ING Bank Śląski S.A. Group

Quarterly consolidated report for the 1st quarter of 2022

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SELECTED FINANCIAL DATA FROM FINANCIAL STATEMENTS

Performance highlights

	1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021
Net interest income	1,705.2	1,141.6
Net commission income	534.0	428.3
Net income on basic activities	2,297.2	1,595.6
Gross profit	1,069.3	526.2
Net profit attributable to shareholders of ING Bank Śląski S.A.	792.8	385.6
Earnings per ordinary share (PLN)	6.09	2.96

as at	31 Mar 2022	31 Dec 2021	31 Mar 2021
Loans and other receivables to customers measured at amortised cost (net)	149,709.7	146,536.0	129,453.2
Liabilities to customers	174,661.9	170,609.9	158,931.1
Total assets	210,069.0	201,654.2	194,821.3
Share capital	130.1	130.1	130.1
Equity attributable to shareholders of ING Bank Śląski S.A.	11,155.8	13,531.4	17,560.3
Book value per share (PLN)	85.75	104.01	134.98

Key performance indicators

as at	31 Mar 2022	31 Dec 2021	31 Mar 2021
C/I - cost/income ratio	40.5%	43.2%	51.4%
ROA - return on assets	1.4%	1.2%	0.8%
ROE - return on equity	17.5%	13.6%	8.1%
NIM - net interest margin	2.82%	2.58%	2.52%
L/D - loans-to-deposits ratio	85.7%	85.9%	81.5%
Total capital ratio	15.20%	16.05%*	18.80%

*) On 7 April 2022 t he Bank's General Meeting approved the distribution of profit for 2021. Including the net profit generated in 2021 in own funds as at 31 December 2021 resulted in an increase in the total capital ratio of the Group (TCR) to the level of 16.05%. According to the value presented in the annual consolidated financial statements for 2021, the Group's total capital ratio as at 31 December 2021 was 15.08%.

Explanations:

C/I - cost/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 – the relationship between own funds and the total amount of risk exposure.

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

I. Interim condensed consolidated income statement

	Note	1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021
Interest income		1,791.0	1,267.6
calculated using effective interest rate method		1,790.5	1,267.3
other interest income		0.5	0.3
Interest expenses		-85.8	-126.0
Net interest income	7.1	**1,705.2**	**1,141.6**
Commission income		656.2	531.7
Commission expenses		-122.2	-103.4
Net commission income	7.2	**534.0**	**428.3**
Net income on financial instruments measured at fair value through profit or loss and FX result	7.3	47.1	34.3
Net income on the sale of securities measured at amortised cost	7.4	-3.9	0.0
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	7.4	2.1	0.0
Net (loss)/income on hedge accounting	7.5	12.9	-10.9
Net (loss)/income on other basic activities		-0.2	2.3
Net income on basic activities		**2,297.2**	**1,595.6**
General and administrative expenses	7.6	-931.4	-820.8
Impairment for expected credit losses	7.7	-150.5	-128.8
including profit on sale of receivables		9.2	0.0
Cost of legal risk of FX mortgage loans	7.8	-1.1	0.0
Tax on certain financial institutions		-151.7	-125.9
Share of profit/(loss) of associates accounted for using the equity method		6.8	6.1
Gross profit		**1,069.3**	**526.2**
Income tax		-276.5	-140.6
Net profit		**792.8**	**385.6**
attributable to shareholders of ING Bank Śląski S.A.		**792.8**	**385.6**

	1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021
Net profit attributable to shareholders of ING Bank Śląski S.A.	792.8	385.6
Weighted average number of ordinary shares	130,100,000	130,100,000
Earnings per ordinary share (in PLN)	**6.09**	**2.96**

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.

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II. Interim condensed consolidated statement of comprehensive income

	1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021
Net profit for the period	**792.8**	**385.6**
Total other comprehensive income, including:	**-3,168.5**	**-1,443.6**
Items which can be reclassified to income statement, including:	**-3,168.5**	**-1,443.3**
debt instruments measured at fair value through other comprehensive income – gains on revaluation carried through equity	-259.0	123.4
debt instruments measured at fair value through other comprehensive income – reclassification to financial result due to sale	-1.7	0.0
cash flow hedging – gains on revaluation carried through equity	-2,807.4	-1,348.4
cash flow hedging – reclassification to profit or loss	-100.4	-218.3
Items which will not be reclassified to income statement, including:	**0.0**	**-0.3**
fixed assets revaluation	0.0	-0.3
Net comprehensive income for the reporting period	**-2,375.7**	**-1,058.0**
attributable to shareholders of ING Bank Śląski S.A.	-2,375.7	-1,058.0

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.

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III. Interim condensed consolidated statement of financial position

as at	Note	31 Mar 2022	31 Dec 2021	31 Mar 2021
Assets				
Cash in hand and balances with the Central Bank	7.9	4,998.3	1,100.0	899.8
Loans and other receivables to other banks	7.10	1,074.4	704.8	1,336.4
Financial assets measured at fair value through profit or loss	7.11	1,498.3	1,538.3	1,610.1
Derivative hedge instruments		323.4	250.4	873.6
Investment securities	7.12	37,312.3	45,584.4	54,707.2
Loans and other receivables to customers measured at amortised cost	7.13	149,709.7	146,536.0	129,453.2
Transferred assets	7.11, 7.12, 7.14	10,935.8	2,280.9	3,607.1
Investments in associates accounted for using the equity method		191.6	184.8	180.2
Property, plant and equipment		917.3	831.2	884.8
Intangible assets		400.6	377.4	415.8
Current income tax assets	7.15	825.2	734.5	2.2
Deferred tax assets	7.15	1,693.8	1,245.0	558.1
Other assets		188.3	286.5	292.8
Total assets		**210,069.0**	**201,654.2**	**194,821.3**

as at	Note	31 Mar 2022	31 Dec 2021	31 Mar 2021
Liabilities				
Liabilities to other banks	7.16	16,491.8	10,051.0	10,333.8
Financial liabilities measured at fair value through profit or loss	7.17	1,794.4	1,679.6	1,194.3
Derivative hedge instruments		362.5	235.4	549.6
Liabilities to customers	7.18	174,661.9	170,609.9	158,931.1
Liabilities from debt securities issued	11	398.0	972.4	596.5
Subordinated liabilities		1,628.9	1,610.3	2,331.9
Provisions	7.19	350.2	336.9	240.1
Current income tax liabilities	7.15	5.3	3.9	200.0
Other liabilities	7.20	3,220.2	2,623.4	2,883.7
Total liabilities		**198,913.2**	**188,122.8**	**177,261.0**
Equity				
Share capital	1.4	130.1	130.1	130.1
Share premium		956.3	956.3	956.3
Accumulated other comprehensive income		-5,989.5	-2,821.0	2,479.8
Retained earnings		16,058.9	15,266.0	13,994.1
Equity attributable to shareholders of ING Bank Śląski		**11,155.8**	**13,531.4**	**17,560.3**
Non-controlling interests		0.0	0.0	0.0
Total equity		**11,155.8**	**13,531.4**	**17,560.3**
Total equity and liabilities		**210,069.0**	**201,654.2**	**194,821.3**

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.

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IV. Interim condensed consolidated statement of changes in equity

1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Total equity
Opening balance of equity	**130.1**	**956.3**	**-2,821.0**	**15,266.0**	**13,531.4**
Profit for the current period	-	-	-	792.8	**792.8**
Other net comprehensive income, including:	**0.0**	**0.0**	**-3,168.5**	**0.0**	**-3,168.5**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	-259.0	-	-259.0
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	-1.7	-	-1.7
cash flow hedging – gains/losses on revaluation carried through equity	-	-	-2,807.4	-	-2,807.4
cash flow hedging – reclassification to profit or loss	-	-	-100.4	-	-100.4
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**0.1**	**0.1**
valuation of share-based payments	-	-	-	0.1	0.1
Closing balance of equity	**130.1**	**956.3**	**-5,989.5**	**16,058.9**	**11,155.8**

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.

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2021 the period from 01 Jan 2021 to 31 Dec 2021

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	**Total equity**
Opening balance of equity	**130.1**	**956.3**	**3,923.4**	**13,608.5**	**18,618.3**
Profit for the current period	-	-	-	2,308.3	**2,308.3**
Other net comprehensive income, including:	**0.0**	**0.0**	**-6,744.4**	**12.3**	**-6,732.1**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	-225.8	-	-225.8
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	-25.7	-	-25.7
sale of equity instruments measured at fair value through other comprehensive income	-	-	-7.1	7.1	0.0
cash flow hedging – gains/losses on revaluation carried through equity	-	-	-5,566.7	-	-5,566.7
cash flow hedging – reclassification to profit or loss	-	-	-907.8	-	-907.8
fixed assets revaluation	-	-	-0.3	-	-0.3
disposal of fixed assets	-	-	-5.2	5.2	0.0
actuarial gains/losses	-	-	-5.8	-	-5.8
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**-663.1**	**-663.1**
valuation of share-based payments	-	-	-	0.4	0.4
dividend payment	-	-	-	-663.5	-663.5
Closing balance of equity	**130.1**	**956.3**	**-2,821.0**	**15,266.0**	**13,531.4**

1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	**Total equity**
Opening balance of equity	**130.1**	**956.3**	**3,923.4**	**13,608.5**	**18,618.3**
Profit for the current period	-	-	-	385.6	**385.6**
Other net comprehensive income, including:	**0.0**	**0.0**	**-1,443.6**	**0.0**	**-1,443.6**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	123.4	-	123.4
cash flow hedging – gains/losses on revaluation carried through equity	-	-	-1,348.4	-	-1,348.4
cash flow hedging – reclassification to profit or loss	-	-	-218.3	-	-218.3
fixed assets revaluation	-	-	-0.3	-	-0.3
Closing balance of equity	**130.1**	**956.3**	**2,479.8**	**13,994.1**	**17,560.3**

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V. Interim condensed consolidated cash flow statement

	1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021
Net profit	**792.8**	**385.6**
Adjustments, including:	**2,830.4**	**2,500.5**
Share of profit/(loss) of associates accounted for using the equity method	-6.8	-6.1
Depreciation and amortisation	68.5	71.4
Interest accrued (from the income statement)	-1,705.2	-1,141.6
Interest paid	-75.7	-118.1
Interest received	1,538.1	1,084.2
Gains (losses) on investing activities	0.0	0.1
Income tax (from the income statement)	276.5	140.6
Income tax paid	-71.5	-126.0
Change in provisions	13.3	-16.2
Change in loans and other receivables to other banks	-113.6	3.3
Change in financial assets measured at fair value through profit or loss	213.9	410.3
Change in investment securities	-1,759.4	-1,608.8
Change in hedge derivatives	-3,535.8	-1,621.9
Change in loans and other receivables to customers measured at amortised cost	-3,076.9	-4,762.4
Change in other assets	-9.0	-24.2
Change in liabilities to other banks	6,265.7	2,020.2
Change in liabilities measured at fair value through profit or loss	114.9	-336.5
Change in liabilities to customers	4,050.9	7,904.1
Change in other liabilities	642.5	628.1
Net cash flow from operating activities	**3,623.2**	**2,886.1**

	1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021
Purchase of property, plant and equipment	-31.2	-10.2
Disposal of property, plant and equipment	0.0	0.5
Purchase of intangible assets	-39.4	-10.7
Purchase of debt securities measured at amortised cost	-729.8	-1,644.6
Disposal of debt securities measured at amortised cost	1,765.5	171.4
Net cash flows from investing activities	**965.1**	**-1,493.6**
Long-term loans received	444.7	396.5
Long-term loans repaid	-272.6	-310.9
Interest on long-term loans repaid	-3.9	-7.5
Issue of debt securities	0.0	150.0
Redemption of debt securities	-575.0	-925.0
Interests from issued debt securities	-1.9	-0.9
Repayment of lease liabilities	-26.8	-27.7
Net cash flows from financing activities	**-435.5**	**-725.5**
Net increase/(decrease) in cash and cash equivalents	**4,152.8**	**667.0**
Effect of exchange rate changes on cash and cash equivalents	176.3	150.8
Opening balance of cash and cash equivalents	**1,377.6**	**1,228.2**
Closing balance of cash and cash equivalents	**5,530.4**	**1,895.2**

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.

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VI. Additional information to the interim condensed consolidated financial statements

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

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 31 March 2022 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. 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 31 March 2022 was AVIVA Otwarty Fundusz Emerytalny AVIVA Santander, which, according to the annual information on the structure of assets of Aviva Otwarty Fundusz Emerytalny AVIVA Santander as at 31 December 2021, held 8.59% of the share capital and the total number of votes at the General Meeting.

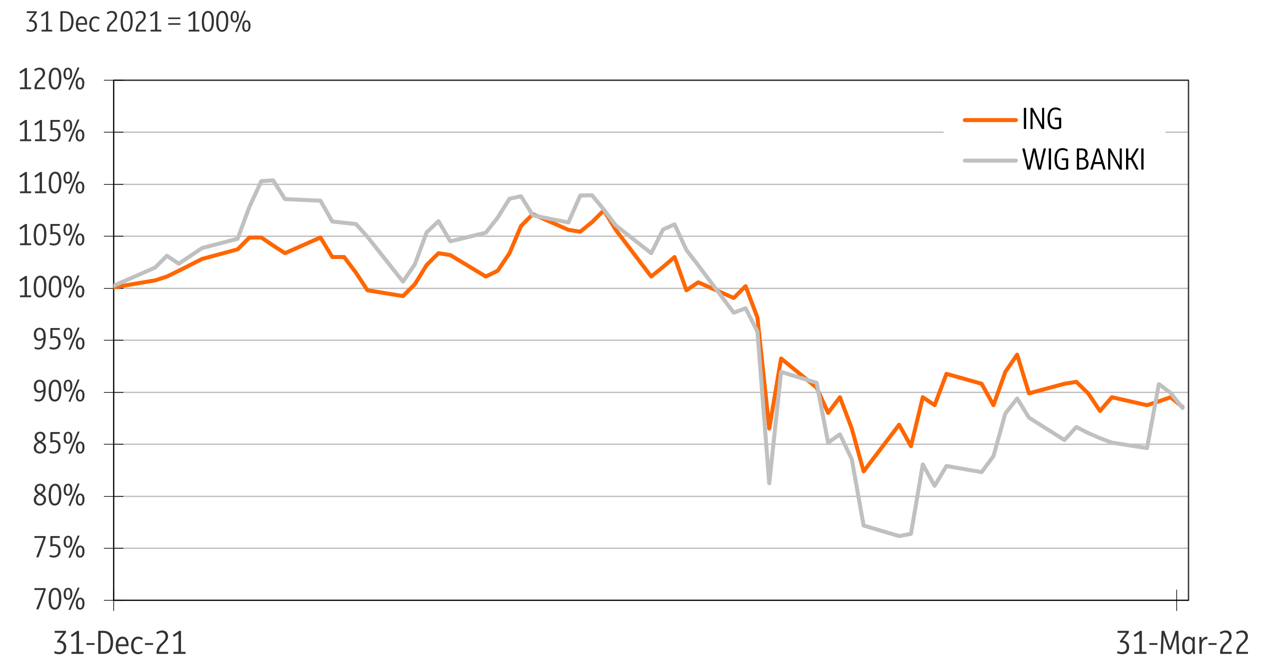
As at 31 March 2022, the shareholders owning 5% and more votes at the General Meeting of ING Bank S.A. were:

No.	Entity	Number of shares and votes	% of total number of shares and votes at General Meeting
1.	ING Bank N.V.	97,575,000	75.00
2.	AVIVA Otwarty Fundusz Emerytalny AVIVA Santander	11,179,441	8.59

1.4. 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 31 March 2022, the share price of ING Bank Śląski S.A. was PLN 230.9, compared to PLN 260.7 and PLN 174.4 as at 31 December 2021 and 31 March 2021, respectively. In the 1st quarter of 2022, the share price of ING Bank Śląski S.A. was as follows:



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1.5. ING Bank Śląski S.A. Group

ING Bank Śląski S.A. is a Parent entity of the ING Bank Śląski Group ("Capital Group", "Group"). As at 31 March 2022, the composition of the ING Bank Śląski 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	nature of the 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	Warszawa	100	100	subsidiary	full consolidation
ING Lease (Polska) Sp. z o.o.*	leasing services	Warszawa	100	100	subsidiary	full consolidation
NN Investment Partners TFI S.A.	investment funds	Warszawa	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
Nowe Usługi S.A.	education and promotion for the financial market and TURBO Certificates	Katowice	100	100	subsidiary	full consolidation
Solver Sp. z o.o. w likwidacji	holiday and training courses organisation	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 31 March 2022, 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.

1.7. Approval of financial statements

These interim condensed consolidated financial statements have been approved by the Bank's Management Board on 4 May 2022.

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 7 April 2022.

2. Significant events in the 1st quarter of 2022

On 24 February 2022, Russia launched a large-scale war against Ukraine. The international community reacted by introducing sanctions against Russia and Belarus.

In its annual consolidated financial statements for 2021, in the chapter on significant events after the balance sheet date, the Group disclosed the preliminary results of the analysis of the impact of the situation in Ukraine on the Polish economy, banking sector and the ING Bank Śląski S.A.Group. The Group constantly monitors the situation and reacts adequately to the sanctions of the European Union, as well as to similar sanctions imposed by the United States of America and the United Kingdom of Great Britain and Northern Ireland. Economic relations with customers and their beneficial owners related to or coming from the Russian Federation, Belarus and the separatist oblasts of Ukraine are monitored and, if necessary, sanctions are taken.

