ING Bank Śląski S.A. Group

Semi-annual consolidated report

for the period of 6 months ending on 30 June 2021

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(PLN million)

SELECTED FINANCIAL DATA FROM FINANCIAL STATEMENTS

Performance highlights

	2 quarter 2021 the period from 1 Apr 2021 to 30 Jun 2021	1 half 2021 the period from 1 Jan 2021 to 30 Jun 2021	2 quarter 2020 the period from 1 Apr 2020 to 30 Jun 2020	1 half 2020 the period from 1 Jan 2020 to 30 Jun 2020
Net interest income	1,175.0	2,316.6	1,099.2	2,251.3
Net commission income	456.3	884.6	344.0	703.1
Net income on basic activities	1,652.4	3,248.0	1,508.1	3,066.4
Gross profit	817.5	1,343.7	440.1	817.1
Net profit attributable to shareholders of ING Bank Śląski S.A.	615.3	1,000.9	316.2	583.5
Earnings per ordinary share (PLN)	4.73	7.69	2.43	4.49

	as at 30 Jun 2021	as at 31 Dec 2020	as at 30 Jun 2020
Loans and other receivables to customers measured at amortised cost (net)	133,768.8	124,655.3	120,598.1
Liabilities to customers	161,998.3	151,028.5	150,979.3
Total assets	197,282.3	186,595.7	180,639.3
Equity attributable to shareholders of ING Bank Śląski S.A.	17,857.6	18,618.3	18,235.5
Share capital	130.1	130.1	130.1

Key performance indicators

	as at 30 Jun 2021	as at 31 Dec 2020	as at 30 Jun 2020
C/I - cost/income ratio (%)	46.6%	44.5%	46.2%
ROA - return on assets (%)	0.9%	0.8%	0.9%
ROE - return on equity (%)	9.7%	7.6%	9.0%
NIM - net interest margin (%)	2.48%	2.63%	2.83%
L/D - loans-to-deposits ratio (%)	82.6%	82.5%	79.9%
Total capital ratio (%)	18.08%	19.52%*	18.31%

*) On 15 April 2021, the Bank's General Meeting approved the distribution of the profit for 2020. Including the net profit generated in 2020 as equity as at 31 December 2020 resulted in an increase in the Group's total capital ratio (TCR) to 19.52%. According to the value presented in the annual consolidated financial statements for 2020, the Group's total capital ratio as at 31 December 2020 was 18.72%.

Explanations:

C/I - Cost to Income ratio – general and administrative expenses to net income on basic activities.

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) to liabilities due to customers.

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

(PLN million)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF ING BANK ŚLĄSKI S.A. GROUP

Interim condensed consolidated income statement

	Note	**2 quarter 2021** the period from 1 Apr 2021 to 30 Jun 2021	**1 half 2021** the period from 1 Jan 2021 to 30 Jun 2021	**2 quarter 2020** the period from 1 Apr 2020 to 30 Jun 2020	**1 half 2020** the period from 1 Jan 2020 to 30 Jun 2020
Interest income		1,297.1	2,564.7	1,304.0	2,690.6
calculated using effective interest rate method		1,297.0	2,564.3	1,303.3	2,689.1
other interest income		0.1	0.4	0.7	1.5
Interest expenses		122.1	248.1	204.8	439.3
Net interest income	7.1	**1,175.0**	**2,316.6**	**1,099.2**	**2,251.3**
Commission income		560.2	1,091.9	448.6	909.2
Commission expenses		103.9	207.3	104.6	206.1
Net commission income	7.2	**456.3**	**884.6**	**344.0**	**703.1**
Net income on financial instruments measured at fair value through profit or loss and FX result	7.3	15.4	49.7	44.3	58.2
Net income on the sale of securities measured at amortised cost	7.4	0.0	0.0	0.0	7.3
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	7.4	7.7	7.7	18.8	20.6
Net (loss)/income on hedge accounting	7.5	-3.3	-14.2	4.9	28.6
Net (loss)/income on other basic activities		1.3	3.6	-3.1	-2.7
Net income on basic activities		**1,652.4**	**3,248.0**	**1,508.1**	**3,066.4**
General and administrative expenses	7.6	692.0	1,512.8	638.5	1 413.5
Impairment for expected credit losses	7.7	19.1	147.9	302.2	596.9
including profit on sale of receivables		61.6	61.6	0.0	4.1
Cost of legal risk of FX mortgage loans	7.8	0.0	0.0	10.2	10.2
Tax on certain financial institutions		130.9	256.8	121.1	237.1
Share of profit/(loss) of associates accounted for using the equity method		7.1	13.2	4.0	8.4
Gross profit		**817.5**	**1,343.7**	**440.1**	**817.1**
Income tax		202.2	342.8	123.9	233.6
Net profit		**615.3**	**1,000.9**	**316.2**	**583.5**
attributable to shareholders of ING Bank Śląski S.A.		**615.3**	**1,000.9**	**316.2**	**583.5**
attributable to non-controlling interests		0.0	0.0	0.0	0.0
Net profit attributable to shareholders of ING Bank Śląski S.A.		615.3	1,000.9	316.2	583.5
Weighted average number of ordinary shares		130,100,000	130,100,000	130,100,000	130,100,000
Earnings per ordinary share (PLN)		4.73	7.69	2.43	4.49

The diluted earnings per share are the same as the profit per one ordinary share.

Interim condensed consolidated income statement shall be read in conjunction with the notes to interim condensed consolidated financial statements being the integral part thereof.

(PLN million)

Interim condensed consolidated statement of comprehensive income

	2 quarter 2021 the period from 1 Apr 2021 to 30 Jun 2021	**1 half 2021** the period from 1 Jan 2021 to 30 Jun 2021	**2 quarter 2020** the period from 1 Apr 2020 to 30 Jun 2020	**1 half 2020** the period from 1 Jan 2020 to 30 Jun 2020
Net profit for the period	**615.3**	**1,000.9**	**316.2**	**583.5**
Total other comprehensive income, including:	**-318.4**	**-1,762.0**	**578.3**	**2,428.7**
Items which can be reclassified to income statement, including:	**-336.4**	**-1,779.7**	**572.4**	**2,422.7**
debt instruments measured at fair value through other comprehensive income – gains on revaluation carried through equity	-145.1	-21.7	154.2	-78.6
debt instruments measured at fair value through other comprehensive income – reclassification to financial result due to sale	-0.8	-0.8	-8.3	-9.8
cash flow hedging – gains on revaluation carried through equity	27.0	-1,321.4	547.7	2,722.1
cash flow hedging – reclassification to profit or loss	-217.5	-435.8	-121.2	-211.0
Items which will not be reclassified to income statement, including:	**18.0**	**17.7**	**5.9**	**6.0**
equity instruments measured at fair value through other comprehensive income – gains on revaluation carried through equity	18.0	18.0	6.0	6.0
fixed assets revaluation	0.1	-0.2	-0.1	0.0
disposal of fixed assets	-0.1	-0.1	0.0	0.0
Net comprehensive income for the reporting period	**296.9**	**-761.1**	**894.5**	**3,012.2**
attributable to shareholders of ING Bank Śląski S.A.	296.9	-761.1	894.5	3,012.2

Interim condensed consolidated statement of comprehensive income shall be read in conjunction with the notes to interim condensed consolidated financial statements being the integral part thereof.

(PLN million)

Interim condensed consolidated statement of financial position

as at

	Note	as at 30 Jun 2021	as at 31 Dec 2020	as at 30 Jun 2020
Assets				
Cash in hand and balances with the Central Bank		850.8	867.3	1,910.3
Loans and other receivables to other banks	7.9	709.5	704.6	744.4
Financial assets measured at fair value through profit or loss	7.10	1,471.1	2,017.7	1,111.5
Derivative hedge instruments		882.0	1,194.8	1,095.9
Investment securities	7.11	57,103.1	54,933.5	53,077.6
Loans and other receivables to customers measured at amortised cost	7.12	133,768.8	124,655.3	120,598.1
Investments in associates accounted for using the equity method		168.7	174.1	166.4
Property, plant and equipment		857.1	913.1	925.2
Intangible assets		410.3	426.6	423.2
Assets held for sale		1.4	3.6	3.4
Current income tax assets		307.8	2.7	0.0
Deferred tax assets		463.2	423.2	380.1
Other assets		288.5	279.2	203.2
Total assets		**197,282.3**	**186,595.7**	**180,639.3**
Liabilities				
Liabilities to other banks	7.14	9,422.5	8,228.0	4,594.6
Financial liabilities measured at fair value through profit or loss	7.15	1,040.4	1,530.8	617.2
Derivative hedge instruments		454.0	558.5	480.9
Liabilities to customers	7.16	161,998.3	151,028.5	150,979.3
Liabilities from debt securities issued		546.2	1,370.5	395.4
Subordinated liabilities		2,262.1	2,309.2	2,235.1
Provisions	7.17	248.4	256.3	203.0
Current income tax liabilities		1.8	389.6	426.2
Deferred tax liabilities		0.0	0.0	5.3
Other liabilities	7.18	3,451.0	2,306.0	2,466.8
Total liabilities		**179,424.7**	**167,977.4**	**162,403.8**
Equity				
Share capital		130.1	130.1	130.1
Share premium		956.3	956.3	956.3
Accumulated other comprehensive income		2,158.7	3,923.4	4,296.0
Retained earnings		14,612.5	13,608.5	12,853.1
Equity attributable to shareholders of ING Bank Śląski		**17,857.6**	**18,618.3**	**18,235.5**
Non-controlling interests		0.0	0.0	0.0
Total equity		**17,857.6**	**18,618.3**	**18,235.5**
Total equity and liabilities		**197,282.3**	**186,595.7**	**180,639.3**
Carrying amount		17,857.6	18,618.3	18,235.5
Number of shares		130,100,000	130,100,000	130,100,000
Carrying amount per share (PLN)		137.26	143.11	140.17

Interim condensed consolidated statement of financial position shall be read in conjunction with the notes to interim condensed consolidated financial statements being the integral part thereof.

(PLN million)

Interim condensed consolidated statement of changes in equity

1 half 2021

the period from 1 Jan 2021 to 30 Jun 2021

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	**Total equity**
Opening balance of equity	**130.1**	**956.3**	**3,923.4**	**13,608.5**	**0.0**	**18,618.3**
Profit for the current period	-	-	-	1,000.9	-	**1,000.9**
Other net comprehensive income, including:	**0.0**	**0.0**	**-1,764.7**	**2.7**	**0.0**	**-1,762.0**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	-3.7	-	-	-3.7
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	-0.8	-	-	-0.8
cash flow hedging – gains on revaluation carried through equity	-	-	-1,321.4	-	-	-1,321.4
cash flow hedging – reclassification to profit or loss	-	-	-435.8	-	-	-435.8
fixed assets revaluation	-	-	-0.2	-	-	-0.2
disposal of fixed assets	-	-	-2.8	2.7	-	-0.1
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**0.4**	**0.0**	**0.4**
valuation of share-based payments	-	-	-	0.4	-	0.4
Closing balance of equity	**130.1**	**956.3**	**2,158.7**	**14,612.5**	**0.0**	**17,857.6**

year 2020

the period from 1 Jan 2020 to 31 Dec 2020

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	**Total equity**
Opening balance of equity	**130.1**	**956.3**	**1,867.3**	**12,269.6**	**0.0**	**15,223.3**
Profit for the current period	-	-	-	1,337.6	-	**1,337.6**
Other net comprehensive income, including:	**0.0**	**0.0**	**2,056.1**	**1.3**	**0.0**	**2,057.4**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	133.7	-	-	133.7
debt instruments measured at fair value through other comprehensive income – reclassification to financial result due to sale	-	-	-18.3	-	-	-18.3
cash flow hedging – gains on revaluation carried through equity	-	-	2,562.5	-	-	2,562.5
cash flow hedging – reclassification to profit or loss	-	-	-617.1	-	-	-617.1
disposal of fixed assets	-	-	-1.3	1.3	-	0.0
actuarial gains/losses	-	-	-3.4	-	-	-3.4
Closing balance of equity	**130.1**	**956.3**	**3,923.4**	**13,608.5**	**0.0**	**18,618.3**

(PLN million)

1 half 2020

the period from 1 Jan 2020 to 30 Jun 2020

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	**Total equity**
Opening balance of equity	**130.1**	**956.3**	**1,867.3**	**12,269.6**	**0.0**	**15,223.3**
Profit for the current period	-	-	-	583.5	-	**583.5**
Other net comprehensive income, including:	**0.0**	**0.0**	**2,428.7**	**0.0**	**0.0**	**2,428.7**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	-72.6	-	-	-72.6
debt instruments measured at fair value through other comprehensive income – reclassification to financial result due to sale	-	-	-9.8	-	-	-9.8
cash flow hedging – gains on revaluation carried through equity	-	-	2,722.1	-	-	2,722.1
cash flow hedging – reclassification to profit or loss	-	-	-211.0	-	-	-211.0
Closing balance of equity	**130.1**	**956.3**	**4,296.0**	**12,853.1**	**0.0**	**18,235.5**

Interim condensed consolidated statement of changes in equity shall be read in conjunction with the notes to interim condensed consolidated financial statements being the integral part thereof.

(PLN million)

Interim condensed consolidated cash flow statement

	1 half 2021 the period from 1 Jan 2021 to 30 Jun 2021	1 half 2020 the period from 1 Jan 2020 to 30 Jun 2020
Net profit	**1,000.9**	**583.5**
Adjustments, including:	**513.6**	**17,497.8**
Share of profit/(loss) of associates accounted for using the equity method	-13.2	-8.4
Depreciation and amortisation	142.9	143.6
Interest accrued (from the income statement)	-2,316.6	-2,251.3
Interest paid	-235.1	-410.5
Interest received	2,422.0	2,340.7
Gains (losses) on investing activities	0.0	1.5
Income tax (from the income statement)	342.8	233.6
Income tax paid	-662.5	-687.7
Change in provisions	-7.9	-2.7
Change in loans and other receivables to other banks	-16.9	-97.0
Change in financial assets measured at fair value through profit or loss	546.2	274.0
Change in debt securities measured at fair value through other comprehensive income	-1,550.5	-1,691.2
Change in hedge derivatives	-1,961.0	2,790.7
Change in loans and other receivables to customers measured at amortised cost	-9,027.7	-2,307.8
Change in other assets	153.9	347.0
Change in liabilities to other banks	1,088.6	-1,532.6
Change in liabilities measured at fair value through profit or loss	-490.4	-297.6
Change in liabilities to customers	10,971.6	20,511.0
Change in other liabilities	1,127.4	142.5
Net cash flow from operating activities	**1,514.5**	**18,081.3**
Purchase of property, plant and equipment	-23.2	-20.7
Disposal of property, plant and equipment	3.5	1.3
Purchase of intangible assets	-27.2	-34.0
Disposal of assets held for sale	0.0	0.1
Purchase of equity instruments measured at fair value through other comprehensive income	0.0	-1.1
Purchase of debt securities measured at amortised cost	-1,805.9	-20,590.0
Disposal of debt securities measured at amortised cost	1,072.0	3,116.3
Dividends received	0.0	18.7
Net cash flows from investing activities	**-780.8**	**-17,509.4**
Long-term loans received	849.4	407.1
Long-term loans repaid	-742.8	-559.2
Interest on long-term loans repaid	-14.0	-12.3
Issue of debt securities	150.0	0.0
Redemption of debt securities	-975.0	0.0
Interests from issued debt securities	-2.6	0.0
Repayment of lease liabilities	-27.7	-52.1
Net cash flows from financing activities	**-762.7**	**-216.5**
Effect of exchange rate changes on cash and cash equivalents	103.7	137.5
Net increase/(decrease) in cash and cash equivalents	**-29.0**	**355.4**
Opening balance of cash and cash equivalents	**1,228.2**	**1,997.4**
Closing balance of cash and cash equivalents	**1,199.2**	**2,352.8**

Interim condensed consolidated cash flow statement shall be read in conjunction with the notes to interim condensed consolidated financial statements being the integral part thereof.

Additional information

1. Bank and the Group details

1.1. Key Bank data

ING Bank Śląski S.A. ("Parent company", "Parent entity", "Bank") with the registered office in Poland, Katowice, Sokolska Str. 34, was entered into the Entrepreneurs Register with the National Court Register maintained by the Commercial Division of the District Court in Katowice under the number KRS 5459. The Parent company statistical number is REGON 271514909, and the tax identification number is NIP 634-013-54-75.

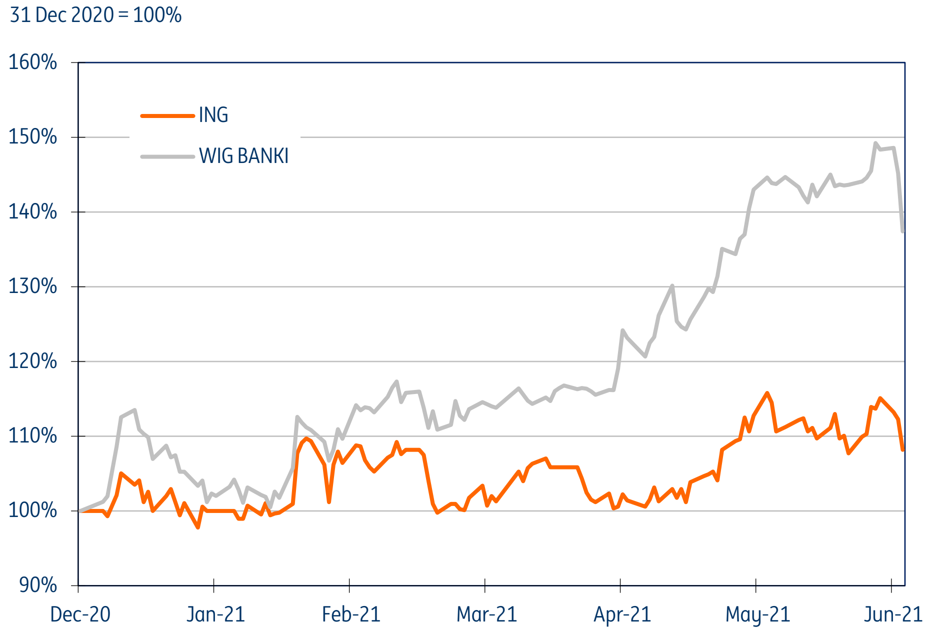
1.2. Scope and duration of operations

ING Bank Śląski S.A. offers a broad range of banking services rendered to individual and institutional clients in line with the scope of services outlined in the Bank's charter. The Bank runs operations both in the home currency and in foreign currencies. Additionally, through subsidiaries the Group conducts leasing and factoring activity, operates real estate, lease of real estate and advisory and acts as a financial intermediary as well as provides other financial services. The duration of business of the Parent company is indefinite.

1.3. Share capital

The share capital of ING Bank Śląski S.A. is PLN 130,100,000 and is divided in 130,100,000 ordinary bearer shares of a par value of PLN 1.00 each. Bank's shares are quoted on the Warsaw Stock Exchange (sector: banks).

On 30 June 2021, the share price of ING Bank Śląski S.A. was PLN 185.0, compared to PLN 171.0 and PLN 142.2 as at 31 December 2020 and 30 June 2020 respectively. In the period of 6 months of 2021, the share price of ING Bank Śląski S.A. was as follows:



(PLN million)

1.4. Shereholding structure of ING Bank Śląski S.A.

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 30 June 2021 held 75% share in the share capital of ING Bank Śląski S.A. and 75% shares in the total number of votes at the General Meeting. ING Bank NV belongs to the Group, herein referred to as ING Group.

The remaining part of the Bank's shares (25.0%) is in free float. They are owned by institutional investors - in particular Polish pension funds and domestic and foreign investment funds, as well as individual investors. The largest of them as at 30 June 2021 was AVIVA Otwarty Fundusz Emerytalny AVIVA Santander, which, according to the semi-annual information on the structure of assets of Aviva Otwarty Fundusz Emerytalny AVIVA Santander, as at 30 June 2021, held 8.50% of the share capital and the total number of votes at the General Meeting.

No.	Entity	Number of shares and votes	% of total number of shares and votes at General Meeting
1.	ING Bank NV	97,575,000	75.00
2.	AVIVA Otwarty Fundusz Emerytalny AVIVA Santander	11,055,030	8.50

1.5. ING Bank Śląski S.A. Group

ING Bank Śląski S.A. is the parent company of the ING Bank Śląski S.A. Group (“Capital Group”, “Group”). As at 30 June 2021, the composition of ING Bank Śląski S.A. Group was the following:

name	type of activity	registered office	% of the Group share in equity	% of the Group share in the General Meeting votes	type of capital relationship	recognition in the Group Financial Statements
ING Investment Holding (Polska) S.A., that holds shares at the following subsidiaries and associates:	financial holding	Katowice	100	100	subsidiary	full consolidation
ING Commercial Finance S.A.	factoring services	Warsaw	100	100	subsidiary	full consolidation
ING Lease (Polska) Sp. z o.o.*	leasing services	Warsaw	100	100	subsidiary	full consolidation
NN Investment Partners TFI S.A.	investment funds	Warsaw	45	45	associated	consolidation with the equity method
ING Bank Hipoteczny S.A.	banking services	Katowice	100	100	subsidiary	full consolidation
ING Usługi dla Biznesu S.A.	accountancy services, payroll services	Katowice	100	100	subsidiary	full consolidation
Solver Sp. z o.o.	holiday and training courses organisation	Katowice	100	100	subsidiary	full consolidation
Nowe Usługi S.A.	education and promotion for the financial market and TURBO Certificates	Katowice	100	100	subsidiary	full consolidation

*) The ING Lease (Polska) Sp. z o.o Group incorporates 5 special-purpose vehicles wherein ING Lease (Polska) Sp. z o.o holds 100% of shares.

1.6. Number of shares of ING Bank Śląski S.A. held by Bank Management Board and Supervisory Board members

On 30 June 2021, members of the Bank's Management Board and Supervisory Board did not hold any shares of ING Bank Śląski S.A., similarly to the date of publishing the financial statements for the previous reporting period.

1.7. Approval of financial statements

The annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2020 to 31 December 2020 were approved by the General Meeting on 15 April 2021.

These interim condensed consolidated financial statements have been approved by the Bank's Management Board on 4 August 2021.

2. Significant events in 1st half of 2021

- *Polish Financial Supervision Authority information on the individual addon ST used in the dividend policy.*

On 30 June 2021 the Bank received a letter from the Polish Financial Supervision Authority ("PFSA") regarding the dividend policy of commercial banks for H2 2021, providing for the conditions to be satisfied by banks for dividend payout in the amount of up to 50%, 75% and 100% of net profit respectively. In their letter, the PFSA also communicated the individual add-on ST for the Bank.

The add-on ST measures the Bank's sensitivity to an adverse macroeconomic scenario. It is defined as the difference between the total capital ratio (TCR) in the baseline scenario and the TCR in the stress scenario as at the end of the forecast period (2021), considering the supervisory adjustments.

