sale of securities measured at amortised cost	0.0	7.3	0.0	0.0	0.0%	0.0%
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income ***(note 4)***	5.1	31.1	0.5	36.3	920.0%	-14.3%
Net (loss)/income on hedge accounting	-3.0	11.5	-5.5	-14.3	-45.5%	-180.4%
Net (loss)/income on other basic activities	-9.1	-9.0	2.3	-6.1	-495.7%	47.5%
Net income on basic activities	**1 599.8**	**6 214.6**	**1 482.8**	**5 789.8**	7.9%	7.3%
General and administrative expenses ***(note 3)***	682.3	2 762.5	590.8	2 497.4	15.5%	10.6%
Impairment for expected credit losses ***(note 5)***	82.6	804.6	133.2	574.3	-38.0%	40.1%
including profit on sale of receivables	0.0	4.1	24.5	34.3	-100.0%	-88.0%
Cost of legal risk of FX mortgage loans	239.9	270.3	31.2	31.2	668.9%	766.3%
Tax on certain financial institutions	122.5	481.6	113.6	435.7	7.8%	10.5%
Share of profit/(loss) of associates accounted for using the equity method	4.0	16.1	4.0	6.6	0.0%	143.9%
Gross profit	**476.5**	**1 911.7**	**618.0**	**2 257.8**	-22.9%	-15.3%
Income tax	162.6	574.1	167.7	599.1	-3.0%	-4.2%
Net profit	**313.9**	**1 337.6**	**450.3**	**1 658.7**	-30.3%	-19.4%
– attributable to shareholders of ING Bank Śląski S.A.	**313.9**	**1 337.6**	**450.3**	**1 658.7**	**-30.3%**	**-19.4%**

Preliminary unaudited consolidated financial results for the 4th quarter 2020 (PLN million)

Consolidated statement of comprehensive income

	4 quarter 2020	4 quarters 2020 YTD	4 quarter 2019	4 quarters 2019 YTD	change 4Q/4Q	change y/y
Net profit for the period	**313.9**	**1 337.6**	**450.3**	**1 658.7**	-30.3%	-19.4%
Total other comprehensive income, including:	**-291.4**	**2 057.4**	**-489.7**	**698.2**	-40.5%	194.7%
Items which can be reclassified to income statement, including:	**-312.9**	**2 029.9**	**-466.7**	**685.9**	-33.0%	195.9%
debt instruments measured at fair value through other comprehensive income – gains on revaluation carried through equity	126.2	102.8	18.8	17.3	571.3%	494.2%
debt instruments measured at fair value through other comprehensive income – reclassification to financial result due to sale	-4.1	-18.3	-0.4	-23.7	925.0%	-22.8%
cash flow hedging – gains on revaluation carried through equity	-212.2	2 562.5	-391.0	1 083.3	-45.7%	136.5%
cash flow hedging – reclassification to profit or loss	-222.8	-617.1	-94.1	-391.0	136.8%	57.8%
Items which will not be reclassified to income statement, including:	**21.5**	**27.5**	**-23.0**	**12.3**	-193.5%	123.6%
equity instruments measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	24.9	30.9	-13.1	22.2	-290.1%	39.2%
fixed assets revaluation	0.0	0.0	0.3	0.3	-100.0%	-100.0%
actuarial gains/losses	-3.4	-3.4	-10.2	-10.2	-66.7%	-66.7%
Net comprehensive income for the reporting period, of which:	**22.5**	**3 395.0**	**-39.4**	**2 356.9**	-157.1%	44.0%
attributable to shareholders of ING Bank Śląski S.A.	22.5	3 395.0	-39.4	2 356.9	-157.1%	44.0%

Preliminary unaudited consolidated financial results for the 4th quarter 2020 (PLN million)