As of 1 March 2022, ING Bank Śląski has resigned from settlements in the Russian ruble. This means that the Bank does not execute incoming and outgoing transactions in the Russian ruble and does not change this currency. At the same time, the Bank stopped opening new accounts in this currency.

Due to the ongoing war in Ukraine, in line with the recommendations of the Polish Financial Supervision Authority, the Bank prepared an offer for refugees. From 28 March 2022, the Bank introduced the Account for Refugees and the Deposit Account for Refugees in its offer, intended for refugees from Ukraine who do not have all the documents necessary to open a standard account from the Bank's offer.

From 11 May 2022 and not as originally announced on 30 April the Bank will suspend the settlement of transactions with banks operating in Russia and Belarus (with both Russian and Belarusian banks as well as banks located in Russia and Belarus, regardless of the origin of the capital, with the exception of ING, Raiffeisen and Citi). The Bank introduced the change of the date at the request of its customers who have to fulfill their business obligations. This applies to all payments and collections in all currencies.

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Credit risk exposure

ING Bank Śląski S.A. Group does not operate directly in Ukraine, Russia or Belarus Nevertheless, the Group analyzes the portfolio of clients' receivables on an ongoing basis in terms of links with these markets and risks related to the effects of the war and the sanctions introduced. The results of the preliminary analysis of the loan portfolio were disclosed by the Group in its annual consolidated financial statements for 2021. As a result of further analyzes of the loan portfolio at the end of the 1st quarter of 2022, the Group reclassified indirect exposures with a gross carrying amount of PLN 273.1 million to Stage 2, which had no significant impact on the level of impairment for expected credit losses (the Group defines indirect exposures as clients of the corporate segment whose share of revenues or costs exceeds 20% in relation to the Ukrainian, Russian and / or Belarusian markets).

Liquidity risk

In the first two weeks after the outbreak of the war, the Bank observed an increased level of cash withdrawals, both at cash points and at ATMs. Customers' demand for cash is a constant process occurring in periods of perception by customers of pandemic threats or general security. At the same time, the Bank did not observe full withdrawals of funds from bank deposits, but only partial withdrawals aimed at having cash securing current expenses in the period of 2-3 months. Consumption transactions remain stable at a slightly elevated level, with overall current account balances increasing and household deposit balances showing slight declines. The bank did not observe and does not observe any disturbances in the settlement processes, nor with regard to liquidity management on the interbank market.

In the further part of the report, in point no. 9. *Factors that may affect the financial results in the following quarters,* the impact of the situation in Ukraine on the Polish economy, the banking sector and the ING Bank Śląski S.A. Group is included.

Individual recommendation of the Polish Financial Supervision Authority on satisfaction of the criteria for dividend payout from 2021 net profit

On 1 March 2022 Bank have received a letter from the Polish Financial Supervision Authority (PFSA) in which the PFSA stated that the Bank satisfies the requirements for the payout of the dividend from up to 100% of 2021 net profit. At the same time, the PFSA recommended mitigating the inherent risk of Bank operations by not taking, without prior consultation with the supervision authority, of other actions, and in particular those being beyond the ordinary business and operational activity which may result in a reduction of own funds, also including potential dividend payout from undivided profit of previous years or share buyback.

On 8 March 2022, the Bank's Management Board decided to submit to the General Meeting a proposed resolution on allocating PLN 689,530,000.00 from the net profit generated by the Bank in 2021 for the payment of dividends, which constitutes 30% of the Bank's standalone net profit. The amount of the proposed dividend is also consistent with the earlier intention of the Bank's Management Board regarding the payment of dividends from the profit for 2021, which was presented in the current report No. 1/2022 of 3 February 2022 published by the Bank. On 7 April 2022, the General Meeting adopted a resolution on the payment of dividends for 2021, as proposed by the Bank's Management Board. The dividend was paid on 4 May 2022.

Imposition by the Polish Financial Supervision Authority of a capital surcharge recommended under Pillar II (P2G)

On 11 February 2022, the Bank received a letter from the Financial Supervision Authority recommending that the risks inherent in the Bank's operations be mitigated by the Bank maintaining, at the individual and consolidated level, own funds to cover the additional capital charge ("P2G") of 0.13 p.p. in order to absorb potential losses arising from stress events. The recommendation should be met above the total capital ratio (referred to in Article 92(1)(c) of Regulation No 575/2013), plus the additional own funds requirement ("P2R", referred to in Article 138(2)(2) of the Banking Act) and the combined buffer requirement (referred to in Article 55(4) of the Macroprudential Supervision Act). The P2G capital charge should consist entirely of Common Equity Tier 1 capital.

P2G consists of two components:

- a basic capital charge of 0,05 p.p., and
- a supplementary capital charge of 0,08 p.p.

The P2G recommendation applies to the Bank from the moment of receipt of the information from the PFSA Office.

Resignation of a member of the Bank's Supervisory Board

On 10 February 2022, the Bank received a statement from Mr Remco Nieland (Remco Nieland) resigning as a member of the Bank's Supervisory Board as of the date of the next Annual General Meeting of the Bank. The reason for his resignation is his planned retirement.

New lease agreement for the Plac Unii building in Warsaw

On 19 January 2022, the Bank agreed with the lessor of the Plac Unii building at ul. Puławska 2 in Warsaw, change of the lease agreement. New agreement covers the extension of the lease period until 2033 and the lease of additional space in the building, in line with the Bank's location strategy.

3. Significant events after balance sheet date

Update of information on the MREL requirement for ING Bank Śląski S.A.

On 27 April 2022 a letter from the Bank Guarantee Fund (BGF) on the joint decision of resolution bodies; i.e. Single Resolution Board (SRB) and the BGF on the minimum requirement for own funds and eligible liabilities (MREL). The decision was taken following the Single Point of Entry (SPE) resolution strategy applicable to ING Group.

In liaison with the SRB, the BGF set the MREL for the Bank of 16.24% of the total risk exposure amount (TREA) and 5.91% of the total exposure measure (TEM) on an individual basis. The Bank is required to meet the MREL by 31 December 2023 and both measures, the TREA and the TEM, at the same time. The total MREL should be satisfied with own funds and eligible liabilities under Article 98 of the BGF Act transposing Article 45f(2) of the BRRD2.

Further, the BGF stated that the recapitalisation-equivalent portion of the MREL should be met with the following instruments: additional Tier 1 (AT1) instruments, Tier 2 (T2) instruments and other subordinated eligible liabilities bought directly or indirectly by the parent entity. The additional requirement refers to the target level of the MREL. Based on the BGF's methodology, the Bank Management Board estimate the recapitalisation amount-related portion of the MREL at 8.24% of the TREA and 2.91% of the TEM.

Furthermore, the BGF set interim MREL goals which for:

- the TREA are 12.12% from the moment of receiving the BGF letter and 14.18% as at 2022 yearend, and
- the TEM are 3.00% from the moment of receiving the BGF letter and 4.46% as at 2022 yearend.

At the same time, the Tier 1 capital (CET1) instruments kept by the Bank for the purposes of the combined buffer requirement cannot be included in the MREL expressed as a percentage of the total risk exposure amount (TREA).

Amount of the 2022 annual contribution to the resolution fund of the Bank Guarantee Fund

On 14 April 2022, the Bank's Management Board received information from the Bank Guarantee Fund on the amount of the 2022 annual contribution to the resolution fund of banks. The contribution of Bank Group amounts to PLN 172.8 million, including an adjustment of the contributions for 2020 and 2021. The entire amount will be recognised in costs for the first quarter of 2022. The value attributable to the Bank is PLN 170.0 million, and to ING Bank Hipoteczny S.A. is PLN 2.8 million.

Appointment of a Member of the ING Bank Śląski S.A. Supervisory Board

On 7 April 2022 the Ordinary General Meeting of the Bank – by way of Resolution No. 35 – appointed Mr Aris Bogdaneris a Member of the ING Bank Śląski S.A. Supervisory Board.

Notice on dividend payout for 2021

On 7 April 2022 the Ordinary General Meeting of the Bank passed a resolution regarding dividend payout for 2021. Pursuant to the said resolution, the Bank payed out dividend totalling PLN 689,530,000.00; that is PLN 5.30 gross per share.

15 April 2022 was set as dividend date (i.e. the date on which the owners of shares acquire the right to dividend) was set on 15 April 2022, and the dividend payment date on 4 May 2022. All shares issued by the Bank, that is 130,100,000 shares, are covered by the dividend payout

General Meeting of ING Bank Śląski S.A.

On 7 April 2022 the General Meeting of the Bank was held and the following resolutions were adopted:

- on approving of the annual financial statements for 2021 (both standalone and consolidated),
- on approving of the Management Board Report on Operations of ING Bank Śląski S.A. Group in 2021 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 2021, including non-financial information of ING Bank Śląski S.A.,
- on the opinion to the Supervisory Board's report on the ING Bank Śląski S.A. Supervisory Board and Management Board Members remuneration in 2021 and to the assessment of Bank's remuneration policy,
- on acknowledging fulfilment of duties in 2021 by Members of the Management Board and Supervisory Board,
- on amending the *Charter of ING Bank Śląski S.A.*,

- on establishing the Incentive Scheme for Identified Staff of the Bank and authorising the Management Board of ING Bank Śląski S.A. to buy own shares to carry out the Incentive Scheme,
- on establishing reserve capitals and distribution of 2021 profit and past-year undivided profit,
- on 2021 dividend payout,
- on amending the ING Bank Śląski S.A. Supervisory Board and Management Board Members Remuneration Policy,
- on the amendments to the Policy of appointing and recalling Members of the Supervisory Board of ING Bank Śląski S.A.,
- on approval of the Diversity Policy for ING Bank Śląski S.A Management Board and Supervisory Board Members,
- on changes to the composition of the Supervisory Board,
- 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).

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 1st quarter of 2022 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 31 March 2022 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 2021 to 31 December 2021, approved on 7 April 2022 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 2022 to 31 March 2022 and interim condensed consolidated statement of financial position as at 31 March 2022, together with comparable data were prepared according to the same principles of accounting for each period, except for changes in accounting principles described in point 5.1.

4.1. Changes in accounting standards

In these interim condensed consolidated financial statements, the Group included the following amendments to standards and interpretations that were approved by the European Union with the effective date for annual periods beginning on or after 1 January 2022:

Change	Influence on the Group financial statements
Changes resulting from the cyclical review of IFRS 2018-2020	Changes to: IFRS 1 – subsidiary applying accounting standards for the first time IFRS 9 – fees in the "10%" test (to determine the possibility of excluding financial liabilities from the consolidated statement of financial position) – in accordance with the change in the test, all fees paid or received should be included, including those settled by the borrower or lender on behalf of other entities Illustrative examples for IFRS 16 – lease incentives IAS 41 – agriculture: taxation measured at fair value measurement. The implementation of the amendments does not have a significant impact on the Group's financial statements.
IFRS 3 Reference to conceptual assumptions	The amendment introduces to the content of the standard references to the conceptual framework published in March 2018. The implementation of the changes do not have a impact on the Group's financial statements.
IAS 37 Onerous contracts – the costs of meeting the contract	A change consisting in clarifying the concept of the costs of meeting obligations under contracts, where the costs exceed the economic benefits resulting from them. The implementation of the amendments do not have impact on the Group's financial statements.
IAS 16 Property, plant and equipment – benefits before planned use	The amendment consists in the exclusion of the possibility of deducting from the production expenses of property, plant and equipment amounts received from the sale of products manufactured at the stage of pre-implementation tests. This type of sales revenues and the corresponding expenses should be included in the income statement. The amendments do not have an impact on the Group's financial statements.
Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 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 does not have an impact on the financial statements of the Group.

The standards and interpretations which were already issued but are still ineffective because they are not endorsed by the European Union or endorsed by the European Union but not yet applied by the Group were presented in the 2021 Annual Consolidated Financial Statements.

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In the 1st quarter of 2022 no amendments in accounting standards were published, however the European Union endorsed following two amendments to the standards:

Change (expected application date in brackets)	Influence on the Group 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 accounting estimates, 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.

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 May 2022. 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

In the 1st quarter of 2022, as in 2021, there was no discontinuation of significant activities in the Group.

4.4. Financial statements scope and currency

These interim condensed consolidated financial statements of the Group for the 1st quarter of 2022 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. Reporting period and comparable data

Interim condensed consolidated financial statements of the Capital Group of ING Bank Śląski S.A. covers the period from 1 January 2022 to 31 March 2022 and includes comparative data:

- as at 31 December 2021 and 31 March 2021 - for the interim condensed consolidated statement of financial position,
- for the period from 1 January 2021 to 31 March 2021 - for the interim condensed consolidated profit and loss account, the interim condensed consolidated statement of comprehensive income, and the interim condensed consolidated cash flow statement,
- for the period from 1 January 2021 to 31 December 2021 and from 1 January 2021 to 31 March 2021 - for the interim condensed statement of changes in consolidated equity.

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 2021 to 31 December 2021, published on 11 March 2022 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.

5.1. Changes in significant accounting principles

The changes to the accounting principles applied by the Capital Group, which were introduced in the 1st quarter of 2022, are presented below.

The changes were introduced to the item *Modification of contractual cash flows* and consisted in specifying the catalog of qualitative criteria and adding a quantitative criterion for assessing the significance of the modification. The changes are introduced with prospective effect on 1 January 2022 in accordance with IAS 8 par. 25 because retrospective application of the new rules is impracticable. The Group is not able to determine the total effect of the application of the changed accounting principles in relation to all previous periods, as the Group has no data from earlier periods that would allow for a retrospective application of the new accounting principles.

Due to the lack of transformation of the comparative data in connection with the introduced change, significant accounting principles in this respect have been presented in the layout presenting both the principles applicable before and after 1 January 2022.

Modification of contractual cash flows

Principles before 1 January 2022

If, as a result of renegotiating the terms of a loan or credit agreement, the cash flows related to a given financial asset are subject to modification, the Group assesses whether the modification in question is significant and leads to the expiry of that financial asset from the statement of financial position of the Group and the recognition of a new financial asset.

The Group assumes that a significant modification to the terms of the contract takes place when it occurs:

- change of the debtor with the consent of the Group, or
- change of the legal form/type of the financial instrument, or
- change of loan currency unless it was included in the pre-modified contractual terms.

In a situation where the modification is not significant and thus does not lead to the exclusion of a financial asset from the statement of financial position of the Group, the Group recalculates the gross carrying amount of the financial asset and recognizes a profit or loss on the modification in the financial result.

Principles after 1 January 2022

When the terms of the loan and cash loan agreements are renegotiated and contractual cash flows of a financial asset are modified, the Group assesses if such modification was significant and should result in the extinguishment of that financial asset and recognition of a new financial asset. A financial asset is extinguished if either the qualitative or the quantitative criteria are met.

<u>Qualitative criteria</u>

The Group assumes that a substantial modification of the terms of the agreement has taken place in the following circumstances in case:

- change of the debtor with the consent of the Group, or
- change of the legal form/type of the financial instrument, or
- change of loan currency unless it was included in the pre-modified contractual terms, or
- the modified financial asset does not meet the SPPI test, i.e. the cash flows from the financial asset do not represent, on specified dates, solely payments of principal and interest on the principal amount outstanding, or
- change in interest rate from fixed to floating or vice versa for financial assets that are not credit-impaired, or
- change of the financial instruments from revolving to non-revolving or vice versa for financial assets that are not credit-impaired, or
- increase of the exposure amount of 50% or an extension of the tenor of the facility/instrument by 50%, if the present value of cash flows under the modified terms, discounted at the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original agreement, discounted using the original effective interest rate.

Quantitative trigger

A financial asset is deemed to be extinguished when the present value of cash flows under the modified loan terms, discounted at the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original agreement, discounted using the original effective interest rate.

For modifications that do not lead to a derecognition of the financial asset, the net present value difference (using the original effective interest rate) between the cash flows of the asset before and after modification is recognised in the statement of profit and loss.

5.2. Changes to key estimates

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 2021 to 31 December 2021. In the 1st quarter of 2022, the Group continued the adopted approach, including in the field of probability-weighted macroeconomic scenarios, supplementing them with management adjustments where, in the opinion of management, recent economic events were not fully captured.

The Group revised the forecasts of macroeconomic indicators. The macroeconomic assumptions used to determine the expected credit losses are based on the forecasts prepared by the Bank's Macroeconomic Analysis Bureau, with forward curves for interest that include an expected decision of the Monetary Policy Council (Rada Polityki Pieniężnej – RPP) to increase interest rates in April 2022. The net effect of changes in macroeconomic assumptions increased the level of impairment for expected credit losses at the end of the 1st quarter of 2022 by PLN 55.9 million.

In addition, the currently observed increase in inflation and interest rates, and the fact that the PD models for the mortgage portfolio do not contain these components, prompted the Group to conduct additional analyzes of the potential underestimation of these write-downs. Strong increases in interest rates and expenses translate into significant increases in financial and living burdens for customers, and as a consequence there is a probability that some of them will lose the ability to service their loans on a regular basis. At the same time, as a result of model backtests for the mortgage portfolio, an excessive conservativeness of the LGD in default model was identified. The combined net effect of both of the above changes in estimates increased the impairment for expected credit losses for the mortgage loan portfolio by PLN 18.5 million at the end of the 1st quarter of 2022.

The management adjustments did not affect the classification of exposures to stages presented in these financial statements. The division of the adjustments into stages and into the corporate and retail segments is presented in the supplementary note 7.13. *Loans and other receivables to customers measured at amortised cost*.

6. Comparability of financial data

In these interim condensed consolidated financial statements for the 1st quarter of 2022 in relation to the interim condensed consolidated financial statements for earlier periods, the Group has made changes to the presentation of individual items in the consolidated statement of financial position.