As a result of analyses made during the stress tests conducted by the PFSA Office, the individual add-on ST for ING Bank Śląski S.A. was set, considering the supervisory adjustments, at 0.00%. The PFSA stated that the Bank's sensitivity is identical for both the payout from up to 75% and 100% of net profit.

Furthermore, the PFSA stated that their stance on the dividend policy applied only to the payout from the 2020 profit and that they would present an additional stance on the retained earnings (including the 2019 profit) at the 2021 yearend along with the 2022 dividend policy. The PFSA communicated that the Bank would receive individual recommendations concerning both dividend payout and other measures which could entail capital base reduction. The letter with an individual recommendation regarding the dividend policy in the second half of 2021 was received by the Bank on 15 July 2021, which was described in Chapter 3. *Significant events after balance sheet date*.

- *Registration of amendments to the Charter of ING Bank Śląski S.A.*

On 25 May 2021 the Bank received the decision of the District Court for Katowice-Wschód in Katowice, 8th Commercial Division of the National Court Register of 19 May 2021 concerning, among other things, registration of amendments to the Bank Charter as passed under Resolution No. 26 of the General Meeting on 15 April 2021. The notice of the adopted resolution was published in current report no. 9/2021 of 15 April 2021, in the part pertaining to Resolution No. 26 of the Ordinary General Meeting.

- *Entrusting Ms Joanna Erdman with the position of the Vice-President of the Bank Management Board in charge of management of the material risk*

On 24 May 2021, the Supervisory Board, in connection with the decision received by the Polish Financial Supervision Authority of 14 May 2021, entrusted Ms Joanna Erdman with the position of Vice-President of the Management Board of the Bank responsible for overseeing the management of risks relevant to the Bank's operations (CRO Division).

- *Amount of the 2021 annual contribution to the resolution fund of the Bank Guarantee Fund*

On 20 April 2021 the Bank's Management Board received a notice from the Bank Guarantee Fund on the amount of the 2021 annual contribution to the resolution fund of banks. The contribution of Bank's Capital Group amounts to PLN 132.6 million, including an adjustment of the contributions for 2020. The entire amount was recognised in costs for the 1st quarter of 2021. The value attributable to the Bank is PLN 127.9 million, and to ING Bank Hipoteczny S.A. is PLN 4.7 million.

- *General Meeting of ING Bank Śląski S.A.*

On 15 April 2021 the General Meeting of ING Bank Śląski S.A. was held and the following resolutions were adopted:

- on approving of the annual financial statements for 2020 (both standalone and consolidated),
- on approving of the Management Board Report on Operations of ING Bank Śląski S.A. Group in 2020 covering the Report on Operations of ING Bank Śląski S.A., including the Management Board statement on the application of corporate governance rules, as well as approving the Report on non-financial information of ING Bank Śląski S.A. Group for 2020, including non-financial information of ING Bank Śląski S.A.,
- on acknowledging 2020 reports of Supervisory Board, the opinion on the Supervisory Board's report on the ING Bank Śląski S.A. Supervisory Board and Management Board Members remuneration in 2019 and 2020 and on the assessment of Bank's remuneration policy,
- on acknowledging fulfilment of duties in 2020 by Members of the Management Board and Supervisory Board,
- on distribution of 2020 profit and past-year undivided profit,
- on amending the *Charter of ING Bank Śląski S.A.*,
- on amending the *Bylaw of the General Meeting of ING Bank Śląski S.A.*,
- on approving the *Policy of appointing and recalling Members of the Supervisory Board of ING Bank Śląski S.A.*,
- on assessing satisfaction by the members of the Supervisory Board of the requirements referred to in Article 22aa of the Banking Law Act (suitability assessment),
- on amending the *ING Bank Śląski S.A. Supervisory Board and Management Board Members Remuneration Policy*.

- *Decision of the Management Board of the Bank regarding compliance with the individual recommendation of the Polish Financial Supervision Authority regarding the dividend policy in the 1st half of 2021*

On 15 January 2021, the Management Board of the Bank adopted a resolution in which it declared that it would take steps to apply the individual recommendation of the Polish Financial Supervision Authority (PFSA) regarding the Bank's dividend policy in the 1st half of 2021. This resolution was adopted in connection with the recommendations of the PFSA, which were formulated in the letter received by the Bank on 14 January 2021. In this letter, the PFSA recommends:

- the Bank suspends the payment of dividends in the 1st half of 2021 (including retained earnings from previous years),
- the Bank's failure to undertake, in the 1st half of 2021, without prior consultation with the supervisory authority, other activities beyond the scope of current business and operating activities, which may result in a reduction in the capital base, including buyouts of own shares.

As part of this letter, the PFSA also informed that its position on the dividend policy of commercial banks in the second half of 2021 will be presented separately after analysing the situation of the banking sector in the 1st half of the year.

3. Significant events after balance sheet date

- *Opinion of the Bank Supervisory Board on application of the individual recommendation from the PFSA concerning the dividend policy for the 2nd half of 2021.*

On 19 July 2021 the Bank Supervisory Board issued a positive opinion on the statement of the Bank Management Board concerning implementation of the individual recommendation of the Polish Financial Supervision Authority regarding the dividend policy of commercial banks ("Dividend Policy") for the 2nd half of 2021.

The statement of the Management Board of the Bank expressed in the Resolution of 16 July 2021 was made following the recommendation of the PFSA formulated in their letter of 15 July 2021. In their letter, the PFSA recommend that the Bank mitigate the inherent risk of operations by not taking, without prior consultation with the supervision authority, actions other than payment of a dividend from the 2020 profit. The foregoing applies in particular to any actions being beyond the ordinary business and operational activity which may result in a reduction of the capital base, including possible dividend payments from undivided profit from previous years (i.e. 2019 and earlier years) and the share buy-backs.

In the letter, the PFSA further communicated that as at 31 March 2021 and 31 May 2021 the Bank fulfils (in terms of the basic criteria of the Dividend Policy) the requirements for the payment of up to 100% of dividend from the 2020 Bank's profit.

4. Compliance with International Financial Reporting Standards

These interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for the period of 6 months ending on 30 June 2021 were prepared under the International Accounting Standards (IAS) 34 *Interim Financial Reporting* in a version approved by the European Commission and effective as at the reporting date, that is 30 June 2021 as well as in accordance with the Ordinance of Finance Minister of 29 March 2018 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws of 2018, item 757).

Presented financial statements have been prepared in a condensed version. The interim condensed financial statements do not provide all data or disclosures required in the annual financial statements and should be interpreted together with the annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2020 to 31 December 2020, approved on 15 April 2021 by the Bank's General Meeting.

Interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated cash flow statement for the period from 1 January 2021 to 30 June 2021 and interim condensed consolidated statement of financial position as at 30 June 2021, together with comparable data were prepared according to the same principles of accounting for each period.

(PLN million)

4.1. Changes in accounting standards

In these interim condensed consolidated financial statements, the same accounting standards have been applied as in the annual consolidated financial statements for the year 2020 (Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Capital Group for the period started 1 Jan 2020 and ended 31 Dec 2020) and the standards and interpretations adopted by the European Union and applicable to the annual periods starting 1 January 2021 or afterwards. i.e.:

amendments	impact on Group's financial statements
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	The implementation of changes entails the possibility of continuing the recognition and presentation of financial instruments affected by the benchmark rate reform and the increasing the scope of disclosures. The application of the amendment does not have a significant impact on the financial statements of the Group.
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9	The application of the amendment did not affect the financial statements of the Group.

The standards and interpretations which were already issued but are still ineffective because they are not approved by the European Union or approved by the European Union but not yet applied by the Group were presented in the 2020 Group Annual Consolidated Financial Statements. In the 1st half of 2021 the following changes in accounting standards were published:

amendments (the expected IASB effective date in brackets)	impact on Group's financial statements
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (the financial year starting on or after 1 January 2023)	Change in the scope of disclosure of significant accounting principles in the financial statements. Pursuant to the introduced changes, only the accounting principles that have a significant impact on the information contained in the financial statements will be disclosed. The practical stand attached to the amendment contains a detailed illustrative example. The implementation of the change will have a significant impact on the scope of disclosures of significant accounting principles in the Group's financial statements.
Amendments to IAS 8: Definition of Accounting Estimates (the financial year starting on or after 1 January 2023)	Amendment to clarify the definition of estimated values, i.e. monetary amounts recognized in the financial statements that are subject to measurement uncertainty. The implementation of the change will not have a significant impact on the financial statements of the Group.
Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (the financial year starting on or after 1 April 2021)	Change in the scope of leasing modification, the purpose of which is to extend by 1 year the period of withdrawal from the evaluation of leasing modification, in a situation where the change in leasing payments is a direct consequence of the Covid-19 pandemic. The application of the amendment will not have an impact on the financial statements of the Group.
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (the financial year starting on or after 1 January 2023)	Amendment specifies the accounting requirements for income tax and possible exemption from recognising deferred tax. The amendments clarify that the exemption does not apply to transactions such leases and decommissioning obligations i.e. transactions for which simultaneously are recognise both an asset and a liability. The application of the amendment will not have an impact on the financial statements of the Group.

As at the date of approval of this report for publication, taking into account the ongoing process of introducing IFRS standards in the EU and the Group's operations, with respect to the accounting principles applied by the Group there are no differences between the IFRS standards that have entered into force and the IFRS standards endorsed by the EU.

4.2. Going concern

These interim condensed consolidated financial statements of the ING Bank Śląski S.A. Capital Group have been prepared on a going-concern basis as regards the foreseeable future, namely as regards the period of minimum 12 months from the approval date, i.e. from 4 August 2021. As at the approval date hereof, the Bank Management Board have not identified any events that could pose a threat to the Group members continuing their operations during the period of 12 months from the approval date as a result of intentional or forced abandonment or significant limitation of its operations by the Capital Group.

4.3. Discontinued operations

No material operations were discontinued during the 1 half of 2021 and 1 half of 2020.

4.4. Financial statements scope and currency

These interim condensed consolidated financial statements of the Group for the period of 6 months ending on 30 June 2021 contain data of the Bank and its subsidiaries and associates (collectively referred to as the "Group"). It have been prepared in Polish zlotys ('PLN'). Unless provided for otherwise, all values were given rounded up to PLN million. Therefore, there may be cases of mathematical inconsistency in the summaries or between individual notes.

4.5. Comparative data

The comparative data cover the following periods:

– for the interim condensed consolidated income statement and the interim condensed consolidated statement of comprehensive income - the period from 1 January 2020 to 30 June 2020 and the period from 1 April 2020 to 30 June 2020,
– for the interim condensed consolidated cash flow statement - the period from 1 January 2020 to 30 June 2020,
– for the interim condensed consolidated statement of changes in equity - the period from 1 January 2020 to 30 December 2020 and the period from 1 January 2020 to 30 June 2020,
– for the interim condensed consolidated statement of financial position - data as at 31 December 2020 and 30 June 2020.

5. Significant accounting principles and key estimates

Detailed accounting principles and key estimates are presented in the annual consolidated financial statements of the of ING Bank Śląski S.A. Group for the period from 1 January 2020 to 31 December 2020, published on 12 March 2021 and available on the website of ING Bank Śląski S.A. (www.ing.pl).

In addition, with respect to interim financial statements, the Group applies the principle of recognizing the financial result income tax charges based on the best estimate of the weighted average annual income tax rate expected by the Group in the full financial year.

In the 1st half of 2021, no significant changes in the accounting principles applied by the Group were introduced.

At the same time, as a result of the Covid-19 coronavirus epidemic, changes were made to the key estimates, which are described below.

Impairment for expected credit losses

The methodology for calculating the expected losses was presented in the annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2020 to 31 December 2020. In the 1st half of 2021, the Group continued the adopted approach, including the probability-weighted macroeconomic scenarios, complementing them with management adjustments where, in the opinion of management, recent economic events were not fully captured.

Macroeconomic forecasts

Credit risk models for the purposes of IFRS 9 were built on the basis of historical relationships between changes in economic parameters (ie GDP or Inflation) and their subsequent effect in the implementation of changes in the level of credit risk (PD / LGD). Until the end of 2019, changes in macroeconomic forecasts have been realized relatively slowly, moving smoothly from one phase of the cycle to the next. The current crisis has completely different characteristics, a rapid and deep decline in GDP followed by a rapid and equally dynamic rebound of the economy. It was noted that, unlike in the previous crisis, the decline in GDP growth and the peak of insolvency will not occur at the same time. In addition, due to the effect of aid programs, liquidity and employment maintenance programs (i.e. support from BGK, PFR, statutory and non-statutory moratoria), the effect of changing macroeconomic forecasts was somewhat "stretched and softened" in relation to what the macroeconomic indicators alone would show.

As of 30 June 2021, the Group revised its forecasts of macroeconomic indicators. The macroeconomic assumptions used to calculate expected credit losses are based on a consensus built on macroeconomic forecasts collected from a wide range of institutions.

Due to the dynamic development of the pandemic and high uncertainty, the forecasts adopted by the Group may not fully covered the impact of the macroeconomic situation on the level of expected losses, both in the short and long term. In making its estimate, the Group considered the International Accounting Standards Board's statement of 27 March 2020 regarding the recognition of IFRS 9 expected losses, taking into account the uncertainty associated with the Covid-19 pandemic. The Group made appropriate judgments, however, taking into account the existing significant uncertainty, in particular with regard to 1) future macroeconomic conditions and the impact of government actions in counteracting the effects of the pandemic, and 2) assessing whether there has been a significant increase in credit risk for credit exposures.

Management adjustments

In times of increased volatility and uncertainty, when portfolio quality and the economic environment change rapidly, models have a reduced ability to accurately predict losses. To reduce the model risk, additional adjustments can be made to address data quality issues, model issues, or expert judgment. They also include adjustments where the impact of updated macroeconomic scenarios is overestimated or underestimated by IFRS 9 models.

In connection with the ongoing pandemic, the Bank adjusted the additional charges made in 2020 for the expected increased losses resulting from statutory and non-statutory moratoria. At the end of the 1st half of 2021, their total value was PLN 31.7 million (compared to PLN 50.7 million at the end of 2020).

In the 1st half of 2021, an improvement in macroeconomic forecasts was observed, which had a positive impact on the amount of provisions determined on the basis of models, while we are still dealing with uncertainty as to the occurrence of another wave of disease, unknown duration of a pandemic or vaccination rate. In this situation, sudden write-offs do not necessarily correlate with the improvement of the clients' situation. In addition, aid programs as well as liquidity and employment maintenance programs, especially in the corporate segment, may result in the risk of delaying the moment of insolvency of borrowers. In this situation, the Group decided to create an additional write-off aimed at mitigating the effect of releasing provisions in connection with the improving macroeconomic forecasts. Its amount at the end of the 1st half of 2021, based on expert estimates, was set at PLN 99.9 million (compared to PLN 33.1 million at the end of 2020).

Sensitivity analysis regarding a significant increase in credit risk and forecasts of macroeconomic factors and weights assigned to individual macroeconomic scenarios

Determining a threshold of significant increase in credit risk requires judgment and is a significant source of uncertainty in estimating expected losses.

In the 1st half of 2021, the assumptions regarding the significant increase in credit risk (SICR) were not updated.

In order to show the sensitivity of expected losses to the level of the adopted PD threshold, the Group estimated the allowances for expected losses in Stages 1 and 2 with the following assumptions:

- all these financial assets would be below the PD threshold and assigned 12-month expected losses and
- all of these assets would exceed this PD threshold and have lifetime expected losses assigned to them.

These estimates show, respectively, hypothetical lower losses expected for the assets in Stage 1 and 2 by approximately PLN 200 million (including PLN 125 million for the corporate portfolio and PLN 75 million for the retail portfolio) or higher by approximately PLN 820 million (PLN 350 million for the corporate portfolio and PLN 470 million for the retail portfolio respectively).

The estimates made as at 31 December 2020 showed, respectively, the hypothetical lower losses expected for the assets in Stage 1 and 2 by approximately PLN 210 million (including PLN 125 million for the corporate portfolio and PLN 85 million for the retail portfolio) or higher by approximately PLN 720 million (PLN 315 million for the corporate portfolio and PLN 405 million for the retail portfolio, respectively).

The tables below present the macroeconomic forecasts applied as at as at 30 June 2021 and 31 December 2020 of key factors and the difference of expected losses in upside, baseline and downside scenarios to reported expected losses, which are weighted with scenario probability – division into corporate, retail and total portfolio.

(PLN million)

as at **30 Jun 2021**

Corporate portfolio		2021	2022	2023	Expected losses not weighted by probability – deviation from losses reported in%	Weight assigned to the scenario	Reported expected losses (collective assessment in Stage 1, 2 and 3)
Upside scenario	GDP	4.8%	6.8%	5.5%	-18%	20%	1,109.0
	Unemployment	2.0%	2.3%	1.8%			
	Real estate price index	6.4%	8.3%	6.8%			
	3 months' interest rate	0.6%	1.3%	1.9%			
Baseline scenario	GDP	4.0%	4.9%	3.8%	-6%	60%	
	Unemployment	3.1%	2.8%	2.8%			
	Real estate price index	5.1%	4.6%	4.6%			
	3 months' interest rate	0.3%	0.8%	1.3%			
Negative scenario	GDP	1.3%	1.6%	1.9%	37%	20%	
	Unemployment	4.5%	5.1%	6.4%			
	Real estate price index	2.2%	-2.5%	2.5%			
	3 months' interest rate	0.2%	0.4%	0.7%			

Retail portfolio		2021	2022	2023	Expected losses not weighted by probability – deviation from losses reported in%	Weight assigned to the scenario	Reported expected losses (collective assessment in Stage 1, 2 and 3)
Upside scenario	GDP	4.8%	6.8%	5.5%	-6%	20%	892.3
	Unemployment	2.0%	2.3%	1.8%			
	Real estate price index	6.4%	8.3%	6.8%			
	3 months' interest rate	0.6%	1.3%	1.9%			
Baseline scenario	GDP	4.0%	4.9%	3.8%	0%	60%	
	Unemployment	3.1%	2.8%	2.8%			
	Real estate price index	5.1%	4.6%	4.6%			
	3 months' interest rate	0.3%	0.8%	1.3%			
Negative scenario	GDP	1.3%	1.6%	1.9%	6%	20%	
	Unemployment	4.5%	5.1%	6.4%			
	Real estate price index	2.2%	-2.5%	2.5%			
	3 months' interest rate	0.2%	0.4%	0.7%			

Total portfolio		2021	2022	2023	Expected losses not weighted by probability – deviation from losses reported in%	Weight assigned to the scenario	Reported expected losses (collective assessment in Stage 1, 2 and 3)
Upside scenario	GDP	4.8%	6.8%	5.5%	-12%	20%	2,001.3
	Unemployment	2.0%	2.3%	1.8%			
	Real estate price index	6.4%	8.3%	6.8%			
	3 months' interest rate	0.6%	1.3%	1.9%			
Baseline scenario	GDP	4.0%	4.9%	3.8%	-3%	60%	
	Unemployment	3.1%	2.8%	2.8%			
	Real estate price index	5.1%	4.6%	4.6%			
	3 months' interest rate	0.3%	0.8%	1.3%			
Negative scenario	GDP	1.3%	1.6%	1.9%	22%	20%	
	Unemployment	4.5%	5.1%	6.4%			
	Real estate price index	2.2%	-2.5%	2.5%			
	3 months' interest rate	0.2%	0.4%	0.7%			

(PLN million)

as at **31 Dec 2020**

Corporate portfolio							
		2021	**2022**	**2023**	Expected losses not weighted by probability – deviation from losses reported in%	Weight assigned to the scenario	Reported expected losses (collective assessment in Stage 1, 2 and 3)
Upside scenario	GDP	7.7%	4.2%	5.0%	-24%	20%	1,199.2
	Unemployment	3.8%	2.8%	1.8%			
	Real estate price index	8.1%	6.3%	4.3%			
	3 months' interest rate	0.6%	1.0%	1.3%			
Baseline scenario	GDP	4.2%	3.7%	3.4%	-11%	60%	
	Unemployment	4.7%	3.4%	2.8%			
	Real estate price index	2.8%	4.6%	4.6%			
	3 months' interest rate	0.1%	0.4%	0.5%			
Negative scenario	GDP	-4.8%	5.4%	2.3%	56%	20%	
	Unemployment	6.8%	6.6%	6.9%			
	Real estate price index	-8.1%	5.2%	7.7%			
	3 months' interest rate	0.0%	0.2%	0.3%			

Retail portfolio							
		2021	**2022**	**2023**	Expected losses not weighted by probability – deviation from losses reported in%	Weight assigned to the scenario	Reported expected losses (collective assessment in Stage 1, 2 and 3)
Upside scenario	GDP	7.7%	4.2%	5.0%	-3%	20%	1,337.7
	Unemployment	3.8%	2.8%	1.8%			
	Real estate price index	8.1%	6.3%	4.3%			
	3 months' interest rate	0.6%	1.0%	1.3%			
Baseline scenario	GDP	4.2%	3.7%	3.4%	-1%	60%	
	Unemployment	4.7%	3.4%	2.8%			
	Real estate price index	2.8%	4.6%	4.6%			
	3 months' interest rate	0.1%	0.4%	0.5%			
Negative scenario	GDP	-4.8%	5.4%	2.3%	5%	20%	
	Unemployment	6.8%	6.6%	6.9%			
	Real estate price index	-8.1%	5.2%	7.7%			
	3 months' interest rate	0.0%	0.2%	0.3%			

Total portfolio							
		2021	**2022**	**2023**	Expected losses not weighted by probability – deviation from losses reported in%	Weight assigned to the scenario	Reported expected losses (collective assessment in Stage 1, 2 and 3)
Upside scenario	GDP	7.7%	4.2%	5.0%	-14%	20%	2,536.9
	Unemployment	3.8%	2.8%	1.8%			
	Real estate price index	8.1%	6.3%	4.3%			
	3 months' interest rate	0.6%	1.0%	1.3%			
Baseline scenario	GDP	4.2%	3.7%	3.4%	-6%	60%	
	Unemployment	4.7%	3.4%	2.8%			
	Real estate price index	2.8%	4.6%	4.6%			
	3 months' interest rate	0.1%	0.4%	0.5%			
Negative scenario	GDP	-4.8%	5.4%	2.3%	32%	20%	
	Unemployment	6.8%	6.6%	6.9%			
	Real estate price index	-8.1%	5.2%	7.7%			
	3 months' interest rate	0.0%	0.2%	0.3%			

6. Comparability of financial data

Change in accounting principles regarding the recognition of provisions resulting from legal risk for the portfolio of CHF indexed mortgage loans

As described in the annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2020 to 31 December 2020, the Group changed the recognition of expected losses due to legal risk on the portfolio of CHF indexed mortgage loans, which in the financial statements for earlier periods were recognized as write-offs for expected credit losses in the statement of financial position in correspondence with the costs of expected losses in the profit and loss account.

