



**Management Board Report on Operations
of the ING Bank Śląski S.A. Group
in H1 2022**





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Outlook

Business strategy objectives for 2022-2024

Objective	Selected ambitions for 2024
Clients activities and digitalisation	<ul style="list-style-type: none"> Primary clients – 2.3 million in the retail segment and 215,000 in the corporate segment. Relational NPS around 29 for individual clients, 51 for entrepreneurs, 45 for medium and large companies and 69 for strategic clients. Moving entrepreneur services from Moje ING to ING Business.
Full regulatory compliance	<ul style="list-style-type: none"> A non-financial risk level of no more than 2.4. Risk level Compliance not exceeding 2.4. Timely implementation of all audit recommendations.
Employee motivation and empowerment	<ul style="list-style-type: none"> Employee NPS of around 60. OHI score of around 85. Percentage of internal recruitments for management positions around 80%. Recruitment time around 45 days.
Stability, availability and security of IT systems	<ul style="list-style-type: none"> Availability of Moje ING and ING Business at a minimum of 99.94%. Percentage of applications migrated to the cloud minimum 50%. Control automation of a minimum of 90%.
Operational efficiency, AI and data management	<ul style="list-style-type: none"> 200 meeting points. 50 cash points at meeting points. The number of clients per FTE of the Operations Division will increase by 15%. The ratio of general and administrative expenses to the average commercial balance will be 10 p.p. lower than in 2021 (2021 = 100%).
ESG	<ul style="list-style-type: none"> Maintaining a gender pay gap ratio of no more than 1%. Setting a minimum of one ESG-related goal for 100% of managers and 50% of employees. Allocating PLN 4.5 billion to finance RES and green projects in the corporate area in line with the Environmental Declaration by the end of 2023.

*Based on the updated (implemented in 2022) definition of primary clients for entrepreneurs

Our financial targets for 2024

	Indicator	2020	2021	H1 2022	2024 target
Growth area	Average annual* growth in gross loan portfolio	6.5%	16.2%	14.2% y/y	~9%
	Average annual* increase in net fee and commission income	14.0%	20.7%	19.0% y/y (cumulative H1)	>7%
Performance area	Cost-to-income ratio**	44.3%	43.0%	45.6% (cumulative H1)	<40%
	Risk cost margin ratio	88 bp	27 bp	39 bp (cumulative four quarters)	<50 bp
Area of stability	Total solvency ratio	19.52%	16.05%	14.41%	>15%
	Loan-to-deposit ratio	82.6%	85.9%	82.2%	90-95%
Area of profitability	ROE adjusted for MCFH	7.6%	13.6%	16.0% (cumulative four quarters)	>13%
	Dividend payout ratio from profit	50%	30%	-	30-50%

*Average for 2021-2024; **Income including share of profits of associates

Due to the highly volatile macroeconomic environment, there may be short-term disruptions to the targets set in the 2024 horizon.

You can read more about our business strategy and its goals [here](#).



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Who we are

Our history goes back to 1988. It was in that year, exactly on 11 April, that the Council of Ministers issued a decree on the establishment of Bank Śląski in Katowice, and this is where our head office is still located today. Less than a year later, at the beginning of February 1989, Bank Śląski began its activities. In 1992 our bank was transformed from a state-owned bank into a joint stock company. In 1993, we received approval from the Securities Commission to list our shares to the public. In January 1994, ING acquired 2.4 million shares in our bank, corresponding to 25.9% of the share capital. On 25 January 1994, the shares of Bank Śląski were quoted for the first time on the Warsaw Stock Exchange.

Since 6 September 2001 – after the merger of Bank Śląski with the ING branch – we have been operating under our current name, ING Bank Śląski S.A. At that time, ING Group became the majority shareholder in our bank (with a stake of 87.77%, which was reduced to 75.00% in March 2005).

The bank is effectively growing organically. The bank's mission is to inspire and assist clients in making the right life decisions. Achieving this requires a committed and responsive workforce. We pursue this mission through our bank, its subsidiaries and, above all, through our group of over 8,000 employees.

After more than 30 years of continuous growth, we are now ranked 4th in terms of consolidated assets in the Polish commercial banking sector (as of Q1 2022). Our scale of operations contributes to the development of the Polish economy, but it also brings with it an awareness of the enormous responsibility for our employees, clients, society and the environment.

We are a universal bank that serves both retail clients and businesses. The primary channel of communication with our nearly 5 million clients is the Internet, with mobile banking playing a strongly growing role. We also serve our clients through a network of 244 meeting points. These are meeting places where our clients can ask for advice and talk.

In 2022, ING continues the increase in brand power (Brand Power) from previous years and still holds the leading position among banks in Poland. The Brand Power index indicates the brand's differentiation from competitors, its fit with clients' needs and the bank's recognition. According to consumers, ING was the most preferred bank in H1 2022 when choosing a savings account and in the TOP2 most frequently considered brands for a personal account, mobile app, mortgage and loan. What sets the brand apart from other banks is:

- the perception of ING as a client-driven bank that helps clients make better financial decisions and enables them to achieve their life goals,
- a high level of confidence in the brand,
- aspirational brand image: ING is the bank for resourceful and entrepreneurial people and the best bank for businesses,
- brand involvement in pro-social activities.

We are the company with the largest share in the mWIG40 index. We are the only company from the finance sector which has been uninterruptedly present (for all its rounds) in the Respect Index (the index of most socially responsible WSE companies), which was replaced in September 2019 by the WIG-ESG index, to which we also belong.

How does ING Group operate in Poland

ING Bank Śląski S.A. is a parent entity of the ING Bank Śląski S.A. Group. As a group, we have earned the position of one of the largest financial institutions in Poland over our more than 30 years of operation, ranking fourth in terms of consolidated total assets and consolidated commercial balances (total deposits and loans) as at the end of Q1 2022. Our core business is banking, which means, among other things, risking the funds entrusted to us by our clients (this is detailed in paragraph 8 of our Articles of Association). As a bank, together with our subsidiaries, we form a capital group in which we are also active in, among other things:

- leasing,
- factoring,
- payroll and accounting services.

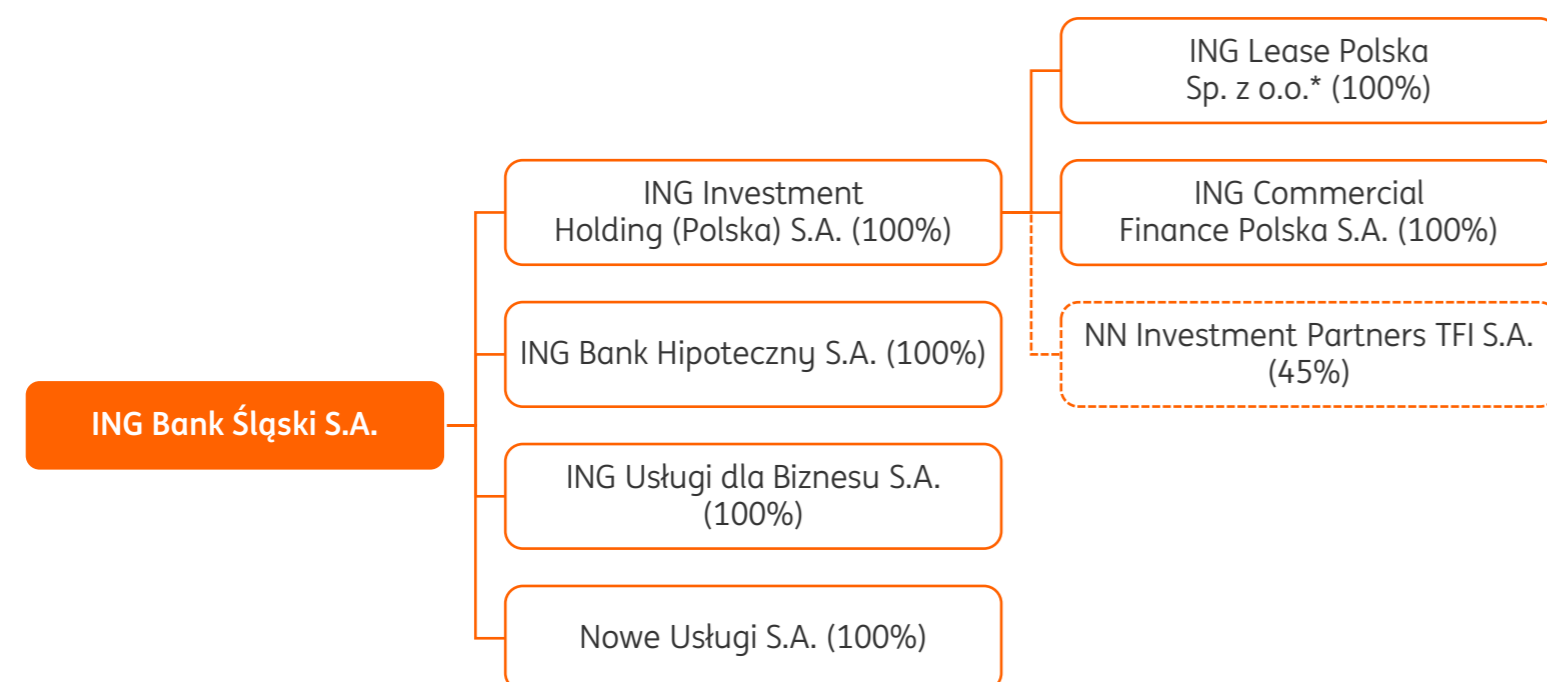
The group members are also the founders of ING for Children Foundation and ING Polish Art Foundation.

In 2022, the bank and its subsidiaries did not conclude any transactions with related entities that would be individually or jointly significant and concluded other than on the arm's length basis.



ING Bank Śląski S.A. Group composition

Subsidiaries and associates within the ING Bank Śląski S.A. Group as at 30 June 2022



A solid frame line indicates a subsidiary and a dashed frame line indicates an associated company; *the ING Lease (Polska) Group comprises an additional 5 subsidiaries in which ING Lease (Polska) Sp. z o.o. holds 100% of the shares.

The Bank, through ING Investment Holding (Polska) S.A., holds 45% of shares in NN Investment Partners TFI S.A. and treats this company as an associated company. Subsidiaries are consolidated by our bank using the full method, and the associated company (NN Investment Partners TFI S.A.) is consolidated using the equity method. In addition to its subsidiaries and associates, the bank has minority capital investments, including in the following companies:

- Biuro Informacji Kredytowej S.A. (9.0% of shares),
- Krajowa Izba Rozliczeniowa S.A. (5.7% of shares),
- Polski Standard Płatności Sp. z o.o. (14.3% of shares).

Changes in the Group's structure

On 18 May 2022, the liquidation of the Bank's subsidiary SOLVER Sp. z o.o. was closed. On 6 July 2022, an application was filed to remove the company from the Register of Entrepreneurs of the National Court Register (as at the date of signing the report, the National Court Register had not made a decision in this regard).

ING Investment Holding (Polska) S.A.

ING Investment Holding (Polska) S.A. is a holding company. Through it, the bank primarily holds shares in three companies: ING Lease (Poland) (100%), ING Commercial Finance (100%) and NN IP TFI (45%).

ING Lease (Polska) Sp. z o.o.

ING Lease (Polska) has been present in the market since 1995. Since 2012, it has been a member of the Group of ING Bank Śląski S.A. ING Lease (Polska) offers all basic types of leasing which allow to finance both movables (in the form of cars, vans, heavy transport vehicles, machinery and equipment, construction, medical, equipment and IT equipment) and real estate. The ING Lease (Polska) Group is composed of 5 subsidiaries wherein ING Lease (Polska) Sp. z o.o. holds 100% of shares. The company services are targeted at all market segments: large, medium and small enterprises as well as micro clients (entrepreneurs).

In H1 2022, the new lease production of the company totalled PLN 3.2 billion (+3.0% y/y). At the end of June 2022, the company served almost 37,000 clients (+2% y/y) and the portfolio was worth PLN 12.2 billion (+14.0% y/y; based on management accounting data).

ING Commercial Finance Polska S.A.

ING Commercial Finance Polska offers factoring. The company was incorporated in 1994 under the name of Handlowy Heller. Upon its incorporation into ING Group, since 2006 the company has been operative under the name of ING Commercial Finance. Since 2012, it has been the member of the ING Bank Śląski S.A. Group – like ING Lease (Polska).

In H1 2022, ING Commercial Finance Polska's turnover amounted to PLN 31 billion (+36% y/y). In H1 2022, the Company served nearly 8.8 thousand clients (up by 33% y/y) and bought out 2.1 million invoices (up by 19% y/y).



ING Bank Hipoteczny S.A.

The main purpose of the operation of ING Bank Hipoteczny, which started operating in 2019, is the issue of long-term mortgage bonds with the underlying instruments being debt claims under the mortgage-backed loans acquired from ING Bank Śląski S.A. or other banks.

The set goal may be achieved through:

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

In 2019 ING Bank Hipoteczny carried out the inaugural issue of 5-year “green” mortgage bonds for PLN 400 million. The funds obtained from the issue will be used to refinance mortgage loans in PLN for natural persons, secured with mortgage belonging to 15% of the most energy-efficient buildings in Poland. In recent years, due to the market situation caused by the COVID-19 pandemic and the outbreak of war in Ukraine, ING Bank Hipoteczny did not issue mortgage bonds, but in order to increase the diversification of its existing funding sources, it established an own bond programme under which it issued short-term debt securities.

ING Usługi dla Biznesu S.A.

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

ING Usługi dla Biznesu operates in the following business areas:

- online database of companies (registry data, financial data) and B2B online business purchase platform – ALEO),
- a platform for invoicing and payment management once accounting and payroll services – under the ING Księgowość brand,
- distribution of software for robotisation of business processes – under the SAIO brand.

Nowe Usługi S.A.

Nowe Usługi S.A. conducts educational and marketing activities. In the field of education, it runs the website [Edukacjagieldowa.pl](https://edukacjagieldowa.pl). This is a website about investing and the stock market, both for debuting and fully-fledged investors. The knowledge database and investment-related materials are published on an ongoing basis on the website.

Marketing activity centres around popularisation of ING Turbo certificates on the Polish market. The instruments are issued by ING Bank N.V. Amsterdam and quoted at the Warsaw Stock Exchange. The main activities of the company are the organisation of marketing campaigns, ING Turbo helpline service or technical support while running the ingturbo.pl website.

NN Investment Partners TFI S.A.

NN Investment Partners TFI S.A. has been present in Poland since 1997. It is the second largest TFI on the Polish market, managing PLN 25.4 billion (data of NN Investment Partners TFI S.A. as at the end of December 2022) located in funds and portfolios for a wide range of clients. It supports over 500 thousand clients by offering them a wide range of investment products. NN Investment Partners TFI S.A. is part of the international Goldman Sachs group. It successfully combines global and local expertise to provide clients with investment solutions of the highest quality.

On 11 April 2022, the acquisition of NN Investment Partners (NN IP) by Goldman Sachs Asset Management (Goldman Sachs) was completed. After many years of successful cooperation within the NN Group, NN IP is joining forces with Goldman Sachs. The combination of NN IP and Goldman Sachs creates an asset management entity with a value of approx. USD 2.8 trillion (figures as at 31 December 2021).



Our strategy

Today our Think Forward strategy (adopted in 2014) is more important than ever. With our data-driven approach and mobile channel priority, we continue to support our clients to stay one step ahead in life and in business – also during the social and economic shock of the COVID-19 pandemic. The pandemic made us realize how much our society is already digitized, accelerating the trends of clients shifting to mobile channels and the use of cashless payments.