The changes are as follows:

- Separation of *Transferred assets* (**change a**)

The Group has separated a new item in the consolidated statement of financial position – *Transferred assets* – which presents assets that can be pledged or resold by the collateral recipient. IFRS 9.3.2.23(a) requires these assets to be segregated and presented separately from other assets in the statement of financial position. The new item included debt securities resold with a repurchase agreement under repo or buy-sell-back transactions. These assets are measured at fair value through profit or loss, at fair value through other comprehensive income or at amortised cost. The change was intended to better reflect the risk characteristics of these financial assets. The figures as at 31 March 2021 have been restated to ensure comparability.

- Inclusion of non-current assets held for sale under *Other assets* (**change b**)

Following the principle of materiality, the Group departed from the presentation of non-current assets held for sale in a separate line item in the consolidated statement of financial position and from 31 December 2021 onwards shows them in *Other assets*. The figures as at 31 March 2021 have been restated.

The table presents individual asset items of the consolidated statement of financial position according to the values presented in the interim condensed consolidated financial statements for the 1st quarter of 2021 and according to the values presented in these interim condensed consolidated financial statements. Liabilities and equity did not change.

31 Mar 2021

	in interim condensed consolidated financial statements for the 1st quarter of 2021 (*approved data*)	change a	change b	in interim condensed consolidated financial statements for the 1st quarter of 2022 (*comparable data*)
Assets				
Cash in hand and balances with the Central Bank	899.8			899.8
Loans and other receivables to other banks	1,336.4			1,336.4
Financial assets measured at fair value through profit or loss	1,610.1			1,610.1
Derivative hedge instruments	873.6			873.6
Investment securities	58,314.3	-3,607.1		54,707.2
Loans and other receivables to customers measured at amortised cost	129,453.2			129,453.2
Transferred assets	0.0	3,607.1		3,607.1
Investments in associates accounted for using the equity method	180.2			180.2
Property, plant and equipment	884.8			884.8
Intangible assets	415.8			415.8
Assets held for sale	5.4		-5.4	0.0
Current income tax assets	2.2			2.2
Deferred tax assets	558.1			558.1
Other assets	287.4		5.4	292.8
Total assets	**194,821.3**	**0.0**	**0.0**	**194,821.3**
Total equity and liabilities	**194,821.3**	**0.0**	**0.0**	**194,821.3**

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

7.1. Net interest income

	1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021
Interest income, including:	**1,791.0**	**1,267.6**
interest income calculated using effective interest rate method, including:	**1,790.5**	**1,267.3**
interest on financial instruments measured at amortised cost	1,692.5	1,228.8
interest on loans and other receivables to other banks	29.3	2.4
interest on loans and other receivables to customers	1,528.4	1,113.5
interest on investment securities	134.8	112.9
interest on investment securities measured at fair value through other comprehensive income	98.0	38.5
other interest income, including:	**0.5**	**0.3**
interest on loans and other receivables to customers measured at fair value through profit or loss	0.5	0.3
Interest expenses, including:	**-85.8**	**-126.0**
interest on deposits from other banks	-52.0	-1.3
interest on deposits from customers	-26.1	-115.5
interest on issue of debt securities	-2.4	-1.9
interest on subordinated liabilities	-3.9	-6.9
interest on lease liabilities	-1.4	-0.4
Net interest income	**1,705.2**	**1,141.6**

7.2. Net commission income

	1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021
Commission income, including:	**656.2**	**531.7**
transaction margin on currency exchange transactions	169.8	115.2
account maintenance fees	117.2	103.6
lending commissions	117.3	102.0
payment and credit cards fees	113.7	91.1
participation units distribution fees	19.4	20.8
insurance product offering commissions	54.9	43.5
factoring and lease contracts commissions	10.3	8.1
brokerage activity fees	20.9	24.3
fiduciary and custodian fees	6.7	3.9
foreign commercial business	10.6	10.4
other commission	15.4	8.8
Commission expenses, including:	**-122.2**	**-103.4**
payment and credit cards fees	-66.7	-57.5
Net commission income	**534.0**	**428.3**

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

	1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021
FX result and net income on interest rate derivatives, including	-31.9	19.9
FX result	37.3	189.0
currency derivatives	-69.2	-169.1
Net income on interest rate derivatives	72.5	13.2
Net income on debt instruments held for trading	9.7	1.4
Net income on equity instruments	-3.1	0.0
Net income on measurement of loans to customers	-0.1	-0.2
Total	**47.1**	**34.3**

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

	1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021
Net income on the sale of securities measured at amortised cost	-3.9	0.0
Net income on sale of securities measured at fair value through other comprehensive income and dividend income, including:	2.1	0.0
sale of debt securities	2.1	0.0
Total	**-1.8**	**0.0**

7.5. Net (loss)/income on hedge accounting

	1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021
Net income on hedge accounting	-14.5	-10.9
valuation of the hedged transaction	-236.5	-343.0
valuation of the hedging transaction	222.0	332.1
Cash flow hedge accounting	27.4	0.0
ineffectiveness under cash flow hedges	27.4	0.0
Total	**12.9**	**-10.9**

7.6. General and administrative expenses

	1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021
Personnel expenses	**-361.3**	**-355.0**
Other general and administrative expenses, including:	**-570.1**	**-465.8**
cost of marketing and promotion	-32.7	-34.0
depreciation and amortisation	-68.5	-71.4
obligatory Bank Guarantee Fund payments, of which:	-226.6	-160.3
resolution fund	-172.8	-132.6
bank guarantee fund	-53.8	-27.7
fees to the Financial Supervisory Commission	-22.0	-19.2
IT costs	-92.0	-71.3
maintenance costs of buildings and real estate valuation to fair value	-29.0	-27.8
costs of short-term leasing and low-value leasing	-3.0	-2.7
other	-96.3	-79.1
Total	**-931.4**	**-820.8**

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7.6.1 Number of employees

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

as at	31 Mar 2022	31 Dec 2021	31 Mar 2021
FTEs	8,458.1	8,642.9	8,640.5
Individuals	8,506	8,694	8,692

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

as at	31 Mar 2022	31 Dec 2021	31 Mar 2021
FTEs	8,032.2	8,211.0	8,198.3
Individuals	8,065	8,248	8,234

7.7. Impairment for expected credit losses

	1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021
Corporate banking segment	-95.5	-60.9
Retail banking segment	-55.0	-67.9
Total	**-150.5**	**-128.8**

7.8. Cost of legal risk of FX mortgage loans

	1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021
Provisions for legal risk of FX indexed mortgage loans, including:		
relating to loans in the Bank's portfolio	-0.3	0.0
relating to repaid loans	-0.8	0.0
Total	**-1.1**	**0.0**

Detailed information on the legal risk of CHF-indexed mortgage loans is presented later in the report in point 13. *Settlements due to disputes and other provisions*.

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7.9. Cash in hand and balances with the Central Bank

as at	31 Mar 2022	31 Dec 2021	31 Mar 2021
Cash in hand	1,337.9	599.1	775.4
Balances with the Central Bank	3,660.4	500.9	124.4
Total	**4,998.3**	**1,100.0**	**899.8**

The Bank maintains a mandatory reserve on the current account with the National Bank of Poland, the amount of which at the end of the 1st quarter 2022 amounted to 3.5% of the value of deposits received (compared to 2.0% at the end of 2021 and 0.5% at the end of the 1st quarter 2021).

The arithmetic mean of balances of the mandatory reserve that the Bank is obliged to maintain during a given period in the current account with NBP amounts to:

- PLN 6,029.5 million for the period from 31 March 2022 to 01 May 2022,
- PLN 3,370.1 million for the period from 31 December 2021 to 30 January 2022,
- PLN 780.5 million for the period from 31 March 2021 to 29 April 2021.

7.10. Loans and other receivables to other banks

as at	31 Mar 2022	31 Dec 2021	31 Mar 2021
Current accounts	116.8	95.0	835.3
Interbank deposits	349.9	125.2	0.0
Loans and advances	303.8	302.1	270.2
Placed call deposits	302.2	182.6	160.1
Total (gross)	**1,074.6**	**704.9**	**1,336.6**
Impairment for expected credit losses, including:	-0.2	-0.1	-0.2
concerning loans and advances	-0.2	-0.1	-0.2
Total (net)	**1,074.4**	**704.8**	**1,336.4**

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

as at	31 Mar 2022			31 Dec 2021			31 Mar 2021		
	transferred debt securities*	other financial assets measured at fair value through profit or loss	Total	transferred debt securities*	other financial assets measured at fair value through profit or loss	Total	transferred debt securities*	other financial assets measured at fair value through profit or loss	Total
Financial assets held for trading, including:	**72.3**	**1,423.6**	**1,495.9**	**243.2**	**1,455.1**	**1,698.3**	**0.0**	**1,509.1**	**1,509.1**
valuation of derivatives	-	1,108.4	1,108.4	-	629.3	629.3	-	1,134.3	1,134.3
other financial assets held for trading, including:	72.3	315.2	387.5	243.2	825.8	1,069.0	0.0	374.8	374.8
debt securities:	72.3	131.0	203.3	243.2	301.1	544.3	-	346.2	346.2
Treasury bonds in PLN	72.3	88.7	161.0	243.2	259.2	502.4	-	259.4	259.4
Czech Treasury bonds in CZK	-	41.8	41.8	-	41.4	41.4	-	70.1	70.1
European Investment Bank bonds	-	0.5	0.5	-	0.5	0.5	-	16.7	16.7
repo transactions	-	184.2	184.2	-	524.7	524.7	-	28.6	28.6
Financial assets other than those held for trading, measured at fair value through profit or loss, including:	-	**74.7**	**74.7**	-	**83.2**	**83.2**	-	**101.0**	**101.0**
loans obligatorily measured at fair value through profit or loss	-	72.9	72.9	-	78.4	78.4	-	100.2	100.2
equity instruments	-	1.8	1.8	-	4.8	4.8	-	0.8	0.8
Total	**72.3**	**1,498.3**	**1,570.6**	**243.2**	**1,538.3**	**1,781.5**	**0.0**	**1,610.1**	**1,610.1**

*) Securities that can be pledged or sold by the collateral recipient are presented as transferred debt securities. These assets, as required by IFRS 9, are presented separately by the Group in the consolidated statement of financial position under *Transferred assets*.

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7.12. Investment securities

as at	31 Mar 2022			31 Dec 2021			31 Mar 2021		
	transferred debt securities*	other investment securities	Total	transferred debt securities*	other investment securities	Total	transferred debt securities*	other investment securities	Total
Measured at fair value through other comprehensive income, including:	**6,123.6**	**11,050.3**	**17,173.9**	**1,266.4**	**14,378.9**	**15,645.3**	**3,267.5**	**19,953.4**	**23,220.9**
debt securities, including:	6,123.6	10,882.9	17,006.5	1,266.4	14,211.5	15,477.9	3,267.5	19,795.8	23,063.3
Treasury bonds in PLN	6,123.6	8,533.8	14,657.4	1,266.4	11,765.9	13,032.3	3,267.5	17,184.2	20,451.7
Treasury bonds in EUR	-	983.3	983.3	-	1,022.9	1,022.9	-	1,049.5	1,049.5
European Investment Bank bonds	-	900.6	900.6	-	941.4	941.4	-	1,066.5	1,066.5
Austrian government bonds	-	465.2	465.2	-	481.3	481.3	-	495.6	495.6
equity instruments	-	167.4	167.4	-	167.4	167.4	-	157.6	157.6
Measured at amortised cost, including:	**4,739.9**	**26,262.0**	**31,001.9**	**771.3**	**31,205.5**	**31,976.8**	**339.6**	**34,753.8**	**35,093.4**
debt securities, including:	4,739.9	26,262.0	31,001.9	771.3	31,205.5	31,976.8	339.6	34,753.8	35,093.4
Treasury bonds in PLN	4,739.9	10,710.2	15,450.1	771.3	15,311.5	16,082.8	339.6	18,438.2	18,777.8
Treasury bonds in EUR	-	2,949.8	2,949.8	-	4,028.8	4,028.8	-	4,080.7	4,080.7
Bank Gospodarstwa Krajowego bonds	-	2,312.2	2,312.2	-	2,299.8	2,299.8	-	2,114.9	2,114.9
European Investment Bank bonds	-	6,414.7	6,414.7	-	5,695.2	5,695.2	-	6,186.0	6,186.0
Bonds of the Polish Development Fund (PFR)	-	3,865.1	3,865.1	-	3,855.2	3,855.2	-	3,864.0	3,864.0
NBP money market bills	-	10.0	10.0	-	15.0	15.0	-	70.0	70.0
Total, of which;	**10,863.5**	**37,312.3**	**48,175.8**	**2,037.7**	**45,584.4**	**47,622.1**	**3,607.1**	**54,707.2**	**58,314.3**
total debt securities	10,863.5	37,144.9	48,008.4	2,037.7	45,417.0	47,454.7	3,607.1	54,549.6	58,156.7
total equity instruments	-	167.4	167.4	-	167.4	167.4	-	157.6	157.6

*) Securities that can be pledged or sold by the collateral recipient are presented as transferred debt securities. These assets, as required by IFRS 9, are presented separately by the Group in the consolidated statement of financial position under *Transferred assets*.

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

as at	31 Mar 2022			31 Dec 2021			31 Mar 2021		
	gross	impairment for expected credit loss	**net**	gross	impairment for expected credit loss	**net**	gross	impairment for expected credit loss	**net**
Loan portfolio, of which:	**150,023.3**	**-2,992.4**	**147,030.9**	**146,400.3**	**-3,113.6**	**143,286.7**	**130,904.3**	**-3,390.0**	**127,514.3**
Corporate banking	**83,155.1**	**-1,982.3**	**81,172.8**	**79,914.5**	**-2,158.2**	**77,756.3**	**72,299.0**	**-2,235.1**	**70,063.9**
loans in the current account	9,823.1	-429.2	9,393.9	12,408.6	-560.0	11,848.6	10,892.0	-564.7	10,327.3
term loans and advances	52,001.3	-1,408.2	50,593.1	46,117.3	-1,441.7	44,675.6	43,293.6	-1,476.9	41,816.7
lease receivables	11,571.9	-87.1	11,484.8	11,180.0	-90.0	11,090.0	10,154.0	-129.6	10,024.4
factoring receivables	6,534.9	-57.3	6,477.6	6,890.0	-66.2	6,823.8	5,118.2	-63.6	5,054.6
debt securities (corporate and municipal)	3,223.9	-0.5	3,223.4	3,318.6	-0.3	3,318.3	2,841.2	-0.3	2,840.9
Retail banking	**66,868.2**	**-1,010.1**	**65,858.1**	**66,485.8**	**-955.4**	**65,530.4**	**58,605.3**	**-1,154.9**	**57,450.4**
mortgages	57,860.9	-203.5	57,657.4	57,410.2	-217.9	57,192.3	50,406.0	-289.2	50,116.8
loans in the current account	682.2	-60.3	621.9	685.9	-54.0	631.9	647.1	-64.1	583.0
other loans and advances	8,325.1	-746.3	7,578.8	8,389.7	-683.5	7,706.2	7,552.2	-801.6	6,750.6
Other receivables, of which:	**2,678.8**	**0.0**	**2,678.8**	**3,249.3**	**0.0**	**3,249.3**	**1,938.9**	**0.0**	**1,938.9**
call deposits placed	1,861.7	0.0	1,861.7	2,531.5	0.0	2,531.5	1,325.0	0.0	1,325.0
other	817.1	0.0	817.1	717.8	0.0	717.8	613.9	0.0	613.9
Total	**152,702.1**	**-2,992.4**	**149,709.7**	**149,649.6**	**-3,113.6**	**146,536.0**	**132,843.2**	**-3,390.0**	**129,453.2**

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Quality of loan portfolio

as at	31 Mar 2022			31 Dec 2021			31 Mar 2021		
	gross	impairment for expected credit loss	**net**	gross	impairment for expected credit loss	**net**	gross	impairment for expected credit loss	**net**
Corporate banking	**83,155.1**	**-1,982.3**	**81,172.8**	**79,914.5**	**-2,158.2**	**77,756.3**	**72,299.0**	**-2,235.1**	**70,063.9**
assets in stage 1	73,473.0	-139.6	73,333.4	70,654.1	-168.7	70,485.4	62,437.1	-193.5	62,243.6
assets in stage 2	7,125.2	-251.7	6,873.5	6,466.2	-218.4	6,247.8	6,814.8	-244.0	6,570.8
assets in stage 3	2,505.0	-1,591.0	914.0	2,743.1	-1,771.1	972.0	3,045.5	-1,797.6	1,247.9
POCI assets	51.9	0.0	51.9	51.1	0.0	51.1	1.6	0.0	1.6
Retail banking	**66,868.2**	**-1,010.1**	**65,858.1**	**66,485.8**	**-955.4**	**65,530.4**	**58,605.3**	**-1,154.9**	**57,450.4**
assets in stage 1	64,434.6	-122.0	64,312.6	64,102.6	-107.0	63,995.6	55,449.2	-144.4	55,304.8
assets in stage 2	1,450.9	-192.0	1,258.9	1,370.8	-139.4	1,231.4	1,979.7	-172.5	1,807.2
assets in stage 3	980.5	-696.1	284.4	1,010.2	-709.0	301.2	1,174.3	-838.0	336.3
POCI assets	2.2	0.0	2.2	2.2	0.0	2.2	2.1	0.0	2.1
Total, of which:	**150,023.3**	**-2,992.4**	**147,030.9**	**146,400.3**	**-3,113.6**	**143,286.7**	**130,904.3**	**-3,390.0**	**127,514.3**
assets in stage 1	137,907.6	-261.6	137,646.0	134,756.7	-275.7	134,481.0	117,886.3	-337.9	117,548.4
assets in stage 2	8,576.1	-443.7	8,132.4	7,837.0	-357.8	7,479.2	8,794.5	-416.5	8,378.0
assets in stage 3	3,485.5	-2,287.1	1,198.4	3,753.3	-2,480.1	1,273.2	4,219.8	-2,635.6	1,584.2
POCI assets	54.1	0.0	54.1	53.3	0.0	53.3	3.7	0.0	3.7

The Group identifies POCI financial assets whose carrying value as at 31 March 2022 is PLN 54.1 million (PLN 53.3 million as at 31 December 2021 and PLN 3.7 million as at 31 March 2021). 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 or lease commitment and re-recognition of the asset in the statement of financial position. The increase in the balance of POCI in December 2021 results from the recognition as POCI of a receivable arising from the sale of the restructured property resulting from a lease agreement with deferred part of the payment.