Consolidated statement of financial position

	as at 31 Dec 2020	as at 30 Sep 2020	as at 31 Dec 2019	change q/q	change y/y
Assets					
Cash in hand and balances with the Central Bank	867.3	1 193.6	1 402.9	-27.3%	-38.2%
Loans and other receivables to other banks	704.6	731.3	798.5	-3.7%	-11.8%
Financial assets measured at fair value through profit or loss	2 017.7	1 259.2	1 384.6	60.2%	45.7%
Derivative hedge instruments	1 194.8	1 054.1	851.6	13.3%	40.3%
Investment securities	54 933.5	56 084.1	33 824.4	-2.1%	62.4%
Loans and other receivables to customers measured at amortised cost ***(note 6)***	124 655.3	122 382.0	118 127.8	1.9%	5.5%
Investments in associates accounted for using the equity method	174.1	170.2	181.0	2.3%	-3.8%
Property, plant and equipment	913.1	917.1	956.0	-0.4%	-4.5%
Intangible assets	426.6	424.6	429.9	0.5%	-0.8%
Assets held for sale	3.6	3.4	3.6	5.9%	0.0%
Current income tax assets	2.7	0.0	0.0	100.0%	100.0%
Deferred tax assets	423.2	409.7	445.6	3.3%	-5.0%
Other assets	279.2	230.2	204.8	21.3%	36.3%
Total assets	**186 595.7**	**184 859.5**	**158 610.7**	**0.9%**	**17.6%**
Liabilities					
Liabilities to other banks	8 228.0	4 883.1	6 256.1	68.5%	31.5%
Financial liabilities measured at fair value through profit or loss	1 530.8	696.9	915.1	119.7%	67.3%
Derivative hedge instruments	558.5	449.7	546.0	24.2%	2.3%
Liabilities to customers ***(note 7)***	151 028.5	154 399.8	130 473.5	-2.2%	15.8%
Liabilities from debt securities issued	1 370.5	397.3	399.7	245.0%	242.9%
Subordinated liabilities	2 309.2	2 265.2	2 131.1	1.9%	8.4%
Provisions	256.3	196.1	205.7	30.7%	24.6%
Current income tax liabilities	389.6	445.2	381.3	-12.5%	2.2%
Deferred tax liabilities	0.0	5.3	0.0	-100.0%	0.0%
Other liabilities	2 306.0	2 525.1	2 078.9	-8.7%	10.9%
Total liabilities	**167 977.4**	**166 263.7**	**143 387.4**	**1.0%**	**17.1%**
Equity					
Share capital	130.1	130.1	130.1	0.0%	0.0%
Share premium	956.3	956.3	956.3	0.0%	0.0%
Accumulated other comprehensive income	3 923.4	4 216.1	1 867.3	-6.9%	110.1%
Retained earnings	13 608.5	13 293.3	12 269.6	2.4%	10.9%
Total equity attributable to shareholders of ING Bank Śląski	**18 618.3**	**18 595.8**	**15 223.3**	**0.1%**	**22.3%**
Total equity and liabilities	**186 595.7**	**184 859.5**	**158 610.7**	**0.9%**	**17.6%**

Preliminary unaudited consolidated financial results for the 4th quarter 2020 (PLN million)

Additional information

1. Net interest income

	4 quarter 2020	4 quarters 2020 YTD	4 quarter 2019	4 quarters 2019 YTD
Interest income, including:	**1 279.0**	**5 246.9**	**1 366.6**	**5 311.3**
Interest income calculated using effective interest rate method, including:	**1 278.4**	**5 244.1**	**1 365.7**	**5 307.2**
interest on loans and other receivables to other banks measured at amortised cost	2.1	19.1	11.1	42.0
interest on loans and other receivables to customers measured at amortised cost	1 120.2	4 502.8	1 173.8	4 571.1
interest on investment securities measured at amortised cost	110.7	380.3	66.0	260.0
interest on investment securities measured at fair value through other comprehensive income	45.4	341.9	114.8	434.1
Other interest income, including:	**0.6**	**2.8**	**0.9**	**4.1**
interest on loans and other receivables to customers measured at fair value through profit or loss	0.6	2.8	0.9	4.1
Interest expenses, including:	**124.8**	**705.1**	**242.7**	**986.2**
interest on deposits from other banks	1.6	19.9	13.1	58.3
interest on deposits from customers	113.7	642.4	216.9	891.1
interest on issue of debt securities	1.4	8.4	4.1	9.8
interest on subordinated liabilities	7.3	30.4	7.3	19.7
interest on lease liabilities	0.8	4.0	1.3	7.3
Net interest income	**1 154.2**	**4 541.8**	**1 123.9**	**4 325.1**

Preliminary unaudited consolidated financial results for the 4th quarter 2020 (PLN million)