The Group applied the provisions of IFRS 9.B.5.4.6 to recognize these losses and recognized them as an adjustment to the gross carrying amount of the portfolio of CHF-indexed mortgage loans. In accordance with IFRS 9.B.5.4.6, when an entity changes its estimate of payments or receipts (excluding immaterial modifications and changes to the estimate of expected credit losses), it adjusts the gross carrying amount of the asset or group of financial instruments so that it reflects the actual and changed estimated cash flows under the contract.

This change has no impact on the statement of financial position as it does not change the carrying amount (net) of the CHF-indexed mortgage portfolio. However, it does affect additional disclosures, in Note 7.12 to this report, regarding gross amounts and expected loss provisions for the CHF-indexed mortgage portfolio. The data as at 30 June 2020, presented in Note 7.12, have been restated to ensure comparability.

In the income statement, the Group introduced an additional line *Cost of legal risk of FX mortgage loans* (***change a***), which presents the costs related to the legal risk of CHF-indexed mortgage loans included in the statement of financial position and loans derecognised from the statement of financial position (repaid loans).

Presentation changes in the income statement

In these interim condensed consolidated financial statements for the period of 6 months ending on 30 June 2021 in relation to the interim condensed consolidated financial statements for earlier periods, the Group changed the presentation of the costs of writing off receivables due to suspended commissions - in earlier periods they were presented as a reduction of *Commission income* and are currently recognized in *Commission expenses* (***change b***). In the Group's opinion, the change increases the information value of the consolidated income statement.

(PLN million)

The table below presents individual items of the consolidated income statement according to the values presented in the interim consolidated financial statements for the period of 6 months ending on 30 June 2020 and at the values presented in these interim consolidated financial statements.

1 half 2020

the period from 1 Jan 2020 to 30 Jun 2020

	in the interim consolidated financial statements for the period of 6 months ending on 30 June 2020 (approved data)	change a)	change b)	in the interim consolidated financial statements for the period of 6 months ending on 30 June 2021 (comparable data)
Interest income	2,690.6			2,690.6
Interest expenses	439.3			439.3
Net interest income	**2,251.3**			**2,251.3**
Commission income	908.9		0.3	909.2
Commission expenses	205.8		0.3	206.1
Net commission income	**703.1**			**703.1**
Net income on financial instruments measured at fair value through profit or loss and FX result	58.2			58.2
Net income on the sale of securities measured at amortised cost	7.3			7.3
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	20.6			20.6
Net (loss)/income on hedge accounting	28.6			28.6
Net (loss)/income on other basic activities	-2.7			-2.7
Net income on basic activities	**3,066.4**			**3,066.4**
General and administrative expenses	1,416.5	-3.0		1,413.5
Impairment for expected credit losses	604.1	-7.2		596.9
Cost of legal risk of FX mortgage loans	0.0	10.2		10.2
Tax on certain financial institutions	237.1			237.1
Share of profit/(loss) of associates accounted for using the equity method	8.4			8.4
Gross profit	**817.1**			**817.1**
Income tax	233.6			233.6
Net profit	**583.5**	**0.0**	**0.0**	**583.5**

Presentation changes in the statement of financial position

In these interim condensed consolidated financial statements for the period of 6 months ending on 30 June 2021, the Group changed the presentation of individual items of the consolidated statement of financial position in relation to the interim condensed consolidated financial statements for prior periods. The Group created a new item in the assets of the consolidated statement of financial position called *Financial assets measured at fair value through profit or loss*, to which the loans obligatorily measured at fair value through profit or loss were transferred (previously presented under *Loans and other receivables to customers*), equity instruments designated to be measured at fair value through profit or loss and *Financial assets held for trading*. The change was aimed at recognizing in one item of the consolidated statement of financial position all financial assets measured at fair value with the measurement effect recognised in the income statement. Simultaneously with this change, the names of some items of the consolidated statement of financial position were made more precise, which, in the Group's opinion, will increase the transparency of the financial statements.

(PLN million)

The table below presents the individual items of the consolidated statement of financial position according to the values presented in the interim consolidated financial statements for the period of 6 months ending on 30 June 2020 and according to the values presented in these interim consolidated financial statements.

as at **30 Jun 2020**

in the interim consolidated financial statements for the period of 6 months ending on 30 June 2020 (approved data)		change	in the interim consolidated financial statements for the period of 6 months ending on 30 June 2021 (comparable data)	
Assets			**Assets**	
Cash in hand and balances with the Central Bank	1,910.3		Cash in hand and balances with the Central Bank	1,910.3
Loans and other receivables to other banks	744.4		Loans and other receivables to other banks	744.4
Financial assets held for trading	878.0	233.5	Financial assets measured at fair value through profit or loss	1,111.5
Derivative hedge instruments	1,095.9		Derivative hedge instruments	1,095.9
Investment securities	53,077.7	-0.1	Investment securities	53,077.6
Loans and other receivables to customers	120,831.5	-233.4	Loans and other receivables to customers measured at amortised cost	120,598.1
Investments in associates	166.4		Investments in associates accounted for using the equity method	166.4
Property, plant and equipment	925.2		Property, plant and equipment	925.2
Intangible assets	423.2		Intangible assets	423.2
Assets held for sale	3.4		Assets held for sale	3.4
Deferred tax assets	380.1		Deferred tax assets	380.1
Other assets	203.2		Other assets	203.2
Total assets	**180,639.3**	**0.0**	**Total assets**	**180,639.3**
Liabilities			**Liabilities**	
Liabilities to other banks	4,594.6		Liabilities to other banks	4,594.6
Financial liabilities measured at fair value through income statement	617.2		Financial liabilities measured at fair value through profit or loss	617.2
Derivative hedge instruments	480.9		Derivative hedge instruments	480.9
Liabilities to customers	150,979.3		Liabilities to customers	150,979.3
Liabilities from debt securities issued	395.4		Liabilities from debt securities issued	395.4
Subordinated liabilities	2,235.1		Subordinated liabilities	2,235.1
Provisions	203.0		Provisions	203.0
Current income tax liabilities	426.2		Current income tax liabilities	426.2
Deferred tax liabilities	5.3		Deferred tax liabilities	5.3
Other liabilities	2,466.8		Other liabilities	2,466.8
Total liabilities	**162,403.8**	**0.0**	**Total liabilities**	**162,403.8**
Total equity	**18,235.5**	**0.0**	**Total equity**	**18,235.5**
Total equity and liabilities	**180,639.3**	**0.0**	**Total equity and liabilities**	**180,639.3**

(PLN million)

7. Supplementary notes to interim condensed consolidated income statement and interim condensed consolidated statement of financial position

7.1. Net interest income

	2 quarter 2021 the period from 1 Apr 2021 to 30 Jun 2021	1 half 2021 the period from 1 Jan 2021 to 30 Jun 2021	2 quarter 2020 the period from 1 Apr 2020 to 30 Jun 2020	1 half 2020 the period from 1 Jan 2020 to 30 Jun 2020
Interest income, including:	**1,297.1**	**2,564.7**	**1,304.0**	**2,690.6**
interest income calculated using effective interest rate method, including:	**1,297.0**	**2,564.3**	**1,303.3**	**2,689.1**
interest on financial instruments measured at amortised cost	**1,256.8**	**2,485.6**	1,194.5	2,463.9
interest on loans and other receivables to other banks	2.4	4.8	4.7	14.9
interest on loans and other receivables to customers	1,143.1	2,256.6	1,092.5	2,292.7
interest on investment securities	111.3	224.2	97.3	156.3
interest on investment securities measured at fair value through other comprehensive income	40.2	78.7	108.8	225.2
other interest income, including:	**0.1**	**0.4**	**0.7**	**1.5**
interest on loans and other receivables to customers measured at fair value through profit or loss	0.1	0.4	0.7	1.5
Interest expenses, including:	**122.1**	**248.1**	**204.8**	**439.3**
interest on deposits from other banks	0.5	1.8	3.8	16.6
interest on deposits from customers	112.6	228.1	189.9	400.2
interest on issue of debt securities	1.4	3.3	2.1	4.9
interest on subordinated liabilities	6.9	13.8	8.0	15.4
interest on lease liabilities	0.7	1.1	1.0	2.2
Net interest income	**1,175.0**	**2,316.6**	**1,099.2**	**2,251.3**

7.2. Net commission income

	2 quarter 2021 the period from 1 Apr 2021 to 30 Jun 2021	1 half 2021 the period from 1 Jan 2021 to 30 Jun 2021	2 quarter 2020 the period from 1 Apr 2020 to 30 Jun 2020	1 half 2020 the period from 1 Jan 2020 to 30 Jun 2020
Commission income, including:	**560.2**	**1,091.9**	**448.6**	**909.2**
transaction margin on currency exchange transactions	132.0	247.2	98.6	204.1
account maintenance fees	100.4	204.0	76.2	156.3
lending commissions	100.0	202.0	86.2	179.1
payment and credit cards fees	103.4	194.5	79.3	163.7
participation units distribution fees	22.3	43.1	17.7	37.8
insurance product offering commissions	49.9	93.4	40.3	78.7
factoring and lease contracts commissions	9.0	17.1	7.1	14.4
brokerage activity fees	14.6	38.9	20.6	31.3
fiduciary and custodian fees	7.1	11.0	7.5	15.5
foreign commercial business	10.9	21.3	6.6	13.1
other commission	10.6	19.4	8.5	15.2
Commission expenses, including:	**103.9**	**207.3**	**104.6**	**206.1**
payment and credit cards	57.9	115.4	56.9	112.8
Net commission income	**456.3**	**884.6**	**344.0**	**703.1**

(PLN million)

7.3. Net income on financial instruments measured at fair value through profit or loss and FX result

	2 quarter 2021 the period from 1 Apr 2021 to 30 Jun 2021	**1 half 2021** the period from 1 Jan 2021 to 30 Jun 2021	**2 quarter 2020** the period from 1 Apr 2020 to 30 Jun 2020	**1 half 2020** the period from 1 Jan 2020 to 30 Jun 2020
FX result and net income on interest rate derivatives, including	7.9	27.8	14.9	38.5
FX result	50.0	239.0	142.5	135.8
currency derivatives	-42.1	-211.2	-127.6	-97.3
Net income on interest rate derivatives	5.2	18.4	20.6	-12.4
Net income on debt instruments held for trading	2.1	3.5	8.8	31.9
Net income on measurement of loans to customers which are measured at fair value through profit or loss	0.2	0.0	0.0	0.2
Total	**15.4**	**49.7**	**44.3**	**58.2**

7.4. Net income on the sale of securities and dividend income

	2 quarter 2021 the period from 1 Apr 2021 to 30 Jun 2021	**1 half 2021** the period from 1 Jan 2021 to 30 Jun 2021	**2 quarter 2020** the period from 1 Apr 2020 to 30 Jun 2020	**1 half 2020** the period from 1 Jan 2020 to 30 Jun 2020
Net income on the sale of securities measured at amortised cost	0.0	0.0	0.0	7.3
Net income on sale of securities measured at fair value through other comprehensive income and dividend income, including:	**7.7**	**7.7**	**18.8**	**20.6**
sale of debt securities	1.0	1.0	10.4	12.2
dividend income	6.7	6.7	8.4	8.4
Total	**7.7**	**7.7**	**18.8**	**27.9**

7.5. Net (loss)/income on hedge accounting

	2 quarter 2021 the period from 1 Apr 2021 to 30 Jun 2021	**1 half 2021** the period from 1 Jan 2021 to 30 Jun 2021	**2 quarter 2020** the period from 1 Apr 2020 to 30 Jun 2020	**1 half 2020** the period from 1 Jan 2020 to 30 Jun 2020
Net income on hedge accounting	**-4.3**	**-15.2**	**7.0**	**36.6**
valuation of the hedged transaction	-58.6	-401.6	108.6	423.2
valuation of the hedging transaction	54.3	386.4	-101.6	-386.6
Cash flow hedge accounting	**1.0**	**1.0**	**-2.1**	**-8.0**
ineffectiveness under cash flow hedges	1.0	1.0	-2.1	-8.0
Total	**-3.3**	**-14.2**	**4.9**	**28.6**

(PLN million)

7.6. General and administrative expenses

	2 quarter 2021 the period from 1 Apr 2021 to 30 Jun 2021	1 half 2021 the period from 1 Jan 2021 to 30 Jun 2021	2 quarter 2020 the period from 1 Apr 2020 to 30 Jun 2020	1 half 2020 the period from 1 Jan 2020 to 30 Jun 2020
Personnel expenses	**358.0**	**713.0**	**310.3**	**618.5**
Other general and administrative expenses, including:	**334.0**	**799.8**	**328.2**	**795.0**
cost of marketing and promotion	33.5	67.5	24.2	51.8
depreciation and amortisation	71.6	143.0	71.9	143.4
obligatory Bank Guarantee Fund payments, of which:	28.2	188.5	42.1	205.0
resolution fund	0.0	132.6	1.0	125.4
bank guarantee fund	28.2	55.9	41.1	79.6
fees to the Financial Supervisory Commission	0.0	19.2	0.0	13.3
IT costs	62.9	125.7	70.0	138.9
maintenance of buildings	27.7	55.5	26.7	51.3
costs of short-term leasing and low-value leasing	2.6	5.3	2.6	6.4
other	107.5	195.1	90.7	184.9
Total	**692.0**	**1,512.8**	**638.5**	**1,413.5**

7.6.1. Number of employees

The headcount in the ING Bank Śląski S.A. Group was as follows:

	as at 30 Jun 2021	as at 31 Dec 2020	as at 30 Jun 2020
FTEs	8,731.1	8,451.2	8,131.4
Individuals	8,782	8,507	8,181

The headcount in the ING Bank Śląski S.A. was as follows:

	as at 30 Jun 2021	as at 31 Dec 2020	as at 30 Jun 2020
FTEs	8,293.3	8,013.0	7,699.9
Individuals	8,329	8,053	7,737

7.7. Impairment for expected credit losses

	2 quarter 2021 the period from 1 Apr 2021 to 30 Jun 2021	1 half 2021 the period from 1 Jan 2021 to 30 Jun 2021	2 quarter 2020 the period from 1 Apr 2020 to 30 Jun 2020	1 half 2020 the period from 1 Jan 2020 to 30 Jun 2020
Corporate banking segment	46.3	107.2	241.6	426.8
Retail banking segment	-27.2	40.7	60.6	170.1
Total	**19.1**	**147.9**	**302.2**	**596.9**

(PLN million)

7.8. Cost of legal risk of FX mortgage loans

	2 quarter 2021 the period from 1 Apr 2021 to 30 Jun 2021	1 half 2021 the period from 1 Jan 2021 to 30 Jun 2021	2 quarter 2020 the period from 1 Apr 2020 to 30 Jun 2020	1 half 2020 the period from 1 Jan 2020 to 30 Jun 2020
Provisions for legal risk of CHF indexed mortgage loans, including:	0.0	0.0	10.2	10.2
relating to loans in the Bank's portfolio	0.0	0.0	7.2	7.2
relating to repaid loans	0.0	0.0	3.0	3.0
Total	**0.0**	**0.0**	**10.2**	**10.2**

7.9. Loans and other receivables to other banks

	as at 30 Jun 2021	as at 31 Dec 2020	as at 30 Jun 2020
Current accounts	237.6	92.1	242.7
Interbank deposits	0.0	0.0	12.0
Loans and advances	361.3	344.3	302.2
Placed call deposits	110.8	268.7	187.7
Total (gross)	**709.7**	**705.1**	**744.6**
Impairment for expected credit losses, including:	-0.2	-0.5	-0.2
concerning loans and advances	-0.2	-0.5	-0.2
Total (net)	**709.5**	**704.6**	**744.4**

7.10. Financial assets measured at fair value through profit or loss

	as at 30 Jun 2021	as at 31 Dec 2020	as at 30 Jun 2020
Financial assets held for trading, including:	**1,376.0**	**1,910.7**	**878.0**
valuation of derivatives	1,287.2	1,199.8	700.3
other financial assets held for trading, including:	88.8	710.9	177.7
debt securities:	88.8	436.0	177.7
Treasury bonds in PLN	82.3	419.2	160.9
Czech Treasury bonds in CZK	6.0	0.0	0.0
European Investment Bank bonds	0.5	16.8	16.8
repo transactions	0.0	274.9	0.0
Financial assets other than those held for trading, measured at fair value through profit or loss, including:	**95.1**	**107.0**	**233.5**
loans obligatorily measured at fair value through profit or loss	94.3	106.2	233.4
equity instruments	0.8	0.8	0.1
Total	**1,471.1**	**2,017.7**	**1,111.5**

Starting from the consolidated financial statements for 2020 the Group created a new item in the assets of the consolidated statement of financial position called *Financial assets measured at fair value through profit or loss*, to which the loans obligatorily measured at fair value through profit or loss were transferred (previously presented under *Loans and other receivables to customers*), equity instruments designated to be measured at fair value through profit or loss and financial assets held for trading. Data as at 30 June 2020 have been transformed in order to bring them comparable. The change is described in Chapter 6 *Comparability of financial data*.

(PLN million)

7.11. Investment securities

	as at 30 Jun 2021	as at 31 Dec 2020	as at 30 Jun 2020
Measured at fair value through other comprehensive income, including:	**23,003.8**	**21,393.4**	**22,912.5**
debt securities, including:	22,823.9	21,235.7	22,789.1
Treasury bonds in PLN	20,280.5	18,608.0	20,222.3
Treasury bonds in EUR	1,017.2	1,057.7	1,016.1
European Investment Bank bonds	1,050.6	1,078.1	1,075.2
Austrian government bonds	475.6	491.9	475.5
equity instruments, including:	179.9	157.7	123.4
Biuro Informacji Kredytowej S.A.	61.0	70.3	57.8
Krajowa Izba Rozliczeniowa S.A.	16.5	19.2	15.1
other	102.4	68.2	50.5
Measured at amortised cost, including:	**34,099.3**	**33,540.1**	**30,165.1**
debt securities, including:	34,099.3	33,540.1	30,165.1
Treasury bonds in PLN	18,257.6	17,982.2	17,218.1
Treasury bonds in EUR	3,959.9	4,094.3	3,960.9
Bank Gospodarstwa Krajowego bonds	2,324.6	2,103.4	520.2
European Investment Bank bonds	5,700.5	6,170.9	3,476.9
Bonds of the Polish Development Fund (PFR)	3,823.7	3,016.7	2,989.0
Treasury bills	0.0	172.6	0.0
NBP money market bills	33.0	0.0	2,000.0
Total, of which:	**57,103.1**	**54,933.5**	**53,077.6**
total debt securities	56,923.2	54,775.8	52,954.2
total equity instruments	179.9	157.7	123.4

(PLN million)

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

	as at 30 Jun 2021			as at 31 Dec 2020			as at 30 Jun 2020		
	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:	134,620.2	-3,008.5	131,611.7	125,992.4	-3,270.3	122,722.1	121,463.2	-3,048.0	118,415.2
Corporate banking	**73,115.6**	**-2,094.1**	**71,021.5**	**70,159.9**	**-2,183.2**	**67,976.7**	**68,854.4**	**-2,110.5**	**66,743.9**
loans in the current account	11,508.0	-517.7	10,990.3	9,549.9	-567.8	8,982.1	10,095.9	-565.6	9,530.3
term loans and advances	42,726.6	-1,374.7	41,351.9	42,928.5	-1,417.7	41,510.8	42,455.3	-1,375.6	41,079.7
lease receivables	10,406.0	-138.1	10,267.9	9,832.1	-134.5	9,697.6	9,477.2	-113.2	9,364.0
factoring receivables	5,756.4	-63.2	5,693.2	4,857.1	-62.6	4,794.5	4,597.6	-55.2	4,542.4
debt securities (corporate and municipal)	2,718.6	-0.4	2,718.2	2,992.3	-0.6	2,991.7	2,228.4	-0.9	2,227.5
Retail banking	**61,504.6**	**-914.4**	**60,590.2**	**55,832.5**	**-1,087.1**	**54,745.4**	**52,608.8**	**-937.5**	**51,671.3**
mortgages	52,983.0	-257.1	52,725.9	47,901.1	-279.3	47,621.8	44,932.8	-224.1	44,708.7
loans in the current account	652.7	-50.4	602.3	655.0	-60.7	594.3	612.5	-53.4	559.1
other loans and advances	7,868.9	-606.9	7,262.0	7,276.4	-747.1	6,529.3	7,063.5	-660.0	6,403.5
Other receivables, of which:	2,157.1	0.0	2,157.1	1,933.3	-0.1	1,933.2	2,183.0	-0.1	2,182.9
call deposits placed	1,397.6	0.0	1,397.6	1,272.2	0.0	1,272.2	1,368.3	-0.1	1,368.2
other	759.5	0.0	759.5	661.1	-0.1	661.0	814.7	0.0	814.7
Total	136,777.3	-3,008.5	133,768.8	127,925.7	-3,270.4	124,655.3	123,646.2	-3,048.1	120,598.1

(PLN million)

Quality of loan portfolio

	as at 30 Jun 2021			as at 31 Dec 2020			as at 30 Jun 2020		
	gross	impairment for expected credit losses	net	gross	impairment for expected credit losses	net	gross	impairment for expected credit losses	net
Corporate banking	**73,115.6**	**-2,094.1**	**71,021.5**	**70,159.9**	**-2,183.2**	**67,976.7**	**68,854.4**	**-2,110.5**	**66,743.9**
assets in stage 1	63,786.5	-169.5	63,617.0	59,222.1	-192.1	59,030.0	55,541.6	-172.4	55,369.2
assets in stage 2	6,478.8	-227.0	6,251.8	7,842.2	-227.7	7,614.5	10,185.7	-252.4	9,933.3
assets in stage 3	2,848.7	-1,697.6	1,151.1	3,094.3	-1,763.4	1,330.9	3,125.8	-1,685.7	1,440.1
POCI assets	1.6	0.0	1.6	1.3	0.0	1.3	1.3	0.0	1.3
Retail banking	**61,504.6**	**-914.4**	**60,590.2**	**55,832.5**	**-1,087.1**	**54,745.4**	**52,608.8**	**-937.5**	**51,671.3**
assets in stage 1	58,743.7	-128.6	58,615.1	52,646.0	-150.2	52,495.8	48,111.9	-79.5	48,032.4
assets in stage 2	1,788.6	-148.7	1,639.9	2,129.6	-181.8	1,947.8	3,709.3	-279.5	3,429.8
assets in stage 3	970.0	-637.1	332.9	1,054.7	-755.1	299.6	785.0	-578.5	206.5
POCI assets	2.3	0.0	2.3	2.2	0.0	2.2	2.6	0.0	2.6
Total, of which:	**134,620.2**	**-3,008.5**	**131,611.7**	**125,992.4**	**-3,270.3**	**122,722.1**	**121,463.2**	**-3,048.0**	**118,415.2**
assets in stage 1	122,530.2	-298.1	122,232.1	111,868.1	-342.3	111,525.8	103,653.5	-251.9	103,401.6
assets in stage 2	8,267.4	-375.7	7,891.7	9,971.8	-409.5	9,562.3	13,895.0	-531.9	13,363.1
assets in stage 3	3,818.7	-2,334.7	1,484.0	4,149.0	-2,518.5	1,630.5	3,910.8	-2,264.2	1,646.6
POCI assets	3.9	0.0	3.9	3.5	0.0	3.5	3.9	0.0	3.9

The Group identifies POCI financial assets whose carrying value as at 30 June 2021 is PLN 3.9 million (PLN 3.5 million as at 31 December 2020 and PLN 3.9 million as at 30 June 2020). These are exposures due to impaired receivables acquired in connection with the acquisition of SKOK Bieszczadzka in 2017 and exposures that were significantly modified as a result of restructuring, which involved the need to remove the original credit commitment and re-recognition of the asset in the statement of financial position.