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Changes in impairment for expected credit losses

	1 quarter 2022 the period from 01 Jan 2022 o 31 Mar 2022				1 quarter 2021 the period from 01 Jan 2021 o 31 Mar 2021			
	Stage 1	Stage 2	Stage 3	**Total**	Stage 1	Stage 2	Stage 3	**Total**
Opening balance	**275.7**	**357.8**	**2,480.1**	**3,113.6**	**342.3**	**409.5**	**2,518.5**	**3,270.3**
Changes in the period, including:	**-14.1**	**85.9**	**-193.0**	**-121.2**	**-4.4**	**7.0**	**117.1**	**119.7**
loans granted in the period	33.6	-	-	**33.6**	44.2	-	-	**44.2**
transfer to Stage 1	6.6	-43.8	-9.3	**-46.5**	15.8	-62.8	-4.1	**-51.1**
transfer to Stage 2	-15.3	123.5	-51.3	**56.9**	-15.9	102.8	-14.1	**72.8**
transfer to Stage 3	-1.5	-23.6	108.3	**83.2**	-2.2	-34.9	172.0	**134.9**
repayment (total and partial) and the release of new tranches	1.9	-17.4	-71.3	**-86.8**	-6.9	-12.5	-101.2	**-120.6**
changed provisioning under impairment for expected credit losses	-39.8	46.5	78.4	**85.1**	-37.2	14.0	91.0	**67.8**
Total impairment for expected credit losses in the profit and loss account	**-14.5**	**85.2**	**54.8**	**125.5**	**-2.2**	**6.6**	**143.6**	**148.0**
derecognition from the balance sheet (write-downs, sale)	-	-	-215.2	**-215.2**	-	-	-35.3	**-35.3**
calculation and write-off of effective interest	-	-	-34.9	**-34.9**	-	-	11.5	**11.5**
other	0.4	0.7	2.3	**3.4**	-2.2	0.4	-2.7	**-4.5**
Closing balance	**261.6**	**443.7**	**2,287.1**	**2,992.4**	**337.9**	**416.5**	**2,635.6**	**3,390.0**

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7.14. Debt securities

as at	31 Mar 2022	31 Dec 2021	31 Mar 2021
Measured at fair value through profit or loss (Note 7.11)	**203.3**	**544.3**	**346.2**
transferred assets in accordance with IFRS 9.3.2.23(a)	72.3	243.2	0.0
other	131.0	301.1	346.2
Measured at fair value through other comprehensive income in the investment securities portfolio (Note 7.12)	**17,006.5**	**15,477.9**	**23,063.3**
transferred assets in accordance with IFRS 9.3.2.23(a)	6,123.6	1,266.4	3,267.5
other	10,882.9	14,211.5	19,795.8
Measured at amortised cost in the investment securities portfolio (Note 7.12)	**31,001.9**	**31,976.8**	**35,093.4**
transferred assets in accordance with IFRS 9.3.2.23(a)	4,739.9	771.3	339.6
other	26,262.0	31,205.5	34,753.8
Measured at amortised cost in the loans and other receivables to customers portfolio (Note 7.13)	**3,223.4**	**3,318.3**	**2,840.9**
other	3,223.4	3,318.3	2,840.9
Total, of which:	**51,435.1**	**51,317.3**	**61,343.8**
transferred assets in accordance with IFRS 9.3.2.23(a)	10,935.8	2,280.9	3,607.1
other	40,499.3	49,036.4	57,736.7

The Group presents separately in the consolidated statement of financial position, assets securing liabilities that can be pledged or resold by the collateral recipient (transferred assets). IFRS 9.3.2.23(a) requires these assets to be segregated and presented separately from other assets in the statement of financial position. These assets are measured at fair value through profit or loss, at fair value through other comprehensive income or at amortised cost.

7.15. Income tax assets and liabilities

as at	31 Mar 2022	31 Dec 2021	31 Mar 2021
Assets			
Current income tax assets	825.2	734.5	2.2
Deferred tax assets	1,693.8	1,245.0	558.1
Liabilities			
Current income tax liabilities	5.3	3.9	200.0

For 2021, the Bank used a simplified form of paying advances for corporate income tax. For the year 2021, the Bank recorded a tax loss and therefore, due to the simplified form of paying advances for income tax, the paid advances constitute the Bank's receivable from the Tax Office. The increase in current income tax receivables in the 1st quarter of 2022 results mainly from the recognition of the advance payment for December 2021 (paid in January 2022).

The Group recognises a deferred tax asset for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and tax losses can be recovered. As at 31 March 2022, the deferred tax asset relating to unused tax losses amounted to PLN 965.6 million (PLN 544.5 million at the end of 2021). This increase is mainly due to the daily cash settlements of negative changes in the fair value of derivatives used in cash flow hedge accounting. Changes in the fair value of these instruments are recognized in other comprehensive income and for tax purposes are treated as effective settlement of derivative instruments, which means that in the case of negative cash flows, in accordance with Polish corporate income tax regulations, settlement of the derivative results in the recognition of the cost of tax. Pursuant to Polish corporate income tax regulations, the tax loss may be settled over the next 5 years. The amount of the loss settled in a given tax year may not exceed 50% of the total loss amount. Based on the forecasts of the tax result, the Bank assumes the settlement of the loss in 2023-2024.

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7.16. Liabilities to other banks

as at	31 Mar 2022	31 Dec 2021	31 Mar 2021
Current accounts	775.1	413.4	299.6
Interbank deposits	4,115.1	3,507.1	4,280.6
Loans received*	4,047.4	3,871.7	3,559.9
Repo transactions	7,383.7	1,991.4	1,579.8
Received call deposits	139.1	242.2	542.4
Other liabilities	31.4	25.2	71.5
Total	**16,491.8**	**10,051.0**	**10,333.8**

*) The financing of the long-term lease 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.

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

as at	31 Mar 2022	31 Dec 2021	31 Mar 2021
Valuation of derivatives	1,563.2	949.0	1,166.3
Other financial liabilities measured at fair value through profit or loss, including:	231.2	730.6	28.0
book short position in trading securities	158.8	486.2	28.0
financial liabilities held for trading, including:	72.4	244.4	0.0
repo transactions	72.4	244.4	0.0
Total	**1,794.4**	**1,679.6**	**1,194.3**

7.18. Liabilities to customers

as at	31 Mar 2022	31 Dec 2021	31 Mar 2021
Deposits, including:	**169,241.5**	**168,458.5**	**154,959.7**
Corporate banking	**71,493.8**	**69,029.9**	**60,604.9**
current deposits	55,030.2	55,776.1	46,913.0
saving deposits	12,298.6	12,462.4	13,033.6
term deposits	4,165.0	791.4	658.3
Retail banking	**97,747.7**	**99,428.6**	**94,354.8**
current deposits	29,396.7	28,641.5	24,598.2
saving deposits	66,712.8	69,286.6	68,183.8
term deposits	1,638.2	1,500.5	1,572.8
Other liabilities, including:	**5,420.4**	**2,151.4**	**3,971.4**
liabilities under monetary hedges	512.3	476.3	574.1
repo transactions	3,090.2	0.0	2,034.7
call deposits	15.6	12.5	16.6
other liabilities	1,802.3	1,662.6	1,346.0
Total	**174,661.9**	**170,609.9**	**158,931.1**

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7.19. Provisions

as at	31 Mar 2022	31 Dec 2021	31 Mar 2021
Provision for off-balance sheet liabilities	99.6	78.6	71.0
Provision for retirement benefits	75.1	73.9	64.4
Provision for disputes	40.8	42.4	25.1
Provision for restructuring	63.2	67.6	46.4
Provision for legal risk of FX mortgage loans *	36.8	37.6	11.2
Other provisions	34.7	36.8	22.0
Total	**350.2**	**336.9**	**240.1**

*) The figures present the provision relating to CHF-indexed mortgages derecognised from the statement of financial position. With respect to CHF-indexed mortgage loans recognised in the statement of financial position, the Group estimates the adjustment to the gross carrying amount and recognises it in the consolidated statement of financial position, under Loans and other receivables to customers measured at amortised cost.

Detailed information on provisions for disputes, other provisions as well as the risk related to the portfolio of loans indexed to the CHF can be found further in the financial statements in point 13. *Settlements due to disputes and other provisions*.

7.20. Other liabilities

as at	31 Mar 2022	31 Dec 2021	31 Mar 2021
Accruals, including:	**1,028.0**	**889.9**	**822.3**
due to employee benefits	177.0	348.0	173.1
due to commissions	243.3	180.9	214.8
due to general and administrative expenses	434.9	361.0	301.8
liabilities due to the obligatory annual contribution to the BFG resolution fund	172.8	0.0	132.6
Other liabilities, including:	**2,192.2**	**1,733.5**	**2,061.4**
lease liabilities	414.8	335.6	381.3
interbank settlements	987.1	709.1	1,115.9
settlements with suppliers	113.7	123.4	135.5
public and legal settlements	129.4	121.4	103.4
liability to pay to the BFG guarantee fund	171.6	155.5	130.1
liability to pay to the BFG resolution fund	148.0	148.0	109.6
other	227.6	140.5	85.6
Total	**3,220.2**	**2,623.4**	**2,883.7**

7.21. Fair value

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

In 2022, there were no transfers between the measurement levels, as in 2021.

The table below presents the balance-sheet figures for financial assets and liabilities per individual measurement levels.

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as at **31 Mar 2022**

	Level 1	Level 2	Level 3	Total
Financial assets, including:	**17,211.5**	**1,616.0**	**240.4**	**19,067.9**
Valuation of derivatives	-	1,108.4	-	1,108.4
Financial assets held for trading, including:	**131.0**	**184.2**	-	**315.2**
debt securities, including:	131.0	0.0	-	131.0
treasury bonds in PLN	88.7	-	-	88.7
Czech Treasury bonds in CZK	41.8	-	-	41.8
European Investment Bank bonds	0.5	-	-	0.5
repo transactions	-	184.2	-	184.2
Financial assets other than those held for trading, measured at fair value through profit or loss, including:	**1.7**	-	**73.0**	**74.7**
loans are obligatorily measured at fair value through profit or loss	-	-	72.9	72.9
equity instruments	1.7	-	0.1	1.8
Derivative hedge instruments	-	**323.4**	-	**323.4**
Financial assets measured at fair value through other comprehensive income, including:	**10,882.9**	-	**167.4**	**11,050.3**
debt securities, including:	10,882.9	-	-	10,882.9
treasury bonds in PLN	8,533.8	-	-	8,533.8
treasury bonds in EUR	983.3	-	-	983.3
European Investment Bank bonds	900.6	-	-	900.6
Austrian government bonds	465.2	-	-	465.2
equity instruments	-	-	167.4	167.4
Transferred assets, including:	**6,195.9**	-	-	**6,195.9**
treasury bonds in PLN from portfolio of financial assets measured at fair value through profit or loss	72.3	-	-	72.3
treasury bonds in PLN from portfolio of financial assets measured at fair value through other comprehensive income	6,123.6	-	-	6,123.6

	Level 1	Level 2	Level 3	Total
Financial liabilities, including:	**158.8**	**1,998.1**	**0.0**	**2,156.9**
Valuation of derivatives	-	**1,563.2**	-	**1,563.2**
Other financial liabilities measured at fair value through profit or loss, including:	**158.8**	**72.4**	-	**231.2**
book short position in trading securities	158.8	-	-	158.8
financial liabilities held for trading, including:	-	72.4	-	72.4
repo transactions	-	72.4	-	72.4
Derivative hedge instruments	-	**362.5**	-	**362.5**

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as at **31 Dec 2021**

	Level 1	Level 2	Level 3	Total
Financial assets, including:	**16,026.9**	**1,404.4**	**245.9**	**17,677.2**
Valuation of derivatives	-	**629.3**	-	**629.3**
Financial assets held for trading, including:	**301.1**	**524.7**	-	**825.8**
debt securities, including:	301.1	0.0	-	301.1
treasury bonds in PLN	259.2	-	-	259.2
Czech Treasury bonds in CZK	41.4	-	-	,
European Investment Bank bonds	0.5	-	-	0.5
repo transactions	-	524.7	-	524.7
Financial assets other than those held for trading, measured at fair value through profit or loss, including:	**4.7**	-	**78.5**	**83.2**
loans are obligatorily measured at fair value through profit or loss	-	-	78.4	78.4
equity instruments	4.7	-	0.1	4.8
Derivative hedge instruments	-	**250.4**	-	**250.4**
Financial assets measured at fair value through other comprehensive income, including:	**14,211.5**	-	**167.4**	**14,378.9**
debt securities, including:	14,211.5	-	-	14,211.5
treasury bonds in PLN	11,765.9	-	-	11,765.9
treasury bonds in EUR	1,022.9	-	-	1,022.9
European Investment Bank bonds	941.4	-	-	941.4
Austrian government bonds	481.3	-	-	481.3
equity instruments	-	-	167.4	167.4
Transferred assets, including:	**1,509.6**	-	-	**1,509.6**
treasury bonds in PLN from portfolio of financial assets measured at fair value through profit or loss	243.2	-	-	243.2
treasury bonds in PLN from portfolio of financial assets measured at fair value through other comprehensive income	1,266.4	-	-	1,266.4

	Level 1	Level 2	Level 3	Total
Financial liabilities, including:	**486.2**	**1,428.8**	**0.0**	**1,915.0**
Valuation of derivatives	-	**949.0**	-	**949.0**
Other financial liabilities measured at fair value through profit or loss, including:	**486.2**	**244.4**	-	**730.6**
book short position in trading securities	486.2	-	-	486.2
financial liabilities held for trading, including:	-	244.4	-	244.4
repo transactions	-	244.4	-	244.4
Derivative hedge instruments	-	**235.4**	-	**235.4**

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In the 1st quarter of 2022, the valuation techniques for Level 1 and 2 valuation did not change.

The financial assets classified to measurement level 3 as at 31 March 2022 and 31 December 2021 include unquoted equity instruments and loans which did not meet the SPPI criterion as per IFRS 9

Equity instruments

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 quarter 2022 and at the end of year 2021, it was in the range of 9.1%-11.1%, depending on the company, compared to 7.7%-13.5% at the end of March 2021. The fair value measurement of unlisted equity interests in other companies as at 31 March 2022 and 31 December 2021 included the following entities: Biuro Informacji Kredytowej S.A., Krajowa Izba Rozliczeniowa S.A. and Polski Standard Płatności sp. z o.o. As at 31 March 2021 this valuation included, in addition to the entities mentioned, also Twisto Polska sp. z o.o.

Loans

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 31 March 2022.