The implementation of our strategy is based on providing a client experience that is simple and understandable, available anytime and anywhere, supportive and inspiring, and constantly improved. Digitization remains key to this, and we are adapting our processes and services to make banking even safer, more personal, easier and smarter. Combined with our data literacy skills, we see ourselves as a bank that truly knows its clients and anticipates their evolving needs, finding innovative ways to add value, also in areas beyond traditional banking.

We do all of this to meet the highest possible standards of integrity. Being a safe, reliable and compliant bank – remains our top priority. Our Orange Code puts honesty above all else.



Our goal is to empower people to be one step ahead in life and business. In our Think Forward strategy, we promise clients that our banking will be transparent and easy, anytime, anywhere, and enable them to make informed financial decisions. Driven by our goal, the strategic priorities set out in the Think Forward strategy help us focus on the elements we need to be successful. These strategic priorities are:

- We want to be the main bank for our clients.
- We develop our competences to better understand our clients.
- We implement innovations to meet client needs.
- We think outside the box and offer new services that go beyond traditional banking.

On 13 June 2022, ING Group within Investor Day presented information on the new strategy. The purpose of ING Group remains the same – Empower people to stay a step ahead in life and in business.



Among strategic priorities two areas were listed:

- Superior customer experience, and
- Sustainability.

The execution of those two, capacious priorities will be enabled for ING Group by our employees, stability and safe, scalability in technology and operation as well as seamless digital experience.

The above elements are consistent with the planned activities of the ING Bank Śląski Group and the priorities for the years 2022-2024 indicated in March 2022.

Strategic priorities

We wish to be the house bank for our clients

We understand this priority as increasing the number of clients who have many of our products. It is closely related to their experience and satisfaction: the more satisfied clients are, the more likely they are to choose our bank for additional products and services. In recent years, we have consistently increased the number of clients, including primary clients.

We develop our competencies to understand clients better

Having the right data at our fingertips will help us achieve many of our strategic priorities. We use the data to personalize interactions with our clients to provide an experience that distinguishes our offering from the competition. It also helps us make sound business decisions and drives



innovation. At the same time, we recognize the need to protect personal data and are committed to handling it securely and being open about how we use it.

We implement innovations to provide for clients' needs

New technologies both destroy the status quo and enable new ways of operating. To stay up-to-date, we must constantly evolve. This means creating breakthrough products, services and experiences that support our strategic ambitions and keep us one step ahead.

We think out of the box and we offer new services that are beyond traditional banking

ING Bank Śląski is not only deposits and loans. We provide clients with a comprehensive view of their finances and offer solutions that go beyond the traditionally understood banking, especially with the use of digital solutions. Thus, it allows us to open up to new sources of income for our bank.

Lines of action

Streamlining and simplifying

The continual improvement and simplification of our internal processes and systems are the basis of a high-quality digital experience. This allows us to respond faster to changing client needs, implement new products and services faster, and become more flexible and cost-effective.

Operational excellence

We promise our clients that we will keep getting better. This includes accelerating the digitization of processes to ensure seamless client service and greater efficiency. It is also about ensuring safe operations, stable IT systems and platforms, and the highest standards of data security.

Effectiveness of operation

Delivering outstanding client service requires committed employees who are motivated to go the extra mile. That is why we strive to create positive employee experiences and to develop leaders who can increase efficiency and inspire employees to implement our strategy. Diversity and inclusion contribute to this – people perform better when they can be themselves. We do not tolerate any form of discrimination. In everything we do, we are guided by the values and behaviour set out in our Orange Code and ING Group's Global Code of Conduct.

Wide range of product possibilities

We look at our products and services more broadly than in the light of traditionally understood banking. We want to be a partner for our clients in many areas. This increases their satisfaction, ties them to our bank, and allows us to diversify our sources of income.



The objectives of our strategy and the main risks of achieving them in 2022-2024

We have provided detailed information on the strategy and its objectives for 2022-2024 in the Management Board Report on Operations of the ING Bank Śląski S.A. Group in 2021 and presentation (available at [this link](#)). The table below shows selected elements of the implementation of the strategy within the framework of the indicated objectives.

Objectives of our strategy for 2022-2024 (1/2)

Objective	Implementation in H1 2022
Client activity and digitalisation	<ul style="list-style-type: none"> • In the first half of the year, we acquired 163 thousand new retail clients and 38 thousand new corporate clients. • We have 2.05 million <i>primary</i> clients in the retail segment and 201,000 primary clients in the corporate segment. • The number of mobile only customers in retail banking increased to 1.7 million (+21% y/y). • The number of transfers in Moje ING was 168.7 million (+3% y/y), of which 49% were transfers made in mobile banking. • We processed 23.5 million transactions in our payment terminals (+31% y/y). • Our clients completed a total of 62.0 million BLIK transactions (+44% y/y). • We have implemented the ability to purchase public transport tickets on the Moje ING app. • We have implemented a new scheduled payments feature in Moje ING. • We have implemented a new login page for ING Business online banking. • We have implemented BLIK for corporate clients within ING Business. • We have implemented the eTerminal application for our corporate clients.
Full regulatory compliance	<ul style="list-style-type: none"> • We fulfilled all recommendations with a maturity date in H1 2022 on time. • In H1 2022, we implemented further tools for primary and secondary transaction monitoring. • We have implemented tools to monitor rejected transactions resulting from sanctions on Russia and Belarus. • We have launched and are running an internal campaign on risk culture.
Motivation and empowerment of employees	<ul style="list-style-type: none"> • As part of the gamification INGGame implemented, we have introduced new learning strategies to the organisation, largely based on social learning using new technologies and the potential of our internal resources. • As part of the two-month event “I grow because I want 2.0”, we organised conferences and workshops for employees to learn in a practical way how to share knowledge effectively using modern digital forms and tools. • As part of LuxMed’s preventive health review, we have standardised the range of preventive offerings to the gold package level for all medical packages. • We organised a series of webinars for our employees as part of the Health Days. • We have made changes to the Regulations of the Company Social Benefits Fund and the Cafeteria Programme. • On 28 March, after more than a year’s preparation, we started widespread operation under the hybrid model.
Stability, availability and security of IT systems	<ul style="list-style-type: none"> • The availability of Moje ING and ING Business was 99.99% and 99.81% respectively. • As for the first product launched on the new central system TM Vault - we implemented data supply to the data warehouse and, together with the supplier, we analyzed the results of the production operation so far.



Objectives of our strategy for 2022-2024 (2/2)

Operational efficiency, AI and data management

- The value of the DIGI60 index (an index of the digitalisation of selected operational processes) is 36% (18% at the end of 2021).
- The number of clients per FTE of the operations division is 2,710 (2,700 at the end of 2021).
- We have implemented seven automation initiatives using AI in the operational area.
- We made ten new processes available to clients in a *self-service* model using *low-code design* technology (Ferryt platform).
- We are implementing, on a continuous basis, further process changes that have allowed us to increase STP (*straight through processing*) for five key client journeys.
- 244 meeting places (-13 compared to the end of 2021).
- 62 cash points (-4 compared to the end of 2021).

ESG

- From February to June, after the bank had doubled its donations, we collected and donated a total of more than PLN 10 million in cooperation with the ING for Children Foundation to aid organisations in Ukraine.
- The ING for Children Foundation welcomed children from an orphanage in Zaporizhia to a centre in Wisła.
- We have seen a clear increase in the involvement of ING volunteers in, among other things, the My Environment volunteering competition.
- We have introduced support for our employees who have taken refugees under their roof and support for employees of Ukrainian origin.
- We celebrated European Diversity Month in May with the theme “We have room for every person”. On our agenda were: stories from our ING colleagues, articles about diversity in the workplace, educational webinars or feminatives.
- In the first half of the year, we provided financing for RES with a total value of PLN 0.9 billion.
- We have completed the first edition of the ING Grant Programme for start-ups and researchers. We donated PLN 1 million for clean and accessible energy solutions.



Our financial targets for 2024

	Indicator	2020	2021	H1 2022	2024 target
Growth area	Average annual* growth in gross loan portfolio	6.5%	16.2%	14.2% y/y	~9%
	Average annual* increase in net fee and commission income	14.0%	20.7%	19.0% y/y (cumulative H1)	>7%
Performance area	Cost-to-income ratio**	44.3%	43.0%	45.6% (cumulative H1)	<40%
	Risk cost margin ratio	88 bp	27 bp	39 bp (cumulative four quarters)	<50 bp
Area of stability	Total solvency ratio	19.52%	16.05%	14.41%	>15%
	Loan-to-deposit ratio	82.6%	85.9%	82.2%	90-95%
Area of profitability	ROE adjusted for MCFH	7.6%	13.6%	16.0% (cumulative four quarters)	>13%
	Dividend payout ratio from profit	50%	30%	-	30-50%

*Average for 2021-2024; **Income including share of profits of associates

Due to the highly volatile macroeconomic environment, there may be short-term disruptions to the targets set in the 2024 horizon.

Risks and opportunities in strategy accomplishment in 2022

	Comment
Risk	
COVID-19 pandemic	Risk of further pandemic tightening in the wake of low vaccination rates and new coronavirus variants.
Macroeconomics	Geopolitical risks, in particular Russia's conflict with Ukraine. Reduced forecasting effectiveness due to soaring inflation; risk of stagflationary phenomena. Commodity market tensions; disrupted supply chains.
Labour market constraints	Competition for talent in the labour market. The ambiguity of the new tax system is exacerbating wage pressures. Low levels of unemployment.
Regulations	Increasing burdens on the banking sector. Ongoing discussions and implementations on ESG guidelines. Implementation of new, pro-consumer legislation (MIFID, data protection). AML requirements. Reference indicator reform. Introducing the possibility of suspending mortgage instalments in PLN; Commercial Bank Protection Scheme; recapitalisation of the Borrower Support Fund.
Technology regulation	New regulations on resilience, vendor management and cloud technology.
Cyber security / fraud	High dependence on security and stability of IT systems.
Opportunities	
Clients	<ul style="list-style-type: none"> Acquisition of new clients. An increase of the share of <i>primary</i> clients in the overall number of clients. Use of the potential of electronic banking.
Sustainable development	<ul style="list-style-type: none"> Increased ecological awareness of the society. Increased access to green energy sources. EU climatic neutrality. Access to new technologies. EU Reconstruction Fund and how to use it.
Financial highlights	<ul style="list-style-type: none"> Growing business volumes. Impact of interest rate rises on net interest income. Increased importance of the result on fees and commissions in income. Cost effectiveness.



Major events in H1 2022

A list and description of core events in H1 2022 can be found in item 2 of the Consolidated Semi-Annual Report for the period of 6 months ended on 30 June 2022.

Awards and distinctions

Our actions focusing on offering attractive products to clients, our care for high service quality, actions and practices for sustainable development and outstanding commercial and financial results have been honoured with multiple awards and distinctions. Below we present the most important ones awarded to us in H1 2022:

- January 2022 – ING Bank Śląski has for the third consecutive year become the leader of the individual client satisfaction ranking according to the “2021 Bank Client Satisfaction Monitor” report prepared by ARC Rynek i Opinia.
- January 2022 – ING Bank Śląski was awarded the HR Highest Quality certificate for the third consecutive year for applying best practices and promoting high standards in the area of human resources management.
- February 2022 – ING with the Consumer Golden Laurel award for the second time in the green business strategies category.
- March 2022 – The Moje ING mobile app won first place in the mobile banking category at the Mobile Trends Awards.
- March 2022 – ING Bank Śląski stood on the podium of the Stock Exchange Company of the Year ranking organised by Puls Biznesu, taking third place.

- March 2022 – ING Bank Śląski was awarded the title of “Institution of the Year” and first place in as many as four categories – “Best bank in Poland”, “Best mobile app”, “Best online banking” and “Best mortgage service”.
- April 2022 – ING with the title of Poland’s Best Employers 2022.
- April 2022 – Brunon Bartkiewicz was named the Banker of the Year 2022.
- April 2022 – ING Winner of the Banking and Insurance World Leaders Competition in the Best Bank 2022 category.
- May 2022 – As many as 10 ING Bank Śląski practices have been included in the Responsible Business Forum’s report: “Responsible Business in Poland. Best practices”. This is the largest overview of CSR and sustainability initiatives in Poland.
- June 2022 – ING Bank Śląski received two awards in the 27th edition of the 2022 Ranking of Banks of the Bank Financial Monthly.
- June 2022 – Sławomir Soszyński was awarded the title of Digital Shapers.
- June 2022 – ING Bank Śląski has won the “Stars of Banking 2022” ranking, which evaluates the overall results of the bank, for the seventh time in a row. ING also achieved first places in the categories summarising efficiency, innovation, stability and client relations.
- June 2022 – In this year’s edition of the Golden Banker 2022 ranking, organised by Bankier.pl and “Puls Biznesu”, ING became the leader in two categories: Social media and Payment Card – best design. The bank was also recognised in the categories: Personal Account and Gold Bank, where it came third.
- June 2022 – ING was awarded the CSR Gold Leaf for the fourth time.
- June 2022 – ING with the distinction “Mediation-friendly financial institution”.

The full list is available at <https://en.ing.pl/company-profile/prizes>.



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War in Ukraine

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 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). This applies to all payments and collections in all currencies.

Detailed information on credit exposures and liquidity risk in the context of the war in Ukraine is provided in the Consolidated Semi-Annual Report for the six months ended 30 June 2022.

Business environment

International economic environment

As the global economy gradually, albeit unevenly, recovered from the pandemic recession, the Russian military aggression against Ukraine, which began on 24 February 2022, caused thousands of casualties and massive losses in Ukraine and triggered another massive economic shock. Due to the significant share of Russia and Ukraine in the global supply of fuels, selected metals and grain, the war in Ukraine has translated into pressure on energy, metals and food markets.

The war started by Russia has forced a strong response from the Western world in the form of coordinated financial, economic and personal sanctions on entities and individuals from Russia, and its cooperating Belarus. The US has decided on a full embargo on Russian energy resources and selected goods. Russia lost its most favoured nation status in foreign trade, resulting in an increase in tariffs. The European Union has adopted six sanctions packages on Russia until mid-2022, including a full embargo on Russian coal and oil (with exceptions) and a two-thirds reduction in gas supplies by the end of 2022. At the same time, Western companies have decided to withdraw or reduce operations in Russia altogether.

The war in Ukraine has triggered a new wave of disruption in global supply chains. Restrictions on the supply of fuels or food commodities have overlapped with temporary restrictions on production and exports in China, which has remained with a no-tolerance policy for COVID-19. This approach in recent months has forced the introduction of temporary *lockdown* of cities, including Shanghai. This has resulted in further long queues at port unloading and delays in deliveries from China. Shortages of industrial products were putting pressure on producer prices and passing it on to the end consumer.

Already in mid-2021, accelerating inflation has become a key issue in the global economy, the war in Ukraine has further boosted energy commodity prices in recent months. By mid-2022, global oil prices were more than 60% higher than a year earlier and more than 2 times higher than before the pandemic in February 2020. Respectively, gas prices were 2 times and almost 8 times higher and coal prices were 3 times and almost 7 times higher. In the US, the energy shock is taking place against the backdrop of a tight labour market (there are two vacancies per unemployed person, companies are struggling to recruit workers) which has resulted in the highest inflation in more than 40 years (9.1% in June). In the euro area, inflation (8.6% in June) is the highest since the introduction of the single European currency more than 20 years ago, and in some countries (Spain, the Baltics) it has reached



double-digit levels. While the high inflation in the US is linked to the strong economy and approaching full employment, the high inflation in the euro area is due to the high prices of energy carriers, in particular the overdependence on Russian natural gas supplies, and the high price of CO₂ emission allowances.