Quality of loan portfolio of mortgages

	as at 30 Jun 2021			as at 31 Dec 2020			as at 30 Jun 2020		
	gross	impairment for expected credit losses	net	gross	impairment for expected credit losses	net	gross	impairment for expected credit losses	net
Retail banking									
assets in stage 1	51,375.6	-29.0	51,346.6	46,037.7	-34.3	46,003.4	42,770.5	-15.9	42,754.6
assets in stage 2	1,250.4	-57.5	1,192.9	1,531.5	-72.0	1,459.5	1,936.7	-79.2	1,857.5
assets in stage 3	357.0	-170.6	186.4	331.9	-173.0	158.9	225.6	-129.0	96.6
Total	**52,983.0**	**-257.1**	**52,725.9**	**47,901.1**	**-279.3**	**47,621.8**	**44,932.8**	**-224.1**	**44,708.7**

(PLN million)

Changes in impairment for expected credit losses

	1 half 2021 the period from 1 Jan 2021 to 30 Jun 2021				1 half 2020 the period from 1 Jan 2020 to 30 Jun 2020			
	Stage 1	Stage 2	Stage 3	**Total**	Stage 1	Stage 2	Stage 3	**Total**
Opening balance of impairment	**342.3**	**409.5**	**2,518.5**	**3,270.3**	**123.2**	**413.8**	**1,909.0**	**2,446.0**
Changes in the period, including:	**-44.2**	**-33.8**	**-183.8**	**-261.8**	**128.7**	**118.1**	**355.2**	**602.0**
impairments for granted loans during the period	81.7	-	-	**81.7**	79.5	-	-	**79.5**
transfer to Stage 1	13.8	-80.4	-6.6	**-73.2**	12.9	-75.8	-4.0	**-66.9**
transfer to Stage 2	-18.7	134.5	-22.0	**93.8**	-27.9	230.9	-17.7	**185.3**
transfer to Stage 3	-4.4	-48.8	287.1	**233.9**	-2.0	-60.6	317.4	**254.8**
changed provisioning under impairment for expected credit losses	-113.2	-38.2	-24.9	**-176.3**	66.3	22.5	51.4	**140.2**
derecognition from the balance sheet (write-downs, sale)	-	-	-399.6	**-399.6**	-	-	-22.0	**-22.0**
calculation and write-off of effective interest	-	-	-36.1	**-36.1**	-	-	45.3	**45.3**
other	-3.4	-0.9	18.3	**14.0**	-0.1	1.1	-15.2	**-14.2**
Closing balance of impairment	**298.1**	**375.7**	**2,334.7**	**3,008.5**	**251.9**	**531.9**	**2,264.2**	**3,048.0**

Sale of non-performing receivables

In the 1st half of 2021 Group carried out one sale transaction of non-performing receivables. On 7 May 2021, the Group entered into an agreement for the sale of retail and corporate receivables from the impaired portfolio. As a result of the transaction, the portfolio of impaired receivables decreased by PLN 373.4 million. The positive impact of the transaction on the Group's gross result was PLN 61.6 million.

In the 1st half of 2020, the Group entered into an agreement for the sale of corporate receivables from the impaired portfolio, as a result of which the portfolio of impaired receivables decreased by PLN 8.3 million and the positive impact of the transaction on the Group's gross result amounted to PLN 4.1 million.

Exposures covered by aid tools due to Covid-19

In connection with the Covid-19 pandemic, in 2020 the Group made the following assistance tools available to its clients:

- non-statutory moratorium, i.e. tools resulting from the banks' position regarding the unification of the rules for offering support tools for banking sector clients (non-statutory moratorium within the meaning of the guidelines of the European Banking Authority - EBA),
- the so-called statutory moratorium, i.e. support under the anti-crisis shield.

The introduced moratorium significantly improved the financial condition of borrowers. Non-statutory moratorium meeting the EBA guidelines were classified to Stage 1, the remaining, depending on individual assessment, to Stage 2 or 3. Statutory moratorium, due to the identified loss of the main source of income, were classified to Stage 3. In the corporate segment, due to the lack of statutory moratorium, only non-statutory moratorium were available. Non-statutory moratorium meeting the EBA guidelines were classified under Stage 1.

In the 1st half of 2021, the Group continued to offer its retail clients the opportunity to take advantage of statutory moratoria. Corporate clients had the opportunity to take advantage of the renewed non-statutory moratorium only in the 1st quarter of 2021, after in December 2020 the European Banking Authority (EBA) decided to reactivate the "Guidelines on statutory and non-statutory loan repayment moratoria applied in the face of the crisis caused by Covid-19". As part of the renewed non-statutory moratorium, aid tools were intended for entrepreneurs from specific industries eligible for benefits from the PFR 2.0 Financial Shield. They consisted in deferring the repayments of principal or principal and interest installments for a maximum period of 9 months, with the detailed solutions differing depending on the type of client (micro, small, medium or large entrepreneur) or type of product (loans, leasing, factoring, renewable products).

(PLN million)

The tables below present the gross carrying amount of loans subject to statutory and non-statutory moratoria as at 30 June 2021 and 31 December 2020.

as at **30 Jun 2021**

	Number of debtors	Gross carrying amount					
			of which: statutory moratorium	expired	unexpired of which:	residual moratorium term under 3 months	residual moratorium term above 3 months
Loans on which a moratorium has been proposed	45,110	7,881.5					
Loans subject to moratorium (granted), of which:	44,594	7,660.2	232.8	7,618.5	41.7	38.4	3.3
Retail banking customers		2,685.9	232.8	2,658.0	27.9	27.9	0.0
of which: secured with residential property		1,908.5	144.6	1,890.3	18.2	18.2	0.0
Corporate banking customers		4,974.3	0.0	4,960.5	13.8	10.5	3.3
of which: secured with commercial properties		3,000.5	0.0	2,992.9	7.6	5.7	1.9

	Gross carrying amount				Impairment for expected credit losses			
		performing	including: instruments for which there has been a significant increase in credit risk since their initial recognition, but which are not impaired due to credit risk (Stage 2)	non-performing		performing	including: instruments for which there has been a significant increase in credit risk since their initial recognition, but which are not impaired due to credit risk (Stage 2)	non-performing
Loans subject to moratorium, of which:	41.7	10.2	3.0	31.5	-10.8	-0.1	-0.1	-10.7
Retail banking customers	27.9	0.3	0.1	27.6	-10.7	0.0	0.0	-10.7
of which: secured with residential property	18.2	0.1	0.1	18.1	-5.5	0.0	0.0	-5.5
Corporate banking customers	13.8	9.9	2.9	3.9	-0.1	-0.1	-0.1	0.0
of which: secured with commercial properties	7.6	5.7	0.1	1.9	0.0	0.0	0.0	0.0

as at **31 Dec 2020**

	Number of debtors	Gross carrying amount			
			of which: statutory moratorium	expired	unexpired residual moratorium term under 3 months
Loans on which a moratorium has been proposed	44,962	9,805.6			
Loans subject to moratorium (granted), of which:	44,394	8,667.4	164.2	8,426.2	241.2
Retail banking customers		2,890.0	164.2	2,688.9	201.1
of which: secured with residential property		2,011.4	104.7	1,891.6	119.8
Corporate banking customers		5,777.4	0.0	5,737.3	40.1
of which: secured with commercial properties		2,647.7	0.0	2,631.8	15.9

	Gross carrying amount				Impairment for expected credit losses			
		performing	including: instruments for which there has been a significant increase in credit risk since their initial recognition, but which are not impaired due to credit risk (Stage 2)	non-performing		performing	including: instruments for which there has been a significant increase in credit risk since their initial recognition, but which are not impaired due to credit risk (Stage 2)	non-performing
Loans subject to moratorium, of which:	241.2	162.3	29.3	78.9	-35.5	-4.5	-3.1	-31.0
Retail banking customers	201.1	130.0	22.0	71.1	-32.2	-3.7	-2.5	-28.5
of which: secured with residential property	119.8	74.7	10.0	45.1	-15.9	-0.9	-0.9	-15.0
Corporate banking customers	40.1	32.4	7.3	7.7	-3.3	-0.7	-0.6	-2.6
of which: secured with commercial properties	15.9	13.6	0.5	2.3	-0.4	0.0	0.0	-0.4

(PLN million)

7.13. Debt securities

	as at 30 Jun 2021	as at 31 Dec 2020	as at 30 Jun 2020
Measured at fair value through profit or loss (Note 7.10)	88.8	436.0	177.7
Measured at fair value through other comprehensive income in the investment securities portfolio (Note 7.11)	22,823.9	21,235.7	22,789.1
Measured at amortised cost in the investment securities portfolio (Note 7.11)	34,099.3	33,540.1	30,165.1
Measured at amortised cost in the loans and other receivables to customers portfolio (Note 7.12)	2,718.2	2,991.7	2,227.5
Total	**59,730.2**	**58,203.5**	**55,359.4**

7.14. Liabilities to other banks

	as at 30 Jun 2021	as at 31 Dec 2020	as at 30 Jun 2020
Current accounts	489.4	421.3	281.9
Interbank deposits	2,871.0	2,861.6	119.2
Loans received*	3,623.7	3,517.1	3,487.3
Repo transactions	1,873.3	762.9	0.0
Call deposits received	535.3	660.3	700.6
Other	29.8	4.8	5.6
Total	**9,422.5**	**8,228.0**	**4,594.6**

*) The financing of the long-term leasing contracts in EUR (“the matched funding”) received by the subsidiary ING Lease (Polska) Sp. z o.o. from ING Bank NV and other banks not related to the Group is presented in item *Loans received*.

7.15. Financial liabilities measured at fair value through profit or loss

	as at 30 Jun 2021	as at 31 Dec 2020	as at 30 Jun 2020
Valuation of derivatives	1,040.4	1,065.3	613.6
Other financial liabilities measured at fair value through profit or loss, including:	0.0	465.5	3.6
book short position in trading securities	0.0	265.5	0.0
financial liabilities held for trading, including:	0.0	200.0	3.6
repo transactions	0.0	200.0	3.6
Total	**1,040.4**	**1,530.8**	**617.2**

(PLN million)

7.16. Liabilities to customers

	as at 30 Jun 2021	as at 31 Dec 2020	as at 30 Jun 2020
Deposits, including:	**160,016.4**	**149,269.9**	**149,301.0**
Corporate banking	**64,074.2**	**58,755.4**	**61,911.3**
current deposits	50,961.7	45,250.6	45,550.1
saving deposits	12,638.0	12,920.5	15,497.5
term deposits	474.5	584.3	863.7
Retail banking	**95,942.2**	**90,514.5**	**87,389.7**
current deposits	26,370.2	22,924.1	18,942.0
saving deposits	68,094.5	65,896.2	66,078.4
term deposits	1,477.5	1,694.2	2,369.3
Other liabilities, including:	**1,981.9**	**1,758.6**	**1,678.3**
liabilities under cash collateral	509.5	547.1	460.2
other liabilities, including:	1,472.4	1,211.5	1,218.1
call deposits received	9.3	20.7	19.9
other	1,463.1	1,190.8	1,198.2
Total	**161,998.3**	**151,028.5**	**150,979.3**

7.17. Provisions

	as at 30 Jun 2021	as at 31 Dec 2020	as at 30 Jun 2020
Provision for off-balance sheet liabilities	76.9	86.9	103.6
Provision for retirement benefits	65.4	63.8	57.5
Provision for disputes*	28.8	21.4	18.3
Provision for restructuring	44.0	49.5	0.0
Other provisions*	33.3	34.7	23.6
Total	**248.4**	**256.3**	**203.0**

*) Detailed information on provisions for disputes and other provisions can be found further in the financial statements in point 12. *Settlements due to disputes and other provisions.*

7.18. Other liabilities

	as at 30 Jun 2021	as at 31 Dec 2020	as at 30 Jun 2020
Accruals, including:	**413.5**	**439.7**	**354.5**
due to employee benefits	210.6	274.8	176.7
due to commissions	199.1	154.0	172.9
other	3.8	10.9	4.9
Other liabilities, including:	**3,037.5**	**1,866.3**	**2,112.3**
lease liabilities	361.7	393.7	413.5
interbank settlements	1,569.7	611.7	770.8
settlements with suppliers	431.4	290.7	372.0
public and legal settlements	102.6	101.3	92.8
liability to pay to the BFG guarantee fund	138.5	121.8	96.7
liability to pay to the BFG resolution fund	109.6	113.5	76.2
liabilities due to the obligatory annual contribution to the BFG resolution fund	132.6	0.0	124.4
other	191.4	233.6	165.9
Total	**3,451.0**	**2,306.0**	**2,466.8**

(PLN million)

7.19. Fair value

7.19.1. Financial assets and liabilities measured at fair value in statement of financial position

The carrying amounts of financial assets and liabilities broken down by measurement categories (levels) are presented below. In the 1st half of 2021 there were no movements between valuation levels.

as at **30 Jun 2021**

	Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	**22,913.4**	**2,169.2**	**274.3**	**25,356.9**
Valuation of derivatives	-	1,287.2	-	1,287.2
Financial assets held for trading, including:	88.8	-	-	88.8
debt securities, including:	88.8	-	-	88.8
Treasury bonds in PLN	82.3	-	-	82.3
Czech Treasury bonds in CZK	6.0	-	-	6.0
European Investment Bank bonds	0.5	-	-	0.5
Financial assets other than those held for trading, measured at fair value through profit or loss, including:	0.7	-	94.4	95.1
loans are obligatorily measured at fair value through profit or loss	-	-	94.3	94.3
equity instruments	0.7	-	0.1	0.8
Derivative hedge instruments	-	882.0	-	882.0
Financial assets measured at fair value through other comprehensive income, including:	22,823.9	-	179.9	23,003.8
debt securities, including:	22,823.9	-	-	22,823.9
Treasury bonds in PLN	20,280.5	-	-	20,280.5
treasury bonds in EUR	1,017.2	-	-	1,017.2
European Investment Bank bonds	1,050.6	-	-	1,050.6
Austrian government bonds	475.6	-	-	475.6
equity instruments	-	-	179.9	179.9
Financial liabilities, including:	**0.0**	**1,494.4**	**0.0**	**1,494.4**
Valuation of derivatives	-	1,040.4	-	1,040.4
Derivative hedge instruments	-	454.0	-	454.0

(PLN million)

as at **31 Dec 2020**

	Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	**21,672.4**	**2,669.5**	**264.0**	**24,605.9**
Valuation of derivatives	-	1,199.8	-	1,199.8
Financial assets held for trading, including:	436.0	274.9	-	710.9
debt securities, including:	436.0	-	-	436.0
Treasury bonds in PLN	419.2	-	-	419.2
European Investment Bank bonds	16.8	-	-	16.8
repo transactions	-	274.9	-	274.9
Financial assets other than those held for trading, measured at fair value through profit or loss, including:	0.7	-	106.3	107.0
loans are obligatorily measured at fair value through profit or loss	-	-	106.2	106.2
equity instruments	0.7	-	0.1	0.8
Derivative hedge instruments	-	1,194.8	-	1,194.8
Financial assets measured at fair value through other comprehensive income, including:	21,235.7	-	157.7	21,393.4
debt securities, including:	21,235.7	-	-	21,235.7
Treasury bonds in PLN	18,608.0	-	-	18,608.0
treasury bonds in EUR	1,057.7	-	-	1,057.7
European Investment Bank bonds	1,078.1	-	-	1,078.1
Austrian government bonds	491.9	-	-	491.9
equity instruments	-	-	157.7	157.7
Financial liabilities, including:	**265.5**	**1,823.8**	**0.0**	**2,089.3**
Valuation of derivatives	-	1,065.3	-	1,065.3
Other financial liabilities measured at fair value through profit or loss, including:	265.5	200.0	-	465.5
book short position in trading securities	265.5	-	-	265.5
financial liabilities held for trading, including:	-	200.0	-	200.0
repo transactions	-	200.0	-	200.0
Derivative hedge instruments	-	558.5	-	558.5

In the 1st half of 2021 the measurement techniques for levels 1 and 2 did not change. The financial assets classified to measurement level 3 as at 30 June 2021 include unquoted equity instruments and loans which did not meet the SPPI criterion as per IFRS 9.

Fair value measurement of unquoted equity interests in other companies is based on the discounted cash flow, dividend or economic value added model. Estimates of future cash flows were prepared based on medium-term profitability forecasts prepared by the Management Boards of these companies. The discount rate is based on the cost of equity estimated using the CAPM (Capital Asset Pricing Model). At the end of 1st half of 2021 it was in the range of 8.7%-14.5% depending on the company, compared to 7.7% -13.5% at the end of 2020. The fair value measurement of unlisted equity interests in other companies as at 30 June 2021 and 31 December 2020 included the following entities: Biuro Informacji Kredytowej S.A., Krajowa Izba Rozliczeniowa S.A., Polski Standard Płatności sp. z o.o. and Twisto Polska sp. z o.o.

The fair value methodology of the loan portfolio is based on the discounted cash flow method. Under this method, for each contract being valued, expected cash flows are estimated, discount factors for particular payment dates and the value of discounted cash flows is determined as at the valuation date. Valuation models are powered by business parameters for individual contracts and parameters observable by the market, such as interest rate curves, liquidity cost and cost of capital. The change in the parameters adopted for the valuation did not have a significant impact on the valuation value as at 30 June 2021.

(PLN million)

7.19.2. Financial assets and liabilities not measured at fair value in statement of financial position

as at **30 Jun 2021**

	Carrying amount	Fair value			
		Level 1	**Level 2**	**Level 3**	**TOTAL**
Investment securities at amortised cost	34,099.3	28,854.1	5,649.7	-	34,503.8
Treasury bonds in PLN	18,257.6	18,518.0	-	-	18,518.0
Treasury bonds in EUR	3,959.9	4,028.3	-	-	4,028.3
Bank Gospodarstwa Krajowego bonds	2,324.6	540.8	1,778.6	-	2,319.4
European Investment Bank bonds	5,700.5	5,767.0	-	-	5,767.0
bonds of the Polish Development Fund (PFR)	3,823.7	-	3,838.1	-	3,838.1
NBP bills	33.0	-	33.0	,	33.0
Loans and receivables to customers at amortised cost, including:	133,768.8	-	-	133,640.2	133,640.2
Corporate banking segment, including:	71,021.5	-	-	71,475.4	71,475.4
loans and advances (in the current account and term ones)	52,342.2	-	-	52,696.8	52,696.8
lease receivables	10,267.9	-	-	10,426.0	10,426.0
factoring receivables	5,693.2	-	-	5,693.2	5,693.2
corporate and municipal debt securities	2,718.2	-	-	2,659.4	2,659.4
Retail banking segment, including:	60,590.2	-	-	60,007.7	60,007.7
mortgages	52,725.9	-	-	52,120.8	52,120.8
other loans and advances	7,864.3	-	-	7,886.9	7,886.9
Other receivables	2,157.1	-	-	2,157.1	2,157.1
Liabilities to customers	161,998.3	-	-	162,000.8	162,000.8
Liabilities from debt securities issued	546.2	-	-	551.8	551.8
Subordinated liabilities	2,262.1	-	-	2,276.3	2,276.3

as at **31 Dec 2020**

	Carrying amount	Fair value			
		Level 1	**Level 2**	**Level 3**	**TOTAL**
Investment securities at amortised cost	33,540.1	29,416.1	4,704.5	-	34,120.6
Treasury bonds in PLN	17,982.2	18,462.8	-	-	18,462.8
Treasury bonds in EUR	4,094.3	4,133.9	-	-	4,133.9
Bank Gospodarstwa Krajowego bonds	2,103.4	537.6	1,555.4	-	2,093.0
European Investment Bank bonds	6,170.9	6,281.8	-	-	6,281.8
bonds of the Polish Development Fund (PFR)	3,016.7	-	2,976.5	-	2,976.5
treasury bills	172.6	-	172.6	-	172.6
Loans and receivables to customers at amortised cost, including:	124,655.3	-	-	124,318.4	124,318.4
Corporate banking segment, including:	67,976.7	-	-	68,103.5	68,103.5
loans and advances (in the current account and term ones)	50,492.9	-	-	50,765.5	50,765.5
lease receivables	9,697.6	-	-	9,677.8	9,677.8
factoring receivables	4,794.5	-	-	4,794.5	4,794.5
corporate and municipal debt securities	2,991.7	-	-	2,865.7	2,865.7
Retail banking segment, including:	54,745.4	-	-	54,281.7	54,281.7
mortgages	47,621.8	-	-	47,127.0	47,127.0
other loans and advances	7,123.6	-	-	7,154.7	7,154.7
Other receivables	1,933.2	-	-	1,933.2	1,933.2
Liabilities to customers	151,028.5	-	-	151,032.9	151,032.9
Subordinated liabilities	2,309.2	-	-	2,160.0	2,160.0

(PLN million)

7.19.3. Movements in financial assets/liabilities classified to the level 3 of measurement

During the 1st half of 2021, change in the valuation of classified equity instruments up to level 3, the valuation included in other comprehensive income amounted to PLN 22.2 million (compared to PLN 7.4 million in the 1st half of 2020).

The impact of the valuation of loans classified under level 3 on the profit and loss account was insignificant in the 1st half of 2021, as in the 1st half of 2020 (PLN 0.0 million and PLN -0.2 million at the end of the 1st half of 2021 and the 1st half of 2020, respectively).