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

as at **31 Mar 2022**

	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Investment securities at amortised cost	**26,262.0**	**19,097.7**	**4,940.1**	**0.0**	**24,037.8**
treasury bonds in PLN	10,710.2	9,809.8	-	-	9,809.8
treasury bonds in EUR	2,949.8	2,829.9	-	-	2,829.9
Bank Gospodarstwa Krajowego bonds	2,312.2	502.1	1,591.6	-	2,093.7
European Investment Bank bonds	6,414.7	5,955.9	-	-	5,955.9
bonds of the Polish Development Fund (PFR)	3,865.1	-	3,338.5	-	3,338.5
NBP money market bills	10.0		10.0	-	10.0
Loans and receivables to customers at amortised cost, including:	**149,709.7**	**0.0**	**0.0**	**149,076.9**	**149,076.9**
Corporate banking segment, including:	81,172.8	0.0	0.0	81,199.5	81,199.5
loans and advances (in the current account and term ones)	59,987.0	-	-	60,366.3	60,366.3
lease receivables	11,484.8	-	-	11,360.4	11,360.4
factoring receivables	6,477.6	-	-	6,477.6	6,477.6
corporate and municipal debt securities	3,223.4	-	-	2,995.2	2,995.2
Retail banking segment, including:	65,858.1	0.0	0.0	65,198.6	65,198.6
mortgages	57,657.4	-	-	56,631.9	56,631.9
other loans and advances	8,200.7	-	-	8,566.7	8,566.7
Other receivables	2,678.8	-	-	2,678.8	2,678.8
Transferred assets, including:	**4,739.9**	**4,281.1**	-	-	**4,281.1**
treasury bonds in PLN from portfolio of financial assets measured at amortised cost	4,739.9	4,281.1	-	-	4,281.1
Liabilities to customers	**174,661.9**	-	-	**174,658.1**	**174,658.1**
Liabilities from debt securities issued	**398.0**	-	-	**365.0**	**365.0**
Subordinated liabilities	**1,628.9**	-	-	**1,618.1**	**1,618.1**

as at **31 Dec 2021**

	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Investment securities at amortised cost	**31,205.5**	**24,519.3**	**5,251.9**	**0.0**	**29,771.2**
treasury bonds in PLN	15,311.5	14,533.1	-	-	14,533.1
treasury bonds in EUR	4,028.8	4,052.3	-	-	4,052.3
Bank Gospodarstwa Krajowego bonds	2,299.8	502.3	1,679.4	-	2,181.7
European Investment Bank bonds	5,695.2	5,431.7	-	-	5,431.7
bonds of the Polish Development Fund (PFR)	3,855.2	-	3,557.5	-	3,557.5
NBP money market bills	15.0	-	15.0	-	15.0
Loans and receivables to customers at amortised cost, including:	**146,536.0**	**0.0**	**0.0**	**146,008.6**	**146,008.6**
Corporate banking segment, including:	77,756.3	0.0	0.0	78,216.9	78,216.9
loans and advances (in the current account and term ones)	56,524.2	-	-	57,056.2	57,056.2
lease receivables	11,090.0	-	-	11,275.0	11,275.0
factoring receivables	6,823.8	-	-	6,823.8	6,823.8
corporate and municipal debt securities	3,318.3	-	-	3,061.9	3,061.9
Retail banking segment, including:	65,530.4	0.0	0.0	64,542.4	64,542.4
mortgages	57,192.3	-	-	55,756.7	55,756.7
other loans and advances	8,338.1	-	-	8,785.7	8,785.7
Other receivables	3,249.3	-	-	3,249.3	3,249.3
Transferred assets, including:	**771.3**	**710.1**	-	-	**710.1**
treasury bonds in PLN from portfolio of financial assets measured at amortised cost	771.3	710.1	-	-	710.1
Liabilities to customers	**170,609.9**	-	-	**170,609.2**	**170,609.2**
Liabilities from debt securities issued	**972.4**	-	-	**961.6**	**961.6**
Subordinated liabilities	**1,610.3**	-	-	**1,594.7**	**1,594.7**

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8. Total capital ratio

as at	31 Mar 2022	31 Dec 2021	31 Mar 2021
A. Own equity in the statement of financial position, including:	**11,155.8**	**13,531.4**	**17,560.3**
A.I. Own equity included in the own funds calculation	**15,575.8**	**15,836.3**	**15,261.4**
A.II. Own equity excluded from own funds calculation	-4,420.0	-2,304.9	2,298.9
B. Other elements of own funds (decreases and increases), including:	**681.3**	**1,010.3**	**2,007.0**
intangible assets	-453.0	-425.1	-457.5
subordinated liabilities	1,628.4	1,609.8	2,316.7
surplus of provisions over the expected credit losses under the IRB Approach	259.2	111.8	0.0
adjustments during the transition period	243.6	280.5	250.0
value adjustments due to the requirements for prudent valuation	-20.5	-19.1	-26.0
deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-965.7	-544.5	-76.2
shortage of credit risk adjustments versus AIRB expected losses	-8.9	0.0	0.0
coverage shortfall for non-performing exposures	-1.8	-3.1	0.0
Own funds taken into account in total capital ratio calculation (A.I. + B), including:	**16,257.1**	**16,846.6**	**17,268.4**
Core Tier 1 capital	14,369.5	15,125.0	14,951.7
Tier 2 capital	1,887.6	1,721.6	2,316.7
Risk weighted assets, including:	**106,960.6**	**104,950.8**	**91,836.1**
for credit risk	94,907.5	92,533.7	80,858.4
for operational risk	11,163.9	11,163.9	10,209.5
other	889.2	1,253.2	768.2
Total capital requirements	**8,556.8,**	**8,396.1**	**7,347.0**
Total capital ratio (TCR)	**15.20%**	**16.05%**	**18.80%**
minimum required level	11.381%	11.251%	11.002%
surplus TCR ratio over the regulatory requirement (p.p)	3.82	4.80	7.80
Tier 1 ratio (T1)	**13.43%**	**14.41%**	**16.28%**
minimum required level	9.381%	9.251%	9.002%
surplus T1 ratio over the regulatory requirement (p.p)	4.05	5.16	7.28

On 7 April 2022, the General Meeting of the Bank approved the distribution of profit for 2021. Including the net profit generated in 2021 in own funds as at 31 December 2021 resulted in an increase in TCR and Tier1 ratios to 16.05% and 14.41%, respectively, as presented in the table. According to the values presented in the annual consolidated financial statements for 2021, the TCR and Tier1 ratios of the Group as at 31 December 2021 were 15.08% and 13.47%, respectively.

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. Additionally, as at 31 March 2022 and 31 December 2021, the Group temporarily treated unrealized gains and losses measured at fair value through other comprehensive income in accordance with Art. 468 of the CRR Regulation. If the Group does not apply the transitional period for the implementation of IFRS 9 or temporarily treat unrealized gains and losses measured at fair value through other comprehensive income in accordance with Art. 468 of the CRR Regulation, capital ratios as at 31 March 2022 would be as follows:

- 14.99% - the total capital ratio (TCR),
- 13.22% - Tier 1 capital ratio (T1).

For the comparative periods, the level of TCR and T1 ratios would then be 15.82% and 14.16% as at 31 December 2021 and 18.63% and 16.01% as at 31 March 2021, respectively.

9. Factors that may affect the financial results in the following quarters

- Data for Q1 2022 suggest that the euro area economies started the year with strong economic activity, benefiting, inter alia, from loosening sanitary restrictions in Asian economies and easing tensions in global supply chains. Relatively strong economic conditions continued in the initial period of the war in Ukraine, suggesting that at least the first wave of tensions did not have any sharp economic repercussions.
- The war in Ukraine and the related sanctions imposed on Russia and Belarus (and the retaliatory sanctions of these countries), however, mean a collapse in foreign trade with the East. This is underpinned by further sanitary restrictions in major cities in China, which may increase tensions in supply chains. This is likely to have a particularly negative impact on key exporters, such as Germany. In turn, high commodity prices, independence from Russian energy sources, or the upcoming fiscal impulse in Europe, e.g. for armaments or energy transformation, translate into higher inflation in Europe.
- The medium-term economic outlook for the euro area is deteriorating. Much of the sanctions imposed on Russia can be maintained for a long time, making it impossible to rebuild foreign trade with the East. At the same time,

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economies will be forced to bear the high costs of shifting away from Russian energy sources. This process means both higher running costs of raw materials and the need for energy investments.

- This complicates the activities of the European Central Bank, which, on the one hand, observes high inflation for the euro area, and on the other, sees significant threats to GDP growth. In the opinion of the Bank's economists, this means that the ECB will start its cycle of rate hikes at the earliest at the end of this year, and its scale will be significantly smaller than in the case of, for example, the Federal Reserve.
- In the opinion of the Bank's economists, the Polish economy is so far immune to the negative effects of the war in Ukraine. The decline in the automotive industry has so far been offset by energy production and heavy industry. This is confirmed, among others, by data for the first quarter of 2022. However, further negative effects of the war lie ahead. Domestic exporters face a strong risk, both due to the collapse of trade with the East and the secondary effects of the economic slowdown in the Euroland. Strong fiscal stimulation significantly compensates for the decline in Poles' purchasing power.
- However, the first quarter of 2022 is a strong starting point for GDP in 2022 (the Bank's economists estimate the growth in the first quarter of 2022 at around 8% y / y). In the opinion of the Bank's analysts, there are chances for a shallower slowdown than the previous forecasts (3.2% y / y).
- In March 2022, once again the monthly wage growth exceeded the typical seasonal dynamics by as much as 2pp, which, combined with reports from the enterprise sector indicating high wage demands, proves that the wage and price spiral has started. Labor costs are another cost of companies that is growing strongly.
- In March 2022, the manufacturer's PPI inflation rate reached a record level of 20% y / y, according to the Bank's economists, it will take 2-3 quarters to shift costs to CPI, and core inflation will reach 8.5% y / y by the end of 2022.
- Strong retail sales (9.6% y / y in March) are a mixture of two factors: the influx of refugees and the "smoothing out" of consumption by Poles despite inflation. With such strong demand, it is easy for companies to pass on costs. Such a scenario is confirmed by a number of surveys among enterprises.
- Activity data indicate that GDP slowdown in 2023 will be limited, but the risk of persistently high inflation is growing: a new wave of supply shocks is just beginning to translate into PPI, and the labor market is pointing to strong wage demands. This overlaps with the prospect of a large fiscal impulse also in the country. It will include expenditure on armaments and investments in the energy sector, as well as social support for refugees. Moreover, spending on the maintenance of migrants will additionally strengthen the pro-inflationary structure of GDP based on consumption.
- In such environment, in the opinion of the Bank's economists, the NBP should continue to raise interest rates to a level significantly higher than before the pandemic. There is a high risk that inflation expectations have receded, so bringing inflation down to a lower level may require more decisive action on the part of the central bank. Therefore, in the opinion of the Bank's analysts, amidst permanently high inflation and expansionary fiscal policy, the target level of interest rates in Poland is 5-10%. If the restrictiveness of the Monetary Policy Council would be comparable to that of 2010-16 (the former MPC was more restrictive than the current one, but historically still moderate), the target rate in Poland will be around 5.5-6.5% in 2022 and 7, 5% in 2023-24. At the same time, the chances are increasing that the target level of the NBP interest rates will be achieved sooner. The attitude of the NBP contrasts with the policy of the ECB, which will start its rate hikes probably only in the fourth quarter of 2022.
- In the opinion of the Bank's economists, at the end of the year the zloty may return to 4.50 against the euro and below 4.00 against the dollar. Further strengthening of the domestic currency should take place next year. Already in mid-March 2022, the domestic currency began to clearly recover, as the panic related to Russian aggression began to wane.
- The announcement of the Ministry of Finance and the NBP regarding the change in the method of currency exchange and its performance on the market, and not at the NBP, will support the zloty. This means an increase in demand for the zloty when funds from the Reconstruction Fund start flowing in and support for the maintenance of refugees from the EU or the USA.
- In April 2022, the Prime Minister presented a package of government proposals concerning support for borrowers, including the introduction of credit holidays for borrowers in 2022 and 2023, obliging banks to use a loan rate other than WIBOR and the extension of the Borrowers Support Fund. The government also wants to strengthen the resilience of the entire banking sector by establishing an Assistance Fund. The government expects that the cost of the proposed changes should be borne by commercial banks. The Government's proposals require detailed analysis and the development of solutions that, on the one hand, achieved the Government's goal of helping borrowers in a difficult situation, and on the other hand, ensured the stability of the financial sector.
- Foreign currency mortgage loans remain a source of uncertainty. The lack of judgments of the Supreme Court in key cases (including the possibility of demanding remuneration for the use of capital) causes uncertainty as to the decisions of Polish courts in the so-called Swiss franc matters and creates significant legal risk in the banking sector, the materialization of which may result in a temporary decline in banks' ability to finance the development of the Polish economy.

10. Off-balance sheet items

as at	31 Mar 2022	31 Dec 2021	31 Mar 2021
Off-balance sheet liabilities granted	49,171.7	48,693.8	44,385.0
Off-balance sheet liabilities received	19,784.6	21,645.4	12,589.2
Off-balance sheet financial instruments	1,110,194.1	995,590.5	826,117.8
Total off-balance sheet items	**1,179,150.4**	**1,065,929.7**	**883,092.0**

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

Bond Programme

In the 1st quarter of 2022, under the Bond Issue Programme (Bond Programme), a subsidiary of the Group - ING Bank Hipoteczny S.A. - issued another series of bonds with a nominal value of PLN 79 million (i.e. 158 bonds with a nominal value of PLN 500 thousand each) and maturity fixed at 3 months. The bonds were registered with the National Depository for Securities in Warsaw. The entire issue was purchased by an entity from the Bank's Capital Group. In the same period, ING Bank Hipoteczny S.A. redeemed bonds with a total nominal value of PLN 654 million, issued under the Bond Programme in 2021 (including bonds with a value of PLN 79 million, purchased by an entity from the Bank's Capital Group).

In the same period of the previous year, i.e. in the 1st quarter of 2021, ING Bank Hipoteczny S.A. under the Bond Programme, issued one series of bonds with a nominal value of PLN 150 million (ie 300 bonds with a nominal value of PLN 500 thousand each) and maturity fixed at 10 months. In the same period, ING Bank Hipoteczny S.A. redeemed bonds with a total nominal value of PLN 925 million, issued under the Program in 2020.

As at 31 March 2022, the carrying amount of own bonds issued and not redeemed by entities outside the Group was PLN 0 (compared to PLN 575.6 million as at 31 December 2021 and PLN 200.0 million as at 31 March 2021).

Covered Bond Programme

At the end of 2021 and 2020, the Group had liabilities arising from the issue of covered bonds issued as part of the ING Bank Hipoteczny S.A. covered bond issue programme established in 2019 (Covered Bond Programme). The purpose of establishing the Programme 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 31 March 2022, the carrying amount of liabilities due to the issue of covered bonds was PLN 398.0 million (compared to PLN 396.8 million as at 31 December 2021 and PLN 400.3 million as at 31 March 2021).

12. Dividends paid

On 7 April 2022, the Ordinary General Meeting of the Bank adopted a resolution on the payment of dividends from the profit for 2021. Pursuant to this resolution, on 4 May 2022, the Bank paid a dividend in the total amount of PLN 689.5, i.e. in the amount of PLN 5.30 gross per share.

On 29 November 2021, the Extraordinary General Meeting adopted a resolution on the payment of dividends from the profit for 2020. Pursuant to this resolution, on 10 December 2021, the Bank paid a dividend in the total amount of PLN 663.5 million, i.e. in the amount of PLN 5.10 gross per share.

13. Settlements due to disputes and other provisions

The values of the provisions created by the Group are presented in note 7.19. *Provisions*.

Provision for disputes

The value of proceedings regarding liabilities or receivables pending in the 1st quarter of 2022 did not exceed 10% of the Group's equity. In the Group's opinion, none of the individual proceedings pending in the 1st quarter of 2022 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.

	1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021
Opening balance	**42.4**	**21.4**
Changes during the period, including:	-1.6	**3.7**
provisions recognised	1.9	3.8
provisions reversed	-0.1	-0.1
provisions utilised	-3.4	-
Closing balance	**40.8**	**25.1**

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Legal risk related to the portfolio of loans indexed to CHF

The Group has receivables due to retail mortgage loans indexed with the CHF exchange rate. The table presents the number and individual elements of the gross and net balance sheet value of these receivables.

as at	31 Mar 2022	31 Dec 2021	31 Mar 2021
number of contracts (in pieces)	3,753	3,920	4,232
capital balance	795.4	825.9	876.3
the amount of the adjustment to the gross carrying amount	-341.4	-345.6	-305.1
other elements of the gross carrying amount (interest, ESP)	2.1	2.2	2.3
gross balance sheet value	**456.1**	**482.5**	**573.5**
impairment for expected credit losses	-16.9	-13.7	-27.2
net balance sheet value	**439.2**	**468.8**	**546.3**

Additionally, for financial assets related to CHF indexed mortgage loans removed from the statement of financial position, a provision of PLN 36.8 million was recognized as at 31 March 2022 (PLN 37.6 million as at 31 December 2021 and PLN 11.2 million as at 31 March 2021). Provision for legal risk of CHF indexed mortgage loans relating to repaid loans is presented in liabilities under *Provisions* (supplementary note 7.19).

As at 31 March 2022, 844 court cases were pending against the Bank in connection with the concluded CHF-indexed loan agreements (compared to 755 cases as at 31 December 2021 and 514 cases as at 31 March 2021).
As at 31 March 2022, the outstanding principal of the loans concerned by the proceedings in question amounted to PLN 216.9 million (PLN 197.8 million as at December 31, 2021 and PLN 140.6 million as at March 31, 2021).

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.

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?

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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 monitors 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 7 May 2021, the Supreme Court adopted a resolution by a panel of seven judges of the Supreme Court addressing the issues presented by the Financial Ombudsman, i.e. the parties' settlements in the event of the invalidity or failure of an index-linked or denominated loan agreement. The Supreme Court confirmed the position expressed in its resolution of 16 February 2021 (III CZP 11/20) that, if an agreement is invalid, each party is entitled to a claim for the return of the benefit provided by that party (the so-called two-condition theory). The Supreme Court did not prejudge that every indexed or denominated loan agreement should be invalidated. A finding that a contractual provision is abusive should, in principle, result in national courts applying solutions that redress the balance. According to the Supreme Court, an agreement should be considered definitively ineffective if the consumer – duly informed of the consequences – does not agree to be bound by the provision deemed abusive.

On 18 November 2021, the Court of Justice of the EU issued a judgment in the RBI case C-212/20 on mortgage loan indexed to foreign currency.

The referring court put two questions to the CJEU:

- question 1 concerned whether a spreads clause must be written in such a way that the client can calculate for himself/herself what rate should be applied or whether, given the nature of the agreement and its length, it could be written in a more general way, namely referring to the market level of the foreign currency;
- question 2 concerned whether, if it could be a market rate, this contractual provision could be interpreted – on the basis of Article 65 of the Civil Code. – that the parties have agreed on a market rate.

CJEU replies:

- answer to question 1 – the wording of a clause in a loan agreement between an entrepreneur and a consumer which fixes the sale and purchase price of a foreign currency to which the loan is indexed must, on the basis of clear and comprehensible criteria, enable a reasonably well-informed and reasonably observant and circumspect consumer to understand how the exchange rate applicable to the foreign currency used for the calculation of the amount of the loan instalments will be determined, in such a way that the consumer is able at any time to determine the exchange rate applied by the entrepreneur himself/herself
- answer to question 2 – a national court which has found a term in an agreement between an entrepreneur and a consumer to be unfair may not interpret that term (i.e. apply Article 65 of the Civil Code) in order to mitigate its unfairness, even if that interpretation reflects the common intention of the parties (in the case in question, it was assumed that a market rate would apply instead of the "free" rate).