The initial supply shock in the underlying markets and the persistence of inflation increasingly began to generate price second-round effects, wage pressures and an increase in inflation expectations of consumers and financial market participants. The normalisation of monetary policy and the move away from a policy of zero or even negative nominal interest rates has become inevitable, although its pace depends on the different balance of risks on both sides of the Atlantic. The US Fed began its interest rate hike cycle in March 2022; at the end of H1 2022, the interest rate range was 1.50-1.75%. ING Group economists expect further strong interest rate rises in H2 2022, by a total of an additional 200 bps. In May, the Fed announced a plan to tighten monetary conditions and reduce the central bank's balance sheet relatively quickly from June.

Monetary policy in the euro area is more concerned with the effects of higher energy prices and, in addition, the risk of a sudden stoppage of Russian gas supplies, which would trigger a recession, particularly in the German economy. Despite the shock of the war in Ukraine, the prosperity of the European economy deteriorated moderately, as the weaker performance of industry, was accompanied by a strong recovery in services, following the almost complete lifting of pandemic restrictions. Nevertheless, high inflation, together with upward pressure on core inflation and an uptick in inflation expectations, forced the start of the hike cycle in July and a likely continuation of the monetary tightening cycle after the holidays. As recently as the end of June, the ECB deposit rate was -0.50%. The ECB has completed its net purchases under the APP asset purchase programme, but is reinvesting capital instalments from maturing securities. In July, the ECB announced the introduction of a new instrument to counter excessive defragmentation in the euro area bond market.

The process of normalising monetary policy has also been initiated by other central banks around the world, which have decided to raise interest rates and announced further ones – including the Bank of England or the central banks of Canada, Australia, New Zealand, Sweden, Norway or Switzerland. The latter took the unexpected decision to raise interest rates for the first time in 15 years in June, ahead of the ECB's decisions, whereas historically it has tended to react to them. The uneven pace of official interest rate rises to date has led to a strong strengthening of the dollar and Swiss franc against the euro.

The weaker euro against the major currencies contributed to the weakening of the zloty and other regional currencies, in particular the Hungarian forint. Hungary still has not received approval for its National Recovery Plan, while for the Polish National Recovery Plan, financial markets expect significant delays in fund flows and first

payments only in early 2023. Central banks in the region have been resolutely raising interest rates, but their determination to maintain an anti-inflationary course may be tested, especially after personnel changes at the Czech Republic Bank or the NBP communications. This is confirmed by the EUR/PLN exchange rate being around 4.80 in the first half of July.

Core trends in Poland's economy

Gross Domestic Product

The turn of 2021 and 2022 was marked by high economic activity in Poland. In the last quarter of last year, GDP grew by 7.6% y/y and in the first quarter of this year by 8.5% y/y, with solid consumption growth, rising investment and a very high positive contribution of inventory change to annual GDP growth. The favourable economic climate continued in the second quarter, with economists at ING Bank Śląski estimating that GDP grew by around 7% y/y. The outbreak of war in Ukraine has drastically worsened the economic outlook, but average annual GDP growth will be high this year due to a very good first half of the year.

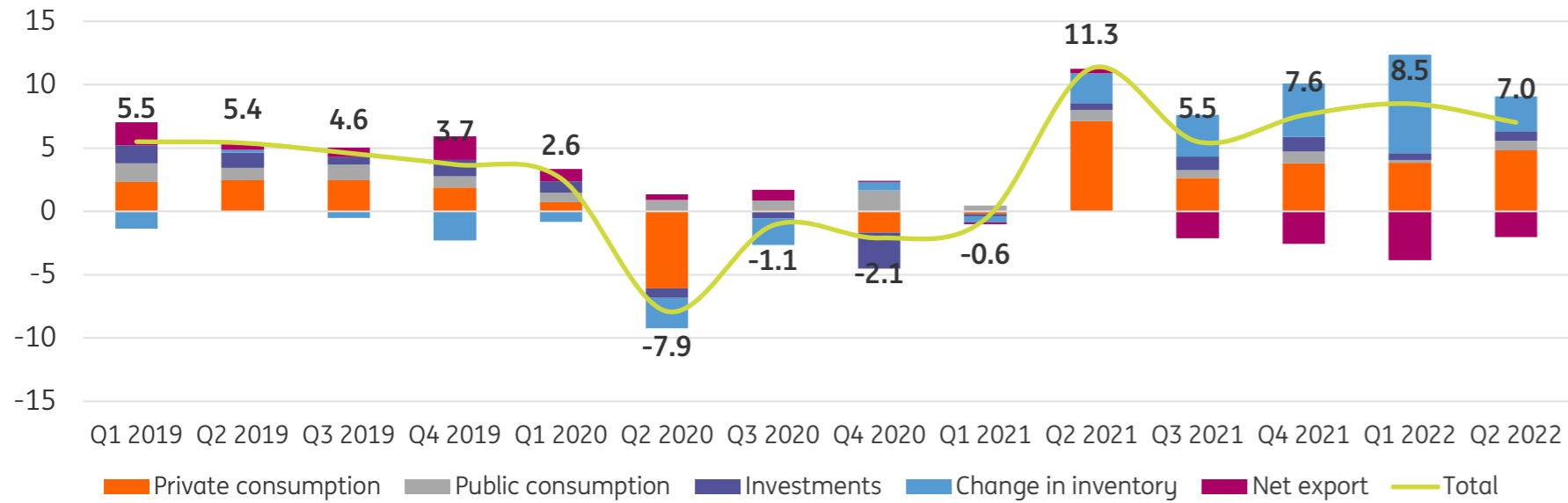
Economists at ING Bank Śląski estimate that the Polish economy will grow by 4.7% in 2022, a slower rate than in 2021 (5.9%). Consumer spending will be negatively affected by high inflation and rising interest rates, which on the one hand restricts access to new credit and on the other increases the cost of servicing existing liabilities. The uncertainty surrounding the war in Ukraine may also be a factor reducing the propensity to consume. The impact of these factors will be offset by spending by refugees from Ukraine and fiscal expansion in the form of direct (PIT) and indirect (VAT, excise duty under the Anti-inflation Shield) tax cuts and additional spending. Labour income will continue to grow at a high rate (double-digit wage growth). Consumption growth in 2022 is forecast to be close to 6.0%, remaining at a high level similar to that recorded in 2021 (6.1%).

According to the bank's economists, investment growth will remain low in 2022 due to a number of factors: 1) heightened uncertainty about the economic outlook due to the war in Ukraine, 2) delays in the launch of the National Recovery Plan, 3) continued disruptions in global supply chains (due to China's Zero-Covid-19 policy, among others), including capital goods, and 4) rising interest rates, which limits the number of projects with sufficiently high returns that can be financed with credit. Investment growth in 2022 is forecast at 3.7%, up from 3.8% in 2021. Public investment will be burdened by the fact that the first significant projects from the National Recovery Plan will most likely not be implemented until next year. There is also a high level of uncertainty regarding the achievement of so-called "milestones", which is a prerequisite for subsequent payments of funds from the



European NextGenerationEU. Economic growth will continue to be based on domestic demand, deterioration in export markets will translate into a negative contribution of net exports to the GDP.

Decomposition of GDP growth (%)



Source: GUS, projection by ING

Labour market and salary levels

Since February 2022, wages and salaries in the corporate sector have been growing at a double-digit rate, but May was the first month this year when wage growth was below consumer price growth. In other words, we have seen a decline in real wages. This situation is likely to continue in the coming months of this year.

High inflation will support the continuation of wage pressures in the short term, although in the medium term it may be somewhat mitigated by the economic downturn and slightly weaker labour demand. According to economists at ING Bank Śląski, average annual wage growth in enterprises will exceed 12% this year.

Employment in the corporate sector has returned to pre-COVID-19 pandemic levels. The labour market remains tight due to demographic factors (decline in the working-age population) and the outflow of Ukrainian men employed in Poland, which particularly affects the construction and transport sectors. The negative impact of these factors is mitigated by the increase in labour force participation and the growing employment of refugees from Ukraine on the basis of simplified procedures. In such an environment, the unemployment rate will remain low this year (around 5.2% at the end of 2022).

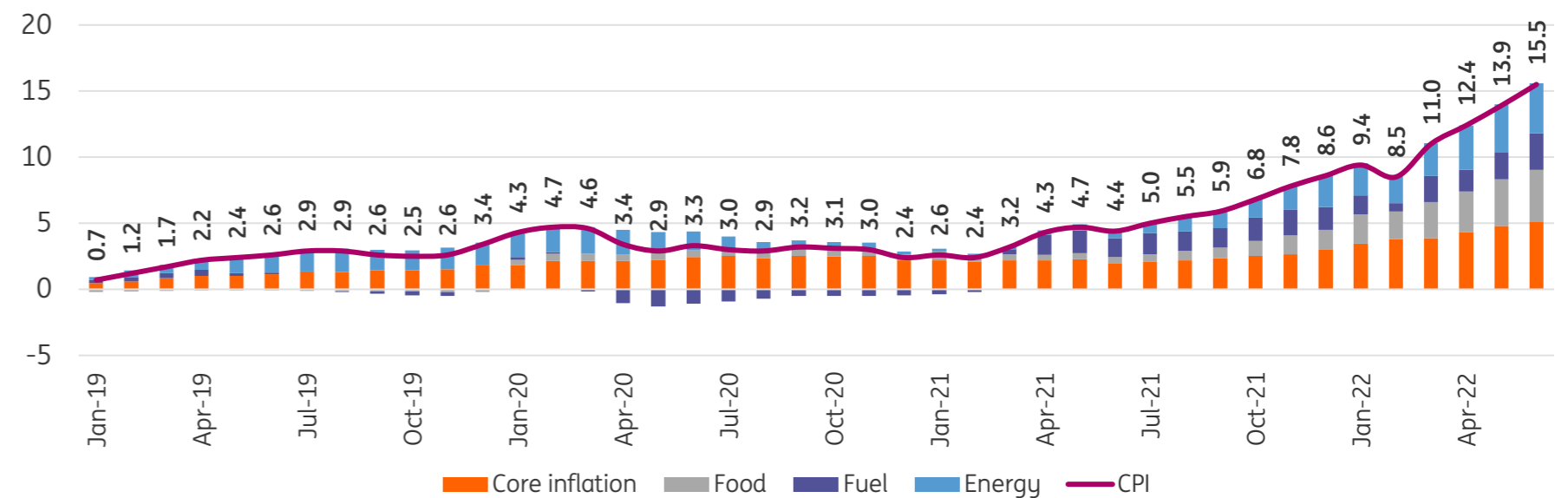
Inflation

Despite the government's anti-inflation shields, the 2022 forecasts of economists of ING Bank Śląski have increased. This reflects the following factors:

- continuing upward trend in inflation, which has reached its highest levels in more than 2 decades,
- upward pressure on the price of energy carriers for retail consumers and enterprises,
- secondary effects consisting of companies passing on previous increases in energy, material and transport costs to the price of finished goods under conditions of strong demand growth,
- economic policy (policy mix), in which monetary tightening is accompanied by fiscal easing through fiscal stimulation in the form of direct and indirect tax cuts and spending increases,
- a pro-inflationary, consumption-driven growth structure.

According to ING Bank Śląski economists, average inflation in 2022 and 2023 will be 13.7% and 12.5% respectively if the shields are maintained until autumn 2023. The beginning of 2023 will bring further increases in regulated prices. Perturbations related to the war in Ukraine and the earlier rise in energy prices are generating upward pressure on food prices.

Inflation (CPI) – decomposition (%)



Source: GUS, projection by ING



Impact of the situation in global financial markets on Poland's economy

The behaviour of financial markets in 2022 was largely defined by the Russian aggression against Ukraine. The associated tensions have hit the assets of emerging economies hard, particularly in the Central and Eastern European region. At the same time, there was a significant deterioration in Poland's trade balance, due to, among other things, a high increase in the price of imported energy resources and a deterioration in exports. The result was a dramatic weakening of the zloty, which, at the height of the shock to the markets caused by Russian aggression, exceeded 5 against the euro. The zloty lost even more sharply against the dollar. The US economy has been limited by the consequences of the war in Ukraine, causing the dollar to gain strongly in recent months amid fears of a recession in Europe.

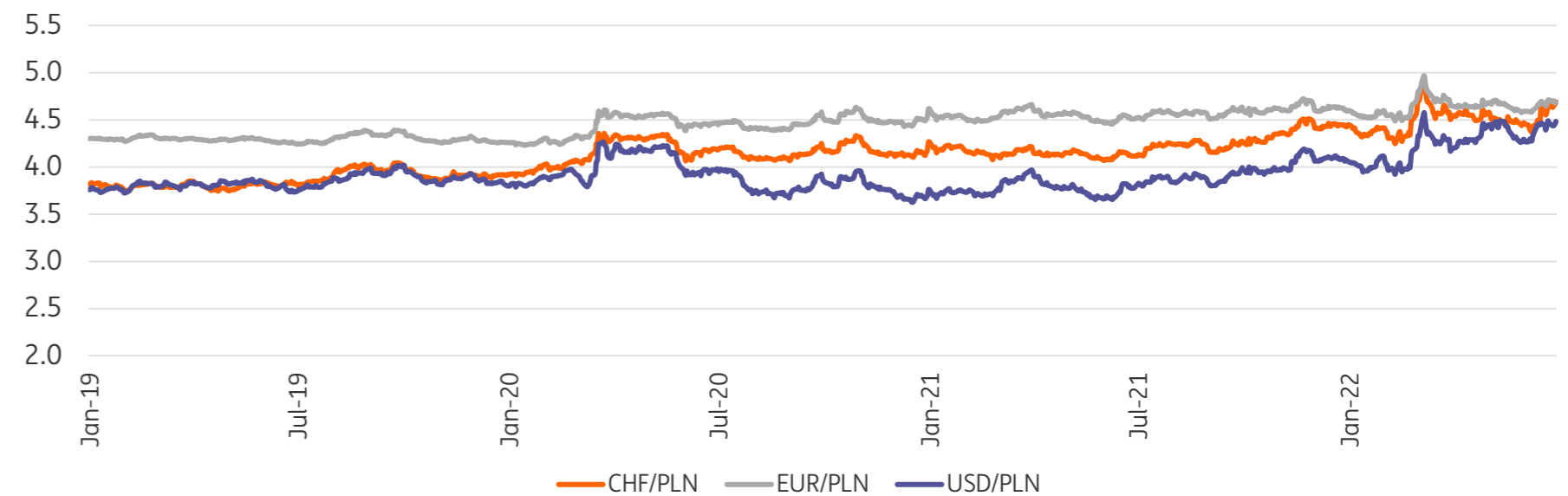
The government bond market saw a dramatic increase in yields. In response to high inflation and a weak zloty, the NBP was forced to significantly tighten its monetary policy. Consequently, IRS rates, which determine the expected level of rates in the future and bond yields behind them, have also risen.