2. Net commission income

	4 quarter 2020	4 quarters 2020 YTD	4 quarter 2019	4 quarters 2019 YTD
Commission income, including:	**547.9**	**1 963.5**	**446.7**	**1 724.1**
transaction margin on currency exchange transactions	121.2	435.1	102.3	389.7
account maintenance fees	112.9	360.9	76.3	295.6
lending commissions	85.5	351.0	84.6	327.1
payment and credit cards fees	115.2	374.7	87.6	351.9
participation units distribution fees	21.1	78.7	21.0	74.5
insurance product offering commissions	43.2	162.5	37.6	135.5
factoring and lease contracts commissions	6.5	31.1	5.0	24.6
brokerage activity fees	8.8	63.1	4.5	20.1
fiduciary and custodian fees	7.7	32.2	7.0	28.2
foreign commercial business	10.9	34.0	7.5	36.0
other commission	14.9	40.2	13.3	40.9
Commission expenses	**116.2**	**435.1**	**110.3**	**383.6**
including card fees paid	60.2	234.4	60.6	204.7
Net commission income	**431.7**	**1 528.4**	**336.4**	**1 340.5**

3. General and administrative expenses

	4 quarter 2020	4 quarters 2020 YTD	4 quarter 2019	4 quarters 2019 YTD
Personnel expenses	**364.6**	**1 314.0**	**307.5**	**1 202.5**
Other general and administrative expenses, including:	**317.7**	**1 448.5**	**283.3**	**1 294.9**
cost of marketing and promotion	39.1	123.3	30.9	119.4
depreciation and amortisation	78.3	294.2	70.4	276.8
obligatory Bank Guarantee Fund payments, including:	41.8	288.7	18.0	202.3
obligatory restructuring fund	0.0	125.4	0.0	131.2
bank guarantee fund	41.8	163.3	18.0	71.1
obligatory PSFA payments	0.0	13.3	0.0	16.1
IT costs	41.5	251.0	40.8	221.3
maintenance and refurbishment of buildings	18.7	96.0	24.1	100.0
other	98.3	382.0	99.1	359.0
Total	**682.3**	**2 762.5**	**590.8**	**2 497.4**

Preliminary unaudited consolidated financial results for the 4th quarter 2020 (PLN million)

4. The headcount in the ING Bank Śląski S.A. Group

	as at 31 Dec 2020	as at 30 Sep 2020	as at 31 Dec 2019
FTEs	8 451.2	8 238.0	8 071.6
Individuals	8 507	8 290	8 135

5. Impairment for expected credit losses

	4 quarter 2020	4 quarters 2020 YTD	4 quarter 2019	4 quarters 2019 YTD
Corporate banking	-1.1	488.6	93.3	411.9
Retail banking	83.7	316.0	39.9	162.4
Total	**82.6**	**804.6**	**133.2**	**574.3**

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

	as at **31 Dec 2020**			as at **30 Sep 2020**			as at **31 Dec 2019**		
	gross	impairment for expected credit losses	net	gross	impairment for expected credit losses	net	gross	impairment for expected credit losses	net
Loan portfolio, of which:	**125 992.4**	**-3 270.3**	**122 722.1**	**123 745.2**	**-3 185.7**	**120 559.5**	**118 277.0**	**-2 446.0**	**115 831.0**
households	65 039.7	-1 694.7	63 345.0	64 045.4	-1 588.8	62 456.6	58 488.8	-1 203.9	57 284.9
business entities	57 634.6	-1 574.9	56 059.7	56 604.2	-1 596.4	55 007.8	56 769.0	-1 241.8	55 527.2
central and local government institutional sector	3 318.1	-0.7	3 317.4	3 095.6	-0.5	3 095.1	3 019.2	-0.3	3 018.9
Total (gross), of which:	**125 992.4**	**-3 270.3**	**122 722.1**	**123 745.2**	**-3 185.7**	**120 559.5**	**118 277.0**	**-2 446.0**	**115 831.0**
Corporate banking	**70 159.9**	**-2 183.2**	**67 976.7**	**69 981.1**	**-2 181.6**	**67 799.5**	**69 916.7**	**-1 686.0**	**68 230.7**
loans in the current account	9 549.9	-567.8	8 982.1	9 949.8	-588.2	9 361.6	11 515.3	-515.8	10 999.5
term loans and advances	42 928.5	-1 417.7	41 510.8	42 733.6	-1 409.0	41 324.6	41 166.6	-1 067.4	40 099.2
lease receivables	9 832.1	-134.5	9 697.6	9 626.2	-121.5	9 504.7	9 396.8	-62.1	9 334.7
factoring receivables	4 857.1	-62.6	4 794.5	4 674.2	-62.3	4 611.9	5 333.4	-40.1	5 293.3
debt securities (corporate and municipal)	2 992.3	-0.6	2 991.7	2 997.3	-0.6	2 996.7	2 504.6	-0.6	2 504.0
Retail banking	**55 832.5**	**-1 087.1**	**54 745.4**	**53 764.1**	**-1 004.1**	**52 760.0**	**48 360.3**	**-760.0**	**47 600.3**
mortgages	47 901.1	-279.3	47 621.8	45 923.9	-255.2	45 668.7	40 771.7	-174.3	40 597.4
loans in the current account	655.0	-60.7	594.3	654.3	-53.2	601.1	645.2	-48.7	596.5
other loans and advances	7 276.4	-747.1	6 529.3	7 185.9	-695.7	6 490.2	6 943.4	-537.0	6 406.4
Other receivables, of which:	**1 933.3**	**-0.1**	**1 933.2**	**1 822.6**	**-0.1**	**1 822.5**	**2 296.8**	**0.0**	**2 296.8**
call deposits placed	1 272.2	0.0	1 272.2	1 213.0	-0.1	1 212.9	1 598.6	0.0	1 598.6
other receivables	661.1	-0.1	661.0	609.6	0.0	609.6	698.2	0.0	698.2
Total	**127 925.7**	**-3 270.4**	**124 655.3**	**125 567.8**	**-3 185.8**	**122 382.0**	**120 573.8**	**-2 446.0**	**118 127.8**