	1 half 2021 the period from 1 Jan 2021 to 30 Jun 2021			1 half 2020 the period from 1 Jan 2020 to 30 Jun 2020		
	Loans are obligatorily measured at fair value through profit or loss	Equity instruments measured at fair value through profit or loss	Equity instruments measured at fair value through other comprehensive income	Loans are obligatorily measured at fair value through profit or loss	Equity instruments measured at fair value through profit or loss	Equity instruments measured at fair value through other comprehensive income
Opening balance	**106.2**	**0.1**	**157.7**	**160.3**	**0.1**	**110.6**
Additions, including:	**0.0**	**0,0**	**22,2**	**97.1**	**0.0**	**12.8**
loans granted in the period / investment acquisition	-	-	-	97.1	-	1.1
reclassification of equity instruments from investments in associates to investment securities measured at fair value through other comprehensive income	-	-	-	-	-	4.3
valuation referred to accumulated other comprehensive income	-	-	22,2	-	-	7.4
Reductions, including:	**-11.9**	**0,0**	**0,0**	**-24.0**	**0.0**	**0.0**
loan repayments	-11.9	-	-	-23.8	-	-
valuation charged to the income statement*	-	-	-	-0.2	-	-
Closing balance	**94.3**	**0,1**	**179,9**	**233.4**	**0.1**	**123.4**

*) included in the income statement under the *Net income on financial instruments measured at fair value through profit or loss and FX result.*

7.20. The impact of the benchmark rate reform

Interbank offered rates (IBORs), such as WIBOR, EURIBOR and LIBOR, are widely used as benchmarks to set interest rates across a broad range of financial products and contracts. In line with recommendations from the Financial Stability Board, regulators have undertaken a fundamental review and reform of the major interest rates benchmarks. This review is at different stages, and is progressing at different speeds, across several major currencies.

The reform of WIBOR was completed in 2020 and consisted of a change to the underlying calculation methodology. The GPW Benchmark S.A. granted authorisation with respect to WIBOR under the EU Benchmarks Regulation. This allows market participants to continue to use WIBOR for both existing and new contracts. ING Bank expects that WIBOR will continue to exist as a benchmark rate for the foreseeable future.

The ICE Benchmark Administration, as the administrator of LIBOR, announced that it will stop publishing most LIBOR rates that are based on submission from panel banks, after 31 December 2021. Only the overnight rate and the 1-, 3-, and 12-month USD LIBOR will continue to be published until 30 June 2023, to support legacy products. ING Bank is in the process of amending or preparing to amend contractual terms in response to these reforms. However, there is still uncertainty over the timing and the methods of transition. ING Bank is proactively reaching out to industry participants, counterparties and clients to create awareness and offer support on the ongoing transition.

The European Commission implemented legislation that gives market participants the confidence to transition 'tough legacy' contracts (i.e. contract that do not contain any alternatives, inappropriate alternatives or cannot be renegotiated or amended) to the recommended benchmark replacement without the fear of legal repercussions. In March 2021, the European Commission launched a consultation in order to assess the suitability of designating a statutory replacement rate for CHF LIBOR in mortgages and small business loans concluded prior to the entry into application of the EU

Benchmark Regulation and governed by the laws of one of the EU Member States. The final act has not been published yet.

Bank has exposures to IBORs on its financial instruments that will be reformed as part of this market-wide initiative. The potential discontinuation of interest rate benchmarks, or changes in the methodology or manner of administration of any benchmark, could result in a number of risks for ING Bank, its customers, and the financial services industry more widely. These risks include legal risks in relation to changes required to documentation for new and existing transactions that may be required. Financial risks (predominantly interest rate risk) may also arise from any changes in the valuation of financial instruments linked to benchmark rates. Also, changes to benchmark indices could impact pricing mechanisms of some instruments. Changes in valuation, methodology or documentation may also result into customer complaints or litigation. The Bank may be exposed to operational risks or incur additional costs to adapt IT systems, trade reporting infrastructure and operational processes, or for communication with customers or during the transition period. Particularly, the main risks to which the Bank is exposed as a result of IBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating contractual terms, updating of systems that use IBOR and revision of operational controls related to the reform.

ING's IBOR programme has an extensive governance in place, with progress being tracked by business line steering committees reporting into a central IBOR steering committee. The programme assesses and coordinates the actions necessary to manage the required changes to internal processes and systems, including pricing, risk management, legal documentation, hedge arrangements, as well as the impact on customers. ING continues to monitoring market developments, and the outcome of several remaining uncertainties such as the availability of term rates, to anticipate the impact on the program, our customers and any related risks.

(PLN million)

Structure of financial assets and liabilities according to reference rates

as at **30 Jun 2021**

	maturity date **after 31 Dec 2021** nominal value	maturity date **after 30 Jun 2023** nominal value
Financial assets by benchmark rate		
GBP LIBOR	6.2	
USD LIBOR	334.7	171.8
CHF LIBOR	885.5	
JPY LIBOR	0.0	
EUR LIBOR	0.0	
EONIA	0.0	
All other benchmarks including LIBOR and EONIA contracts which mature before 31 Dec 2021	162,923.6	
Total financial assets	**164,150.0**	**171.8**
Financial liabilities by benchmark rate		
GBP LIBOR	0.3	
USD LIBOR	1.3	0.0
CHF LIBOR	350.3	
JPY LIBOR	0.0	
EUR LIBOR	0.0	
EONIA	0.0	
All other benchmarks including LIBOR and EONIA contracts which mature before 31 Dec 2021	3,763.0	
Total financial liabilities	**4,114.9**	**0.0**

as at **31 Dec 2020**

	maturity date **after 31 Dec 2021** nominal value	maturity date **after 30 Jun 2023** nominal value
Financial assets by benchmark rate		
GBP LIBOR	5.1	
USD LIBOR	291.0	192.8
CHF LIBOR	962.6	
JPY LIBOR	0.0	
EUR LIBOR	0.0	
EONIA	0.0	
All other benchmarks including LIBOR and EONIA contracts which mature before 31 Dec 2021	148,684.4	
Total financial assets	**149,943.1**	**192.8**
Financial liabilities by benchmark rate		
GBP LIBOR	0.2	
USD LIBOR	0.2	0.0
CHF LIBOR	362.5	
JPY LIBOR	0.0	
EUR LIBOR	0.0	
EONIA	0.0	
All other benchmarks including LIBOR and EONIA contracts which mature before 31 Dec 2021	7,015.5	
Total financial liabilities	**7,378.4**	**0.0**

(PLN million)

Structure of off-balance sheet items according to reference rates

as at **30 Jun 2021**

	maturity date **after 31 Dec 2021**	maturity date **after 30 Jun 2023**
	nominal value	**nominal value**
Off-balance sheet items by benchmark rate		
GBP LIBOR	0.0	
USD LIBOR	4,148.2	3,603.1
CHF LIBOR	0.0	
JPY LIBOR	0.0	
EUR LIBOR	0.0	
EONIA	0.0	
All other benchmarks including LIBOR and EONIA contracts which mature before 31 Dec 2021	848,025.8	
Total	**852,174.0**	**3,603.1**

as at **31 Dec 2020**

	maturity date **after 31 Dec 2021**	maturity date **after 30 Jun 2023**
	nominal value	**nominal value**
Off-balance sheet items by benchmark rate		
GBP LIBOR	0.0	
USD LIBOR	5,160.6	4,395.4
CHF LIBOR	0.0	
JPY LIBOR	0.0	
EUR LIBOR	0.0	
EONIA	0.0	
All other benchmarks including LIBOR and EONIA contracts which mature before 31 Dec 2021	788,452.3	
Total	**793,612.9**	**4,395.4**

IBOR reform impact on the hedge accounting

ING applies fair value and cash flow hedge accounting in accordance with IAS 39, and interest rate and foreign currency risks are designated as hedged risks in various micro and macro models. The hedged exposures are mainly loan portfolios, purchased debt securities and savings/deposits.

ING Bank applied the amendments to IAS 39 issued in September 2019 to hedging relationships that are based on LIBOR CHF, as this hedging relationship is directly affected by the IBOR reform. By applying the IAS 39 amendments ING Bank assumes that the LIBOR CHF based cash flows from the hedging instrument and hedged item included in this hedging relationship will remain not be unaffected by the IBOR reform.

The same assumption is used while assessing the likelihood of occurrence of the forecast transaction. The cash flow hedge directly impacted by the IBOR reform still meet the highly probable requirement as it is assumed that the respective LIBOR CHF benchmark on which the hedged cash flows are based are not altered as a result of the reform.

These amendments are not applied to the hedging relationships that are based on WIBOR and EURIBOR hedges because these rates will not be discontinued.

(PLN million)

The following table contains details of the gross notional amounts of hedging instruments that are used in the Group's hedge accounting relationships for which the amendments to IAS 39 were applied:

Benchmark	as at 30 Jun 2021	as at 31 Dec 2020
CHF LIBOR	288.5	298.5

All of the above hedging instruments have maturity dates after 31 December 2021.

The notional amounts of the derivative hedging instruments in above table provide a close approximation of the extent of the risk exposure ING manages through these hedging relationships.

8. Total capital ratio

	as at 30 Jun 2021	as at 31 Dec 2020* (after taking into account the net profit generated in 2020 in own funds)	as at 31 Dec 2020 (according to the values reported in the annual consolidated financial statements for 2020)	as at 30 Jun 2020
Own funds				
A. Own equity in the statement of financial position, including:	**17,857.6**	**18,618.3**	**18,618.3**	**18,235.5**
A.I. Own equity included in the own funds calculation	15,133.8	15,138.3	14,266.1	14,071.7
A.II. Own equity excluded from own funds calculation	2,723.8	3,480.0	4,352.2	4,163.8
B. Other elements of own funds (decreases and increases), including:	**1,954.2**	**2,082.0**	**2,127.8**	**2,065.2**
subordinated debt	2,213.6	2,307.4	2,307.4	2,233.0
goodwill and other intangible assets	-453.3	-466.9	-466.9	-514.3
adjustment in the transitional period due to adaptation to IFRS 9 requirements	251.9	316.0	361.8	370.2
value adjustments due to the requirements for prudent valuation	-25.5	-24.9	-24.9	-23.7
deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-31.7	-49.6	-49.6	0.0
coverage shortfall for non-performing exposures	-0.8	0.0	0.0	0.0
Own funds taken into account in total capital ratio calculation (A.I. + B), including:	**17,088.0**	**17,220.3**	**16,393.9**	**16,136.9**
Core Tier 1 capital	14,874.4	14,912.9	14,086.5	13,903.9
Tier 2 capital	2,213.6	2,307.4	2,307.4	2,233.0
Risk weighted assets, including:	**94,513.9**	**88,211.1**	**87,555.4**	**88,113.6**
for credit risk	83,155.5	77,239.7	77,449.5	77,920.0
for operational risk	10,209.5	10,209.5	9,344.0	9,344.0
other	1,148.9	761.9	761.9	849.6
Total capital requirements	**7,561.1**	**7,056.9**	**7,004.4**	**7,049.1**
Total capital ratio (TCR)	**18.08%**	**19.52%**	**18.72%**	**18.31%**
Minimum required level	11.003%	11.002%	11.002%	11.002%
Surplus TCR ratio over the regulatory requirement (p.p)	7.08	8.52	7.72	7.31
Tier 1 ratio (T1)	**15.74%**	**16.91%**	**16.09%**	**15.78%**
Minimum required level	9.003%	9.002%	9.002%	9.002%
Surplus T1 ratio over the regulatory requirement (p.p)	6.74	7.91	7.09	6.78

*) On 15 April 2021, the General Meeting of the Bank approved the distribution of profit for 2020. Including the net profit generated in 2020 in own funds as at 31 December 2020 resulted in an increase in TCR and Tier1 ratios to 19.52% and 16.91%, respectively, as presented in the table above.

(PLN million)

In calculating the capital ratios, the Group used the transitional provisions to mitigate the impact of the implementation of IFRS 9 on the level of own funds. If the impact of the implementation of IFRS 9 was fully recognized, the total capital ratio (TCR) would be 17.91% and the Tier 1 capital ratio (T1) would be 15.48%. For the comparative periods, if the impact of the implementation of IFRS 9 was fully recognized, the TCR and T1 ratios would be, respectively: 18.48% and 15.69% as at 31 December 2020, 19.28% and 16.56% as at 31 December 2020 after taking into account the net profit generated in 2020 in own funds and 18.07% and 15.37% as of 30 June 2020.

9. Off-balance sheet items

	as at 30 Jun 2021	as at 31 Dec 2020	as at 30 Jun 2020*
Off-balance sheet liabilities granted	45,685.6	43,587.5	39,330.8
Off-balance sheet liabilities received	13,014.6	11,586.1	9,018.5
Off-balance sheet financial instruments	868,045.0	797,919.5	766,352.9
Total off-balance sheet items	**926,745.2**	**853,093.1**	**814,702.2**

*) In 2020, the Group decided to change the presentation of the guarantees received. The present presentation takes into account only those guarantees that provide the basis for the reduction of risk-weighted assets and provisions for expected credit losses. Data as at 30 June 2020 have been transformed in order to bring them comparable.

10. Issues, redemption or repayments of debt securities and equities

In the 1st half of 2021, as part of the Bonds Issue Program (Bond Program), a subsidiary of the Group - ING Bank Hipoteczny S.A. - issued 4th Series of bonds with a nominal value of PLN 150 million (i.e. 300 bonds with a nominal value of PLN 500 thousand each) and maturity fixed at 10 months. The bonds were addressed to qualified investors and were registered with the National Depository for Securities in Warsaw. In the same period, ING Bank Hipoteczny S.A. purchased 1st Series of bonds worth PLN 675 million, 3rd Series of bonds worth PLN 250 million and 2nd Series of bonds worth PLN 50 million, issued under the Bond Program in 2020. As at 30 June 2021, the carrying amount of liabilities from the bond issue was PLN 150.2 million (compared to PLN 975.1 million as at 31 December 2020).

In the corresponding period of 2020, there were no issues, redemptions or repayments of debt and equity securities.

As at 30 June 2021, the Group had liabilities arising from the issue of mortgage bonds issued as part of the ING Bank Hipoteczny S.A. covered bond issue program established in 2019 (Covered Bond Program). The purpose of establishing the Covered Bond Program was to create a legal infrastructure under which the Group will be able to issue covered bonds both on the local and foreign market. The funds obtained from the inaugural 5-year "green" issue, carried out under the Program, will be used to refinance PLN mortgage loans of natural persons secured on real estate belonging to 15% of the most energy-efficient buildings in Poland. The issue will be redeemed in October 2024. As at 30 June 2021, the carrying amount of liabilities due to the issue of mortgage bonds was PLN 396.0 million (compared to PLN 395.4 million as at 31 December 2020 and PLN 395.4 million as at 30 June 2020).

(PLN million)

11. Dividends paid

ING Bank Śląski S.A. did not pay dividends from net profits generated in 2020 and 2019.

On 15 April 2021, the General Meeting approved the allocation of the entire net profit of the Group's parent entity for 2020 to equity, with the amount of PLN 663,510,000.00 being left as undistributed profit in order to retain the possibility of its distribution in the future, taking into account the payment of dividends.

On 2 April 2020, the General Meeting adopted a resolution on the distribution of the profit for 2019, in such a way that the amount previously allocated to the dividend, i.e. PLN 494,380,000.00, was left undivided.

12. Settlements due to disputes and other provisions

The values of the provisions created by the Group are presented in note 7.17 *Provisions*.

Provision for disputes

The value of proceedings regarding liabilities or receivables pending in 1st half of 2021 did not exceed 10% of the Group's equity, as in 1st half of 2020. In the Group's opinion, none of the individual proceedings pending in 2021 before a court, an arbitration body or a body public administration, as well as all proceedings taken together do not pose a threat to the financial liquidity of the Group.

Change in provision for disputes

	2 quarter 2021 the period from 1 Apr 2021 to 30 Jun 2021	**1 half 2021** the period from 1 Jan 2021 to 30 Jun 2021	**2 quarter 2020** the period from 1 Apr 2020 to 30 Jun 2020	**1 half 2020** the period from 1 Jan 2020 to 30 Jun 2020
Opening balance	**25.1**	**21.4**	**18.1**	**18.1**
Changes during the period, including:	**3.7**	**7.4**	**0.2**	**0.2**
provisions recognised	4.0	7.8	0.5	0.8
provisions reversed	-0.2	-0.3	-0.1	-0.4
provisions utilised	-0.1	-0.1	-0.1	-0.1
reclassifications	0.0	0.0	-0.1	-0.1
Closing balance	**28.8**	**28.8**	**18.3**	**18.3**

Other provisions

The item *Other provisions* presented in note 7.17 *Provisions* includes provisions for paid CHF indexed mortgage loans and provisions for commission reimbursement on consumer loans prepaid by customers.

- *Legal risk related to the portfolio of loans indexed to CHF*

As at 30 June 2021, the amount of the adjustment to the gross carrying amount resulting from the legal risk for the portfolio of CHF-indexed mortgage loans disclosed in the statement of financial position amounted to PLN 289.2 million (compared to PLN 300.0 million at the end of 2020).

Regarding CHF-indexed mortgage loans already removed from the statement of financial position, as at 30 June 2021, the Group maintained a provision amounted to PLN 11.1 million (compared to PLN 11.8 million at the end of 2020). This amount is presented in liabilities under *Provisions.*

At the end of the 1st half of 2021, the net value of the Group's FX mortgage loan portfolio was PLN 534.4 million, of which PLN 521.3 million was the value of the CHF-indexed loan portfolio (PLN 600.7 million and PLN 584.9 million at the end of 2020, respectively).

Significant assumptions regarding the calculation of the amount of the adjustment to gross carrying amount due to legal risk for the portfolio of CHF-indexed mortgage loans reported in the statement of financial position and the amount of provisions for CHF-indexed mortgage loans already removed from the statement of financial position are described in the annual consolidated financial statements of the of ING Bank Śląski S.A. Group for the period from 1 January 2020 to 31 December 2020.

As at 30 June 2021, 617 court cases were pending against the Bank (450 cases at the end of 2020) in connection with the concluded loan agreements in PLN indexed with CHF. As at 30 June 2021, the outstanding capital of the loans concerned by the proceedings was PLN 162.0 million (PLN 129.6 million at the end of 2020).

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.

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, such an option 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 -mentioned solution proposed by the Counsel 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 and 2021. 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 may have an impact on the extension of the time limit for considering cases by courts.

On 11 May 2021, a meeting of the full composition of the Civil Chamber of the Supreme Court took place (originally planned for 25 March 2021). During the session, 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 was to 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?

While examining the motion of the First President of the Supreme Court in closed session, the composition of the entire Civil Chamber of the Supreme Court decided to notify the Ombudsman and the Ombudsman for Children about the pending proceedings and requested that these entities take a position on the legal issues covered by the motion. Moreover, the Supreme Court decided to ask for such a position to be taken by the President of the National Bank of Poland, the Polish Financial Supervision Authority and the Financial Ombudsman. The next meeting is scheduled for 2 September 2021.

The ruling of the Supreme Court may affect the assumptions made in the model for estimating the Group's gross book value adjustments resulting from legal risk for the portfolio of CHF-indexed mortgage loans disclosed in the statement of financial position and provisions for legal risk for CHF-indexed mortgage loans already removed from the report from the financial situation. In particular, it may affect the number and resolution of disputes and the interest of borrowers in entering into voluntary agreements regarding conversion into PLN loans. The Bank will monitor the legal situation related to the judgment of the Supreme Court, which may have an impact on changing the assumptions in the model regarding costs related to legal risk of CHF-indexed loans in subsequent reporting periods.

On 29 April 2021, the CJEU issued another judgment in response to a Polish court inquiry regarding CHF-indexed loans. The CJEU confirmed that if the unfair terms had already been eliminated from the contract through an addendum, the court should not invalidate the contract. The CJEU confirmed the primacy of maintaining the contract against nullity. As long as it is legally possible to maintain the contract, it cannot be canceled. The evaluation of the continuation of the contract should always be made on the basis of an objective approach, it cannot be based on the interests of the consumer. The CJEU ruled that it is in line with EU law for a national court not to invalidate the foreign currency loan agreement. Instead, the national court should uphold the foreign currency loan agreement by removing only the elements found to be unfair from the loan agreement (the so-called "blue pencil test") and retaining all other elements - and this is in line with EU law. The cancellation of long-term contracts, such as credit agreements, should be the last resort. As foreseen, the CJEU left it to the national courts to decide what would happen if the loan agreement could not continue to apply after the unfair terms were excluded from it and how the parties should account for such agreements. The national court should inform consumers (objectively and comprehensively) of any legal consequences of removing a term considered unfair, even where the parties are represented by professional representatives.

On 7 May 2021, the Supreme Court adopted a resolution composed of seven Supreme Court judges regarding the issues presented by the Financial Ombudsman, i.e. the parties' settlements in the event of invalidity or bankruptcy of an indexed or denominated loan agreement. The Supreme Court confirmed the position expressed in the resolution of 16 February 2021 (III CZP 11/20) that in the event of invalidity of the contract, each party has a claim for the return of the service provided by that party (the so-called two-law theory). The Supreme Court did not decide that each indexed or denominated loan agreement should be canceled. A finding that a contractual provision is abusive should, in principle, result in domestic courts applying solutions that restore the balance. According to the Supreme Court, the contract should be considered definitively ineffective if the consumer - duly informed about the effects - refuses to consent to be bound by a provision deemed abusive.

In December 2020, the chairman of the Polish Financial Supervision Authority presented a proposal for banks to conclude voluntary settlements with borrowers. The assumption of the settlements is the conversion of loans into loans denominated in PLN, under which the loan agreement is converted and repayments made on its basis by the borrower as if the loan had been granted in PLN from the beginning. The interest rate on the loan in PLN is determined based on the WIBOR rate, taking into account the loan margin resulting from the average interest rate on new loans in PLN from the month of granting the loan in CHF published in NBP statistics.

- *Provision for commission refunds on prepaid consumer loans*

On 11 September 2019, the European Court of Justice (CJEU) announced a judgment in the case of the question referred by the Lublin-Wschód District Court for a preliminary ruling regarding the interpretation of Art. 16 clause 1 of Directive 2008/48 / EC of the European Parliament and of the Council of 23 April 2008 on consumer credit agreements. The Consumer Credit Act (UKK) in force in Poland contains in Art. 49 analogous provision, which up to 2016 had no interpretation doubts, and banks, as a rule, charging a commission for granting a loan, did not refund its client in the event of early repayment (except for withdrawal from the contract). The discussion on the interpretation of Art. 49 UKK was started by UOKiK by issuing a joint position with the Financial Ombudsman in 2016. The judgment of the CJEU resolves this issue in such a way that in the event of early repayment of consumer credit, banks should:

- reduce the total cost of the loan along with all its components (e.g. fees, commission, insurance),
- make a proportional reimbursement of these costs, i.e. the reimbursement should cover the period from the date of actual repayment of the loan to the date of final repayment specified in the contract.

After the publication of the above judgment, the President of UOKiK presented his position in which he fully shared the findings of the CJEU judgment.

In connection with the judgment of the CJEU and the statement of the Office of Competition and Consumer Protection, the Group now automatically reimburses a proportionate part of the commission in the case of early repayment of the consumer loan (for repayments made after 11 September 2019). For early repayments made before 11 September 2019, the Group makes refunds if the client submits a complaint and its verification proves that the refund is justified.