According to the bank's economists, the zloty is likely to remain weak in H2 2022. There is no end in sight to the conflict in Ukraine and the associated market tensions. At the same time, the risk of a halt in the supply of natural gas from Russia to the EU means there is a significant risk of a recession in Europe, further discouraging purchases of European currencies. This is compounded by a further deterioration in Poland's trade balance. At the same time, it is not clear when Poland will actually receive funds from the Recovery Fund. Their inflow would help offset the continued pressure on the zloty from the foreign trade deficit. According to the new strategy of the Ministry of Finance, EU funds are to be exchanged on the market, i.e. their inflow means purchases of the zloty for the euro. An additional problem is the signals coming from the Monetary Policy Council, suggesting the imminent end of its rate hike cycle. Experience from the Czech Republic, for example, shows that stabilising the currency without significant rate rises requires gigantic currency interventions.

According to economists at ING Bank Śląski, Polish government bond yields are likely to rise again in H2 2022. The situation in Poland differs from the underlying markets, including the euro area. Domestic demand, despite the risks associated with the conflict in Ukraine, is likely to remain significantly stronger than in the euro area. For example, the influx of refugees means relatively strong consumer spending. In an environment of high commodity prices or a weak zloty, this means far more long-term inflationary risks. Inflation is therefore far from under control. A jump in energy prices in the autumn and from the beginning of 2023 is in prospect. This implies a need to raise NBP rates to higher levels than the market is currently pricing in. As a consequence, this will raise gold IRS contract rates and,

in turn, Treasury bond yields, especially at the short end. Longer instruments should price in the risk of a long-term downturn, triggered by high commodity prices etc. and consequently interest rate cuts in the future.

PLN exchange rates



Source: NBP, projection by ING

Public finances

The rebound in the economy and the stopping of aid shields allowed the general government deficit to be reduced from 6.7% in 2020 to 1.7% in 2021. The decline in fiscal imbalances last year was supported by a dynamic increase in the tax base on the back of GDP growth and high inflation, especially in the second half of the year.

Economists at ING Bank Śląski expect a significant increase in the deficit in 2022 and estimate it at around 4.5% of the GDP. Deterioration of the fiscal position in a very good economy, especially in H2 2022, will be the consequence of a number of discretionary measures, both on the revenue and expenditure side of the budget.

Despite an even more dynamic tax base growth than in 2021, on the back of GDP growth of nearly 5% and double-digit inflation, tax revenue growth will slow down due to decisions on indirect (VAT, excise) and direct tax cuts. In an effort to mitigate the impact of inflation on the cost of living for households, the government has reduced Value Added Tax (VAT) rates on fuel (8%), food (0%), electricity and heat (5%) and gas (0%). The excise duty on some energy carriers has also been reduced. In addition, the personal income tax (PIT) burden was reduced from 1 January as part of the so-called Polish Deal. In addition, as of 1 July, the first PIT rate has been reduced from 17% to 12%. Overall, the tax cuts are estimated at around 1.3% of the GDP.

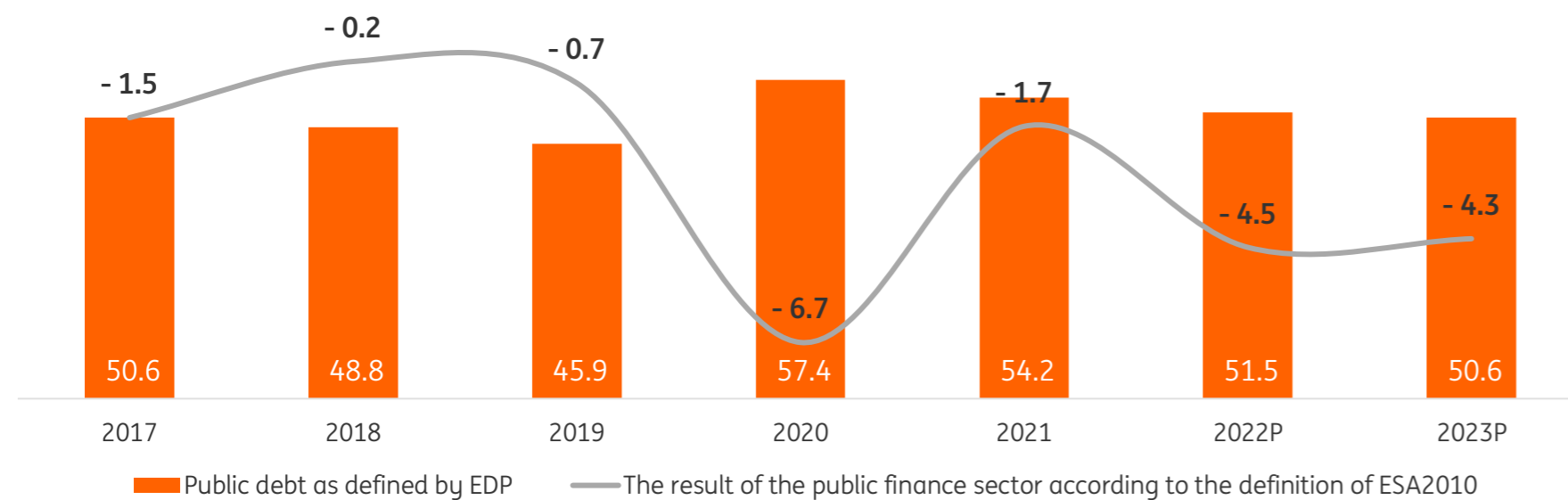


Tax cuts were also accompanied by decisions that increased spending. In the end, the valorisation of pensions in 2022 turned out to be higher than previously planned and, in addition, it was decided to pay the so-called 14th pension. A number of compensations for increases in energy prices and fertiliser prices were also announced. In addition, the state budget bears the costs associated with assisting Ukrainian refugees (social benefits, education, health care). ING Bank Śląski economists estimate the additional expenditure at around 2% of the GDP.

The Budget Act 2022 is not only based on outdated macroeconomic assumptions (especially regarding inflation, which was supposed to be 3.3 per cent), but also fails to take into account decisions taken since its enactment on additional spending and further tax cuts. The Ministry of Finance declares that it has no plans to amend the Budget Act, which means that the new expenditure will be financed outside the state budget (e.g. through the COVID-19 Counteracting Fund).

Projections of the public deficit and debt for 2022 and beyond are subject to a high degree of uncertainty due to the difficult-to-estimate impact of indirect and direct tax cuts on final budget receipts. In addition, 2023 is an election year and the authorities are planning changes to the stabilising expenditure rule, which will allow for a higher increase in budget expenditure in future years than previous arrangements allowed. In 2023, the general government deficit will continue to be close to 4.5%, while the development of the public debt-to-GDP ratio will remain under the strong positive influence of the dynamic growth of the denominator (nominal GDP).

Public debt and budget deficit according to EU methodology (ESA2010; %)



Source: GUS, projection by ING

Monetary policies

Economists at ING Bank Śląski expect the Monetary Policy Council to continue tightening its policy by bringing the reference rate to 8.5%.

Between October 2021 and July 2022, the Monetary Policy Council made 10 interest rate increases, raising the reference rate from 0.10% to 6.50%. In the face of signs of a weakening economy in recent weeks, public statements by MPC members suggest that a cycle of interest rate rises is approaching. In recent months, the Council has gradually reduced the scale of increases at successive meetings. Rates were raised by 100 bps in April, 75 bps in May and June and 50 bps in July. Some MPC members suggest reducing the scale of increases to 25 bps after the holidays.

In the opinion of ING economists, if there is a reduction in the scale of the increases, this could mean an extension of the monetary tightening cycle. Inflationary pressures may intensify in the autumn as energy prices rise during the next heating season. High increases in regulated prices, including electricity and gas, are expected from the beginning of 2023. This will most likely not allow interest rate cuts in 2023.

NBP interest rates are (after the MPC meeting in July 2022):

- deposit rate – 6.00%,
- reference rate – 6.50%,
- bill discounting – 6.60%,
- bill re-discount rate – 6.55%,
- lombard rate – 7.00%.

The NBP does not currently carry out operations to buy Treasury bonds or bonds guaranteed by the Treasury. The central bank has not provided a detailed strategy for managing the portfolio it already holds. In particular, it did not state whether funds from maturing instruments would be reinvested.

Summary

Russia's invasion of Ukraine and war in Europe is a shock to the European economy. By increasing uncertainty and driving up energy commodity prices, this is also a negative shock to the global economy. The global economy has come under the influence of stagflationary trends – high inflation will be accompanied by a strong cooling of the



economy, and a technical recession is not ruled out in some markets, including the USA, Germany and also Poland, among others. It represents a decline in GDP in seasonally adjusted terms in two consecutive quarters. Stagflation can slow down the pace of monetary policy normalisation, as upward pressure on prices falls during a downturn or recession.

War and its associated uncertainty are now a major source of disruption to the global economy, but pandemic risks have not completely disappeared either. In the face of numerous Russian attacks on civilian targets and the determination of Ukrainians to defend their country, there is no indication of a quick end to this conflict. Although hostilities are concentrated in the Donbass, the risk of attacks applies to the entire territory of Ukraine, as evidenced by the July rocket attacks on Vinnitsa in central Ukraine. Under the current conditions, it would be a success to reach an agreement unblocking Ukrainian grain exports across the Black Sea, negotiated with the participation of Turkey.

Regarding the COVID-19 pandemic, there may again be some limitations in light of reports of a new wave of infections in Western Europe, the USA or Brazil. Nonetheless, we expect that it will not be necessary to re-introduce the severe economic sanitary restrictions in the autumn, neither in the major economies nor in Poland.

ING Bank Śląski economists of a downturn in Poland in the second half of 2022 and low GDP growth in 2023. However, it is likely to be accompanied by high inflation, triggered by the energy crisis, forcing further increases in NBP interest rates.

In the face of high energy prices and unpredictable moves on Russia's part, the fundamental challenge for the coming months is to meet the energy needs of households and economic sectors during the upcoming heating season. At both European and national level, this could mean temporarily allowing more coal consumption to replace Russian gas. However, this action will not at the same time mean that the green transition in Poland will have to be accelerated, especially as it can be supported by EU funds from the NIP, which was formally accepted by the European Commission in June 2022. The green light for the Polish National Recovery Plan, however, does not guarantee rapid financial flows. These will depend on action on the Polish side, including improved regulation to encourage energy efficiency and clean energy investments. This process is costly, but can open up development opportunities for the Polish economy (development of new industries, specialisation and innovation). The environment of very high fossil fuel prices creates an additional economic rationale for investments in energy-saving technologies, renewable energy sources, as well as necessary investments in the expansion and modernisation of distribution and transmission networks. Poland is also facing key political and economic decisions regarding the construction of nuclear power.

Macroeconomic projections

	2019	2020	2021	2022P	2023P
GDP growth (%)	4.7	-2.2	5.9	4.7	2.5
General government sector debt according to EU methodology (% GDP)	45.9	57.4	54.2	51.5	50.6
Average annual inflation (CPI) (%)	2.3	3.4	5.1	13.7	12.5
Unemployment rate (%; CSO)	5.2	6.3	5.4	5.2	5.4
USD/PLN exchange rate (year-end)	3.80	3.76	4.06	4.40	3.97
EUR/PLN exchange rate (year-end)	4.30	4.44	4.59	4.75	4.57
WIBOR 3M (year-end)	1.71	0.21	2.54	7.98	8.50

Financial market

We look at sector data, just like our business, broken down into two segments:

- retail segment:
 - physical people,
 - individual farmers;
- corporate segment:
 - individual entrepreneurs,
 - enterprises,
 - non-profit institutions serving households,
 - non-monetary financial institutions,
 - local government institutions and the Social Security Funds (FUS).



Banking sector

Liabilities

As of the end of June 2022, the basic cash categories were as follows:

- Total liabilities increased by 5.5% y/y to a total of PLN 1,647.1 billion (up by PLN 85.4 billion y/y) and were characterised by a higher growth rate on the deposits side of the corporate segment than on the retail segment.
- Liabilities to the retail segment reached PLN 960.8 billion, an increase of PLN 18.0 billion y/y (+1.9% y/y) compared to the end of June 2021.
- Liabilities to the corporate segment amounted to PLN 686.3 billion, i.e. they were 10.9% higher than as at the end of June 2021. The y/y increase in the volume by PLN 67.4 billion was achieved primarily due to an increase in liabilities towards enterprises (by 8.5%, i.e. by PLN 32.5 billion to PLN 415.5 billion) and liabilities towards local government institutions and the Social Security Fund (by 29.2%, i.e. by PLN 19.7 billion to PLN 87.2 billion). The growth rate of deposits of individual entrepreneurs was 0.1% y/y as at the end of June 2022 (an increase of PLN 51 million to PLN 84.2 billion). Deposits accumulated by non-profit institutions serving households amounted to PLN 35.6 billion as at the end of June 2022 and were PLN 4.2 billion higher (+13.4% y/y) than the year before. On the other hand, liabilities towards non-monetary financial institutions increased by 20.6% in the analysed period, i.e. by PLN 10.9 billion to PLN 63.8 billion.

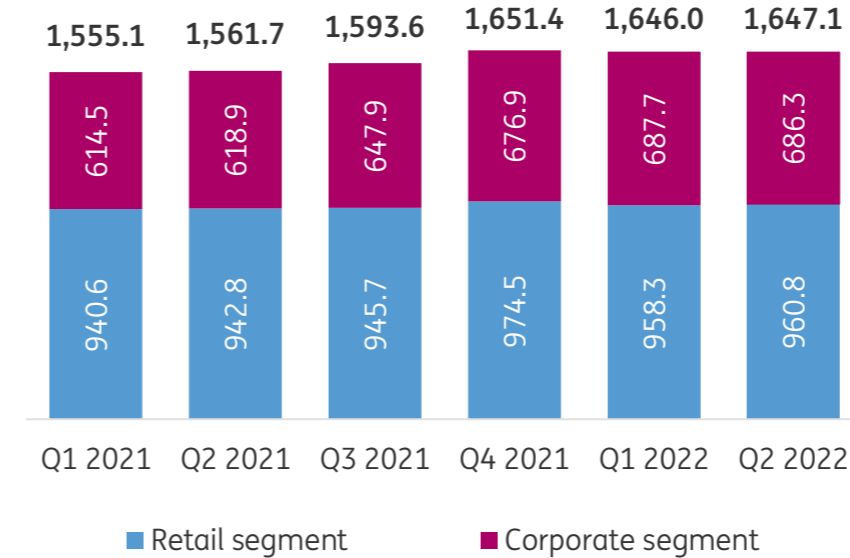
Receivables

- Total receivables at the end of June 2022 increased by 6.6% y/y (up by PLN 81.2 billion to a total of PLN 1,318.2 billion). Higher growth rates were recorded by the corporate segment.
- Receivables from the retail segment reached PLN 746.9 billion in June 2022 and were 2.7% higher than in the previous year. Housing loans, which constitute the main part of banks' credit exposure to the retail segment (constitute 68.3% of receivables from this group of clients, compared to 67.0% in the previous year), increased by 4.7% to PLN 509.8 billion. As at the end of June 2022, the portfolio of PLN-denominated housing loans totalled PLN 402.4 billion and was up by PLN 26.8 billion y/y. The sales of mortgage loans alone – based on NBP data – in the first five months of 2022 amounted to PLN 28.3 billion (-11.6% y/y). The portfolio of foreign-currency housing loans fell by PLN 3.9 billion y/y to PLN 107.5 billion due to the natural depreciation of the portfolio and the incurring of provisions for the legal risk of this portfolio and the implementation of settlement programmes with clients by banks. Other retail loans, including consumer loans, decreased by 1.3% (by PLN 3.2 billion) compared to

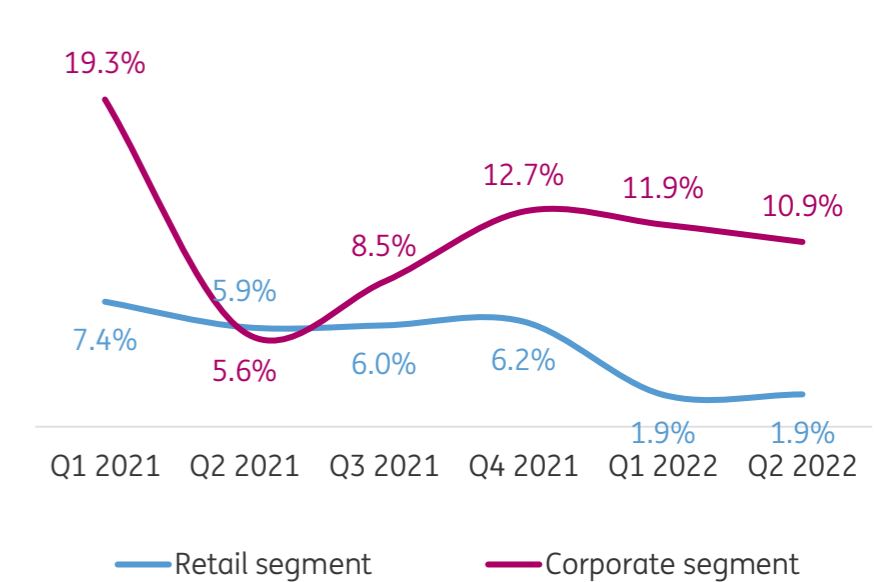
the end of June 2021 and amounted to PLN 237.0 billion. Sales of other retail loans – based on NBP data – amounted to PLN 38.8 billion in the first five months of 2022, down 2.6% y/y.