Preliminary unaudited consolidated financial results for the 4th quarter 2020 (PLN million)

6.1. Quality of loan portfolio

	as at 31 Dec 2020			as at 30 Sep 2020			as at 31 Dec 2019		
	gross	impairment for expected credit losses	net	gross	impairment for expected credit losses	net	gross	impairment for expected credit losses	net
Corporate banking	**70 159.9**	**-2 183.2**	**67 976.7**	**69 981.1**	**-2 181.6**	**67 799.5**	**69 916.7**	**-1 686.0**	**68 230.7**
assets in stage 1	59 222.1	-192.1	59 030.0	57 069.4	-181.9	56 887.5	61 733.3	-67.0	61 666.3
assets in stage 2	7 842.2	-227.7	7 614.5	9 792.8	-256.8	9 536.0	5 261.7	-144.9	5 116.8
assets in stage 3	3 094.3	-1 763.4	1 330.9	3 117.9	-1 742.9	1 375.0	2 920.2	-1 474.1	1 446.1
POCI assets	1.3	0.0	1.3	1.0	0.0	1.0	1.5	0.0	1.5
Retail banking	**55 832.5**	**-1 087.1**	**54 745.4**	**53 764.1**	**-1 004.1**	**52 760.0**	**48 360.3**	**-760.0**	**47 600.3**
assets in stage 1	52 646.0	-150.2	52 495.8	50 226.6	-120.4	50 106.2	44 045.1	-56.2	43 988.9
assets in stage 2	2 129.6	-181.8	1 947.8	2 647.2	-228.8	2 418.4	3 706.6	-268.9	3 437.7
assets in stage 3	1 054.7	-755.1	299.6	888.0	-654.9	233.1	608.6	-434.9	173.7
POCI assets	2.2	0.0	2.2	2.3	0.0	2.3	0.0	0.0	0.0
Total	**125 992.4**	**-3 270.3**	**122 722.1**	**123 745.2**	**-3 185.7**	**120 559.5**	**118 277.0**	**-2 446.0**	**115 831.0**

7. Liabilities to customers

	as at 31 Dec 2020	as at 30 Sep 2020	as at 31 Dec 2019
Deposits, of which:	**149 269.9**	**152 724.2**	**128 800.1**
households	102 920.0	99 145.9	87 643.7
business entities	43 454.5	50 502.2	36 191.2
central and local government institutional sector	2 895.4	3 076.1	4 965.2
Total, of which:	**149 269.9**	**152 724.2**	**128 800.1**
Corporate banking	**58 755.4**	**65 293.3**	**49 848.1**
current deposits	45 250.6	48 310.0	34 707.2
saving deposits	12 920.5	16 144.6	13 513.1
term deposits	584.3	838.7	1 627.8
Retail banking	**90 514.5**	**87 430.9**	**78 952.0**
current deposits	22 924.1	20 297.9	15 706.7
saving deposits	65 896.2	65 342.5	60 812.0
term deposits	1 694.2	1 790.5	2 433.3
Other liabilities, including:	**1 758.6**	**1 675.6**	**1 673.4**
liabilities due to cash collateral	547.1	501.3	400.1
other liabilities	1 211.5	1 174.3	1 273.3
Total	**151 028.5**	**154 399.8**	**130 473.5**