This judgment contains both positive and negative theses for banks. In particular, it confirms that, when assessing clauses, account should be taken of the state of information available to the entrepreneur at the time of the conclusion of the agreement with the consumer (implicitly, the entrepreneur cannot be accused of not having said something of which he or she was not aware). Furthermore, the CJEU refers to the National Bank of Poland's exchange rate as that rate which is objectively determined.

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

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 agreement 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 is reflected 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.

On 28 April 2022, the Supreme Court issued a resolution in the case of Syg, III CZP 40/22, in which it stated that provisions in which the lender is authorized to unilaterally determine the exchange rate of the currency appropriate to calculate the amount obligations of the borrower and determination of the amount of loan installments, if the content of the legal relationship does not indicate objective and verifiable criteria for determining this rate. Such provisions, if they meet the criteria for recognizing them as illegal contractual provisions, are not invalid, but do not bind the consumer within the meaning of Art. 385 (1) of the Civil Code. The impact of the above-mentioned resolutions for court proceedings. Full analysis will be possible after the publication of the justification for the resolution in question.

In light of the case law to date on so-called "franc" cases, it cannot be entirely ruled out that a dispute with a bank client involving the bank's obligation to reimburse spreads charged by the bank will be settled. It should be borne in mind that this case law is not yet fully established, there are still many issues to be settled. Although rulings declaring such loan agreements invalid currently prevail, in the Bank's view, such a solution is still likely to occur in the next few years. This is confirmed by the CJEU's judgment of 29 April 2021 in case C-19/20, in which the Court, in response to a question from a Polish court, expressly allowed the possibility for a national court to remove from an agreement only provisions concerning the bank's margin (spread), while maintaining indexation of the loan to a foreign currency. Furthermore, according to the CJEU judgment of 2 September 2021 in Case C-932/19 (the so-called Hungarian case), it is for the national court to assess whether the national legislation allows the agreement to be maintained after the term concerning exchange rate differences that has been declared abusive has been eliminated from the agreement. Therefore, this possibility cannot be excluded a priori under Polish law.

Settlement programme

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.

From 25 October 2021, it offers the possibility of converting a CHF-indexed mortgage loan into a PLN loan as if it had been granted in the Polish currency from the moment it was taken out. To this end, the Bank has made it possible for clients to apply for mediation through the Mediation Centre of the Arbitration Court of the Polish Financial Supervision Authority.

The mediation process is available to clients who have a housing mortgage loan or a housing construction and mortgage loan indexed to CHF exchange rate with the Bank for their own housing purposes, excluding mortgage loans and the above loans where one of the purposes of the loan was the consolidation of non-housing liabilities. A mediation agreement can only be signed for one of client's active housing loans.

The loan will be recalculated from the date of its disbursement, assuming that it was a loan granted in Polish zloty from the beginning. The conversion will take place on the terms and conditions presented by the Chairman of the Polish Financial Supervision Authority. The detailed rules for the settlement of the loan and the determination of the type of interest rate for the future (periodically fixed or variable) will be the subject of arrangements in the mediation process before the PFSA.

From the moment the settlement programme was launched until the end of 1st quarter 2022 clients filed 834 settlement applications and the Bank concluded 245 agreements under the programme.

Other provisions

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). Discussion on the interpretation of Art. 49 UKK started 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 the Office of Competition and Consumer Protection (UOKiK) presented his position in which he fully shared the findings of the CJEU judgment.

In connection with the judgment of the CJEU of 11 September 2019 and the statement of UOKiK 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.

The amount of the provision for returns made on the complaint path in 2019 was PLN 17.1 million. As at 31 March 2022, the value of the provision was PLN 7.1 million (PLN 7.4 million as at 31 December 2021 and PLN 8.3 million as at 31 March 2021). As at 31 March 2022, there was no change in the estimates with regard to the commission returns realized on the complaint path.

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. The Bank provided the requested information to the Office of Competition and Consumer Protection by letter of 29 October 2019. 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 replied with a letter of 3 January 2020.

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:

1) 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,
2) 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,
3) 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.

In the letter of 13 May 2021, the Office for Competition and Consumer Protection notified the Bank that the collection of evidence had been completed. The Office for Competition and Consumer Protection decided to extend the deadline for the completion of the proceedings until 31 August 2022.

As at 31 March 2022, the Group has not identified any rationale for making 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. 27 kwietnia 2021 roku akta głównej sprawy dotyczącej opłaty interchange zostały przekazane do SOKiK. On 27 April 2021, the files of the main interchange fee case were submitted 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 31 March 2022, the value of the provision was PLN 14.1 million.

PFSA proceedings

- On 12 October 2018, the Polish Financial Supervision Authority imposed a fine on the Bank in the amount of PLN 500 thousand, pursuant to Art. 232 sec. 1 of the Act on Investment Funds and Alternative Investment Funds Management, in the wording before the amendment made by the Act of 31 March 2016, in connection with the breach of depository's obligations set out in Art. 72 of the Act in connection with the Bank acting as the depositary of the Inventum Premium SFIO and Inventum Parasol FIO funds with separate sub-funds.

  In the course of reconsidering the case, the PFSA confirmed the violations and did not identify any circumstances that would justify reducing the fine.

  In connection with the proceedings, a provision in the amount of PLN 0.5 million was created in December 2018. The Bank paid the imposed fine in the third quarter of 2020. On 1 October 2020, the Bank appealed against the said decision to the Provincial Administrative Court. In the judgment of 7 April 2021, the Provincial Administrative Court overruled the decision of 12 October 2018 and the decision of the Polish Financial Supervision Authority of 12 August 2020 upholding this decision.

  The PFSA filed a complaint with the Supreme Administrative Court on 27 July 2021. On 25 August 2021, the Bank responded to the complaint. The date of the hearing before the Supreme Administrative Court has not been set.

- On 17 June 2020 by a decision delivered on 1 July 2020, the Polish Financial Supervision Authority (KNF) initiated administrative proceedings to impose a penalty on ING Bank Śląski S.A, in connection with suspicion of breach of depositary duties defined in art. 72 of the Act on investment funds and management of alternative investment funds in connection with the Bank's function of depositary of the fund Trigon Polskie Perły FIZ, Opera MP FIZ, Opera SFIO Subfundsz Alfa-plus, Trigon Profit XX NS FIZ, Trigon Profit XXI NS FIZ, Trigon Profit XXII NS FIZ , Trigon Profit XXIII NS FIZ, Trigon Profit XXIV NS FIZ and Altus Absolutnej Stopy Zwrotu FIZ Rynku Polskiego 2 and Article 9() of the above mentioned Act. The proceedings ended on 17 December 2021 with the issuance of a Decision under which the PFSA imposed an administrative penalty of PLN 4.3 million (in total) on the Bank for breach of:

  1) Article 72(1)(7) in connection with Article 72(3) of the Act on Investment Funds and Alternative Investment Fund Management for failing to exercise ongoing control over factual and legal operations carried out by the Trigon Profit Funds and the Opera MP Closed-end Investment Fund and the Opera Alfa-plus.pl sub-fund separated within the Opera Specjalistyczny Open-End Investment Fund in relation to valuation of shares of Kancelaria Medius SA, Centrum Finansowe SA, SkyCash Poland SA and shares of Re Development SA, as well as valuation of debt portfolios,
  2) Article 9(2) of the Investment Funds Act in connection with the performance of the depositary's duties in an unreliable manner and without exercising the utmost care required in connection with the professional nature of its activities.

  The Bank has applied to the PFSA for reconsideration. Until the date of publication of these financial statements, the Bank has not received information from the Polish Financial Supervision Authority about upholding or revoking / amending the above-mentioned Decision. As at 31 March 2022 the Bank maintained a provision of PLN 4.3 million on this account.

- On 8 June 2021, the Bank received a notice from the Polish Financial Supervision Authority (PFSA) on the initiation of ex officio administrative proceedings for the imposition of an administrative penalty in connection with suspected breaches identified as a result of an audit conducted from 20 to 24 May 2019 in the area of anti-money laundering and terrorist financing.

  On 20 January 2022, the Bank received a decision under which the PFSA imposed an administrative penalty of PLN 3.0 million on the Bank for breaches relating to:

  1) incorrect application of financial security measures involving the ongoing monitoring of the client's business relations,
  2) a failure to apply, and adequately intensify, financial security measures on an ongoing basis where there is a higher risk of money laundering or terrorist financing,
  3) lack of documentation on the financial security measures applied to investigate the source of funds and assets of Private Banking segment clients.

  In the 1st quarter of 2022, the Bank paid the above-mentioned administrative fine.

Other proceedings

- On 28 June 2021, the Bank received from the General Inspector of Financial Information (GIIF) a post-inspection letter pursuant to Article 142 of the Act of 1 March 2018 on anti-money laundering and counter-terrorist financing concerning the inspection carried out at the Bank from 16 November 2020 to 7 March 2021. The Bank received a notice from the GIIF on the initiation of ex officio administrative proceedings in this area. The Bank shall take the action required by law during the proceedings.

- On 23 January 2020, the Bank received a notice from the President of the Office for Personal Data Protection (President of the DPA) regarding the audit of the compliance of the processing of personal data with personal data protection regulations, i.e. Regulation (EU) 2016/679 of the European Parliament and of the Council of 27

April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (General Data Protection Regulation) and the Act of 10 May 2018 on personal data protection. On 9 December 2021, the Bank received a notice from the President of UODO on the initiation of ex officio administrative proceedings in this area. The Bank shall take the action required by law during the proceedings.

14. 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.

15. Transactions with related entities

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 31 March 2022 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).

The table presents numerical information on receivables and payables, revenues and expenses, which result from transactions concluded between entities related to the Group.

	ING Bank N.V.	Other ING Group entities	Associates	ING Bank N.V.	Other ING Group entities	Associates
		as at 31 Mar 2022			as at 31 Dec 2021	
Receivables						
Nostro accounts	3.4	21.4	-	5.8	6.0	-
Loans	-	6.4	-	1.2	8.8	-
Positive valuation of derivatives	172.0	-	-	140.0	-	-
Other receivables	4.1	1.4	-	4.8	1.4	-
Liabilities						
Deposits received	3,665.7	80.5	29.0	3,378.5	142.1	13.6
Loans received	4,047.1	-	-	3,871.6	-	-
Subordinated loan	1,629.0	-	-	1,610.4	-	-
Loro accounts	59.0	71.9	-	39.1	40.1	-
Negative valuation of derivatives	88.0	-	-	102.1	-	-
Other liabilities	152.7	8.2	-	119.3	2.5	-
Off-balance-sheet operations						
Off-balance sheet liabilities granted	505.3	1,033.1	0.1	503.1	790.1	0.1
Off-balance sheet liabilities received	3,081.1	17.3	-	2,186.5	19.0	-
FX transactions	17,726.4	-	-	17,884.0	8.7	-
IRS	412.0	-	-	554.6	-	-
Options	1,023.2	9.9	-	1,020.1	16.7	-
		1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022			1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021	
Income and expenses						
Income, including:	-13.0	-3.4	11.9	-44.7	1.5	12.2
net interest and commission income	-9.0	2.4	11.9	-10.5	2.0	12.2
net income on financial instruments	-4.3	-6.1	-	-34.6	-0.7	-
net (loss)/income on other basic activities	0.3	0.3	-	0.4	0.2	-
General and administrative expenses	-44.0	-10.1	-	-41.9	-2.2	-

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16. 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 basis for distinguishing individual segments are entity criteria and - in the case of division into sub-segments - financial criteria (especially turnover, level of collected assets). 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.

The service of individual entrepreneurs includes natural persons conducting business activity and partner companies that do not keep full accounting in accordance with the provisions of the Act on accounting, civil partnerships or general partnerships whose partners are only natural persons who do not keep full accounting in accordance with the provisions of the Accounting Act, and housing communities. The activity of entrepreneurs is reported in terms of the main products, including credit products (cash loan, credit line, credit card), deposit products (company account, foreign currency account, account for housing communities), leasing products offered by ING Lease (Polska) Sp. z o.o., accounting services, terminals and payment gateways.

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.

Geographic segments

The Group pursues business only in the territory of the Republic of Poland.

	Retail banking segment	Corporate banking segment	**Total**	Retail banking segment	Corporate banking segment	**Total**
	1 quarter 2022 the period from 01 Jan 2022 o 31 Mar 2022			**1 quarter 2021** the period from 01 Jan 2021 o 31 Mar 2021		
Income total	**1,087.9**	**1,209.3**	**2,297.2**	**776.0**	**819.6**	**1,595.6**
net interest income	922.2	783.0	1,705.2	630.8	510.8	1,141.6
net commission income, including:	161.5	372.5	534.0	133.0	295.3	428.3
commission income, including:	236.6	419.6	656.2	196.8	334.9	531.7
transaction margin on currency exchange transactions	25.9	143.9	169.8	16.0	99.2	115.2
account maintenance fees	29.5	87.7	117.2	29.0	74.6	103.6
lending commissions	7.0	110.3	117.3	3.9	98.1	102.0
payment and credit cards fees	84.2	29.5	113.7	66.6	24.5	91.1
participation units distribution fees	19.4	0.0	19.4	20.8	0.0	20.8
insurance product offering commissions	46.3	8.6	54.9	36.7	6.8	43.5
factoring and lease contracts commissions	0.0	10.3	10.3	0.0	8.1	8.1
other commissions	24.3	29.3	53.6	23.8	23.6	47.4
commission expenses	-75.1	-47.1	-122.2	-63.8	-39.6	-103.4
other income/expenses	4.2	53.8	58.0	12.2	13.5	25.7
General and administrative expenses	**-454.0**	**-477.4**	**-931.4**	**-404.7**	**-416.1**	**-820.8**
Segment operating result	**633.9**	**731.9**	**1,365.8**	**371.3**	**403.5**	**774.8**
impairment for expected credit losses	-55.0	-95.5	-150.5	-67.9	-60.9	-128.8
cost of legal risk of FX mortgage loans	-1.1	0.0	-1.1	0.0	0.0	0.0
tax on certain financial institutions	-61.5	-90.2	-151.7	-52.7	-73.2	-125.9
share of profit/(loss) of associates accounted for using the equity method	6.8	0.0	6.8	6.1	0.0	6.1
Gross profit	**523.1**	**546.2**	**1,069.3**	**256.8**	**269.4**	**526.2**
Income tax	-	-	-276.5	-	-	-140.6
Net profit	-	-	**792.8**	-	-	**385.6**
attributable to shareholders of ING Bank Śląski S.A.	-	-	792.8	-	-	385.6
	as at **31 Mar 2022**			as at **31 Dec 2021**		
Allocated equity	4,814.7	6,341.1	11,155.8	5,996.2	7,535.2	13,531.4
ROE - Return on equity (%)*	18.6%	16.7%	17.5%	14.4%	13.0%	13.6%

*) 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.

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17. Other information

17.1. Ratings

Fitch Ratings Ltd.

Fitch Ratings agency (Fitch Ratings Ireland Limited with its seat in Dublin) assigns full rating to ING Bank Śląski S.A. under the agreement between the Bank and the Agency.

The Bank's rating given by the Fitch Agency, valid as of 31 March 2022, was as follows:

Rating	Level
Long-term Issuer Default Rating (IDR)	A+
Long-term IDR Outlook	Stable
Short-term Issuer Default Rating	F1+
Viability rating	bbb+
Shareholder Support Rating	a+
National Long-term Rating	AAA (pol)
National Long-term Rating Outlook	Stable
National Short-term Rating	F1+ (pol)

In the press release published by Fitch on 23 September 2021, as part of the annual review, the Agency sustained the ratings for ING Bank Śląski S.A. Fitch emphasized in the announcement that Viability Rating for ING Bank Śląski S.A. reflect its moderate risk appetite, robust asset quality, solid capital buffers, but also strong deposit-driven funding and ample liquidity. Fitch also considers the Bank's established corporate and retail franchise and seasoned business model, translating into limited variability of the Bank's performance through the cycle.

The entity's long-term rating outlook is Negative. Fitch indicated that this was directly due to the negative rating outlook for the parent entity of the Bank, ING Bank N.V. The perspective of the long-term rating on the national scale is Stable.

Moody's Investors Service Ltd.

Moody's Investors Sevice (Moody's Investors Service Cyprus Ltd.) assigns their rating to our bank on the basis of public information.

As of 31 March 2022 the Bank's rating from the Moody's Agency was as follows:

Rating	Level
Long-term Deposits Rating (LT rating)	A2
Short-term Deposits Rating (ST rating)	P-1
Baseline Credit Assessment (BCA)	baa2
Adjusted Baseline Credit Assessment (Adjusted BCA)	baa1
Outlook	Stable
Counterparty Risk Assessment (CR Assessment) long-term/short-term	A1 (cr) / P-1 (cr)
Counterparty Risk Rating (CR Rating) long-term/short-term	A1 / P-1

In the press releases published on 21 October 2019, the Agency sustained the ratings assigned to the Bank. The Agency emphasised there that the rating of the Bank reflects:

- Bank's credit portfolio of good quality, though not seasoned, with very limited exposure to FX mortgage loans,
- adequate, though decreasing, total capital ratio of the Bank,
- moderate profitability, and
- a good funding and liquidity profiles of the Bank based on deposits and high liquidity buffers.

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17.2. Number of branches and ATMs, CDMs

The number of outlets of the Bank in particular periods was as follows:

as at	31 Mar 2022	31 Dec 2021	31 Mar 2021
Number of outlets	253	257	281
Number of ING Express sales points at shopping malls	56	56	61

As at 31 March 2022, clients could use 928 machines for cash self-service, including 156 standard ATMs and 772 dual machines.