- Receivables from corporate clients increased by PLN 61.4 billion (+12.1% y/y) compared to June 2021 to PLN 571.3 billion. The receivables from enterprises alone increased by PLN 46.5 billion (+14.2% y/y) to the level of PLN 347.7 billion. Demand for corporate loans remained relatively high in 2022. Sales of loans to non-financial enterprises – based on NBP data – in the first five months of 2022 amounted PLN 101.5 billion, an increase of 63.3% y/y. Receivables from individual entrepreneurs declined, with their balance falling by 4.0% y/y (PLN -2.6 billion) to PLN 61.4 billion.

Balance of liabilities* (PLN billion)

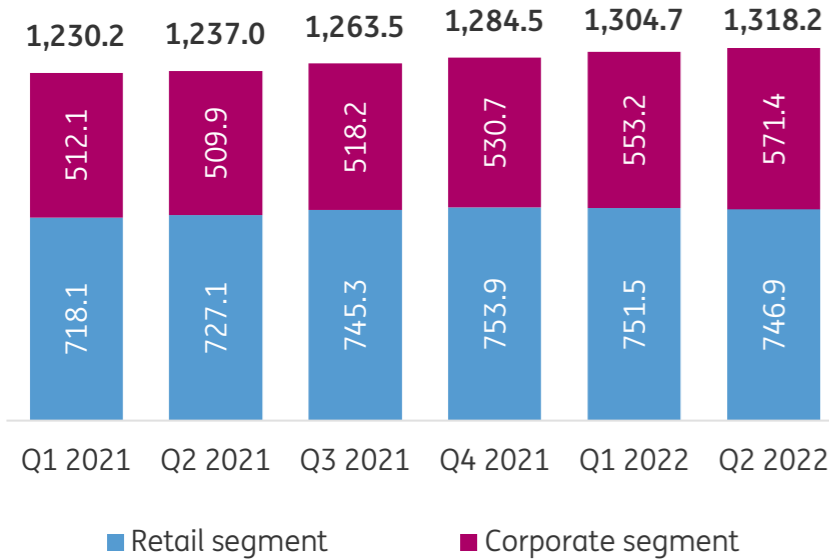


Growth rate of balance of liabilities*

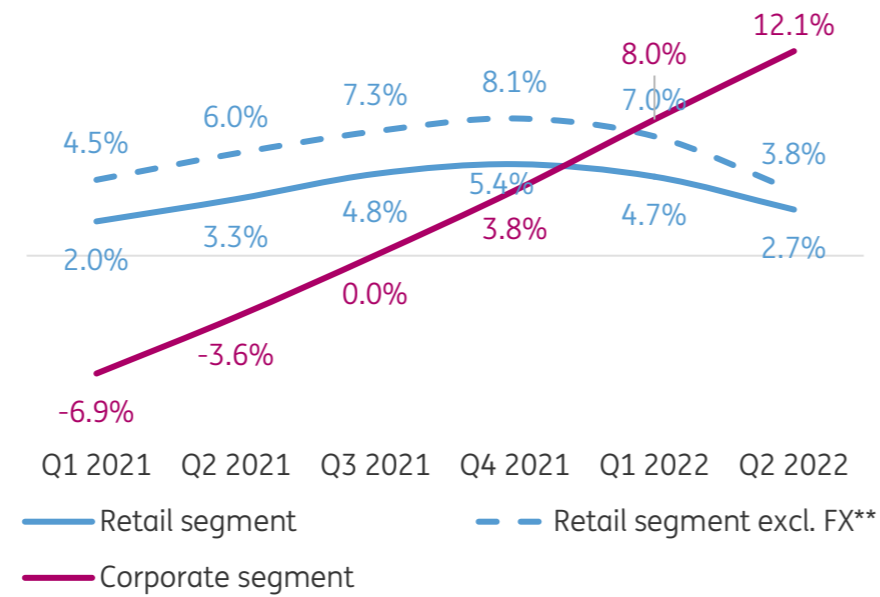




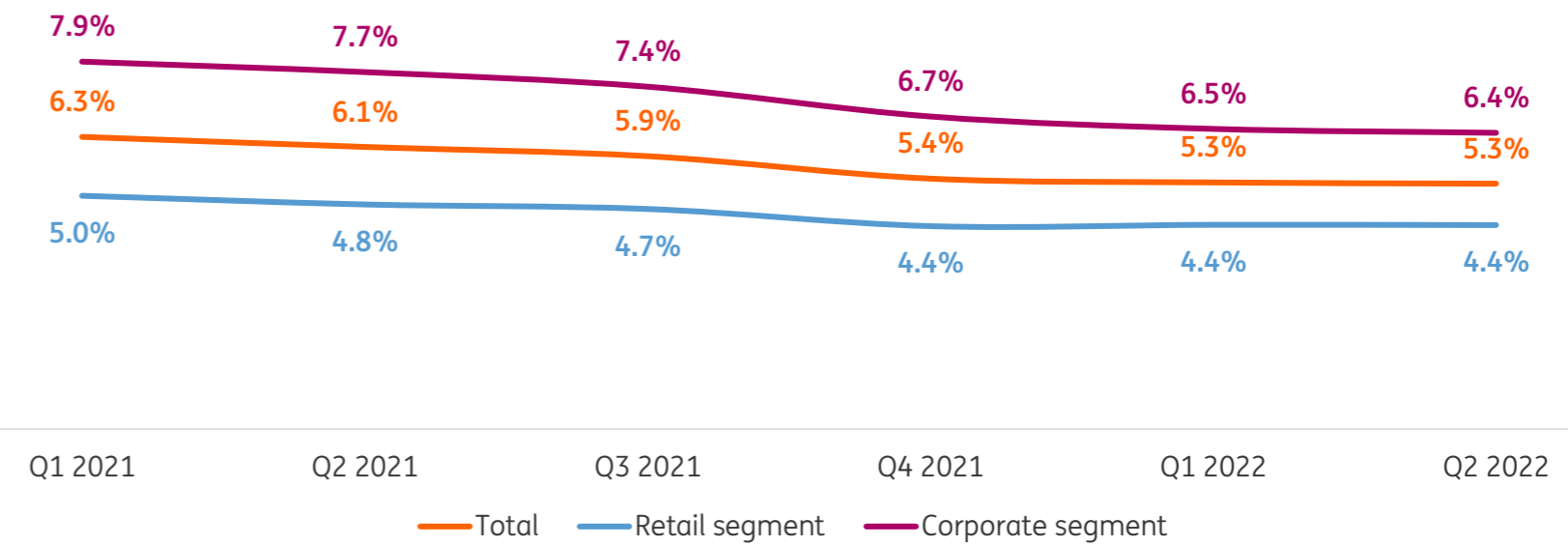
Balance of receivables* (PLN billion)



Growth rate of receivables*



Share of receivables at stage 3



Source: estimate based on the PFSA data; data for May 2022 for Q2 2022

*based on NBP data; ** excluding foreign currency mortgage loan portfolio

Asset quality

In terms of asset quality, Stage 3 loans accounted for 5.3% of total loans measured at amortised cost in May 2022 (compared to 6.1% at the end of June 2021 and 5.4% at the end of 2021).

The improvement in the asset quality ratio during H1 2022 was mainly evident in the corporate segment (improvement in quality from 6.7% at the end of 2021 to 6.4% in May 2022). Asset quality in the retail segment remained stable (4.4% at both the end of 2021 and in May 2022).

The higher credit quality of corporate clients was driven by improvements in the quality of operating loans (from 8.3% to 7.4%) and investment loans (from 6.2% to 5.8%), as well as the improving quality of real estate loans (from 9.7% to 9.2%).

In the retail segment, there was a slight deterioration in the quality of consumer loans (from 9.4% to 9.5%) while the quality of real estate loans was maintained (2.5%).

Financial results

In the first five months of 2022, the banking sector’s net profit increased to PLN 12.9 billion against PLN 5.8 billion in the same period of 2021. The gross result of the banking sector amounted to PLN 17.4 billion, more than double the gross result for the first five months of 2021.

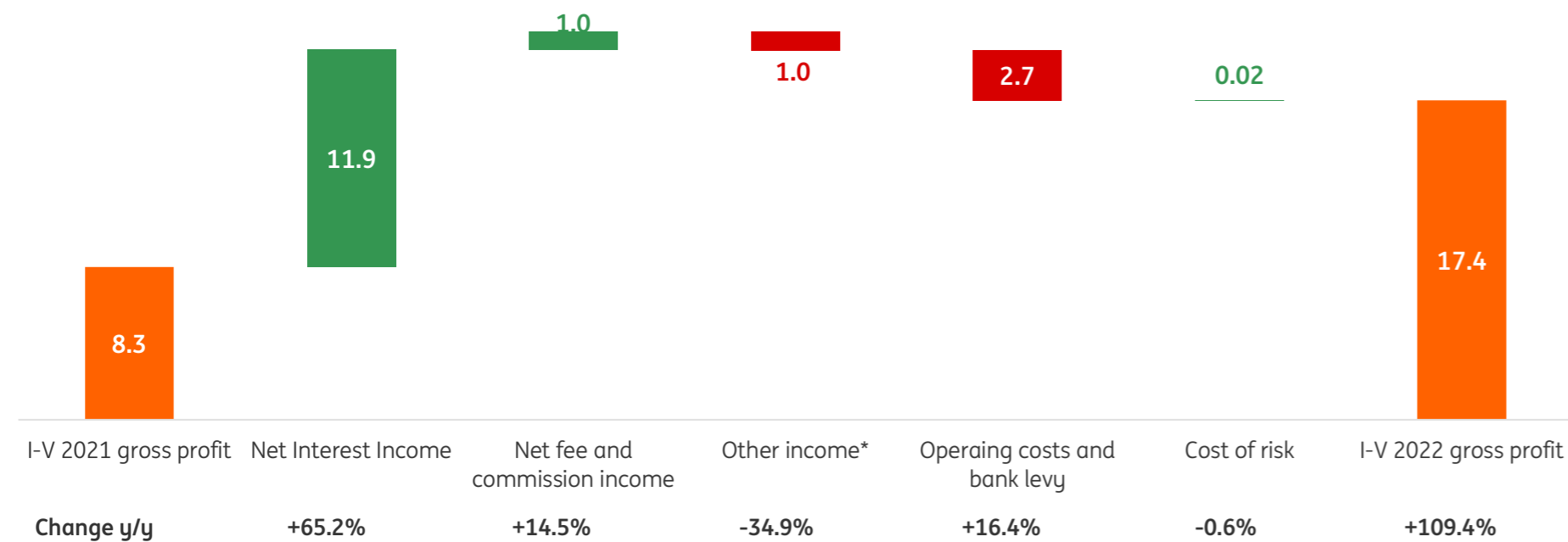
The apparent improvement in the sector’s results in 2022 is mainly the result of rising interest rates, which supported net interest income – which improved by 65.2% y/y. Noticeable growth can also be seen in net fee and commission income, which increased by 14.5% y/y. Overall, banks’ revenues improved by 42.4% y/y.

The improvement in revenue was partly offset by an increase in cost items. Operating costs increased by 16.4% y/y. Personnel costs (on the back of rising wage pressures in the economy) increased by 12.0% y/y. Other operating expenses (excluding depreciation and amortisation, but including bank tax) grew at a high rate of 24.3% y/y. This is, among other things, the result of inflationary pressures evident in the products and services purchased by the sector.

Risk costs were flat y/y (intangible down by 0.6% y/y).



Change drivers for gross profit of the banking sector January – May in 2022 (PLN billion)



Source: estimate based on PFSA data; *including share in profits of associates

Capital market

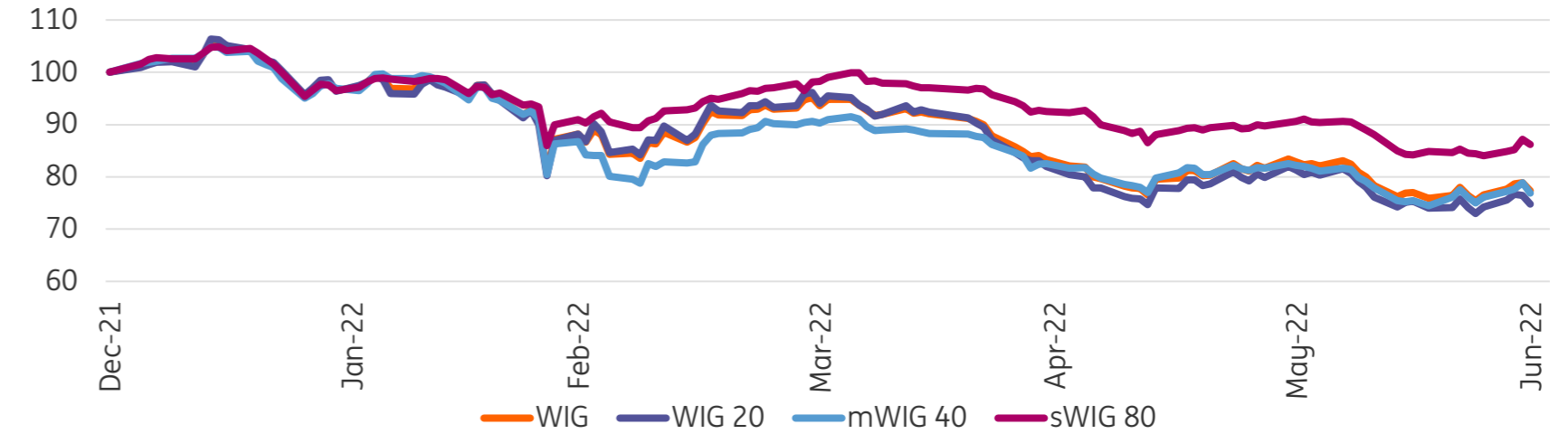
Warsaw Stock Exchange (WSE)

The core indices at the Warsaw Stock Exchange closed H1 2022 at lower levels than at the end of 2021. The broad market index – WIG lost 22.7% versus the end of 2021. The results were similar to the indices for highest capitalised companies – WIG20 lost 25.2% and mWIG40 23.1%. The index of smaller companies sWIG80 also closed H1 2021 with a decrease – it lost 13.8% versus the end of 2020. The main reason for the declines was the outbreak of war in Ukraine in February 2022.