On 9 October 2019, the Bank was served with a notice of initiation by the Office of Competition and Consumer Protection and a request to provide information on banking products on offer from 16 May 2016, to which the provisions of the Consumer Credit Act, including Art. 49 of this act. The explanatory proceeding concerns the settlement by the Bank of commission refunds in cases of early repayment of consumer loans. On 29 October 2019 the Bank provided the requested information to the Office of Competition and Consumer Protection. On 24 December 2019, the Bank received another letter from the Office of Competition and Consumer Protection in the same procedure with the request for additional information. The Bank responded to them on 3 January 2020.

The amount of the provision for returns made on the complaint path at the end of the 1st half of 2021 it was PLN 7.9 million. As at 30 June 2021 there was no change in assumptions regarding commission returns realized on the complaint path.

The Group monitors the impact of the CJEU judgments on the behaviour of borrowers, the practice and jurisprudence of Polish courts in these cases, and assesses the probability of cash outflow in relation to CHF-indexed mortgage loans and commission reimbursements on consumer loans on an ongoing basis.

Proceedings before the President of the Office of Competition and Consumer Protection (UOKiK)

- *Proceedings on provisions providing for the possibility of changing a standard contract, contract or table of fees and commissions for important reasons, the so-called modification clauses*

On 1 April 2019, the President of the Office of Competition and Consumer Protection (UOKiK) initiated ex officio proceedings to recognize a standard contract as illegal in terms of contractual provisions that may violate Art. 23a of the Act on competition and consumer protection. The proceedings concern provisions providing for the possibility of changing the standard contract, contract or table of fees and commissions for important reasons, the so-called modification clauses.

The scope of the procedure relates to the provisions in various general terms and conditions, regulations and contracts concluded with consumers: for cash loans, overdraft limit, granting and repayment of loans in a brokerage account, using a credit card – in the version effective from 7 March 2016; for checking and checking accounts and savings accounts – in the version effective from 9 November 2015; for maintaining payment accounts – in the version applicable from 6 August 2018; for prepaid cards – in the version valid from 1 January 2016.

In the opinion of the President of UOKiK, the analysed modification clauses may constitute prohibited contractual provisions due to:

- the possibility of unilaterally changing the general terms and conditions of the contract as to its essential provisions, in the scope of contracts enabling the generation of debt on the part of consumers, concluded for a specified period,
- general, imprecise nature of the premises for a unilateral amendment to the contract, which does not allow consumers to verify them correctly, and in some provisions there are no time limits as to the scope of changes,
- no provisions regarding the possibility of continuing a contract concluded for a specified period of time regarding crediting consumer needs under the existing rules in the event of failure to accept unilateral proposed changes from the bank.

By letter of 13 May 2021, UOKiK notified the Bank of the completion of the collection of evidence, and by letter of 30 June 2021 - about the extension of the deadline for completion of the proceedings until 31 August 2021.

As at 30 June 2021, the Group has not identified any premises for the creation of provisions on this account.

- *Proceedings on the use of practices violating collective consumer interests*

Before the President of the Office of Competition and Consumer Protection, an ex officio proceeding was conducted on 9 July 2014 regarding the use of practices violating collective consumer interests, consisting in: during the validity of payment card contracts, replacement of payment cards not equipped with a contactless function for cards equipped with this function without changing the content of the contract ; deriving the legal effects from the communication for the account holder specified in the *Regulations for the provision of services by ING Bank Śląski as part of keeping savings and checking accounts and savings accounts for natural persons*; failure to provide consumers with information about the possibilities and rules of making the so-called contactless transactions, spending limits for payment transactions performed with these payment cards, on paper or on another durable medium, in due time before the conclusion of the contract. The Bank's proposed obligations presented to the supervisor as part of the above procedure were already implemented. On 18 December 2018, the Office of Competition and Consumer Protection decided to extend the procedure. Until the date of publication of this report, the status of the proceedings has not changed. As at 30 June 2021, the Group has not identified any premises for the creation of provisions on this account.

- *Proceedings on the allegation of practices restricting competition on the market of acquiring services related to payments with payment cards in Poland*

After conducting antitrust proceedings against ING Bank Śląski S.A. and other banks, at the request of the Polish Trade and Distribution Organization - the Employers' Association (POHiD), the President of the Office of Competition and Consumer Protection issued a decision on 29 December 2006 stating that the Bank had committed practices restricting competition. As restricting competition, UOKiK found the practice consisting in the participation by various Polish banks, including the Bank, in an agreement restricting competition on the acquiring services market related to the settlement of consumers' obligations towards merchants, for payments for goods and services purchased by consumers, with the use of payment cards on territory of Poland by jointly setting the amount of the interchange fee charged for transactions made with Visa and MasterCard cards in Poland. Due to the finding of competition restricting practices, UOKiK imposed fines, including penalties on the Bank in the amount of PLN 14.1 million.

From this decision, among others The bank appealed to the Court of Competition and Consumer Protection (SOKiK). By ruling on 12 November 2008, SOKiK changed the decision of UOKiK, so that it did not find any practice restricting competition. On 22 April 2010, this judgment was quashed by a judgment of the Court of Appeal, which referred the case to SOKiK for re-examination.

By the ruling of the SOKiK of 21 November 2013, the Court did not change the decision of the Office of Competition and Consumer Protection with regard to the allegation of restriction of competition, but reduced the Bank's fine to PLN 0.4 million. However, the judgment of the SOKiK was changed by the judgment of the Court of Appeal, which on 6 October 2015 ruled to change the judgment of the SOKiK in such a way that all appeals were dismissed in full. As a result of this ruling, the President's decision became final, and in October 2015 the Bank paid the imposed fine of PLN 14.1 million.

The Bank, like other banks participating in the proceedings, filed a cassation appeal against the judgment of the Court of Appeal. On 25 October 2017, the Supreme Court quashed the judgment of the Court of Appeal, referring the case to that court for re-examination. According to the position of UOKiK, the penalty was returned to the Bank.

On 23 November 2020, the Court of Appeal overruled the SOKiK judgment of 21 November 2013 and remitted the SOKiK case, leaving the court to decide on the costs.

On 27 April 2021, the files of the main interchange fee case were transferred to SOKiK.

Due to the lack of final decisions, the amount of the refunded penalty was not recognized in the profit and loss account. As at 30 June 2021, the value of the provision was PLN 14.1 million.

Other proceedings

On 8 June 2021, the Bank received a notification from the Polish Financial Supervision Authority (PFSA) about the initiation of ex officio administrative proceedings in the field of counteracting money laundering and financing of terrorism. In the course of the proceedings, the Bank takes the actions required by the law.

On 28 June 2021, the Bank received a post-inspection statement from the General Inspector of Financial Information (GIFI) pursuant to Art. 142 of the Act of 1 March 2018 on counteracting money laundering and terrorist financing regarding the control carried out at the Bank on from 16 November 2020 to 7 March 2021. The Bank undertakes actions required by law to adjust the Bank's operations to the expectations of the GIFI.

As for other proceedings against the Bank, in the first half of 2021 there were no significant changes affecting the financial data presented in these consolidated financial statements.

13. Seasonality or cyclicity of activity

Activity of ING Bank Śląski Group is not subject to seasonality or cyclicity within the meaning of §21 of IAS 34.

14. Transactions with related entities

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 30 June 2021 held 75% shares in the share capital of ING Bank Śląski S.A. and 75% shares in the total number of votes at the General Meeting of ING Bank Śląski S.A. The ultimate Parent entity is ING Groep N.V. based in the Netherlands.

ING Bank Śląski carries out operations with ING Bank N.V. and its subsidiaries on the inter-bank market. These are both short-term deposits and loans, as well as operations in derivatives. The Bank also maintains bank accounts of entities from the ING Group. Moreover, the Bank's subsidiary - ING Lease Sp. z o. o. received from ING Bank NV long-term financing of lease 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, lease of IT equipment, monitoring the availability and performance of applications and IT infrastructure as well as penetration testing and IT security monitoring.

Costs are presented as per their net value (VAT excluded).

(PLN million)

Numerical information on transactions between related entities

	ING Bank NV	Other ING Group entities	Associates	ING Bank NV	Other ING Group entities	Associates
	as at 30 Jun 2021			as at 31 Dec 2020		
Receivables						
Nostro accounts	6.0	3.6	-	2.3	8.1	-
Call deposits placed	-	-	-	105.6	1.1	-
Loans	19.0	10.4	-	21.5	22.6	-
Positive valuation of derivatives	152.4	-	-	78.3	3.7	-
Other receivables	3.0	1.8	-	4.9	0.5	-
Liabilities						
Deposits received	785.5	93.7	22.7	1,476.3	550.0	10.9
Loans received	3,595.9	-	-	3,400.0	-	-
Subordinated loan	2,262.2	-	-	2,309.3	-	-
Loro accounts	22.7	46.5	-	34.3	182.6	-
Negative valuation of derivatives	57.6	-	-	197.6	0.1	-
Other liabilities	96.6	1.2	-	39.7	0.2	-
Off-balance-sheet operations						
Off-balance sheet liabilities granted	412.6	698.6	0.1	471.9	890.3	0.1
Off-balance sheet liabilities received	528.5	18.2	-	808.6	17.5	-
FX transactions	15,288.8	16.7	-	9,649.5	58.2	-
IRS	705.1	-	-	910.4	140.0	-
Options	1,710.4	16.6	-	2,355.0	17.0	-

	1 half 2021 the period from 1 Jan 2021 to 30 Jun 2021			1 half 2020 the period from 1 Jan 2020 to 30 Jun 2020		
Income and expenses						
Income, including:	**-5.7**	**4.6**	**24.9**	**-23,0**	**7,7**	**23,1**
net interest and commission income	-18.7	3.5	24.9	-24,6	2,3	23,1
net income on financial instruments	12.4	0.5	-	1,4	5,4	-
net (loss)/income on other basic activities	0.6	0.6	-	0,2	-	-
General and administrative expenses	79.8	4.4	-	69,7	3,3	-
Expenditure on intangible assets	-	-	-	2,6	-	-

14.1. Remuneration of members of the Management Board and Supervisory Board of ING Bank Śląski

Benefits due to members of the Management Board of ING Bank Śląski S.A.

	1 half 2021 the period from 1 Jan 2021 to 30 Jun 2021	1 half 2020 the period from 1 Jan 2020 to 30 Jun 2020
Salaries	5.0	5.3
Other benefits*	0.9	1.3
Total	**5.9**	**6.6**

*) Other benefits include insurance, payments to the investment fund, medical care and other benefits granted by the Supervisory Board of the Bank.

Benefits for 2021 for members of the Management Board of ING Bank Śląski S.A. resulting from the Variable Remuneration Component Program have not yet been awarded.

In accordance with the remuneration system in force at the Bank, members of the Bank's Management Board may be entitled to a bonus for 2021, the payment of which will take place in the years 2022-2028. Therefore, a provision was created for the payment of the bonus for 2021 for the members of the Management Board, which amounted to PLN 3.7 million as at 30 June 2021. The final decision on the amount of this bonus will be made by the Bank's Supervisory Board.

(PLN million)

Benefits paid to members of the Management Board of ING Bank Śląski S.A.

	1 half 2021 the period from 1 Jan 2021 to 30 Jun 2021	1 half 2020 the period from 1 Jan 2020 to 30 Jun 2020
Salaries	5.0	5.3
Awards *	3.9	5.0
Other benefits**	1.0	1.3
Total	**9.9**	**11.6**

*) The awards for the 1st half of 2021 include components such as:

- Bonus resulting from the Variable Remuneration Component Program: non-deferred cash for 2020, for 2018 1st tranche of deferred cash and for 2017 the 2nd tranche of deferred cash,
- Phantom Shares resulting from the Variable Remuneration Component Program: retained for 2019, 1st deferred tranche for 2017 and 3rd deferred tranche for 2016.

The awards for the 1st half of 2020 include components such as:

- Bonus resulting from the Variable Remuneration Component Program: non-deferred cash for 2019, for 2017 1st tranche of deferred cash and for 2016 the 3rd tranche of deferred cash,
- Phantom Shares resulting from the Variable Remuneration Component Program: retained for 2018, 2nd deferred tranche for 2016 and 3rd deferred tranche for 2015.

**) Other benefits include insurance, payments to the investment fund, medical care and other benefits granted by the Supervisory Board of the Bank.

In the 1st half of 2021, the total amount of remuneration due and paid by ING Bank Śląski S.A. members of the Supervisory Board amounted to PLN 0.4 million.

Remuneration of the members of the Supervisory Board of ING Bank Śląski S.A.

	1 half 2021 the period from 1 Jan 2021 to 30 Jun 2021	1 half 2020 the period from 1 Jan 2020 to 30 Jun 2020
Salaries	0.4	0.4
Awards and other benefits	0.0	0.0
Total	**0.4**	**0.4**

15. Segment reporting

Segments of operation

The management of the Group's activity is conducted within the areas defined in the Group's business model. The Group's business model, above all for the purpose of management reporting, includes division of clients into two main segments:

- retail banking segment,
- corporate banking segment.

The segments are separated based on the financial (especially turnover, level of collected assets) and subject-related criteria. The specific rules of assigning clients to respective segments are governed by the clients segmentation criteria specified in the Group's internal regulations.

The Group has separated in organisational terms the operations performed by the Centre of Expertise Treasury. The Centre of Expertise Treasury manages short-term and long-term liquidity risk in line with the effective regulations and risk appetite internally set at the Group, manages interest rate risk and invests surpluses obtained from business lines while maintaining the liquidity buffer in the form of liquid assets. The Centre of Expertise Treasury's net income on operations is allocated to the business lines considering its support function for the Group's business lines.

Retail banking segment

Within the framework of retail banking, the Group provides services to private individuals - the mass client segment and wealthy clients segment.

This activity is analyzed in terms of the main products, including: loan products (overdraft facilities, card-related loans, installment loans, mortgage loans), deposit products (current accounts, term deposits, savings accounts), structured, fund participation units, brokerage services and bank cards.

Corporate banking segment

Corporate banking area encompasses as follows:

- providing services to institutional clients,
- providing services to individual entrepreneurs,
- financial Markets products.

Services to institutional clients encompass strategic clients, large corporate entities and mid-sized companies. For corporate activity, the Bank provides reporting broken down by leading products covering i.e. loan products (working loans, investment loans), deposit products (current accounts, term deposits and negotiated deposits, savings accounts), financial markets products, trust services, capital market operations conducted by the Parent company, products related to leasing and factoring services offered by ING Lease (Polska) Sp. z o.o. and ING Commercial Finance Polska S.A.

Financial markets products encompass operations performed in money and capital markets, conducted both on the proprietary basis as well as for the customers' benefit. Within the framework of this activity, currency, money and derivative instrument market products and securities operations (treasury securities, shares and notes) are specified.

Measurement

The measurement of the segment's assets and liabilities, segment's revenue and costs is based on the accounting standards applied by the Group, included in notes describing applied accounting standards. In particular, both internal and external interest income and costs for individual segments are determined with the use of the transfer price system within the Risk Transfer System (RTS). Transfer prices are defined based on the yield curve for a given currency that is common for assets and liabilities. The transfer price that is determined for the products being assets and liabilities with the same position on the yield curve is identical. The original transfer price – coming from the product measurement regarding the yield curve can be modified and the factors adjusting the transfer price can be the following: a premium for obtaining long-term liquidity, matching of the Group's position, a hedging cost for sophisticated products and the pricing policy. Thereafter, based on quotation rates available at news services, yield curves are developed using mathematical equations. Revenue, costs, results, assets and liabilities for a given segment account for elements that are directly attributable to the segment in question, as well as element that may be attributed to that segment based on reasonable premises. The Group presents segment's interest income reduced by the cost of the interest.

(PLN million)

	Retail banking segment	Corporate banking segment	TOTAL	Retail banking segment	Corporate banking segment	TOTAL
	1 half 2021 the period from 1 Jan 2021 to 30 Jun 2021			1 half 2020 the period from 1 Jan 2020 to 30 Jun 2020		
Income total	**1,572.2**	**1,675.8**	**3,248.0**	**1,442.4**	**1,624.0**	**3,066.4**
net interest income	1,280.2	1,036.4	2,316.6	1,193.8	1,057.5	2,251.3
net commission income, including:	271.2	613.4	884.6	209.8	493.3	703.1
commission income, including:	400.4	691.5	1,091.9	344.9	564.3	909.2
transaction margin on currency exchange transactions	33.2	214.0	247.2	31.4	172.7	204.1
account maintenance fees	58.1	145.9	204.0	48.1	108.2	156.3
lending commissions	7.3	194.7	202.0	10.8	168.3	179.1
payment and credit cards fees	142.2	52.3	194.5	120.2	43.5	163.7
participation units distribution fees	43.1	0.0	43.1	37.8	0.0	37.8
insurance product offering commissions	77.1	16.3	93.4	65.1	13.6	78.7
factoring and lease contracts commissions	0.0	17.1	17.1	0.0	14.4	14.4
other commissions	39.4	51.2	90.6	31.5	43.6	75.1
commission expenses	129.2	78.1	207.3	135.1	71.0	206.1
other income/expenses	20.8	26.0	46.8	38.8	73.2	112.0
General and administrative expenses	**777.2**	**735.6**	**1,512.8**	**736.1**	**677.4**	**1,413.5**
Segment operating result	**795.0**	**940.2**	**1,735.2**	**706.3**	**946.6**	**1,652.9**
Impairment for expected credit losses	40.7	107.2	147.9	170.1	426.8	596.9
Cost of legal risk of FX mortgage loans	0.0	0.0	0.0	10.2	0.0	10.2
Tax on certain financial institutions	108.5	148.3	256.8	95.9	141.2	237.1
Share of profit/(loss) of associates accounted for using the equity method	13.2	0.0	13.2	8.4	0.0	8.4
Gross profit	**659.0**	**684.7**	**1,343.7**	**438.5**	**378.6**	**817.1**
Income tax	-	-	342.8	-	-	233.6
Net profit	-	-	**1,000.9**	-	-	**583.5**
attributable to shareholders of ING Bank Śląski S.A.	-	-	1,000.9	-	-	583.5
	as at 30 Jun 2021			as at 31 Dec 2021		
Assets of the segment	90,430.9	104,577.7	195,008.6	82,866.1	101,730.4	184,596.5
Segment investments in associates accounted for using the equity method	168.7	-	168.7	174.1	-	174.1
Other assets (not allocated to segments)	-	-	2,105.0	-	-	1,825.1
Total Assets	**90,599.6**	**104,577.7**	**197,282.3**	**83,040.2**	**101,730.4**	**186,595.7**
Segment liabilities	101,750.9	71,710.5	173,461.4	96,781.5	68,244.0	165,025.5
Other liabilities (not allocated to segments)	-	-	5,963.3	-	-	2,951.9
Equity	-	-	17,857.6	-	-	18,618.3
Total equity and liabilities	**101,750.9**	**71,710.5**	**197,282.3**	**96,781.5**	**68,244.0**	**186,595.7**
Allocated equity	7,990.6	9,867.0	17,857.6	7,906.2	10,712.1	18,618.3
ROE - Return on equity (%)*	9.0	10.2	9.7	7.1	8.0	7.6

*) 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.

Geographic segments

The Group pursues business within the territory of the Republic of Poland.

16. Risk and capital management

Capital management

In the 1st half of 2021, the Group continued activities aimed at pursuing its capital management strategy. In the process of internal capital adequacy assessment in the 1st quarter of 2021, the Bank summed up a Workshop in assessment or risk materiality. As part of the Workshop several modifications to the materiality assessment of risks were made, including currency mortgage portfolio risk and client behavioural risk. The Group currently identify 10 permanently material risks (default and counterparty risk, residual risk, concentration risk, residual value risk, currency risk, general and specific interest rate risk in the trading book, interest rate risk in the banking book: total mismatch, client behaviour risk, liquidity and funding risk, operational risk) and 4 material risks (risk of other non-credit assets, interest rate risk in the banking book: residual convexity risk, macroeconomic risk, model risk).

In connection with the regulation of the Minister of Finance on the establishment of the systemic risk buffer of 18 March 2020, in 2021 the Bank is required to maintain the following minimum levels of capital ratios.

- CET1 >= 7.5%
- T1 >= 9.0%
- TCR >= 11.0%

On 15 January 2021, by a resolution of the Bank's Management Board, the Bank declared that it would take steps to apply the individual recommendation of the Polish Financial Supervision Authority (PFSA) regarding the Bank's dividend policy in the 1st half of 2021. On 30 June 2021, the Bank received a letter from the PFSA on the dividend policy of commercial banks in the 2nd half of 2021, and on 15 July - a letter with an individual recommendation on the dividend policy in the 2nd half of 2021. Detailed information on the resolution of the Bank's Management Board and letters received from the PFSA can be found in chapters 2. *Significant events in the 1st half of 2021* and 3. *Significant events after balance sheet date*.

Credit risk

The main changes in the Group's lending policy in the segment of retail and corporate clients were as follows:

Retail segment

- the provisions of the new Recommendation S in the area of mortgage loans were implemented,
- a new model for the valuation of collateral in the mortgage lending process was implemented,
- an assessment of the financial situation of customers following the credit moratoria, granted due to financial difficulties related to the COVID-19 pandemic was carried out,
- the lending process was verified from the point of view of compliance with the EBA Guidelines on Lending and Monitoring.

Corporate segment

Small enterprises – Entrepreneurs

- the credit process was verified from the point of view of compliance with the EBA's Guidelines on Lending and Monitoring,
- the provisions of the regulations were updated in view of the entry into force of the amended Recommendation S,
- an assessment of the financial situation of customers following the credit moratoria, granted due to financial difficulties related to the COVID-19 pandemic was carried out.

Small enterprises – Easy Lending

- changes have been made to some of the eligibility criteria for the Easy Lending pathway,

- a credentialing process was carried out for Easy Lending clients using credit moratoria,
- the assessment of, among others, Easy Lending clients on the impact of ESG factors at portfolio level through reports was approved,
- the credit process was verified from the point of view of compliance with the EBA's Guidelines on Lending and Monitoring.

Medium-sized and large companies

- a portfolio review pilot was launched for selected strategic clients,
- the Risk Participation product was implemented as part of the Buyout product group for strategic clients,
- a credentialing process was carried out for small and medium-sized enterprises and strategic credit moratoria clients,
- the provisions of the regulations were updated in view of the entry into force of the amended Recommendation S,
- the provisions of the regulation have been updated in terms of climate-environmental guidelines.

In addition, assistance to small, medium-sized and large enterprises affected by the pandemic continued in the 1st half of 2021 and the approach to financing these clients was adjusted on an ongoing basis:

- repayment terms of loan instalments and automatic renewals were extended, in compliance with the joint position of banks and PBA,
- credit moratoria were resumed under the rules resulting from the non-statutory moratorium "Position of banks on unification of rules for offering assistance tools to banking sector clients",
- cooperation with Bank Gospodarstwa Krajowego was extended in terms of implementing the terms of the Act on interest rate subsidies for bank loans granted to ensure liquidity to entrepreneurs affected by COVID-19.