In comparable periods, i.e. as at 31 December 2021 (and 31 March 2021, respectively) there were 932 (983) machines for cash self-service, including 159 (173) standard ATMs and 773 (810) dual machines.

17.3. Electronic distribution channels

Development of electronic distribution channels is one of the Bank's priorities. A regular update of this offer results in an increase of the number of Clients interested in e-banking.

The figures for electronic banking clients are as follows (the number of clients is not the same as the number of users as one client may represent several users in a given system):

as at	31 Mar 2022	31 Dec 2021	31 Mar 2021
Moje ING, ING BusinessOnLine (in million)	4.4	4.5	4.3
ING BankMobile, Moje ING Mobile* (in million)	5.0	4.8	4.1
ING BusinessMobile (in thousands)	41.8	41.6	34.8

*) The number of downloads of the application

The monthly number of transactions carried out using electronic banking systems in March 2022 reached the level of 58.3 million. In the same period of the previous year, it amounted to 52.1 million.

17.4. Banking cards

ING Bank Śląski S.A. is one of the largest issuers of banking cards in Poland. The data concerning the number of payment cards issued to ING Bank Śląski S.A. clients are as follows:

as at **in thousands**	31 Mar 2022	31 Dec 2021	31 Mar 2021
debit cards	3,353	3,328	3,267
credit cards	291	288	279
other*	203	196	170
Total, of which:	**3,847**	**3,812**	**3,716**
paywave	3,615	3,573	3,495
virtual cards	232	239	221

* including charge and prepaid cards

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

2022-05-05	**Brunon Bartkiewicz** President	The original Polish document is signed with a qualified electronic signature
2022-05-05	**Joanna Erdman** Vice-President	The original Polish document is signed with a qualified electronic signature
2022-05-05	**Marcin Giżycki** Vice-President	The original Polish document is signed with a qualified electronic signature
2022-05-05	**Bożena Graczyk** Vice-President	The original Polish document is signed with a qualified electronic signature
2022-05-05	**Ewa Łuniewska** Vice-President	The original Polish document is signed with a qualified electronic signature
2022-05-05	**Michał H. Mrożek** Vice-President	The original Polish document is signed with a qualified electronic signature
2022-05-05	**Sławomir Soszyński** Vice-President	The original Polish document is signed with a qualified electronic signature
2022-05-05	**Alicja Żyła** Vice-President	The original Polish document is signed with a qualified electronic signature

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2022-05-05	**Jolanta Alvarado Rodriguez** Lead of Centre of Expertise Accounting Policy and Financial Reporting	The original Polish document is signed with a qualified electronic signature

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

I. Interim condensed income statement

	1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021
Interest income	1,704.2	1,198.8
calculated using effective interest rate method	1,703.7	1,198.5
other interest income	0.5	0.3
Interest expenses	-85.4	-123.8
Net interest income	**1,618.8**	**1,075.0**
Commission income	640.7	520.3
Commission expenses	-125.6	-105.1
Net commission income	**515.1**	**415.2**
Net income on financial instruments measured at fair value through profit or loss and FX result	46.5	34.1
Net income on the sale of securities measured at amortised cost	-3.9	0.0
Net income on the sale of financial assets measured at fair value through other comprehensive income and dividend income	2.1	-7.6
Net (loss)/income on hedge accounting	12.9	-10.9
Net (loss)/income on other basic activities	-0.2	0.0
Net income on basic activities	**2,191.3**	**1,505.8**
General and administrative expenses	-893.0	-782.1
Impairment for expected credit losses	-147.7	-129.7
including profit on sale of receivables	9.2	0.0
Cost of legal risk of FX mortgage loans	-1.1	0.0
Tax on certain financial institutions	-151.7	-125.9
Share of profit/(loss) of subsidiaries and associates accounted for using the equity method	58.9	46.7
Gross profit	**1,056.7**	**514.8**
Income tax	-263.9	-129.2
Net profit	**792.8**	**385.6**

	1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021
Net profit	792.8	385.6
Weighted average number of ordinary shares	130,100,000	130,100,000
Earnings per ordinary share (in PLN)	**6.09**	**2.96**

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.

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II. Interim condensed statement of comprehensive income

	1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021
Net profit for the period	**792.8**	**385.6**
Total other comprehensive income, including:	**-3,089.6**	**-1,398.0**
Items which can be reclassified to income statement, including:	**-3,089.6**	**-1,397.7**
debt instruments measured at fair value through other comprehensive income – gains on revaluation carried through equity	-259.0	123.4
debt instruments measured at fair value through other comprehensive income – reclassification to financial result due to sale	-1.7	0.0
loans measured at fair value through other comprehensive income - revaluation gains / losses related to equity	78.9	45.6
cash flow hedging – gains on revaluation carried through equity	-2,807.4	-1,348.4
cash flow hedging – reclassification to profit or loss	-100.4	-218.3
Items which will not be reclassified to income statement, including:	**0.0**	**-0.3**
fixed assets revaluation	0.0	-0.3
Net comprehensive income for the reporting period	**-2,296.8**	**-1,012.4**

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.

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III. Interim condensed statement of financial position

as at	Note	31 Mar 2022	31 Dec 2021	31 Mar 2021
Assets				
Cash in hand and balances with the Central Bank		4,998.3	1,100.0	899.8
Loans and other receivables to other banks		3,813.3	3,158.4	4,697.6
Financial assets measured at fair value through profit or loss		1,498.3	1,538.3	1,610.1
Derivative hedge instruments		323.4	250.4	873.6
Investment securities		37,253.3	45,519.8	54,585.7
Loans and other receivables to customers	4.1	140,648.0	137,340.5	120,489.5
Investments in subsidiaries and associates accounted for using the equity method		10,935.8	2,280.9	3,607.1
Property, plant and equipment		1,590.1	1,531.9	1,401.1
Intangible assets		892.1	815.4	866.5
Assets held for sale		377.8	356.1	392.9
Current income tax assets		821.3	730.4	0.0
Deferred tax assets		1,569.1	1,115.8	414.1
Other assets		111.5	166.7	176.9
Total assets		**204,832.3**	**195,904.6**	**190,014.9**

as at	Note	31 Mar 2022	31 Dec 2021	31 Mar 2021
Liabilities				
Liabilities to other banks		12,454.4	6,216.4	6,745.3
Financial liabilities measured at fair value through profit or loss		1,794.4	1,679.6	1,194.3
Derivative hedge instruments		362.5	235.4	549.6
Liabilities to customers		174,224.4	170,104.1	158,655.0
Subordinated liabilities		1,628.9	1,610.3	2,331.9
Provisions		345.6	332.4	235.4
Current income tax liabilities		0.0	0.0	197.8
Other liabilities		3,102.7	2,510.3	2,747.5
Total liabilities		**193,912.9**	**182,688.5**	**172,656.8**
Equity				
Share capital	1.4	130.1	130.1	130.1
Share premium		956.3	956.3	956.3
Accumulated other comprehensive income		-6,225.9	-3,136.3	2,277.6
Retained earnings		16,058.9	15,266.0	13,994.1
Total equity		**10,919.4**	**13,216.1**	**17,358.1**
Total equity and liabilities		**204,832.3**	**195,904.6**	**190,014.9**

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.

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IV. Interim condensed statement of changes in equity

1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	**Total equity**
Opening balance of equity	**130.1**	**956.3**	**-3,136.3**	**15,266.0**	**13,216.1**
Profit for the current period	-	-	-	792.8	**792.8**
Other net comprehensive income, including:	**0.0**	**0.0**	**-3,089.6**	**0.0**	**-3,089.6**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	-180.1	-	-180.1
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	-1.7	-	-1.7
cash flow hedging – gains/losses on revaluation carried through equity	-	-	-2,807.4	-	-2,807.4
cash flow hedging – reclassification to profit or loss	-	-	-100.4	-	-100.4
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**0.1**	**0.1**
valuation of share-based payments	-	-	-	0.1	0.1
Closing balance of equity	**130.1**	**956.3**	**-6,225.9**	**16,058.9**	**10,919.4**

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.

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2021 the period from 01 Jan 2022 to 31 Dec 2022

	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	-	-	-	2,308.3	**2,308.3**
Other net comprehensive income, including:	**0.0**	**0.0**	**-6,811.9**	**12.3**	**-6,799.6**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	-293.3	-	-293.3
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	-25.7	-	-25.7
sale of equity instruments measured at fair value through other comprehensive income	-	-	-7.1	7.1	0.0
cash flow hedging – gains/losses on revaluation carried through equity	-	-	-5,566.7	-	-5,566.7
cash flow hedging – reclassification to profit or loss	-	-	-907.8	-	-907.8
fixed assets revaluation	-	-	-0.3	-	-0.3
disposal of fixed assets	-	-	-5.2	5.2	0.0
actuarial gains/losses	-	-	-5.8	-	-5.8
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**-663.1**	**-663.1**
valuation of share-based payments	-	-	-	0.4	0.4
dividend payment	-	-	-	-663.5	-663.5
Closing balance of equity	**130.1**	**956.3**	**-3,136.3**	**15,266.0**	**13,216.1**

1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 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	-	-	-	385.6	**385.6**
Other net comprehensive income, including:	**0.0**	**0.0**	**-1,398.0**	**0.0**	**-1,398.0**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	169.0	-	169.0
cash flow hedging – gains/losses on revaluation carried through equity	-	-	-1,348.4	-	-1,348.4
cash flow hedging – reclassification to profit or loss	-	-	-218.3	-	-218.3
fixed assets revaluation	-	-	-0.3	-	-0.3
Closing balance of equity	**130.1**	**956.3**	**2,277.6**	**13,994.1**	**17,358.1**

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V. Interim condensed cash flow statement

	1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021
Net profit	**792.8**	**385.6**
Adjustments, including:	**2,429.0**	**1,736.6**
Share of profit/(loss) of subsidiaries and associates accounted for using the equity method	-58.9	-46.7
Depreciation and amortisation	65.9	68.2
Interest accrued (from the income statement)	-1,618.8	-1,075.0
Interest paid	-77.4	-118.2
Interest received	1,451.5	1,017.2
Gains (losses) on investing activities	0.0	0.2
Income tax (from the income statement)	263.9	129.2
Income tax paid	-66.4	-122.4
Change in provisions	13.2	-15.4
Change in loans and other receivables to other banks	-394.7	-1,388.3
Change in financial assets measured at fair value through profit or loss	213.9	410.3
Change in investment securities	-1,760.3	-1,608.5
Change in hedge derivatives	-3,535.8	-1,621.9
Change in loans and other receivables to customers	-3,134.5	-4,058.7
Change in other assets	-38.6	13.8
Change in liabilities to other banks	6,234.9	1,968.7
Change in liabilities measured at fair value through profit or loss	114.9	-336.5
Change in liabilities to customers	4,119.2	7,920.0
Change in other liabilities	637.0	600.6
Net cash flow from operating activities	**3,221.8**	**2,122.2**

	1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022	1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021
Purchase of property, plant and equipment	-31.2	-10.0
Purchase of intangible assets	-38.6	-7.9
Purchase of debt securities measured at amortised cost	-719.8	-1,574.6
Disposal of debt securities measured at amortised cost	1,750.5	171.4
Net cash flows from investing activities	**960.9**	**-1,421.1**
Interest on long-term loans repaid	-3.9	-7.1
Repayment of lease liabilities	-26.0	-27.0
Net increase/(decrease) in cash and cash equivalents	**-29.9**	**-34.1**
Net increase/(decrease) in cash and cash equivalents	**4,152.8**	**667.0**
Effect of exchange rate changes on cash and cash equivalents	176.3	150.8
Opening balance of cash and cash equivalents	**1,377.6**	**1,228.2**
Net increase/(decrease) in cash and cash equivalents	**5,530.4**	**1,895.2**

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.

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VI. 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 May 2022. 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

In the 1st quarter of 2022, as in 2021, there was no discontinuation of significant activities in the Bank.

1.3. Compliance with International Financial Reporting Standards

These interim condensed standalone financial statements of the ING Bank Śląski S.A. for the 1st quarter of 2022 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 31 March 2022 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 2021 to 31 December 2021, approved on 7 April 2022 by the Bank's General Meeting and the interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for the 1st quarter of 2022.

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 2022 to 31 March 2022 and interim condensed standalone statement of financial position as at 31 March 2022, together with comparable data were prepared according to the same principles of accounting for each period, except for changes in accounting principles described in the interim condensed consolidated financial statements in chapter VI.5.1.

1.4. Reporting period and comparable data

Interim condensed standalone financial statements of the ING Bank Śląski S.A. covers the period from 1 January 2022 to 31 March 2022 and includes comparative data:

- as at 31 December 2021 and 31 March 2021 - for the interim condensed statement of financial position,
- for the period from 1 January 2021 to 31 March 2021 - for the interim condensed profit and loss account, the interim condensed statement of comprehensive income, and the interim condensed cash flow statement,
- for the period from 1 January 2021 to 31 December 2021 and from 1 January 2021 to 31 March 2021 - for the interim condensed statement of changes in equity.

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 May 2022.

The annual financial statements of the ING Bank Śląski S.A. for the period from 1 January 2020 to 31 December 2020 were approved by the General Meeting on 7 April 2022.

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 2021 and ended 31 December 2021) and the standards and interpretations adopted by the European Union and applicable to the annual periods starting 1 January 2022 or afterwards which were presented in the interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for the 1st quarter of 2022.

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 2021 and ended 31 December 2021, published on 11 March 2022 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 quarter of 2022, the Bank introduced changes to the applied accounting principles and made changes to key estimates with regard to impairment for expected credit losses, which was described in the interim condensed consolidated financial statements in chapter VI.5. *Significant accounting principles and key estimates*.

3. Comparability of financial data

In these interim condensed standalone financial statements for the 1st quarter of 2022 in relation to the interim condensed standalone financial statements for earlier periods, the Bank has made changes to the presentation of individual items in the statement of financial position.

The changes are as follows:

- Separation of *Transferred assets* (**change a**)

The Bank has separated a new item in the statement of financial position – *Transferred assets* – which presents assets that can be pledged or resold by the collateral recipient. IFRS 9.3.2.23(a) requires these assets to be segregated and presented separately from other assets in the statement of financial position. The new item included debt securities resold with a repurchase agreement under repo or buy-sell-back transactions. These assets are measured at fair value through profit or loss, at fair value through other comprehensive income or at amortised cost. The change was intended to better reflect the risk characteristics of these financial assets. The figures as at 31 March 2021 have been restated to ensure comparability.

- Inclusion of non-current assets held for sale under *Other assets* (**change b**)

Following the principle of materiality, the Bank departed from the presentation of non-current assets held for sale in a separate line item in the statement of financial position and from 31 December 2021 onwards shows them in *Other assets*. The figures as at 31 March 2021 have been restated.

The table presents individual asset items of the statement of financial position according to the values presented in the interim condensed standalone financial statements for the 1st quarter of 2021 and according to the values presented in these interim condensed standalone financial statements. Liabilities and equity did not change.

31 Mar 2021

	in interim condensed standalone financial statements for the 1st quarter of 2021 (*approved data*)	change a	change b	in interim condensed standalone financial statements for the 1st quarter of 2022 (*comparable data*)
Assets				
Cash in hand and balances with the Central Bank	899.8			899.8
Loans and other receivables to other banks	4,697.6			4,697.6
Financial assets measured at fair value through profit or loss	1,610.1			1,610.1
Derivative hedge instruments	873.6			873.6
Investment securities	58,192.8	-3,607.1		54,585.7
Loans and other receivables to customers	120,489.5			120,489.5
Transferred assets	0.0	3,607.1		3,607.1
Investments in subsidiaries and associates accounted for using the equity method	1,401.1			1,401.1
Property, plant and equipment	866.5			866.5
Intangible assets	392.9			392.9
Assets held for sale	2.4		-2.4	0.0
Deferred tax assets	414.1			414.1
Other assets	174.5		2.4	176.9
Total assets	**190,014.9**	**0.0**	**0.0**	**190,014.9**
Total equity and liabilities	**190,014.9**	**0.0**	**0.0**	**190,014.9**

4. Supplementary notes to interim condensed standalone financial statements

4.1. Loans and other receivables to customers

as at	31 Mar 2022	31 Dec 2021	31 Mar 2021
Measured at amortised cost	130,787.1	127,185.6	110,224.0
Measured at fair value through other comprehensive income	9,860.9	10,154.9	10,265.5
Total	**140,648.0**	**137,340.5**	**120,489.5**

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.