Preliminary unaudited consolidated financial results for the 4th quarter 2020 (PLN million)

8. Total capital ratio

	as at 31 Dec 2020	as at 30 Sep 2020	as at 31 Dec 2019
Own funds			
A. Own equity in the statement of financial position, including:	**18 618.3**	**18 595.8**	**15 223.3**
A.I. Own equity included in the own funds calculation	14 266.1	14 122.5	12 879.3
A.II. Own equity excluded from own funds calculation	4 352.2	4 473.3	2 344.0
B. Other elements of own funds (decreases and increases), including:	**2 127.8**	**2 093.9**	**1 712.4**
subordinated debt	2 307.4	2 263.4	2 129.3
goodwill and other intangible assets	-466.9	-514.0	-521.5
AIRB shortfall/surplus of credit risk adjustments to expected losses	0.0	0.0	-67.4
adjustment during the transition period due to adjustment to IFRS 9 *	361.8	370.0	220.3
value adjustments due to the requirements for prudent valuation	-24.9	-25.5	-48.3
deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-49.6	0.0	0.0
Own funds taken into account in total capital ratio calculation (A.I. + B), including:	**16 393.9**	**16 216.4**	**14 591.7**
Core Tier I capital	14 086.5	13 953.0	12 462.4
Tier II capital	2 307.4	2 263.4	2 129.3
Risk weighted assets, including:	**87 555.4**	**86 997.5**	**86 477.3**
due to credit risk	77 449.5	76 671.3	75 706.5
due to operational risk	9 344.0	9 344.0	8 762.9
other	761.9	982.2	2 007.9
Total capital requirements	**7 004.4**	**6 959.8**	**6 918.1**
Total capital ratio (TCR)	**18.72%**	**18.64%**	**16.87%**
minimum required level	11.002%	11.001%	13.955%
surplus of TCR (p.p)	7.72	7.64	2.91
Tier I ratio (T1)	**16.09%**	**16.04%**	**14.41%**
minimum required level	9.002%	9.001%	11.955%
surplus of Tier 1 (p.p)	7.09	7.04	2.45

*) Group in the calculation of capital charges used with transitional provisions in the scope of mitigating the impact of applying IFRS 9 at the applicable level. If the full impact of the application of IFRS 9 was taken into account, the total capital ratio would be 18.48% and the Tier 1 ratio would be 15.69%.

Preliminary unaudited consolidated financial results for the 4th quarter 2020 _(PLN million)_

9. Financial result divided into operating segments

	4 quarter 2020	4 quarters 2020 YTD	4 quarter 2019	4 quarters 2019 YTD
Retail banking segment				
Income total	**758.1**	**2 942.6**	**709.8**	**2 792.2**
net interest income	632.8	2 439.9	607.0	2 309.9
net commission income	125.0	457.3	103.1	417.9
other income/expenses	0.3	45.4	-0.3	64.4
Expenses total	**346.9**	**1 439.6**	**299.0**	**1 323.9**
Segment result	**411.2**	**1 503.0**	**410.8**	**1 468.3**
Impairment for expected credit losses	83.7	316.0	39.9	162.4
Cost of legal risk of FX mortgages	239.9	270.3	31.2	31.2
Tax on certain financial institutions	50.7	196.4	44.8	167.3
Share of profit/(loss) of associates accounted for using the equity method	4.0	16.1	3.5	6.6
The gross financial result of the retail banking segment	**40.9**	**736.4**	**298.4**	**1 114.0**
Corporate banking segment				
Income total	**841.7**	**3 272.0**	**773.0**	**2 997.6**
net interest income	521.4	2 101.9	516.9	2 015.2
net commission income	306.7	1 071.1	233.3	922.6
other income/expenses	13.6	99.0	22.8	59.8
Expenses total	**335.4**	**1 322.9**	**291.8**	**1 173.5**
Segment result	**506.3**	**1 949.1**	**481.2**	**1 824.1**
Impairment for expected credit losses	-1.1	488.6	93.3	411.9
Tax on certain financial institutions	71.8	285.2	68.8	268.4
Share of profit/(loss) of associates accounted for using the equity method	0.0	0.0	0.5	0.0
The gross financial result of the corporate banking segment	**435.6**	**1 175.3**	**319.6**	**1 143.8**

Legal risk related to the portfolio of loans indexed to CHF

As at 31 December 2020, the Bank had receivables under CHF-indexed retail mortgage loans in the gross carrying amount of PLN 611.3 million (PLN 880.6 million as at 31 December 2019). Total loans indexed to various currencies amounted to PLN 627.4 million (PLN 951.4 million as at 31 December 2019.