Market risk

In the area of market risk, the Group manages risk in accordance with the developed principles, methodologies and approved policies.

Liquidity and funding risk

In the 1st half of 2021, the Group continued its efforts to mitigate the liquidity and funding risk - in accordance with the principles of the liquidity and funding risk management policy, strategy, and regulatory requirements. Internal regulations and documents are also regularly reviewed, as well as the reporting and modeling processes are improved.

Model risk

In the 1st half of 2021, the Group continued activities in the area of model risk management. The models used in the Group were subject to quarterly risk reviews and assessments, as well as a materiality review and validations.

The Model Risk Management Policy at ING Bank Śląski was subject to review and update. Moreover, new standards for the validation of credit risk models were developed and approved by the Polish Financial Supervision Authority.

Operational risk

In the 1st half of 2021, the priority topic was still the coordination of crisis activities related to the COVID-19 pandemic. Based on the experience from the previous year, the Group undertook activities aimed at further ensuring the safety of the Group's customers and employees, as well as ensuring business continuity, including ensuring the security of remote work and preparation for the return of employees to work in the office.

At the same time, the Group undertook activities aimed at full compliance with the new ones and updated regulatory requirements, in particular with, inter alia, requirements in the area of outsourcing (EBA Guidelines on outsourcing arrangements) and the requirements concerning the principles of internal governance in banks (Recommendation Z of the Polish Financial Supervision Authority).

As part of the review of the applicable regulations, the following updated were introduced: Policy on the safety of people and resources, the Policy on counteracting fraud and the Policy - Non-financial risk control standards defining the framework for managing key controls described in in internal regulations. The group also implemented changes to the "Key Control Testing Guide", which lead to the optimization of the testing process.

The scope of operational risk limits monitored in the Group was extended and unified. As part of the annual Business Environment Assessment for 2021, on the basis of the assessment of possible threats, appropriate measures were taken to maintain the risk at an acceptable level.

As regards the activities of the second line of defense, an independent assessment of the correct design and operational efficiency of the process of granting moratoria to clients in connection with the COVID-19 pandemic was carried out.

Bearing in mind the reliability of the prepared reports and the speed of decision-making, the Group carried out works aimed at maintaining the high quality of data used in the operational risk management processes.

Compliance risk

In the 1st half of 2021, the Group continued activities aimed at ensuring compliance with regulatory requirements, in particular with the guidelines of EBA and the Polish Financial Supervision Authority. The group is committed in work at the level of the Polish Bank Association and industry organizations. As in the previous year, the Group improves control mechanisms in business processes, in particular in the field of Know Your Client (KYC) and personal data protection. The awareness of the Group's employees in matters of professional ethics and applicable regulations in the area of compliance, including personal data, is regularly built and strengthened.

Business risk

As part of business risk, the Bank's capital group distinguishes macroeconomic risk. In the 1st half of 2021, the Bank conducted full capital tests as at the end of 2020. The results of the stress tests showed that the capital adequacy measures, including the capital ratio and the economic capital adequacy ratio, were above the required level, and therefore no additional economic capital was established for macroeconomic risk.

(PLN million)

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS OF ING BANK ŚLĄSKI S.A.

2021-08-04	**Brunon Bartkiewicz** *President*	The original Polish document is signed with a qualified electronic signature
2021-08-04	**Joanna Erdman** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2021-08-04	**Marcin Giżycki** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2021-08-04	**Bożena Graczyk** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2021-08-04	**Ewa Łuniewska** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2021-08-04	**Michał H. Mrożek** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2021-08-04	**Sławomir Soszyński** *Vice-President*	The original Polish document is signed with a qualified electronic signature

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2021-08-04	**Jolanta Alvarado Rodriguez**	Lead of Centre of Expertise Accounting Policy and Financial Reporting	The original Polish document is signed with a qualified electronic signature

(PLN million)

INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS OF ING BANK ŚLĄSKI S.A.

Interim condensed standalone income statement

	2 quarter 2021 the period from 1 Apr 2021 to 30 Jun 2021	**1 half 2021** the period from 1 Jan 2021 to 30 Jun 2021	**2 quarter 2020** the period from 1 Apr 2020 to 30 Jun 2020	**1 half 2020** the period from 1 Jan 2020 to 30 Jun 2020
Interest income	1,226.1	2,424.9	1,235.0	2,550.1
calculated using effective interest rate method	1,226.0	2,424.5	1,234.3	2,548.6
other interest income	0.1	0.4	0.7	1.5
Interest expenses	121.2	245.0	201.4	432.5
Net interest income	**1,104.9**	**2,179.9**	**1,033.6**	**2,117.6**
Commission income	546.1	1,066.4	436.7	887.1
Commission expenses	105.7	210.8	106.0	209.2
Net commission income	**440.4**	**855.6**	**330.7**	**677.9**
Net income on financial instruments measured at fair value through profit or loss and FX result	15.0	49.1	44.7	57.6
Net income on the sale of securities measured at amortised cost	0.0	0.0	0.0	7.3
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	7.7	0.1	18.8	9.0
Net (loss)/income on hedge accounting	-3.3	-14.2	4.9	28.6
Net (loss)/income on other basic activities	0.0	0.0	-3.6	-3.7
Net income on basic activities	**1,564.7**	**3,070.5**	**1,429.1**	**2,894.3**
General and administrative expenses	657.6	1,439.7	603.1	1,343.0
Impairment for expected credit losses	-2.4	127.3	247.6	522.5
including profit on sale of receivables	61.6	61.6	0.0	4.1
Cost of legal risk of FX mortgage loans	0.0	0.0	10.2	10.2
Tax on certain financial institutions	130.8	256.7	121.1	237.1
Share of profit/(loss) of subsidiaries and associates accounted for using the equity method	31.8	78.5	-12.0	23.3
Gross profit	**810.5**	**1,325.3**	**435.1**	**804.8**
Income tax	195.2	324.4	118.9	221.3
Net profit	**615.3**	**1,000.9**	**316.2**	**583.5**
Weighted average number of ordinary shares	130,100,000	130,100,000	130,100,000	130,100,000
Earnings per ordinary share (PLN)	4.73	7.69	2.43	4.49

The diluted earnings per share are the same as the profit per one ordinary share.

Interim condensed standalone income statement shall be read in conjunction with the notes to interim condensed consolidated financial statements being the integral part thereof.

(PLN million)

Interim condensed standalone statement of comprehensive income

	2 quarter 2021 the period from 1 Apr 2021 to 30 Jun 2021	1 half 2021 the period from 1 Jan 2021 to 30 Jun 2021	2 quarter 2020 the period from 1 Apr 2020 to 30 Jun 2020	1 half 2020 the period from 1 Jan 2020 to 30 Jun 2020
Net profit for the period	**615.3**	**1,000.9**	**316.2**	**583.5**
Total other comprehensive income, including:	**-362.4**	**-1,760.4**	**533.8**	**2,353.5**
Items which can be reclassified to income statement, including:	**-380.4**	**-1,778.1**	**527.9**	**2,347.5**
debt instruments measured at fair value through other comprehensive income – gains on revaluation carried through equity	-145.1	-21.7	154.2	-78.6
debt instruments measured at fair value through other comprehensive income – reclassification to financial result due to sale	-0.8	-0.8	-8.3	-9.8
loans measured at fair value through other comprehensive income - revaluation gains / losses related to equity	-44.0	1.6	-44.5	-75.2
cash flow hedging – gains on revaluation carried through equity	27.0	-1,321.4	547.7	2,722.1
cash flow hedging – reclassification to profit or loss	-217.5	-435.8	-121.2	-211.0
Items which will not be reclassified to income statement, including:	**18.0**	**17.7**	**5.9**	**6.0**
equity instruments measured at fair value through other comprehensive income – gains on revaluation carried through equity	18.0	18.0	6.0	6.0
fixed assets revaluation	0.1	-0.2	-0.1	0.0
	-0.1	-0.1	0.0	0.0
Net comprehensive income for the reporting period	**252.9**	**-759.5**	**850.0**	**2,937.0**

Interim condensed standalone statement of comprehensive income shall be read in conjunction with the notes to interim condensed consolidated financial statements being the integral part thereof.

(PLN million)

Interim condensed standalone statement of financial position

as at

	Note	as at 30 Jun 2021	as at 31 Dec 2020	as at 30 Jun 2020
Assets				
Cash in hand and balances with the Central Bank		850.8	867.3	1,910.3
Loans and other receivables to other banks		3,972.5	2,674.2	3,905.7
Financial assets measured at fair value through profit or loss		1,471.1	2,017.7	1,111.5
Derivative hedge instruments		882.0	1,194.8	1,095.9
Investment securities		57,018.9	54,882.2	53,026.7
Loans and other receivables to customers	4.1	124,896.5	116,352.3	112,189.0
Investments in subsidiaries and associates accounted for using the equity method		1,432.5	1,354.1	1,301.1
Property, plant and equipment		840.1	894.4	902.2
Intangible assets		387.2	404.3	401.6
Assets held for sale		1.4	0.5	3.4
Current income tax assets		301.6		
Deferred tax assets		321.3	271.1	209.6
Other assets		176.8	204.0	162.3
Total assets		**192,552.7**	**181,116.9**	**176,219.3**
Liabilities				
Liabilities to other banks		5,830.6	4,776.6	1,176.2
Financial liabilities measured at fair value through profit or loss		1,040.4	1,530.8	617.3
Derivative hedge instruments		454.0	558.5	480.9
Liabilities to customers		161,757.0	150,736.5	150,672.8
Subordinated liabilities		2,262.1	2,309.2	2,235.1
Provisions		244.0	250.8	198.8
Current income tax liabilities		0.0	387.4	429.0
Other liabilities		3,353.2	2,196.6	2,357.4
Total liabilities		**174,941.3**	**162,746.4**	**158,167.5**
Equity				
Share capital		130.1	130.1	130.1
Share premium		956.3	956.3	956.3
Accumulated other comprehensive income		1,912.5	3,675.6	4,112.3
Retained earnings		14,612.5	13,608.5	12,853.1
Total equity		**17,611.4**	**18,370.5**	**18,051.8**
Total equity and liabilities		**192,552.7**	**181,116.9**	**176,219.3**
Carrying amount		17,611.4	18,370.5	18,051.8
Number of shares		130,100,000	130,100,001	130,100,000
Carrying amount per share (PLN)		135.37	141.20	138.75

Interim condensed standalone statement of financial position shall be read in conjunction with the notes to interim condensed consolidated financial statements being the integral part thereof.

(PLN million)

Interim condensed standalone statement of changes in equity

1 half 2021

the period from 1 Jan 2021 to 30 Jun 2021

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	**Total equity**
Opening balance of equity	**130.1**	**956.3**	**3,675.6**	**13,608.5**	**18,370.5**
Profit for the current period	-	-	-	1,000.9	**1,000.9**
Other net comprehensive income, including:	**0.0**	**0.0**	**-1,763.1**	**2.7**	**-1,760.4**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	-2.1	-	-2.1
debt instruments measured at fair value through other comprehensive income – reclassification to financial result due to sale	-	-	-0.8	-	-0.8
cash flow hedging – gains on revaluation carried through equity	-	-	-1,321.4	-	-1,321.4
cash flow hedging – reclassification to profit or loss	-	-	-435.8	-	-435.8
fixed assets revaluation	-	-	-0.2	0.0	-0.2
disposal of fixed assets	-	-	-2.8	2.7	-0.1
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**0.4**	**0.4**
valuation of share-based payments	-	-	-	0.4	0.4
Closing balance of equity	**130.1**	**956.3**	**1,912.5**	**14,612.5**	**17,611.4**

year 2020

the period from 01 Jan 2020 to 31 Dec 2020

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	**Total equity**
Opening balance of equity	**130.1**	**956.3**	**1,758.8**	**12,269.6**	**15,114.8**
Profit for the current period	-	-	-	1,337.6	**1,337.6**
Other net comprehensive income, including:	**0.0**	**0.0**	**1,916.8**	**1.3**	**1,918.1**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	-5.6	-	-5.6
debt instruments measured at fair value through other comprehensive income – reclassification to financial result due to sale	-	-	-18.3	-	-18.3
cash flow hedging – gains on revaluation carried through equity	-	-	2,562.5	-	2,562.5
cash flow hedging – reclassification to profit or loss	-	-	-617.1	-	-617.1
disposal of fixed assets	-	-	-1.3	1.3	0.0
actuarial gains/losses	-	-	-3.4	-	-3.4
Closing balance of equity	**130.1**	**956.3**	**3,675.6**	**13,608.5**	**18,370.5**

(PLN million)

1 half 2020

the period from 1 Jan 2020 to 30 Jun 2020

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	**Total equity**
Opening balance of equity	**130.1**	**956.3**	**1,758.8**	**12,269.6**	**15,114.8**
Profit for the current period	-	-	-	583.5	**583.5**
Other net comprehensive income, including:	**0.0**	**0.0**	**2,353.5**	**0.0**	**2,353.5**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	-147.8	-	-147.8
debt instruments measured at fair value through other comprehensive income – reclassification to financial result due to sale	-	-	-9.8	-	-9.8
cash flow hedging – gains on revaluation carried through equity	-	-	2,722.1	-	2,722.1
cash flow hedging – reclassification to profit or loss	-	-	-211.0	-	-211.0
Closing balance of equity	**130.1**	**956.3**	**4,112.3**	**12,853.1**	**18,051.8**

Interim condensed standalone statement of changes in equity shall be read in conjunction with the notes to interim condensed consolidated financial statements being the integral part thereof.

(PLN million)

Interim condensed standalone cash flow statement

	1 half 2021 the period from 1 Jan 2021 to 30 Jun 2021	1 half 2020 the period from 1 Jan 2020 to 30 Jun 2020
Net profit	**1,000.9**	**583.5**
Adjustments, including:	**-243.4**	**17,745.0**
Share of profit/(loss) of subsidiaries and associates accounted for using the equity method	-78.5	-23.3
Depreciation and amortisation	136.8	138.0
Interest accrued (from the income statement)	-2,179.9	-2,117.6
Interest paid	-234.8	-422.4
Interest received	2,282.8	2,208.2
Gains (losses) on investing activities	0.2	1.6
Income tax (from the income statement)	324.4	221.3
Income tax paid	-650.2	-674.8
Change in provisions	-6.8	-3.1
Change in loans and other receivables to other banks	-1,310.3	-771.5
Change in financial assets measured at fair value through profit or loss	546.2	274.0
Change in debt securities measured at fair value through other comprehensive income	-1,550.6	-1,695.2
Change in hedge derivatives	-1,961.0	2,790.7
Change in loans and other receivables to customers	-8,457.6	-1,737.0
Change in other assets	171.7	498.5
Change in liabilities to other banks	1,054.0	-1,446.2
Change in liabilities measured at fair value through profit or loss	-490.4	-297.5
Change in liabilities to customers	11,022.3	20,641.2
Change in other liabilities	1,138.3	160.1
Net cash flow from operating activities	**757.5**	**18,328.5**
Purchase of property, plant and equipment	-23.0	-19.3
Disposal of property, plant and equipment	0.1	0.0
Purchase of intangible assets	-21.9	-29.5
Disposal of assets held for sale	0.0	0.1
Purchase of shares in subsidiaries and associates	0.0	-170.0
Purchase of debt securities measured at amortised cost	-1,772.9	-20,574.7
Disposal of debt securities measured at amortised cost	1,072.0	2,886.3
Net cash flows from investing activities	**-745.7**	**-17,907.1**
Interest on long-term loans repaid	-13.8	-15.4
Repayment of lease liabilities	-27.0	-50.6
Net cash flows from financing activities	**-40.8**	**-66.0**
Effect of exchange rate changes on cash and cash equivalents	103.7	137.5
Net increase/(decrease) in cash and cash equivalents	**-29.0**	**355.4**
Opening balance of cash and cash equivalents	**1,228.2**	**1,997.4**
Closing balance of cash and cash equivalents	**1,199.2**	**2,352.8**

Interim condensed standalone cash flow statement shall be read in conjunction with the notes to interim condensed consolidated financial statements being the integral part thereof.

Additional information to the interim condensed standalone financial statements

1. Introduction

1.1. Going concern

These interim condensed standalone financial statements of the ING Bank Śląski S.A. have been prepared on a going-concern basis as regards the foreseeable future, namely as regards the period of minimum 12 months from the date of approval, i.e. from 4 August 2021. As at the approval date hereof, the Bank Management Board have not identified any events that could pose a threat to the Group members continuing their operations during the period of 12 months from the date of publication as a result of intentional or forced abandonment or significant limitation of its operations by the Bank.

1.2. Discontinued operations

No material operations were discontinued during the 1 half of 2021 and 1 half of 2020.

1.3. Compliance with International Financial Reporting Standards

These interim condensed standalone financial statements of the ING Bank Śląski S.A. for the period of 6 months ending on 30 June 2021 were prepared under the IAS 34 Interim Financial Reporting (International Accounting Standards) in a version approved by the European Commission and effective as at the reporting date, that is 30 June 2021 as well as in accordance with the Ordinance of Finance Minister of 29 March 2018 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws of 2018, item 757).

Presented financial statements have been prepared in a condensed version. The interim condensed financial statements do not provide all data or disclosures required in the annual financial statements and should be interpreted together with and the annual financial statements of the ING Bank Śląski S.A. for the period from 1 January 2020 to 31 December 2020, approved on 15 April 2021 by the Bank's General Meeting and the interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for the period of 6 months ending on 30 June 2021.

Interim condensed standalone income statement, interim condensed standalone statement of comprehensive income, interim condensed standalone statement of changes in equity and interim condensed standalone cash flow statement for the period from 1 January 2021 to 30 June 2021 and interim condensed standalone statement of financial position as at 30 June 2021, together with comparable data were prepared according to the same principles of accounting for each period.

1.4. Comparative data

The comparative data cover the following periods:

– for the interim condensed income statement and the interim condensed statement of comprehensive income - the period from 1 January 2020 to 30 June 2020 and the period from 1 April 2020 to 30 June 2020,
– for the interim condensed cash flow statement - the period from 1 January 2020 to 30 June 2020,
– for the interim condensed statement of changes in equity - the period from 1 January 2020 to 30 December 2020 and the period from 1 January 2020 to 30 June 2020,
– for the interim condensed statement of financial position - data as at 31 December 2020 and 30 June 2020.

1.5. Financial statements scope and currency

From the Bank's point of view all significant disclosures are presented in interim condensed consolidated financial statements.

These interim condensed standalone financial statements have been prepared in Polish zlotys ('PLN'). Unless provided for otherwise, all values were given rounded up to PLN million. Therefore, there may be cases of mathematical inconsistency in the summaries or between individual notes.

1.6. Approval of financial statements

These interim condensed standalone financial statements have been approved by the Bank's Management Board on 4 August 2021.

1.7. Changes in accounting standards

In these interim condensed standalone financial statements, the same accounting standards have been applied as in the case of annual financial statements for the year 2020 (Annual Financial Statements of the ING Bank Śląski S.A. for the period started 1 January 2020 and ended 31 December 2020) and the standards and interpretations adopted by the European Union and applicable to the annual periods starting 1 January 2021 or afterwards which were presented in the interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for the period of 6 months ending on 30 June 2021.

2. Significant accounting principles and key estimates

Detailed accounting principles were presented in the annual financial statements of the ING Bank Śląski S.A. for the period started 1 January 2020 and ended 31 December 2020, published on 12 March 2021 and available on the website of ING Bank Śląski S.A. (www.ing.pl).

In addition, with respect to interim financial statements, the Bank applies the principle of recognizing the financial result income tax charges based on the best estimate of the weighted average annual income tax rate expected by the Bank in the full financial year.

In the 1st half of 2021, no significant changes were made to the accounting policies applied by the Bank, however, changes were made to key estimates regarding the loss allowances expected in connection with the effects of the Covid-19 coronavirus epidemic, which was described in the interim condensed consolidated financial statements, in chapter *Additional information*, in point 5 *Significant accounting principles and key estimates*.

3. Comparability of financial data

Change in accounting principles regarding the recognition of provisions resulting from legal risk for the portfolio of CHF indexed mortgage loans

As described in the annual financial statements of the ING Bank Śląski S.A. for the period from 1 January 2020 to 31 December 2020, the Bank changed the recognition of expected losses due to legal risk on the portfolio of CHF indexed mortgage loans, which in the financial statements for 2019 were recognized as write-offs for expected credit losses in the statement of financial position in correspondence with the costs of expected losses in the profit and loss account.

The Bank applied the provisions of IFRS 9.B.5.4.6 to recognize these losses and recognized them as an adjustment to the gross carrying amount of the portfolio of CHF-indexed mortgage loans. In accordance with IFRS 9.B.5.4.6, when an entity changes its estimate of payments or receipts (excluding immaterial modifications and changes to the estimate of expected credit losses), it adjusts the gross carrying amount of the asset or group of financial instruments so that it reflects the actual and changed estimated cash flows under the contract.

This change has no impact on the statement of financial position as it does not change the carrying amount (net) of the CHF-indexed mortgage portfolio. However, it does affect additional disclosures, in Note 4.1 to this report, regarding gross amounts and expected loss provisions for the CHF-indexed mortgage portfolio. The data as at 30 June 2020, presented in Note 4.1, have been restated to ensure comparability.

In the income statement, the Bank introduced an additional line *Cost of legal risk of FX mortgage loans* (***change a***), which presents the costs related to the legal risk of CHF-indexed mortgage loans included in the statement of financial position and loans derecognised from the statement of financial position (repaid loans).

Presentation changes in the income statement

In these interim condensed standalone financial statements for the period of 6 months ending on 30 June 2021 in relation to the interim condensed standalone financial statements for earlier periods, the Bank changed the presentation of the costs of writing off receivables due to suspended commissions - in earlier periods they were presented as a reduction of *Commission income* and are currently recognized in *Commission expenses* (***change b***). In the Bank's opinion, the change increases the information value of the profit and loss account.

Interim condensed standalone financial statements (PLN million)

The table below presents individual items of the standalone income statement according to the values presented in the interim standalone financial statements for the period of 6 months ending on 30 June 2020 and at the values presented in these interim standalone financial statements.