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Loans and receivables to customers measured at amortised cost

as at	31 Mar 2022			31 Dec 2021			31 Mar 2021		
	gross	impairment for expected credit loss	net	gross	impairment for expected credit loss	net	gross	impairment for expected credit loss	net
Loan portfolio, of which:	**130,841.8**	**-2,733.4**	**128,108.4**	**126,791.5**	**-2,855.2**	**123,936.3**	**111,397.1**	**-3,112.0**	**108,285.1**
Corporate banking	**77,771.4**	**-1,740.4**	**76,031.0**	**74,724.5**	**-1,917.1**	**72,807.4**	**67,633.6**	**-1,980.1**	**65,653.5**
loans in the current account	17,551.6	-429.3	17,122.3	15,858.9	-560.1	15,298.8	13,731.9	-564.6	13,167.3
term loans and advances	56,995.9	-1,310.6	55,685.3	55,547.0	-1,356.7	54,190.3	51,060.5	-1,415.2	49,645.3
debt securities (corporate and municipal)	3,223.9	-0.5	3,223.4	3,318.6	-0.3	3,318.3	2,841.2	-0.3	2,840.9
Retail banking	**53,070.4**	**-993.0**	**52,077.4**	**52,067.0**	**-938.1**	**51,128.9**	**43,763.5**	**-1,131.9**	**42,631.6**
mortgages	44,063.1	-186.4	43,876.7	42,991.5	-200.6	42,790.9	35,564.2	-266.2	35,298.0
loans in the current account	682.2	-60.3	621.9	685.9	-54.0	631.9	647.1	-64.1	583.0
other loans and advances	8,325.1	-746.3	7,578.8	8,389.6	-683.5	7,706.1	7,552.2	-801.6	6,750.6
Other receivables, of which:	**2,678.7**	**0.0**	**2,678.7**	**3,249.3**	**0.0**	**3,249.3**	**1,938.9**	**0.0**	**1,938.9**
call deposits placed	1,861.6	0.0	1,861.6	2,531.5	0.0	2,531.5	1,325.0	0.0	1,325.0
other	817.1	0.0	817.1	717.8	0.0	717.8	613.9	0.0	613.9
Total	**133,520.5**	**-2,733.4**	**130,787.1**	**130,040.8**	**-2,855.2**	**127,185.6**	**113,336.0**	**-3,112.0**	**110,224.0**

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Quality of loan portfolio

as at	31 Mar 2022			31 Dec 2021			31 Mar 2021		
	gross	impairment for expected credit loss	**net**	gross	impairment for expected credit loss	**net**	gross	impairment for expected credit loss	**net**
Corporate banking	**77,771.4**	**-1,740.4**	**76,031.0**	**74,724.5**	**-1,917.1**	**72,807.4**	**67,633.6**	**-1,980.1**	**65,653.5**
assets in stage 1	70,708.7	-123.6	70,585.1	67,948.2	-153.0	67,795.2	60,537.4	-175.6	60,361.8
assets in stage 2	5,037.5	-233.1	4,804.4	4,512.6	-205.2	4,307.4	4,735.9	-223.0	4,512.9
assets in stage 3	2,023.8	-1,383.7	640.1	2,262.2	-1,558.9	703.3	2,358.7	-1,581.5	777.2
POCI assets	1.4	0.0	1.4	1.5	0.0	1.5	1.6	0.0	1.6
Retail banking	**53,070.4**	**-993.0**	**52,077.4**	**52,067.0**	**-938.1**	**51,128.9**	**43,763.5**	**-1,131.9**	**42,631.6**
assets in stage 1	50,745.0	-117.5	50,627.5	49,784.0	-103.5	49,680.5	40,717.9	-135.4	40,582.5
assets in stage 2	1,369.1	-185.5	1,183.6	1,300.6	-135.5	1,165.1	1,888.1	-167.6	1,720.5
assets in stage 3	954.1	-690.0	264.1	980.2	-699.1	281.1	1,155.4	-828.9	326.5
POCI assets	2.2	0.0	2.2	2.2	0.0	2.2	2.1	0.0	2.1
Total, of which:	**130,841.8**	**-2,733.4**	**128,108.4**	**126,791.5**	**-2,855.2**	**123,936.3**	**111,397.1**	**-3,112.0**	**108,285.1**
assets in stage 1	121,453.7	-241.1	121,212.6	117,732.2	-256.5	117,475.7	101,255.3	-311.0	100,944.3
assets in stage 2	6,406.6	-418.6	5,988.0	5,813.2	-340.7	5,472.5	6,624.0	-390.6	6,233.4
assets in stage 3	2,977.9	-2,073.7	904.2	3,242.4	-2,258.0	984.4	3,514.1	-2,410.4	1,103.7
POCI assets	3.6	0.0	3.6	3.7	0.0	3.7	3.7	0.0	3.7

The Bank identifies POCI financial assets whose carrying value as at 31 March 2022 is PLN 3.6 million (PLN 3.7 million as at 31 December 2021 and 31 March 2021). 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.

4.2. Fair value

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

In 2022, there were no transfers between the valuation levels, as in 2021.

The table below presents the balance-sheet figures for financial assets and liabilities per individual measurement levels.

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as at **31 Mar 2022**

	Level 1	Level 2	Level 3	Total
Financial assets, including:	**17,162.5**	**1,616.0**	**10,101.3**	**28,879.8**
Valuation of derivatives	-	**1,108.4**	-	**1,108.4**
Financial assets held for trading, including:	**131.0**	**184.2**	-	**315.2**
debt securities, including:	131.0	-	-	131.0
treasury bonds in PLN	88.7	-	-	88.7
Czech Treasury bonds in CZK	41.8	-	-	41.8
European Investment Bank bonds	0.5	-	-	0.5
repo transactions	-	184.2	-	184.2
Financial assets other than those held for trading, measured at fair value through profit or loss, including:	**1.7**	-	**73.0**	**74.7**
loans are obligatorily measured at fair value through profit or loss	-	-	72.9	72.9
equity instruments	1.7	-	0.1	1.8
Derivative hedge instruments	-	**323.4**	-	**323.4**
Financial assets measured at fair value through other comprehensive income, including:	**10,833.9**	-	**167.4**	**11,001.3**
debt securities, including:	10,833.9	-	-	10,833.9
treasury bonds in PLN	8,484.8	-	-	8,484.8
treasury bonds in EUR	983.3	-	-	983.3
European Investment Bank bonds	900.6	-	-	900.6
Austrian government bonds	465.2	-	-	465.2
equity instruments	-	-	167.4	167.4
Loans measured at fair value through other comprehensive income	-	-	**9,860.9**	**9,860.9**
Transferred assets, including:	**6,195.9**	-	-	**6,195.9**
treasury bonds in PLN from portfolio of financial assets measured at fair value through profit or loss	72.3	-	-	72.3
treasury bonds in PLN from portfolio of financial assets measured at fair value through other comprehensive income	6,123.6	-	-	6,123.6

	Level 1	Level 2	Level 3	Total
Financial liabilities, including:	**158.8**	**1,998.1**	**0.0**	**2,156.9**
Valuation of derivatives	-	**1,563.2**	-	**1,563.2**
Other financial liabilities measured at fair value through profit or loss, including:	**158.8**	**72.4**	-	**231.2**
book short position in trading securities	158.8	-	-	158.8
financial liabilities held for trading, including:	-	72.4	-	72.4
repo transactions	-	72.4	-	72.4
Derivative hedge instruments	-	**362.5**	-	362.5

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as at **31 Dec 2021**

	Level 1	Level 2	Level 3	Total
Financial assets, including:	**15,977.3**	**1,404.4**	**10,400.8**	**27,782.5**
Valuation of derivatives	-	**629.3**	-	**629.3**
Financial assets held for trading, including:	**301.1**	**524.7**	-	**825.8**
debt securities, including:	301.1	-	-	301.1
treasury bonds in PLN	259.2	-	-	259.2
Czech Treasury bonds in CZK	41.4			41.4
European Investment Bank bonds	0.5	-	-	0.5
repo transactions	-	524.7	-	524.7
Financial assets other than those held for trading, measured at fair value through profit or loss, including:	**4.7**	-	**78.5**	**83.2**
loans are obligatorily measured at fair value through profit or loss	-	-	78.4	78.4
equity instruments	4.7	-	0.1	4.8
Derivative hedge instruments	-	**250.4**	-	**250.4**
Financial assets measured at fair value through other comprehensive income, including:	**14,161.9**	-	**167.4**	**14,329.3**
debt securities, including:	14,161.9	-	-	14,161.9
treasury bonds in PLN	11,716.3	-	-	11,716.3
treasury bonds in EUR	1,022.9	-	-	1,022.9
European Investment Bank bonds	941.4	-	-	941.4
Austrian government bonds	481.3	-	-	481.3
equity instruments	-	-	167.4	167.4
Loans measured at fair value through other comprehensive income	-	-	**10,154.9**	**10,154.9**
Transferred assets, including:	**1,509.6**	-	-	**1,509.6**
treasury bonds in PLN from portfolio of financial assets measured at fair value through profit or loss	243.2	-	-	243.2
treasury bonds in PLN from portfolio of financial assets measured at fair value through other comprehensive income	1,266.4	-	-	1,266.4

	Level 1	Level 2	Level 3	Total
Financial liabilities, including:	**486.2**	**1,428.8**	-	**1,915.0**
Valuation of derivatives	-	**949.0**	-	**949.0**
Other financial liabilities measured at fair value through profit or loss, including:	**486.2**	**244.4**	-	**730.6**
book short position in trading securities	486.2	-	-	486.2
financial liabilities held for trading, including:	-	244.4	-	244.4
repo transactions	-	244.4	-	244.4
Derivative hedge instruments	-	**235.4**	-	**235.4**

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

as at **31 Mar 2022**

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Investment securities at amortised cost	**26,252.0**	**19,097.7**	**4,930.1**	**0.0**	**24,027.8**
treasury bonds in PLN	10,710.2	9,809.8	-	-	9,809.8
treasury bonds in EUR	2,949.8	2,829.9	-	-	2,829.9
Bank Gospodarstwa Krajowego bonds	2,312.2	502.1	1,591.6	-	2,093.7
European Investment Bank bonds	6,414.7	5,955.9	-	-	5,955.9
bonds of the Polish Development Fund (PFR)	3,865.1	-	3,338.5	-	3,338.5
Loans and receivables to customers at amortised cost, including:	**130,787.1**	**0.0**	**0.0**	**130,621.2**	**130,621.2**
Corporate banking segment, including:	76,031.0	0.0	0.0	76,182.1	76,182.1
loans and advances (in the current account and term ones)	72,807.6	-	-	73,186.9	73,186.9
corporate and municipal debt securities	3,223.4	-	-	2,995.2	2,995.2
Retail banking segment, including:	52,077.4	0.0	0.0	51,760.4	51,760.4
mortgages	43,876.7	-	-	43,193.7	43,193.7
other loans and advances	8,200.7	-	-	8,566.7	8,566.7
Other receivables	2,678.7	-	-	2,678.7	2,678.7
Transferred assets, including:	**4,739.9**	**4,281.1**	-	-	**4,281.1**
treasury bonds in PLN from portfolio of financial assets measured at amortised cost	4,739.9	4,281.1	-	-	4,281.1
Liabilities to customers	**174,224.4**	-	-	**174,220.6**	**174,220.6**
Subordinated liabilities	**1,628.9**	-	-	**1,618.1**	**1,618.1**

as at **31 Dec 2021**

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Investment securities at amortised cost	**31,190.5**	**24,519.3**	**5,236.9**	-	**29,756.2**
treasury bonds in PLN	15,311.5	14,533.1	-	-	14,533.1
treasury bonds in EUR	4,028.8	4,052.3	-	-	4,052.3
Bank Gospodarstwa Krajowego bonds	2,299.8	502.3	1,679.4	-	2,181.7
European Investment Bank bonds	5,695.2	5,431.7	-	-	5,431.7
bonds of the Polish Development Fund (PFR)	3,855.2	-	3,557.5	-	3,557.5
Loans and receivables to customers at amortised cost, including:	**127,185.6**	-	-	**126,927.0**	**126,927.0**
Corporate banking segment, including:	72,807.4	-	-	73,083.0	73,083.0
loans and advances (in the current account and term ones)	69,489.1	-	-	70,021.1	70,021.1
corporate and municipal debt securities	3,318.3	-	-	3,061.9	3,061.9
Retail banking segment, including:	51,128.9	-	-	50,594.7	50,594.7
mortgages	42,790.9	-	-	41,809.1	41,809.1
other loans and advances	8,338.0	-	-	8,785.6	8,785.6
Other receivables	3,249.3	-	-	3,249.3	3,249.3
Transferred assets, including:	**771.3**	**710.1**	-	-	**710.1**
treasury bonds in PLN from portfolio of financial assets measured at amortised cost	771.3	710.1	-	-	710.1
Liabilities to customers	**170,104.1**	-	-	**170,103.4**	**170,103.4**
Subordinated liabilities	**1,610.3**	-	-	**1,594.7**	**1,594.7**

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5. Total capital ratio

as at	31 Mar 2022	31 Dec 2021	31 Mar 2021
Own funds	16,149.4	16,660.6	17,198.2
Total capital requirements	8,001.9	7,801.2	6,835.6
Total capital ratio (TCR)	**16.15%**	**17.09%**	**20.13%**
Tier 1 ratio (T1)	**14.25%**	**15.31%**	**17.42%**

On 7 April 2022, the General Meeting of the Bank approved the distribution of profit for 2021. Including the net profit generated in 2021 in own funds as at 31 December 2021 resulted in an increase in TCR and Tier1 ratios to 17.09% and 15.31%, respectively, as presented in the table above. According to the values presented in the annual financial statements for 2021, the TCR and Tier1 ratios of the Bank as at 31 December 2021 were 16.05% and 14.29%, respectively.

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. Additionally, as at 31 March 2022 and 31 December 2021, the Bank temporarily treated unrealized gains and losses measured at fair value through other comprehensive income in accordance with Art. 468 of the CRR Regulation. If the Bank does not apply the transitional period for the implementation of IFRS 9 or temporarily treat unrealized gains and losses measured at fair value through other comprehensive income in accordance with Art. 468 of the CRR Regulation, capital ratios as at 31 March 2022 would be as follows:

- 15.93% - the total capital ratio (TCR),
- 14.03% - Tier 1 capital ratio (T1).

For the comparative periods, the level of TCR and T1 ratios would then be 16.84% and 15.05% as at 31 December 2021 and 19.95% and 17.14% as at 31 March 2021, respectively.

6. Significant events in the 1st quarter of 2022

Significant events that occurred in the 1st quarter of 2022 are described in the interim condensed consolidated financial statement in chapter VI.2. *Significant events in the 1st quarter of 2022*.

7. 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 VI.3 *Significant events after balance sheet date*.

8. 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.

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

None.

10. Dividends paid

Information on dividends paid is provided in the interim condensed consolidated financial statements in chapter VI.12. *Dividends paid*.

11. Acquisitions

In 1st quarter of 2022 ING Bank Śląski S.A. did not make any acquisitions, as in 2021.

12. Off-balance sheet items

as at	31 Mar 2022	31 Dec 2021	31 Mar 2021
Off-balance sheet liabilities granted	53,923.0	51,390.1	47,253.4
Off-balance sheet liabilities received	20,865.1	19,564.0	12,790.5
Off-balance sheet financial instruments	1,110,194.1	995,590.5	826,117.8
Total off-balance sheet items	**1,184,982.2**	**1,066,544.6**	**886,161.7**

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13. Transactions with related entities

	ING Bank NV	Other ING Group entities	Subsidiaries	Associates	ING Bank NV	Other ING Group entities	Subsidiaries	Associates
	as at 31 Mar 2022				as at 31 Dec 2021			
Receivables								
Nostro accounts	3.4	21.4	-	-	5.8	6.0	-	-
Loans	-	0.1	13,748.6	-	-	0.3	13,465.9	-
Positive valuation of derivatives	172.0	-	0.3	-	140.0	-	1.2	-
Other receivables	4.1	1.4	1.6	-	4.8	1.4	0.7	-
Liabilities								
Deposits received	3,665.7	80.5	110.0	29.0	3,378.5	142.1	151.0	13.6
Subordinated loan	1,629.0	-	-	-	1,610.4	-	-	-
Loro accounts	59.0	71.9	2.1	-	39.1	40.1	1.5	-
Negative valuation of derivatives	88.0	-	-	-	102.1	-	-	-
Other liabilities	152.7	8.2	3.9	-	119.3	2.5	1.6	-
Off-balance-sheet operations								
Off-balance sheet liabilities granted	505.3	1,033.1	10,421.3	0.1	503.1	790.1	7,697.3	0.1
Off-balance sheet liabilities received	1,057.1	17.3	-	-	56.1	19.0	-	-
FX transactions	17,726.4	-	-	-	17,884.0	8.7	-	-
IRS	412.0	-	52.8	-	554.6	-	53.5	-
Options	1,023.2	9.9	-	-	1,020.1	16.7	-	-
	1 quarter 2022 the period from 01 Jan 2022 to 31 Mar 2022				1 quarter 2021 the period from 01 Jan 2021 to 31 Mar 2021			
Income and expenses								
Income, including:	-15.1	-3.5	97.0	11.9	-44.9	1.5	22.6	12.2
net interest and commission income	-10.8	2.3	96.9	11.9	-10.3	1.9	29.5	12.2
net income on financial instruments	-4.3	-6.1	-0.7	-	-34.6	-0.7	0.1	-
net (loss)/income on other basic activities	-	0.3	0.8	-	-	0.3	0.6	-
net income on the sale of financial assets	-	-	-	-	-	-	-7.6	-
General and administrative expenses	-43.9	-9.1	-1.3	-	-41.3	-1.2	-0.6	-

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

2022-05-05	**Brunon Bartkiewicz** President	The original Polish document is signed with a qualified electronic signature
2022-05-05	**Joanna Erdman** Vice-President	The original Polish document is signed with a qualified electronic signature
2022-05-05	**Marcin Giżycki** Vice-President	The original Polish document is signed with a qualified electronic signature
2022-05-05	**Bożena Graczyk** Vice-President	The original Polish document is signed with a qualified electronic signature
2022-05-05	**Ewa Łuniewska** Vice-President	The original Polish document is signed with a qualified electronic signature
2022-05-05	**Michał H. Mrożek** Vice-President	The original Polish document is signed with a qualified electronic signature
2022-05-05	**Sławomir Soszyński** Vice-President	The original Polish document is signed with a qualified electronic signature
2022-05-05	**Alicja Żyła** Vice-President	The original Polish document is signed with a qualified electronic signature

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2022-05-05	**Jolanta Alvarado Rodriguez** Lead of Centre of Expertise Accounting Policy and Financial Reporting	The original Polish document is signed with a qualified electronic signature

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