As at 31 December 2020, without taking into account the legal risk adjustment related to the gross carrying amount, the gross carrying amount of CHF-indexed retail mortgage loans would be PLN 911.3 million (PLN 915.9 million as at 31 December 2019).

As at 31 December 2020, 450 court cases were pending against the Bank (156 court cases as at 2019 yearend) in connection with the concluded loan agreements in PLN indexed with CHF. As at 31 December 2020, the outstanding capital of the loans concerned by these proceedings was PLN 129.6 million (PLN 51.0 million as at 2019 yearend).

To date, the Bank has not received any class action, and neither of the clauses used by the Bank in the agreements has been entered in the register of prohibited clauses.

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

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

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

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

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

On 25 March 2021 a meeting of the Civil Chamber of the Supreme Court will be held, during which the application of the First President of the Supreme Court of 29 January 2021 for the adoption of a resolution on the following legal issues regarding loans denominated and indexed in foreign currencies will be considered (legal basis Art. 83 § 1 of the Act of December 8, 2017 on the Supreme Court):

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

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

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

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

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

The amount of the adjustment to the gross carrying amount resulting from legal risk for the CHF-indexed mortgage loan portfolio reported in the statement of financial position and the amount of legal risk provisions for CHF-indexed mortgage loans already removed from the statement of financial position depends on many variables, i.e. primarily the forecast number of future disputes and the number and terms of settlements with borrowers, the forecast horizon adopted in the estimates, possible future legal decisions, and the probability distribution of individual possibilities.

As at 31 December 2020, a portfolio approach was used to estimate the gross carrying amount adjustment related to the portfolio of CHF-indexed mortgage loans included in the statement of financial position and to estimate the provision for CHF-indexed mortgage assets removed from the report resulting from legal risk related to these credits.

The adjustment to the gross carrying amount of the CHF portfolio is intended to reflect the actual and revised estimated contractual cash flows (the change due to the assessment that the legal risk associated with the CHF-indexed mortgage portfolio changes the payment assessment for these assets and the adjustment to the gross carrying amount), will allow the gross carrying amount to be disclosed at an amount that will reflect the actual and revised estimated contractual cash flows).

For financial assets already removed from the statement of financial position, the recognition of provisions for legal risk on a portfolio basis results from the assessment of the probability of an outflow of cash.

As at 31 December 2020, the amount of the adjustment to the gross carrying amount arising from legal risk for the portfolio of CHF-indexed mortgage loans still disclosed in the statement of financial position amounted to PLN 300.0 million (PLN 35.3 million as at 2019 yearend).

Regarding CHF-indexed mortgage loans already removed from the statement of financial position, as at 31 December 2020, the Group maintained a provision amounted to PLN 11.8 million (PLN 9.6 million as at 2019 yearend). The amount is presented in liabilities under *Provisions*.

As at 31 December 2020, the potential losses due to legal risk are estimated using the portfolio method as a probability-weighted average from three scenarios - the base, positive and negative - taking into account the estimated probability of occurrence. The scenarios on which the estimation is based are varied in terms of the probability of various possible court judgments and the scale of settlements with customers regarding the conversion of loans from CHF indexed to PLN-denominated loans (the interest rate of which is determined based on the WIBOR rate) and the expected number of court cases calculated on the basis of the Bank's professional judgment resulting from the Bank's experience to date and the current analysis of the market situation.

As at 31 December 2020, for the portfolio of CHF indexed mortgage loans included in the statement of financial position the Bank assumes in each scenario that for a specific part of the portfolio possibilities are:

1) conversion of loans indexed to CHF into loans denominated in PLN (the interest rate of which is determined based on the WIBOR rate) through voluntary settlements, or
2) cancellation of the credit agreement after the end of valid legal proceedings.