At the end of June 2022, 420 companies, including 45 foreign companies, were listed at the Main WSE market. The capitalisation of domestic companies was PLN 554.5 billion which was by 20.9% lower versus the end of December 2021. The total capitalisation of domestic and foreign companies was PLN 1,093.4 billion which was a drop by 16.7% versus the end of December 2021. In the past six months, there were 2 IPOs (both of which involved a transition from the NewConnect market), while 11 companies were delisted.

H1 2022 was characterised by a slight decrease in turnover on the Main Market. The value of session trading in shares, rights to shares and pre-emptive rights fell by 3.2% y/y to PLN 163.3 billion. The value of total turnover (including block trades) decreased by 8.8% up to PLN 165.8 billion.

Major WSE indices in 2022 (as of 30 December 2021 = 100)



Source: Warsaw Stock Exchange (WSE)

Investment funds:

As at the end of June 2022, the assets of investment funds (based on IZFiA data) amounted to PLN 262.3 billion, i.e. down by PLN 40.1 billion (-13.3%) compared to the end of 2021. Each of the months of 2022 was characterised by net redemptions (total net redemptions amounted to PLN 19.5 billion), in contrast to the first half of 2021 (total net inflows amounted to PLN 17.1 billion).

The decrease in assets was due to a lower value of funds in non-dedicated funds (available for a broad group of investors) a decrease by PLN 37.8 billion (down to PLN 147.3 billion). Dedicated funds at the end of H1 2022 managed assets worth PLN 115.0 billion (PLN -1.5 billion relative to the end of 2021).

Within the non-dedicated funds (excluding PPK), in H1 2022, in nominal terms, debt and cash funds (PLN -20.2 billion) lost the most, followed by equity funds (PLN -9.6 billion) and mixed funds (PLN -7.6 billion) – a result of the scale of their popularity among clients and the size of funds under management. The only group of funds whose assets clearly increased relative to the end of 2021 were raw materials funds (PLN +591.7 million).

Source: Chamber of Fund and Asset Management Companies

Open-End Pension Funds

In June 2022, open-ended pension funds' assets amounted to PLN 150.0 billion, i.e. PLN 38.0 billion (-20.2%) less than at the end of 2021. As at the end of June 2022, 90.5% of these assets were shares of domestic and foreign issuers (91.9% at the end of 2021).



Source: The Polish Financial Supervision Authority

Employee Capital Plans (PPK)

Based on the data from the Employee Capital Plans Register, these funds had PLN 9.0 billion of assets accumulated at the end of June 2022 for a total of 2.67 million PPK accounts (PLN 7.6 billion and PLN 2.48 million at the end of 2021, respectively). At the end of June 2022, less than 294 thousand entities enabled their employees to save retirement benefits under the PPK, and participation in the program was 32.4% (36.7% in the private sector and 20.0% in the public sector).

Source: mojeppk.pl



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Our business model

We are a universal bank and along with other companies in the group we provide services to both individual clients and corporate clients.

Effective functioning of our business model relies on a group of over 8 thousand staff members. What we value is motivation, diversified experience, seniority and abundant knowledge. We base our work on our code of ethics – Orange Code or a set of ING Conduct and Values.

We are aware that we impact multiple economic processes and individual choices and it is up to our decisions what the world will look like and what reality will be there for the next generations. That is why in our business and non-business decisions we follow the principles of sustainable development.

As a public trust institution, we are aware of the importance of stability and an effective risk management system for the banking sector and the entire economy. In our bank, the system is constructed in compliance with best market standards on the basis of three lines of defence with the first line managing business, the second line managing risk and finances and the third line comprises internal audit and *compliance*. We also care for optimum management of the asset and liability structure of our balance sheet in line with our risk appetite limits.

Our mission is to **support and inspire people to be one step ahead in life and business**. In everybody’s life, roles in the society change: from a child, to student, parent, business person, bank employee, our vendor or employee of another company until retirees. This is a certain trip during which clients will make various important private and business choices. We, as a Bank, help them in taking the best financial decisions for them. That is why we share knowledge and provide tools to our clients as well as solutions that are simple, useful and suited to their needs. We make them better understand their own financial situation.

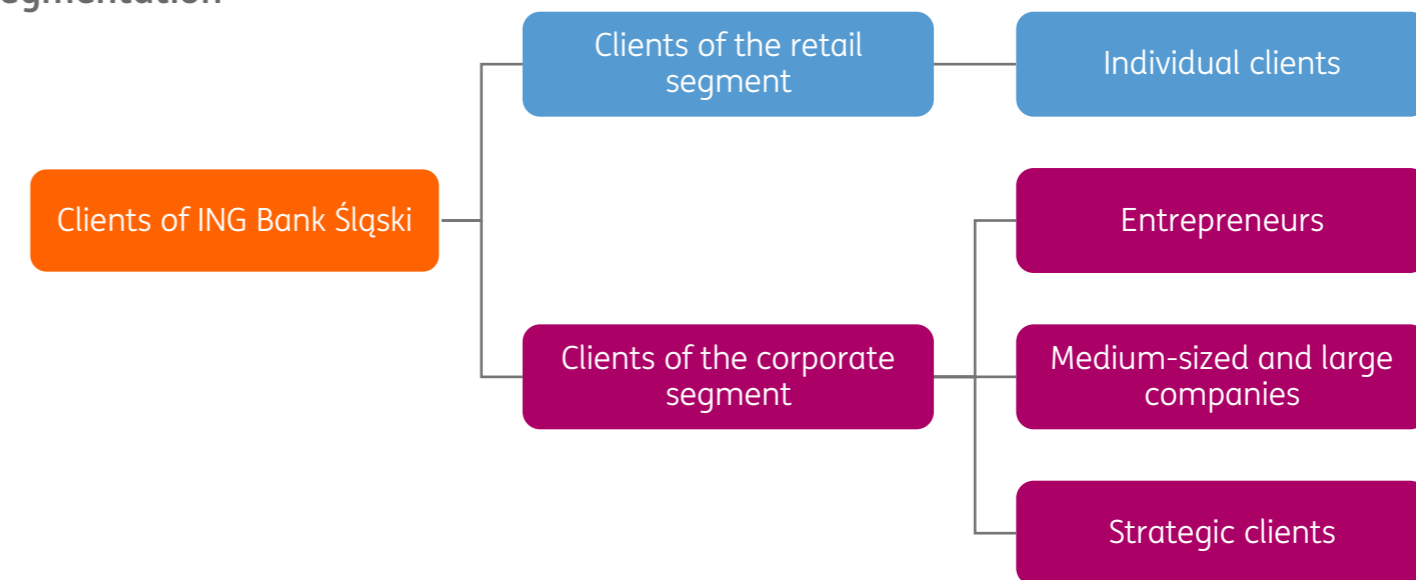
Our role is to provide opportunities for secure and effective savings. Deposits placed by certain clients fund loans granted to other clients which support the development of the society and economy alike. The financing granted supports purchases of housing, opening business activity or development of companies.

We take care that our payment and transactional systems are effective. And now – in view of the growing popularity of non-cash transactions – an efficient electronic payment system becomes increasingly important. We provide our clients with transactional banking, we process transfers, card, telephone or BLIK payments and we keep developing a network of devices for non-cash payments.

We offer our clients banking products and services (such as loans or savings accounts and transfers) as well as those that are unrelated to traditionally understood banking. Our competencies support us in building a positive client experience. We also use big data and artificial intelligence and cooperate with fintechs to reach beyond. Those are not solely insurance products, accounting services or investment products. We offer our clients a broad range of tools for financial management.

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

Our client segmentation



Electronic and mobile banking are the core interaction channel with both retail and corporate clients. We want our clients to be able to access tools that will support their modern payments and remote handling of simple matters.

We also note the changing role of branch offices. That is why in 2019 we modified our distribution. Therefore, we do not refer to branches any more but to venues where we help in daily banking, in business development and in caring about financial future.

Corporate clients who expect high quality service may be serviced at a branch or their own offices as they may require. The task of our employees is to support them in taking financial decisions, inter alia by analysing their financial needs and objectives, financial condition or risk levels of investments.



Retail banking

No. of clients

At the end of June 2022, 4.39 million individual clients (98,500 more y/y) were using ING Bank Śląski's services in the retail segment. We had a total of 2.05 million *primary* clients within the retail segment at the end of June 2022, 92.3 thousand more than at the end of June the previous year. We consider *primary* clients in the retail segment to be clients with a current account with a balance of more than PLN 100 (into which salary is paid) and who have another active product.

In H1 2022, our bank acquired 163.2 thousand new clients which resulted in a growth of the number of serviced clients by 42.9 thousand clients versus the end of 2021.

Deposit activity

As at 30 June 2021, the total amount of funds deposited by our retail clients was PLN 112.4 billion – there was a decrease by PLN 4.4 billion (-3.7%) in H1 2022 and by PLN 2.2 billion (-2.0%) y/y.

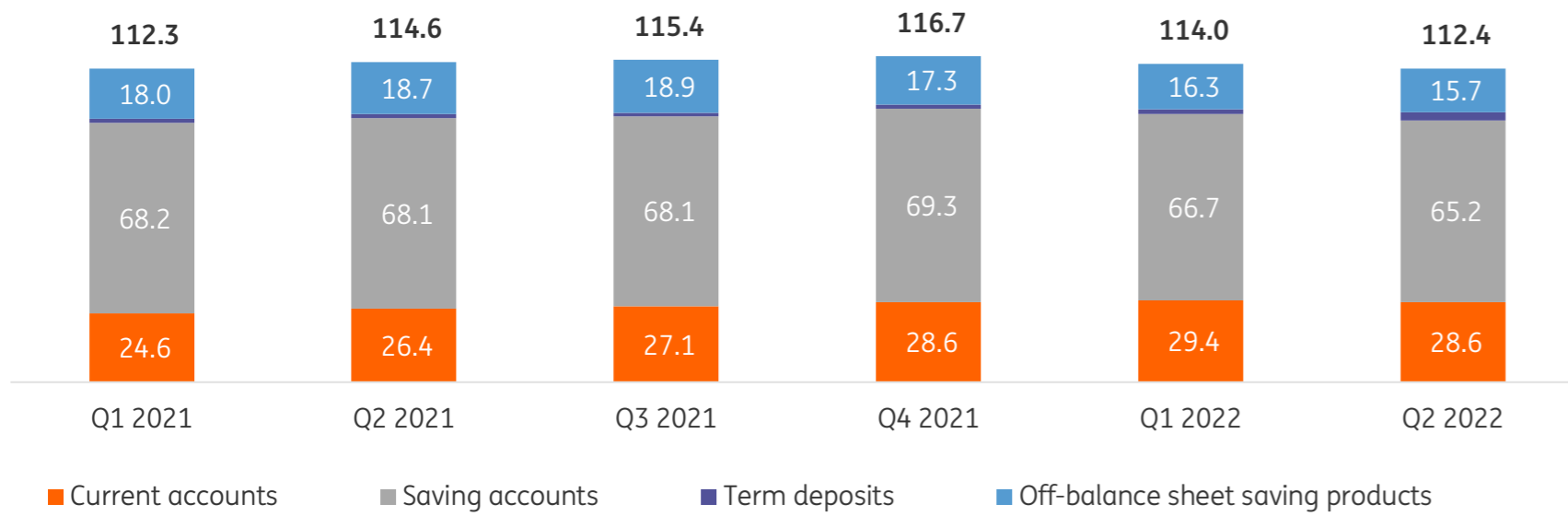
The balance sheet funds of our retail clients amounted to PLN 96.6 billion at the end of June 2022, down by PLN 2.8 billion on the end of 2021. This was due to the lower value of funds held in savings accounts (down by PLN 4.1 billion relative to the end of 2021), which was partly offset by an increase in funds in time deposits (up by PLN 1.4 billion relative to the end of 2021).

The amount of savings in off-balance sheet products of our clients (financial instruments in brokerage accounts and in investment funds) as at the end of June 2022 was PLN 15.6 billion and was by PLN 1.6 billion (-9.4%) lower than at the end of 2021 and lower by PLN 3.0 billion y/y (-15.9%). Assets accumulated in TFIs at the end of June 2022 amounted to PLN 8.4 billion (-3.6 billion, -29.8% relative to the end of 2021). The decrease was due to both net redemptions and a fall in the value of fund shares. TFIs that take ESG factors into account when making investment decisions accounted for 98.4% of our clients' assets in these products. Financial assets accumulated in brokerage accounts increased by PLN 1.9 billion (+36.5%) relative to the end of 2021 to a total of PLN 7.3 billion.

The higher rate of decline in the bank's deposit base relative to the decline in volumes in the sector translated into a decline in market share of retail deposits in H1 2022. At the end of June, the share was 9.96% while at the end of December 2021 it was 10.11%.



Segment's portfolio of liabilities to clients by product (PLN billion)

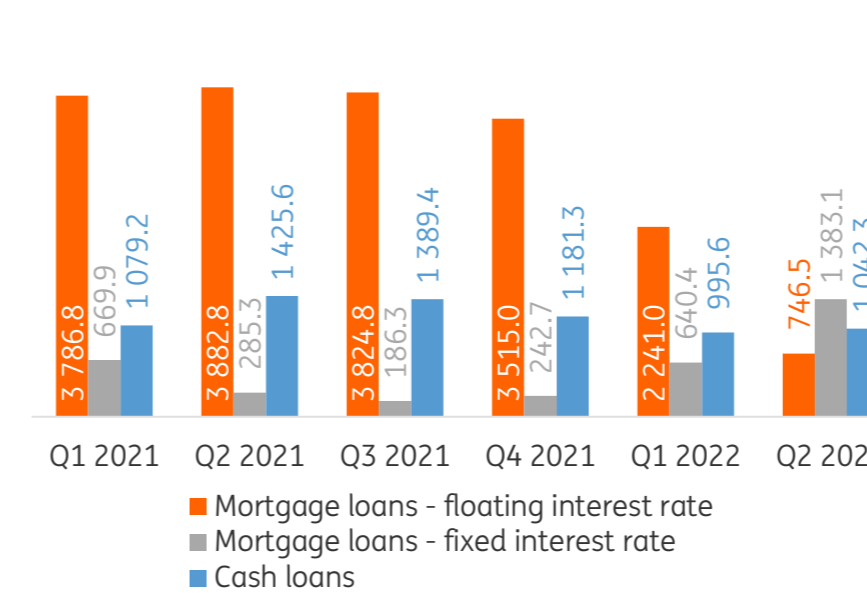


In H1 2022, there was an expansion of settlement services to retail clients in our bank. As at the end of June 2022 ING Bank Śląski held 3.59 million savings and settlement accounts of retail clients (+1.6% since the beginning of the year), largely (87%) those are Direct accounts.