1 half 2020

the period from 1 Jan 2020 to 30 Jun 2020

	in the interim standalone financial statements for the period of 6 months ending on 30 June 2020 (approved data)	change a)	change b)	in the interim standalone financial statements for the period of 6 months ending on 30 June 2021 (comparable data)
Interest income	2,550.1			2,550.1
Interest expenses	432.5			432.5
Net interest income	**2,117.6**			**2,117.6**
Commission income	886.8		0.3	887.1
Commission expenses	208.9		0.3	209.2
Net commission income	**677.9**			**677.9**
Net income on financial instruments measured at fair value through profit or loss and FX result	57.6			57.6
Net income on the sale of securities measured at amortised cost	7.3			7.3
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	9.0			9.0
Net (loss)/income on hedge accounting	28.6			28.6
Net (loss)/income on other basic activities	-3.7			-3.7
Net income on basic activities	**2,894.3**			**2,894.3**
General and administrative expenses	1,346.0	-3.0		1,343.0
Impairment for expected credit losses	529.7	-7.2		522.5
Cost of legal risk of FX mortgage loans	0.0	10.2		10.2
Tax on certain financial institutions	237.1			237.1
Share of profit/(loss) of associates accounted for using the equity method	23.3			23.3
Gross profit	**804.8**			**804.8**
Income tax	221.3			221.3
Net profit	**583.5**	**0.0**	**0.0**	**583.5**

<u>Presentation changes in the statement of financial position</u>

In these interim condensed standalone financial statements for the period from 1 January 2021 to 30 June 2021, the Bank changed the presentation of individual items of the statement of financial position in relation to the interim condensed standalone financial statements for prior periods.

The Bank created a new item in the assets of the statement of financial position called *Financial assets measured at fair value through profit or loss*, to which the obligatory loans measured at fair value through profit or loss were transferred (previously presented under *Loans and other receivables to customers*), equity instruments designated to be measured at fair value through profit or loss and *Financial assets held for trading*. The change was aimed at recognizing in one item of the statement of financial position all financial assets measured at fair value with the measurement effect recognised in the income statement.

(PLN million)

The table below presents the individual items of the statement of financial position according to the values presented in the interim standalone financial statements for the period of 6 months ending on 30 June 2020 and according to the values presented in these interim standalone financial statements.

as at **30 Jun 2020**

in the interim standalone financial statements for the period of 6 months ending on 30 June 2020 (approved data)		change	in the interim standalone financial statements for the period of 6 months ending on 30 June 2021 (comparable data)	
Assets			**Assets**	
Cash in hand and balances with the Central Bank	1,910.3		Cash in hand and balances with the Central Bank	1,910.3
Loans and other receivables to other banks	3,905.7		Loans and other receivables to other banks	3,905.7
Financial assets held for trading	878.0	233.5	Financial assets measured at fair value through profit or loss	1,111.5
Derivative hedge instruments	1,095.9		Derivative hedge instruments	1,095.9
Investment securities	53,026.8	-0.1	Investment securities	53,026.7
Loans and other receivables to customers	112,422.4	-233.4	Loans and other receivables to customers	112,189.0
Investments in subsidiaries and associates accounted for using the equity method	1,301.1		Investments in subsidiaries and associates accounted for using the equity method	1,301.1
Property, plant and equipment	902.2		Property, plant and equipment	902.2
Intangible assets	401.6		Intangible assets	401.6
Assets held for sale	3.4		Assets held for sale	3.4
Deferred tax assets	209.6		Deferred tax assets	209.6
Other assets	162.3		Other assets	162.3
Total assets	**176,219.3**	**0.0**	**Total assets**	**176,219.3**
Liabilities			**Liabilities**	
Liabilities to other banks	1,176.2		Liabilities to other banks	1,176.2
Financial liabilities measured at fair value through income statement	617.3		Financial liabilities measured at fair value through income statement	617.3
Derivative hedge instruments	480.9		Derivative hedge instruments	480.9
Liabilities to customers	150,672.8		Liabilities to customers	150,672.8
Subordinated liabilities	2,235.1		Subordinated liabilities	2,235.1
Provisions	198.8		Provisions	198.8
Current income tax liabilities	429.0		Current income tax liabilities	429.0
Other liabilities	2,357.4		Other liabilities	2,357.4
Total liabilities	**158,167.5**	**0.0**	**Total liabilities**	**158,167.5**
Total equity	**18,051.8**	**0.0**	**Total equity**	**18,051.8**
Total equity and liabilities	**176,219.3**	**0.0**	**Total equity and liabilities**	**176,219.3**

(PLN million)

4. Supplementary notes to interim condensed standalone financial statements

4.1. Loans and other receivables to customers

	as at 30 Jun 2021	as at 31 Dec 2020	as at 30 Jun 2020
Measured at amortised cost	114,532.0	105,725.5	103,549.1
Measured at fair value through other comprehensive income	10,364.5	10,626.8	8,639.9
Loans and other receivables to customers - total	**124,896.5**	**116,352.3**	**112,189.0**

Some of the mortgage loans have been designated by the Bank for the "Holding and Sell" business model and may be sold to ING Bank Hipoteczny S.A. (being a subsidiary of the Bank) as part of the so-called pooling. These loans are measured at fair value through other comprehensive income.

From the point of view of the consolidated financial statements, pooled loans still meet the criterion of the "Maintenance" business model, due to the fact that pooling transactions take place within the Capital Group.

The Bank uses the discounted cash flow model to measure mortgage loans assigned to the portfolio measured at fair value. Due to the use of input data in the valuation model that is not based on observable market data, the valuation technique belongs to Level 3.

(PLN million)

Loans and receivables to customers measured at amortised cost

	as at 30 Jun 2021			as at 31 Dec 2020			as at 30 Jun 2020		
	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:	**115,095.9**	**-2,721.1**	**112,374.8**	**106,779.9**	**-2,987.7**	**103,792.2**	**104,164.0**	**-2,797.8**	**101,366.2**
Corporate banking	**68,449.6**	**-1,827.3**	**66,622.3**	**65,586.4**	**-1,922.5**	**63,663.9**	**64,333.0**	**-1,868.7**	**62,464.3**
loans in the current account	14,864.6	-517.8	14,346.8	12,294.2	-567.8	11,726.4	12,466.2	-565.6	11,900.6
term loans and advances	50,866.4	-1,309.1	49,557.3	50,299.9	-1,354.1	48,945.8	49,638.4	-1,302.2	48,336.2
debt securities (corporate and municipal)	2,718.6	-0.4	2,718.2	2,992.3	-0.6	2,991.7	2,228.4	-0.9	2,227.5
Retail banking	**46,646.3**	**-893.8**	**45,752.5**	**41,193.5**	**-1,065.2**	**40,128.3**	**39,831.0**	**-929.1**	**38,901.9**
mortgages	38,124.7	-236.5	37,888.2	33,262.1	-257.4	33,004.7	32,155.0	-215.7	31,939.3
loans in the current account	652.7	-50.4	602.3	655.0	-60.7	594.3	612.5	-53.4	559.1
other loans and advances	7,868.9	-606.9	7,262.0	7,276.4	-747.1	6,529.3	7,063.5	-660.0	6,403.5
Other receivables, of which:	**2,157.2**	**0.0**	**2,157.2**	**1,933.3**	**0.0**	**1,933.3**	**2,183.0**	**-0.1**	**2,182.9**
call deposits placed	1,397.6	0.0	1,397.6	1,272.2	0.0	1,272.2	1,368.3	-0.1	1,368.2
other	759.6	0.0	759.6	661.1	0.0	661.1	814.7	0.0	814.7
Total	**117,253.1**	**-2,721.1**	**114,532.0**	**108,713.2**	**-2,987.7**	**105,725.5**	**106,347.0**	**-2,797.9**	**103,549.1**

(PLN million)

Quality of loan portfolio

	as at 30 Jun 2021			as at 31 Dec 2020			as at 30 Jun 2020		
	gross	impairment for expected credit losses	**net**	gross	impairment for expected credit losses	**net**	gross	impairment for expected credit losses	**net**
Corporate banking	**68,449.6**	**-1,827.3**	**66,622.3**	**65,586.4**	**-1,922.5**	**63,663.9**	**64,333.0**	**-1,868.7**	**62,464.3**
assets in stage 1	61,669.8	-151.8	61,518.0	57,786.0	-172.3	57,613.7	54,915.8	-152.7	54,763.1
assets in stage 2	4,552.5	-208.0	4,344.5	5,384.5	-200.1	5,184.4	6,964.1	-221.7	6,742.4
assets in stage 3	2,225.8	-1,467.5	758.3	2,414.6	-1,550.1	864.5	2,451.8	-1,494.3	957.5
POCI assets	1.5	0.0	1.5	1.3	0.0	1.3	1.3	0.0	1.3
Retail banking	**46,646.3**	**-893.8**	**45,752.5**	**41,193.5**	**-1,065.2**	**40,128.3**	**39,831.0**	**-929.1**	**38,901.9**
assets in stage 1	43,985.5	-121.6	43,863.9	38,111.7	-140.5	37,971.2	35,419.3	-75.2	35,344.1
assets in stage 2	1,710.6	-145.1	1,565.5	2,040.0	-177.5	1,862.5	3,625.1	-275.8	3,349.3
assets in stage 3	947.9	-627.1	320.8	1,039.6	-747.2	292.4	784.0	-578.1	205.9
POCI assets	2.3	0.0	2.3	2.2	0.0	2.2	2.6	0.0	2.6
Total, of which:	**115,095.9**	**-2,721.1**	**112,374.8**	**106,779.9**	**-2,987.7**	**103,792.2**	**104,164.0**	**-2,797.8**	**101,366.2**
assets in stage 1	105,655.3	-273.4	105,381.9	95,897.7	-312.8	95,584.9	90,335.1	-227.9	90,107.2
assets in stage 2	6,263.1	-353.1	5,910.0	7,424.5	-377.6	7,046.9	10,589.2	-497.5	10,091.7
assets in stage 3	3,173.7	-2,094.6	1,079.1	3,454.2	-2,297.3	1,156.9	3,235.8	-2,072.4	1,163.4
POCI assets	3.8	0.0	3.8	3.5	0.0	3.5	3.9	0.0	3.9

The Bank identifies POCI financial assets whose carrying value as at 30 June 2021 is PLN 3.8 million (PLN 3.5 million as at 31 December 2020 and PLN 3.9 million as at 30 June 2020). These are exposures due to impaired receivables acquired in connection with the acquisition of SKOK Bieszczadzka in 2017 and exposures that were significantly modified as a result of restructuring, which involved the need to remove the original credit commitment and re-recognition of the asset in the statement of financial position.

(PLN million)

4.2. Fair value

In the 1st half of 2021, there were no transfers between the valuation levels, as in 2020.

as at **30 Jun 2021**

	Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	**22,863.3**	**2,169.2**	**10,637.7**	**35,670.2**
Valuation of derivatives	-	1,287.2	-	1,287.2
Financial assets held for trading, including:	88.8	-	-	88.8
debt securities, including:	88.8	-	-	88.8
treasury bonds in PLN	82.3	-	-	82.3
Czech Treasury bonds in CZK	6.0	-	-	6.0
European Investment Bank bonds	0.5	-	-	0.5
Financial assets other than those held for trading, measured at fair value through profit or loss, including:	0.7	-	94.4	95.1
loans are obligatorily measured at fair value through profit or loss	-	-	94.3	94.3
equity instruments	0.7	-	0.1	0.8
Derivative hedge instruments	-	882.0	-	882.0
Financial assets measured at fair value through other comprehensive income, including:	22,773.8	-	178.8	22,952.6
debt securities, including:	22,773.8	-	-	22,773.8
treasury bonds in PLN	20,230.4	-	-	20,230.4
treasury bonds in EUR	1,017.2	-	-	1,017.2
European Investment Bank bonds	1,050.6	-	-	1,050.6
Austrian government bonds	475.6	-	-	475.6
equity instruments	-	-	178.8	178.8
Loans measured at fair value through other comprehensive income	-	-	10,364.5	10,364.5
Financial liabilities, including:	**0.0**	**1,494.4**	**0.0**	**1,494.4**
Valuation of derivatives	-	1,040.4	-	1,040.4
Derivative hedge instruments	-	454.0	-	454.0

Interim condensed standalone financial statements (PLN million)

as at **31 Dec 2020**

	Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	**21 622,2**	**2 669,5**	**10 889,7**	**35 181,4**
Valuation of derivatives	-	1 199,8	-	1 199,8
Financial assets held for trading, including:	436,0	274,9	-	710,9
debt securities, including:	436,0	-	-	436,0
treasury bonds in PLN	419,2	-	-	419,2
European Investment Bank bonds	16,8	-	-	16,8
repo transactions	-	274,9	-	274,9
Financial assets other than those held for trading, measured at fair value through profit or loss, including:	0,7	-	106,3	107,0
loans are obligatorily measured at fair value through profit or loss	-	-	106,2	106,2
equity instruments	0,7	-	0,1	0,8
Derivative hedge instruments	-	1 194,8	-	1 194,8
Financial assets measured at fair value through other comprehensive income, including:	21 185,5	-	156,6	21 342,1
debt securities, including:	21 185,5	-	-	21 185,5
treasury bonds in PLN	18 557,8	-	-	18 557,8
treasury bonds in EUR	1 057,7	-	-	1 057,7
European Investment Bank bonds	1 078,1	-	-	1 078,1
Austrian government bonds	491,9	-	-	491,9
equity instruments	-	-	156,6	156,6
Loans measured at fair value through other comprehensive income	-	-	10 626,8	10 626,8
Financial liabilities, including:	**265,5**	**1 823,8**	**0,0**	**2 089,3**
Valuation of derivatives	-	1 065,3	-	1 065,3
Other financial liabilities measured at fair value through profit or loss, including:	265,5	200,0	-	465,5
book short position in trading securities	265,5	-	-	265,5
financial liabilities held for trading, including:	-	200,0	-	200,0
repo transactions	-	200,0	-	200,0
Derivative hedge instruments	-	558,5	-	558,5

Interim condensed standalone financial statements (PLN million)

4.2.1. Movements in financial assets/liabilities classified to the level 3 of measurement

During the 1st half of 2021, change in the valuation of classified equity instruments up to level 3, the valuation included in other comprehensive income amounted to PLN 22.2 million (compared to PLN 7.3 million in the 1st half of 2020).

The impact of the valuation of loans classified under level 3 of the measurement was in the 1st half of 2021:

- for loans that are obligatorily measured at fair value through profit or loss: PLN 0.0 million (compared to PLN -0.2 million in the 1st half of 2020) and it has been presented in the income statement under the item *Net income on financial instruments measured at fair value through profit or loss and FX result*,
- for loans measured at fair value through other comprehensive income: PLN 1.4 million (compared to PLN -79.1 million in the 1st half of 2020) and has been reflected in the Bank's statement of financial position under *Accumulated other comprehensive income*.

	1 half 2021 the period from 1 Jan 2021 to 30 Jun 2021				1 half 2020 the period from 1 Jan 2020 to 30 Jun 2020			
	Loans are obligatorily measured at fair value through profit or loss	Equity instruments measured at fair value through profit or loss	Equity instruments measured at fair value through other comprehensive income	Loans measured at fair value through other comprehensive income	Loans are obligatorily measured at fair value through profit or loss	Equity instruments measured at fair value through profit or loss	Equity instruments measured at fair value through other comprehensive income	Loans measured at fair value through other comprehensive income
Opening balance	**106.2**	**0.1**	**156.6**	**10,626.8**	**160.3**	**0.1**	**110.6**	**7,852.0**
Additions, including:	**0.0**	**0.0**	**22.2**	**566.5**	**97.1**	**0.0**	**11.6**	**2,128.9**
loans granted in the period / investment acquisition	-	-	-	562.8	97.1	-	-	2,128.9
reclassification of equity instruments from investments in associates to investment securities measured at fair value through other comprehensive income	-	-	-	-	-	-	4.3	-
valuation referred to accumulated other comprehensive income	-	-	22.2	3.7	-	-	7.3	-
Reductions, including:	**-11.9**	**0.0**	**0.0**	**-828.8**	**-24.0**	**0.0**	**0.0**	**-1,341.0**
loan repayments	-11.9	-	-	-116.4	-23.8	-	-	-229.4
valuation recognized in accumulated other comprehensive income	-	-	-	-	-	-	-	-79.1
valuation charged to the income statement	-	-	-	-	-0.2	-	-	-
sale to ING Bank Hipoteczny	-	-	-	-712.4	-	-	-	-1,032.5
Closing balance	**94.3**	**0.1**	**178.8**	**10,364.5**	**233.4**	**0.1**	**122.2**	**8,639.9**

4.3. Total capital ratio

	as at 30 Jun 2021	as at 31 Dec 2020* (after taking into account the net profit generated in 2020 in own funds)	as at 31 Dec 2020 (according to the values reported in the annual financial statements for 2020)	as at 30 Jun 2020
Own funds	16,965.2	17,114.2	16,287.0	16,042.8
Total capital requirements	7,008.9	6,561.6	6,515.1	6,567.4
Total capital ratio (TCR)	**19.36%**	**20.87%**	**20.00%**	**19.54%**
Tier 1 ratio (T1)	**16.84%**	**18.05%**	**17.17%**	**16.82%**

*) On 15 April 2021, the General Meeting of the Bank approved the distribution of profit for 2020. Including the net profit generated in 2020 in own funds as at 31 December 2020 resulted in an increase in TCR and Tier1 ratios to 20.87% and 18.05%, respectively, as presented in the table above.

In calculating the capital ratios, the Bank used the transitional provisions to mitigate the impact of the implementation of IFRS 9 on the level of own funds. If the impact of the implementation of IFRS 9 was fully recognized, the total capital ratio (TCR) would be 19.19% and the Tier 1 capital ratio (T1) would be 16.57%. For the comparative periods, if the impact of the implementation of IFRS 9 was fully recognized, the TCR and T1 ratios would be, respectively: 19.74% and 16.75% as at 31 December 2020, 20.61% and 17.69% as at 31 December 2020 after taking into account the net profit generated in 2020 in own funds and 19.30% and 16.40% as of 30 June 2020.

5. Significant events in 1st half of 2021

Significant events that occurred in 1st half of 2021 are described in the interim condensed consolidated financial statement in chapter *Additional information* in point 2 *Significant events in 1st half of 2021*.

6. Significant events after balance sheet date

Significant events that took place after the end of the reporting period have been described in the interim condensed consolidated financial statements in chapter *Additional information* in point 3. *Significant events after balance sheet date*.

7. Seasonality or cyclicity of activity

Activity of ING Bank Śląski S.A. is not subject to seasonality or cyclicity within the meaning of §21 of IAS 34.

8. Issues, redemption or repayments of debt securities and equities

None.

9. Dividends paid

ING Bank Śląski S.A. did not pay dividends from net profits generated in 2020 and 2019.

On 15 April 2021, the General Meeting approved the allocation of the entire net profit of the Bank for 2020 to equity, with the amount of PLN 663,510,000.00 being left as undistributed profit in order to retain the possibility of its distribution in the future, taking into account the payment of dividends.

On 2 April 2020, the General Meeting adopted a resolution on the distribution of the profit for 2019, in such a way that the amount previously allocated to the dividend, i.e. PLN 494,380,000.00, was left undivided.

10. Acquisitions

In 1st half of 2021 ING Bank Śląski S.A. did not make any acquisitions, as in 1st half of 2020.

(PLN million)

11. Off-balance sheet items

	as at 30 Jun 2021	as at 31 Dec 2020	as at 30 Jun 2020*
Off-balance sheet liabilities granted	47,627.8	47,544.0	45,669.0
Off-balance sheet liabilities received	13,443.2	11,727.3	8,342.2
Off-balance sheet financial instruments	868,045.0	797,919.5	766,352.9
Total off-balance sheet items	**929,116.0**	**857,190.8**	**820,364.1**

*) In 2020, the Bank decided to change the presentation of the guarantees received. The present presentation takes into account only those guarantees that provide the basis for the reduction of risk-weighted assets and provisions for expected credit losses. Data as at 30 June 2020 have been transformed in order to bring them comparable.

12. Transactions with related entities

Numerical information on transactions between related entities

	ING Bank NV	Other ING Group entities	Subsidiaries	Associates	ING Bank NV	Other ING Group entities	Subsidiaries	Associates
	as at 30 Jun 2021				as at 31 Dec 2020			
Receivables								
Nostro accounts	6.0	3.6	-	-	2.3	8.1	-	-
Call deposits placed	-	-	-	-	105.6	1.1	-	-
Loans	-	0.1	13,737.9	-	-	0.2	11,443.8	-
Positive valuation of derivatives	152.4	-	1.7	-	78.3	3.7	2.2	-
Other receivables	3.0	1.8	0.3	-	4.9	0.5	0.8	-
Liabilities								
Deposits received	785.5	93.7	193.3	22.7	1,476.3	550.0	245.1	10.9
Subordinated loan	2,262.2	-	-	-	2,309.3	-	-	-
Loro accounts	22.7	46.5	30.1	-	34.3	182.6	3.0	-
Negative valuation of derivatives	57.6	-	-	-	197.6	0.1	0.3	-
Other liabilities	96.6	1.2	4.0	-	39.7	0.2	1.6	-
Off-balance-sheet operations								
Off-balance sheet liabilities granted	382.7	698.6	6,590.1	0.1	458.9	865.6	8,813.0	0.1
Off-balance sheet liabilities received	55.8	18.2	-	-	55.2	17.5	-	-
FX transactions	15,288.8	16.7	-	-	9,649.5	58.2	-	-
Forward transactions	-	-	2.0	-	-	-	13.9	-
IRS	705.1	-	55.2	-	910.4	140.0	58.9	-
Options	1,710.4	16.6	-	-	2,355.0	17.0	-	-

	1 half 2021 the period from 1 Jan 2021 to 30 Jun 2021				1 half 2020 the period from 1 Jan 2020 to 30 Jun 2020			
Income and expenses								
Income, including:	**-6.4**	**4.3**	**54.2**	**24.9**	**-20.5**	**7.3**	**105.2**	**23.1**
net interest and commission income	-18.8	3.2	60.0	24.9	-21.9	1.9	115.7	23.1
net income on financial instruments	12.4	0.5	0.2	-	1.4	5.4	-	-
net income on the sale of securities measured at fair value through other comprehensive income	-	-	-7.6	-	-	-	-11.6	-
net (loss)/income on other basic activities	-	0.6	1.6	-	-	-	1.1	-
General and administrative expenses	79.7	2.5	1.2	-	69.7	1.8	0.4	-
Expenditure on intangible assets	-	-	-	-	2.6	-	-	-

(PLN million)

SIGNATURES OF THE MANAGEMENT BOARD MEMBERS OF ING BANK ŚLĄSKI S.A.

2021-08-04	**Brunon Bartkiewicz** *President*	The original Polish document is signed with a qualified electronic signature
2021-08-04	**Joanna Erdman** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2021-08-04	**Marcin Giżycki** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2021-08-04	**Bożena Graczyk** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2021-08-04	**Ewa Łuniewska** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2021-08-04	**Michał H. Mrożek** *Vice-President*	The original Polish document is signed with a qualified electronic signature
2021-08-04	**Sławomir Soszyński** *Vice-President*	The original Polish document is signed with a qualified electronic signature

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2021-08-04	**Jolanta Alvarado Rodriguez**	Lead of Centre of Expertise Accounting Policy and Financial Reporting	The original Polish document is signed with a qualified electronic signature