The calculation of losses in the case of conversion of loans into loans denominated in PLN assumes the conversion of the loan agreement and repayments made on its basis by the borrower as if the loan had been granted in PLN from the beginning. Historical CHF / PLN rates on the dates of these cash flows are used to calculate the original loan amount and the repayments made during its life. The calculation takes into account the remuneration for the loan interest based on the WIBOR rate and the market loan margins for loans granted in PLN from the loan origination period.

The calculation of losses in the event of cancellation of the loan agreement uses historical CHF / PLN exchange rates for settlement, but does not include the Bank's remuneration for interest on the borrower's use of capital.

The positive, baseline and negative scenarios differ in the size of the portfolio subject to conversion into PLN or cancellation of loan agreements and the distribution of probabilities between these possibilities.

The change in the estimate due to the adjustment of the gross carrying amount for CHF-indexed mortgage loans recognized in the statement of financial position in 2020 compared to the balance of this adjustment as at 31 December 2019 resulted, inter alia, from the introduction of a new scenario of settlements with customers regarding the conversion of loans indexed to CHF to loans denominated in PLN in accordance with the PFSA proposal of December 2020 and from an increase in the number of disputes that may end in the cancellation of the contract.

Preliminary unaudited consolidated financial results for the 4th quarter 2020 _(PLN million)_

Income statement of ING Bank Śląski S.A.

	4 quarter 2020	4 quarters 2020 YTD	4 quarter 2019	4 quarters 2019 YTD	change 4Q/4Q	change y/y
Interest income	1 210.3	4 970.0	1 296.0	5 071.2	-6.6%	-2.0%
calculated using effective interest rate method	1 209.7	4 967.2	1 295.1	5 067.1	-6.6%	-2.0%
other interest income	0.6	2.8	0.9	4.1	-33.3%	-31.7%
Interest expenses	122.8	693.3	239.4	981.4	-48.7%	-29.4%
Net interest income	**1 087.5**	**4 276.7**	**1 056.6**	**4 089.8**	2.9%	4.6%
Commission income	535.5	1 914.9	437.0	1 686.9	22.5%	13.5%
Commission expenses	119.4	442.8	109.8	391.1	8.7%	13.2%
Net commission income	**416.1**	**1 472.1**	**327.2**	**1 295.8**	27.2%	13.6%
Net income on financial instruments measured at fair value through profit or loss and FX result	21.8	101.9	24.2	107.6	-9.9%	-5.3%
Net income on the sale of securities measured at amortised cost	0.0	7.3	0.0	0.0	0.0%	0.0%
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	5.0	19.4	-4.3	5.4	-216.3%	259.3%
Net (loss)/income on hedge accounting	-3.0	11.5	-5.5	-14.3	-45.5%	-180.4%
Net (loss)/income on other basic activities	-12.0	-14.1	1.1	-3.9	-1190.9%	261.5%
Net income on basic activities	**1 515.4**	**5 874.8**	**1 399.3**	**5 480.4**	8.3%	7.2%
General and administrative expenses	641.3	2 616.2	558.3	2 369.8	14.9%	10.4%
Impairment for expected credit losses	66.0	699.7	108.7	537.7	-39.3%	30.1%
including profit on sale of receivables	0.0	4.1	24.5	34.3	-100.0%	-88.0%
FX mortgage litigation costs	239.9	270.3	31.2	31.2	668.9%	766.3%
Tax on certain financial institutions	122.5	481.6	113.6	435.7	7.8%	10.5%
Share of profit/(loss) of subsidiaries and associates accounted for using the equity method	21.7	75.7	12.7	110.5	70.9%	-31.5%
Gross profit	**467.4**	**1 882.7**	**600.2**	**2 216.5**	-22.1%	-15.1%
Income tax	153.5	545.1	149.9	557.8	2.4%	-2.3%
Net profit	**313.9**	**1 337.6**	**450.3**	**1 658.7**	**-30.3%**	**-19.4%**

Preliminary unaudited consolidated financial results for the 4th quarter 2020 (PLN million)

Statement of comprehensive income of ING Bank Śląski S.A.