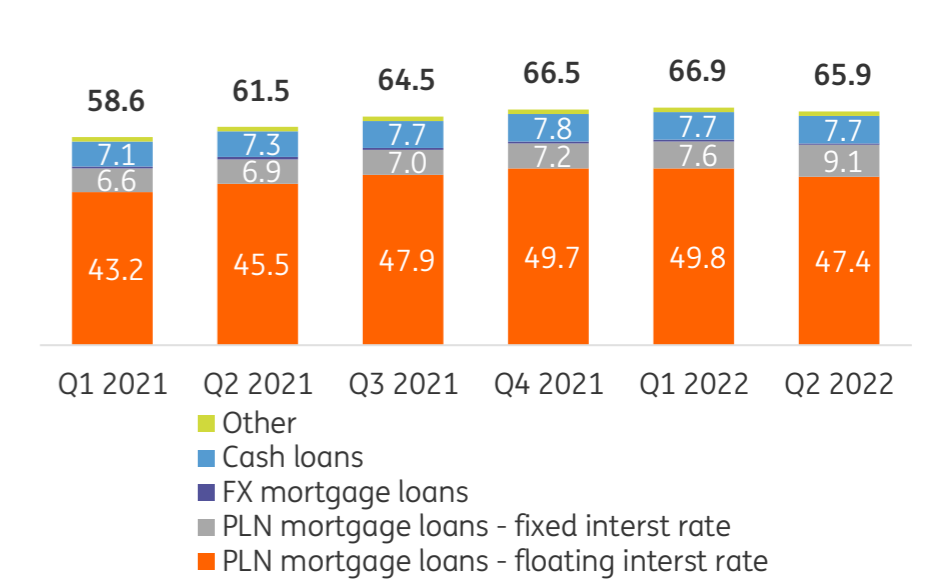
Lending activity

As at the end of June 2022, the Bank's retail gross loan receivables amounted to about PLN 65.9 billion. In H1 2022, the Bank's loan exposure to that Group of clients increased by PLN 0.6 billion or by -0.9%. The main reasons for the decrease in the level of credit exposure to this group of clients were increased prepayments of mortgages (which should be directly linked to the increase in interest rates) and lower sales of these loans. We maintained our market share of retail credit receivables at 8.84% (compared to 8.86% in December 2021). Net of FX mortgage loans, our market share in loans to retail clients would be 10.20% (June 2022) and 10.25% (end of 2021) respectively.

Retail credit sales (PLN million)



Gross receivables portfolio from segment clients by product (PLN billion)



In H1 2022, the bank sold PLN 5,011.0 million worth of mortgage loans which was a decrease versus H1 2021 by PLN 3,614 million or by 41.9%. In accordance with the data of the Polish bank Association, in H1 2022 ING Bank Śląski S.A. occupied the third position in the market with a 16.4% share in the sale of housing loans to individuals.

In the areas of cash loans, in H1 2022 we granted loans totalling PLN 2,037.9 million or by 18.6% (PLN 466.9 million) less than in H1 2021. 87.8% of these sales were made through remote channels (80.5% the year before).

Corporate banking

No. of clients

At the end of June 2022, the services of ING Bank Śląski in the corporate segment were used by 518.1 thousand corporate clients, of which:

- 3.4 thousand strategic clients,
- 82.9 thousand medium-sized and large enterprises, and
- PLN 431.7 thousand entrepreneurs.

We had a total of 201,300 *primary* clients within the corporate segment at the end of June 2022, 14,700 more than a year earlier. Since the beginning of 2022, we have been using an updated definition of *primary* clients in the



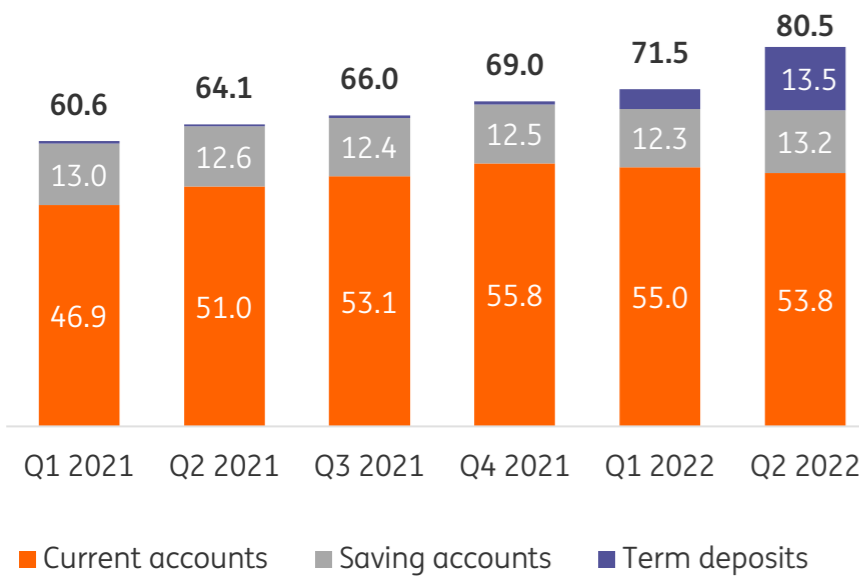
business area. As *primary* clients in the corporate segment, we recognise clients with a certain number of transactions and an average deposit or credit balance above a designated limit over the past year; conditions are defined separately for each of the corporate segment components (entrepreneurs, medium and large enterprises and strategic clients).

In H1 2022, our bank acquired 37.6 thousand new corporate clients which resulted in a growth of the number of serviced clients by 15.4 thousand clients versus the end of 2021.

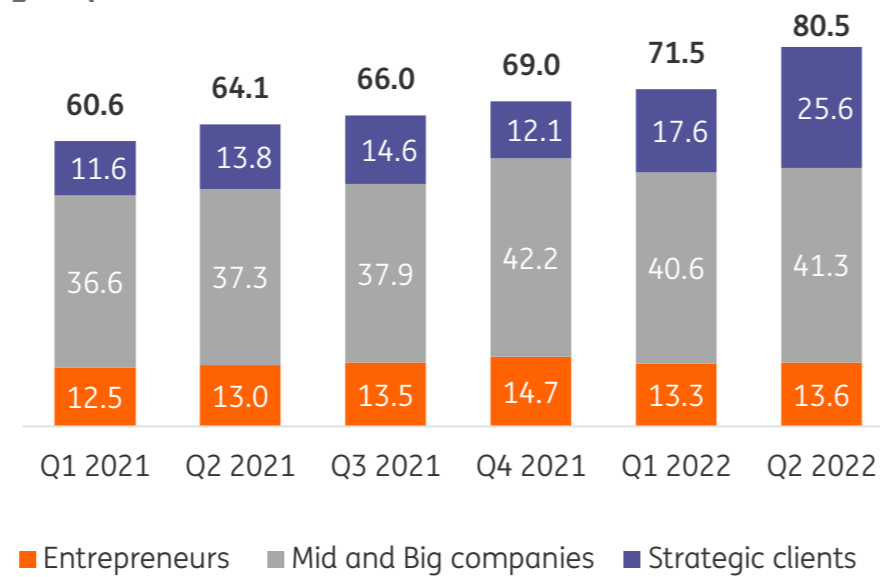
Deposit activity

At the end of June 2022, the amount of funds deposited by corporate clients with our bank was PLN 80.5 billion and thus the bank held a share of 11.54% in the deposit market of institutional clients (9.77% at the end of 2021). The increase in deposit volumes was fuelled by strategic clients (PLN +13.5 billion as of the end of 2021), which was partly offset by a decrease in deposits from businesses (PLN -1.1 billion) and medium-sized and large enterprises (PLN -0.9 billion).

Segment's portfolio of liabilities to clients by product (PLN billion)

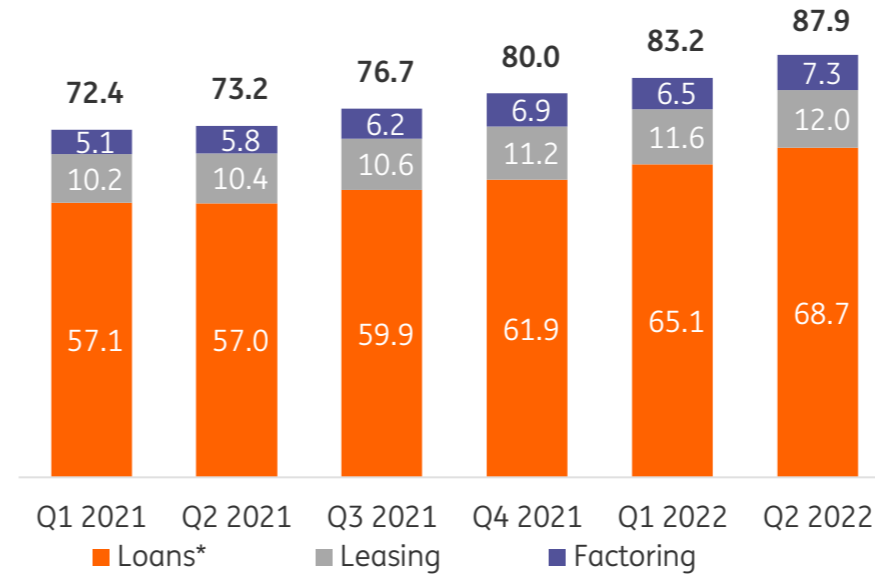


Segment's portfolio of liabilities to clients by client group (PLN billion)



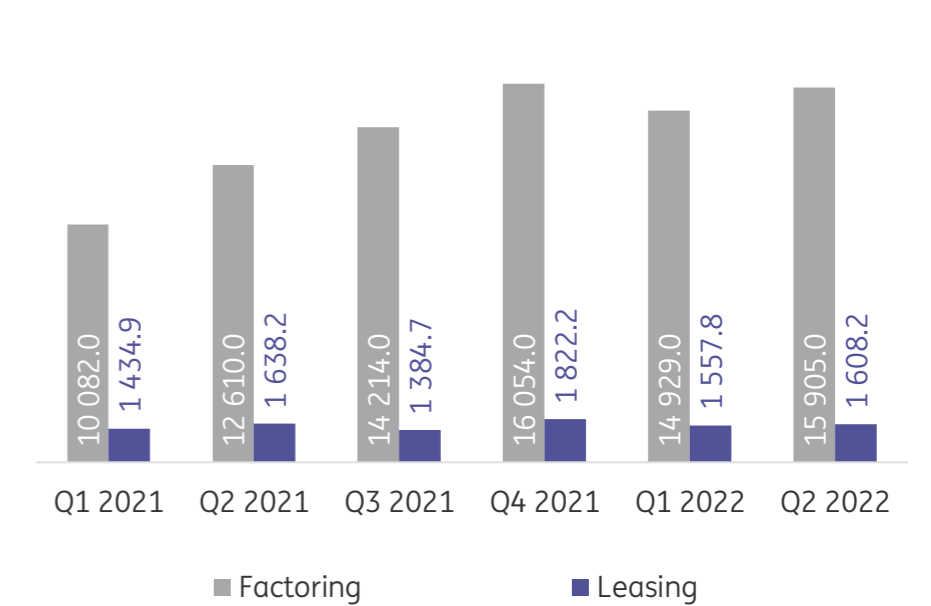
included bank financing (PLN +6.7 billion), but also in the form of leasing (PLN +0.8 billion) or factoring (PLN +0.4 billion). We estimate that in June 2022 our bank held a 12.88% share in the loan market of corporate clients (versus 12.62% at the end of June 2021).

Gross receivables portfolio from segment clients by product (PLN billion)



*Including loans measured at fair value

Turnover in factoring and leasing sales (PLN million)



Lending activity

At the end of H1 2022, the amount of financing provided by or Group to corporate clients amounted to PLN 87.9 billion gross. Over 6 months of 2022 the amount increased by PLN 7.9 billion (+9.9%). During this period of time, our exposure to all corporate clients increased – from entrepreneurs (PLN +341.2 million), to medium and large enterprises (PLN +4,143.4 million), to strategic clients (PLN +3,443.2 million). The increase in this involvement



Sustainable development

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Implementation of the ESG strategy

At ING, we conduct business in an ethical, responsible and sustainable manner. This stems from our values and the Orange Code. We believe that, in the long term, only such organisations stand a chance of maintaining client trust, long-term business and success.

The beginning of 2022 sees the announcement of the ESG strategy for 2022-2024. We have defined our tasks and key objectives.

- Environment (E): We are implementing the provisions of the Environmental Declaration. We tackle climate change and support our clients in their environmental transformation.
- Entrepreneurship and equal opportunities (S): We support you in being entrepreneurial and help you manage your finances. We are levelling the social playing field. We care about the health of employees.
- Ethics and regulatory compliance (G): We operate ethically based on values, principles, processes. In line with regulations and with reference to best market practice.

The ESG strategy is available on the website at [this link](#).



Environment (E)

We are climate neutral

We run a sustainable economy of our own

We reduce resource consumption by:

- purchase of 100% energy exclusively from renewable sources,
- reconstruction of installations and successive upgrading of external and internal lighting and replacement of existing lighting with LED lighting,
- implementing follow-on lighting in more locations to adapt energy consumption to actual needs,
- replacement of the air handling units in our buildings in Katowice (Sokolska 34 and Chorzowska 50) with air handling units with heat recovery of 65%,
- construction of a photovoltaic canopy for the car park and photovoltaic farm at the location in Roździeńska Street in Katowice,
- installation of rainwater tanks at the location in Roździeńska Street in Katowice,
- construction of a grey water recovery facility at the location in Niedurnego Street in Ruda Śląska,
- implementation of Signature Pads reducing the number of paper receipts for cash transactions.

We promote environmental attitudes by:

- numerous awareness-raising campaigns among employees,
- donating office furniture and other office equipment to foundations and schools as in-kind donations, organising furniture resale campaigns for employees,
- the use of 100% recycled materials (carpets, lamps, plasterwork, armchair upholstery) with Greenguard green certification with a Gold level achieved and higher when upgrading wards,
- increasing the number of insect hotels,
- educating clients on *self-service*, using assistance as the primary service model.



We support clients in their environmental transformation

Ecocredit mortgage

ING's offer to finance properties that meet energy-efficient homes standards. In April, we introduced a new special offer. The eco-mortgage loan can be used for: the acquisition of a house in the secondary market, the construction or acquisition of a house in the primary market, the construction or acquisition of a dwelling specified in the Regulations in the primary market; the acquisition of a completed house or a dwelling specified in the Regulations in the secondary market.

Credit based on ESG objectives

ING Bank Śląski is one of the 5 banks that provided the Wirtualna Polska Group with a loan based on ESG objectives. The consortium of banks providing the so-called Sustainability Linked Loan (SLL) financing includes mBank, PKO Bank Polski, Bank Pekao and BNP Paribas Bank Polska. The loan is characterised by a financing margin that depends on the achievement of contractually defined indicators such as the share of renewable energy in energy consumed, environmental education and increasing the level of diversity in management positions.

Map of Zero Waste Companies in cooperation with the Polish Zero Waste Association

ING is encouraging Poles to co-create a nationwide map of zero waste companies. Places that support a waste-free lifestyle can be submitted to the map by anyone – whether an individual client or a company. The Zero Waste Map is a joint initiative of the Polish Zero Waste Association and ING Bank Śląski. The Zero Waste map allows you to search for, but also add, new places in your area that operate according to the zero waste concept, e.g. local repair shops, shops with reusable packaging, second hand shops, etc. The map already contains 1,402 points, 130 of which are submissions from individual clients and 1,272 from companies.

Zero waste is a lifestyle that involves consciously reducing the production of waste. In practice, this means, among other things, shopping consciously, avoiding disposable packaging or repairing items instead of throwing them away.