	4 quarter 2020	4 quarters 2020 YTD	4 quarter 2019	4 quarters 2019 YTD	change 4Q/4Q	change y/y
Net profit for the period	**313.9**	**1 337.6**	**450.3**	**1 658.7**	-30.3%	-19.4%
Total other comprehensive income, including:	**-217.3**	**1 918.1**	**-540.2**	**589.7**	-59.8%	225.3%
Items which can be reclassified to income statement, including:	**-238.8**	**1 890.6**	**-517.2**	**577.4**	-53.8%	227.4%
debt instruments measured at fair value through other comprehensive income – gains on revaluation carried through equity	126.2	102.8	18.8	17.3	571.3%	494.2%
debt instruments measured at fair value through other comprehensive income – reclassification to financial result due to sale	-4.1	-18.3	-0.4	-23.7	925.0%	-22.8%
loans measured at fair value through other comprehensive income - revaluation gains / losses related to equity	74.1	-139.3	-50.5	-108.5	-246.7%	28.4%
cash flow hedging – gains on revaluation carried through equity	-212.2	2 562.5	-391.0	1 083.3	-45.7%	136.5%
cash flow hedging – reclassification to profit or loss	-222.8	-617.1	-94.1	-391.0	136.8%	57.8%
Items which will not be reclassified to income statement, including:	**21.5**	**27.5**	**-23.0**	**12.3**	-193.5%	123.6%
equity instruments measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	24.9	30.9	-13.1	22.2	-290.1%	39.2%
fixed assets revaluation	0.0	0.0	0.3	0.3	-100.0%	-100.0%
actuarial gains/losses	-3.4	-3.4	-10.2	-10.2	-66.7%	-66.7%
Net comprehensive income for the reporting period	**96.6**	**3 255.7**	**-89.9**	**2 248.4**	**-207.5%**	**44.8%**

Preliminary unaudited consolidated financial results for the 4th quarter 2020 (PLN million)

Statement of financial position of ING Bank Śląski S.A.

	as at 31 Dec 2020	as at 30 Sep 2020	as at 31 Dec 2019	change Q/Q	change y/y
Assets					
Cash in hand and balances with the Central Bank	867.3	1 193.6	1 402.9	-27.3%	-38.2%
Loans and other receivables to other banks	2 674.2	3 784.4	3 285.3	-29.3%	-18.6%
Financial assets measured at fair value through profit or loss	2 017.7	1 259.2	1 384.6	60.2%	45.7%
Derivative hedge instruments	1 194.8	1 054.1	851.6	13.3%	40.3%
Investment securities	54 882.2	56 033.3	33 559.5	-2.1%	63.5%
Loans and other receivables to customers	116 352.3	114 087.9	110 376.2	2.0%	5.4%
Investments in subsidiaries and associates accounted for using the equity method	1 354.1	1 332.2	1 112.2	1.6%	21.7%
Property, plant and equipment	894.4	894.9	932.8	-0.1%	-4.1%
Intangible assets	404.3	400.9	408.4	0.8%	-1.0%
Assets held for sale	0.5	3.4	3.6	-85.3%	-86.1%
Deferred tax assets	271.1	243.2	270.8	11.5%	0.1%
Other assets	204.0	173.2	329.4	17.8%	-38.1%
Total assets	**181 116.9**	**180 460.3**	**153 917.3**	**0.4%**	**17.7%**
Liabilities					
Liabilities to other banks	4 776.6	1 487.2	2 622.5	221.2%	82.1%
Financial liabilities measured at fair value through profit or loss	1 530.8	696.9	915.1	119.7%	67.3%
Derivative hedge instruments	558.5	449.7	546.0	24.2%	2.3%
Liabilities to customers	150 736.5	154 220.5	130 036.8	-2.3%	15.9%
Subordinated liabilities	2 309.2	2 265.2	2 131.1	1.9%	8.4%
Provisions	250.8	191.8	201.9	30.8%	24.2%
Current income tax liabilities	387.4	445.6	377.9	-13.1%	2.5%
Other liabilities	2 196.6	2 429.5	1 971.2	-9.6%	11.4%
Total liabilities	**162 746.4**	**162 186.4**	**138 802.5**	**0.3%**	**17.3%**
Equity					
Share capital	130.1	130.1	130.1	0.0%	0.0%
Share premium	956.3	956.3	956.3	0.0%	0.0%
Accumulated other comprehensive income	3 675.6	3 894.2	1 758.8	-5.6%	109.0%
Retained earnings	13 608.5	13 293.3	12 269.6	2.4%	10.9%
Total equity	**18 370.5**	**18 273.9**	**15 114.8**	**0.5%**	**21.5%**
Total equity and liabilities	**181 116.9**	**180 460.3**	**153 917.3**	**0.4%**	**17.7%**