Supporting innovation and local climate and environmental action

ING Grant Programme

On 27 June, we closed the first edition of the competition aimed at start-ups and young scientists for the best solutions in the area of clean energy www.ing.pl/o-banku/esg/program-grantowy. The winning projects received a total of PLN 1 million for further development. The competition jury, made up of representatives of ING Bank

Śląski, the world of business, science and the third sector, selected the winners. The authors of the winning solution received PLN 400,000, second place was awarded PLN 300,000 and third place PLN 150,000. One commendation was also awarded in the amount of PLN 150 thousand 197 start-ups and young scientists responded to the Programme's challenge. ING was looking for solutions that would improve energy efficiency, increase the use of renewable energy sources or help combat air pollution. An added value for the finalists of the Programme was a series of workshops led by the bank's internal experts. Topics included specific issues relating to the design of new solutions: "Know your customer", "Business models in practice", "Experiments or how I know my solution makes sense", "Pitching, or how to present yourself well". Winners of the Programme can take part in individual mentoring tailored to the needs of the project they are running. In addition, ING offers them media promotion and the opportunity to establish business contacts with partner companies. The next edition of the Programme will launch in the autumn.

My environment

Eco-contest run in conjunction with the ING for Children Foundation. ING volunteers submitted as many as 54 projects, and funding totalling PLN 392,000 was awarded to 33 projects. A nine-person jury made up of representatives of the ING for Children Foundation, ING Bank Śląski and external experts who deal with ecology in practice on a daily basis worked on evaluating the applications. The list of winners included ideas on:

- landscaping (flower meadows, pocket parks or sensory gardens),
- animal protection and support (insect hotels, nest boxes),
- biodiversity conservation (protection of local biosystem, protection of breeding sites, habitats, vegetable/herb gardens),
- raising awareness about ecology among children and young people (educational workshops, field games).

Almost 250 ING volunteers from Warsaw, Katowice, Pyskowice, Poznań, Gdańsk, Gdynia, Wejherowo, Łódź, Konin, Toruń, Rzeszów, Gliwice, Bytom, Białystok, Wieluń, Myszków, Włocławek, Lubin and Legnica will be involved in the projects.

"You too can save the world. Eco-tales from Pietruszkowa Wola"

ING, together with the ING for Children Foundation, is donating a children's book on sustainability to schools, kindergartens, libraries and NGOs. Since the beginning of the year, more than 1,700 copies have been made available (further shipments in the pipeline). 600 copies were given to participants at the Book Fair and the NGO



Festival, the CSR Fair. The book also went to all 8,000 ING employees. On 1 June, the audiobook premiere took place on Children's Day.

ING partner of educational programme "We Will Save the World"

"We Will Save the World" is an eco-programme for primary schools. The programme is implemented by the "ABCXXI – All of Poland Reads to Kids" Foundation in cooperation with its content partner WWF Poland and Strategic Partners: ING Bank Śląski SA and Visa. The programme is under the Honorary Patronage of the Ministry of Climate and Environment and the National Library. The scope of the pilot, which ended in March 2022, included 60 schools. The stories used were from the book "You too can save the world. Eco-tales from Petrushka Wola", published by the ING for Children Foundation. The post-pilot programme is scheduled to start in September 2022, with 500 schools signed up to participate.

Entrepreneurship and equal opportunities (S)

We have a friendly and diverse working environment

Diversity at ING

As every year, in May at ING we celebrated the European Diversity Month proclaimed by the European Commission. This year's theme is building bridges – between organisations and areas of *Diversity & Inclusion*. The entire event bears the common theme: "We have room for every person. We have planned numerous events for our employees, during which we have paid particular attention to four aspects of diversity: intercultural, generational, workplace and gender. Each week of May was dedicated to a chosen area. On our agenda were: stories from our ING colleagues, articles about diversity in the workplace, educational webinars or feminatives.

There was also an internal *Why differences matter* conference (4th edition) – the main topic was gender diversity and the role of women in the organisation. During the conference we had a panel with board members and a webinar on aspects of gender diversity.

Wellbeing

Again in 2022, caring for the health and emotions of ING employees is an important part of ING's efforts. The theme this time is prevention. In line with the slogan "Take care of yourself so you can take care of others", ING has prepared diverse tools and proposals for employees.

Health Days – a series of 5 meetings for ING employees with Professor of medicine Lidia Tomkiewicz-Pajak, a specialist in internal medicine and cardiologist, at the Health Days on how to consciously influence stress regulation processes.

Events related to the outbreak of war in Ukraine – webinars for all staff: Mind in crisis, Anxiety in crisis, Anger in crisis; workshops for managers: How to take care of yourself and your team in a crisis, How to separate yourself from other people's unnecessary emotions; one-to-one consultations for managers and teams with a psychologist/business coach.

Financial education – webinars for employees: Polish Deal, tax settlement for 2021, macroeconomic situation with ING chief economist Rafal Benecki.

The Entrepreneurial Gene

At ING, we launched the Entrepreneurial Gene initiative, which was created to provide the necessary knowledge and tools to anyone who wants to learn how to be entrepreneurial with an idea. This is how the "6 Steps to Successful Idea Work" programme was created, which includes best practices and tools used by entrepreneurial people in our bank. We use modern training methods – combining self-directed work with support from experienced staff who have become mentors in the business incubator.

The incubator, is a "place" where in a safe environment anyone, especially an employee with no experience, can learn to work with an idea. Go through the process of developing your idea into a concept that is ready to be presented, so that you can decide whether you are implementing. It is not the scale of the idea that matters, but the fact that it solves real problems for our clients and employees.

We support the financial health of our clients

Account for refugees and collection to help Ukraine

ING Bank Śląski has prepared an account with a debit card and online banking for Ukrainian refugees. The Bank does not charge for the provision of these services. The offer was a response to the Polish Financial Supervision Authority's expectation of banks to provide refugees with access to basic payment services and to improve the distribution of financial support intended for them – in case they cannot meet all the standard conditions required to open accounts.

The collection for those affected by the war in Ukraine, launched by ING Bank Śląski together with the ING for Children Foundation, raised – from February to June 2022 – PLN 5.4 million, which, when the bank doubled the



contributions, brought the total collection to PLN 10.8 million. The money collected went to organisations that help refugees, especially children.

Plan for the financial future

ING encourages clients to put money aside regularly for retirement. It offers pension products: IKZE Investment, IKZE Savings, and IKE. In addition, she advises people to create a plan for their financial future – educating clients on why it makes sense to save for retirement.

A webinar for clients was held on 26 January called “Zoom into retirement: New Year’s plan? A plan for the financial future”. The session was led by experts from ING and NN Investment Partners TFI. Participants learned, among other things: why it is worth saving extra money for retirement, what ING offers in terms of voluntary elements of the pension system, what IKE and IKZE are and how these products work, what lifecycle funds are, how to easily secure your financial future without leaving the house – in Moje ING.

We support local community action and facilitate banking for groups at risk of exclusion

Preschools of Tomorrow – Equal Opportunities

ING, together with the ING for Children Foundation, is implementing the Kindergartens of Tomorrow – Equal Opportunities programme in 2022, aimed at pre-school institutions, which will enable children to acquire the competences of the future from an early age. The programme covered 310 establishments. An important element of the programme is ING’s employee volunteering. Also part of the programme is a series of webinars open on the Facebook profile with an expert from the ING Foundation for Children. The volunteer receives a package of materials – a STEAM method manual written by the Digital Dialogue Association and STEAM lesson plans for kindergartens. At the end of the programme, he receives a STEAM Trainer certificate. STEAM is a new approach to teaching using Science, Technology, Engineering, Art and Maths. It stimulates children to think critically, explore creativity and work in a group.

ING Volunteering – A Good Idea

As part of the Good Idea programme, ING employees, with the financial support of the ING for Children Foundation, implement their own projects in cooperation with NGOs, social welfare centres or children’s homes. Each ING employee is entitled to 8 hours of volunteer time. In Q1 2022, we implemented and accounted for 28 projects from

2021. In June 2022, we announced a new edition of the competition. The projects will be in one of four categories: artistic, educational, renovation and construction, and sports.

Exempt from Theory Olympiad

In 2022, ING is once again involved in the national social project Olympiad for young people – Exempt from Theory. The programme helps young people to carry out their own projects for the benefit of their local communities and helps them to develop the competences of the future. This year, as a partner of the Olympics and together with the ING for Children Foundation, we encouraged young people to complete projects in the ING programme: Step forward. A total of 285 pupils took part in this programme and completed 48 projects. The young people were supported in their activities by 30 mentors – experts from our bank and the ING for Children Foundation.

Orange Power

Orange Power is an ING employee support programme for children who want to learn new sports and spend time actively.

Thanks to the funds raised in 2021 as part of “Run Warsaw”, the programme – the Sosnowiec Sports Olympics for Children and Young People with Disabilities – was inaugurated on 13 May, an event with Orange Power ambassador Alicja Jeromin and the participation of more than a dozen ING volunteers. Five sports events were held for children with disabilities across the country.

Ethics and regulatory compliance (G)

We integrate ESG into internal processes and organisational culture, we are compliant with regulations

ESG Committee and ESG Risk Committee

At the beginning of 2022, two standing committees were established in the organisational structure of the bank by decision of the Management Board: ESG Committee and ESG Risk Committee. These are standing committees that have decision-making functions towards all the organisational units of the bank and advisory functions towards the bank’s Management Board for matters requiring its approval.



The mission of the ESG Committee is to create the right ecosystem so that ESG becomes an important, sustainable and inherent element for the whole organisation involving employees. The committee oversees the progress and consistency of ESG and sustainability communication activities across the organisation.

The ESG Risk Committee deals with matters related to ESG risks. Approves the Bank's ESG risk rules and regulations and sets out the framework for reporting ESG risk exposures.

ING monitors the level of environmental/climate risk

ING is developing environmental/climate risk level monitoring for its loan portfolios. We have developed an environmental risk/climate map for unsecured retail credit exposures, in which we have identified risk factors with an assessment of their impact on this client segment. Unsecured retail credit exposures are another of the bank's loan portfolios, after the loan portfolios of strategic clients and medium-sized and large enterprises, for which we monitor environmental/climate risk exposure.

Culture of risk

The Risk Culture Programme is a series of communication and outreach activities that we have been engaging employees in since the beginning of 2022. We address various aspects of risk relevant to our organisation. In April, the theme was Climate Risk. We organised two webinars: "Physical climate change and its consequences" and "ESG risks", led by our in-house experts.

Building client awareness in the area of ESG

Webinar "How to protect your money from cyber criminals?"

In May, we organised a webinar with [Niebezpiecznik.pl](#)'s Piotr Konieczny, an internet security expert. The webinar discussed issues in the area of cyber-security, as well as ways and solutions to help guard against attacks by cyber criminals. 9,800 people attended the meeting on Facebook. The recording of the webinar published on the Youtube channel had 37,000 views.

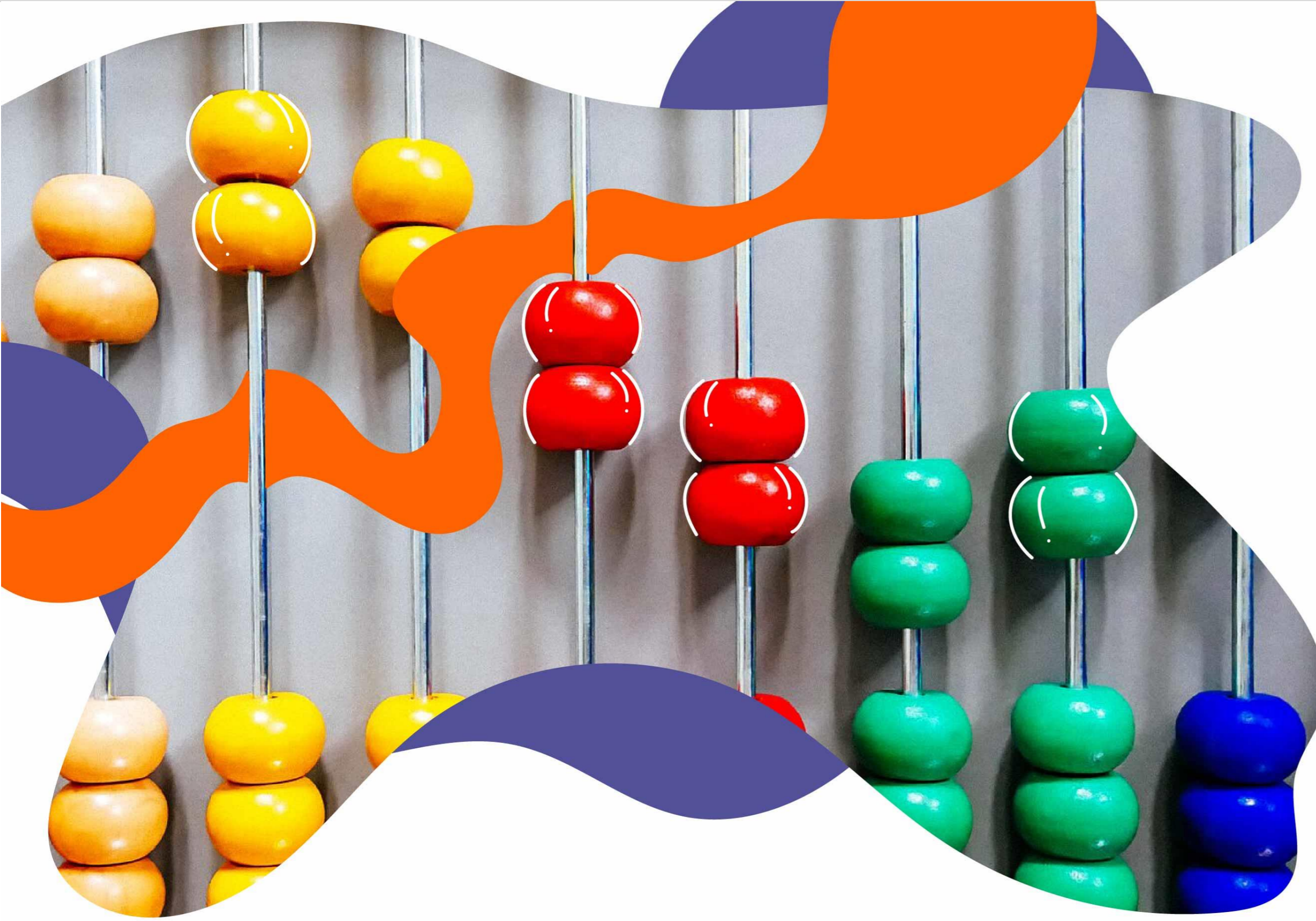
Film series #INGdlaEKO

The series presents selected green initiatives undertaken by ING Bank Śląski. Science journalist and astronomy enthusiast Karol Wojcicki was invited to contribute to the project. As a presenter, he explains how different actions can make a real difference and save money for both us and the planet. Films have already been released as part of the series: "OFF culture", "EKO mural", "Tales from Pietruszkowa Wola", "ING on green transformations", "ING Grant Programme for start-ups and young scientists". In the June episode, we introduced the topic of eco-recycling.

We share knowledge and cooperate in the field of ESG

"Zero carbon academy"

The aim of the project is to support companies in defining strategies to achieve zero carbon. ING is a strategic partner of the programme. As part of the 1st edition of the "Zero Emission Academy", 6 free webinars were held, delivered at two-week intervals. Webinars include content-based training, but also expert debates and, in addition, presentations of tools to support strategy development. The three meetings were led by ING experts. A total of 670 participants took part in the 1st edition, which ended on 30 March.



Our consolidated financial results

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Key financial data

Abridged information on the financial performance of the Capital Group of ING Bank Śląski S.A.

PLN million	H1 2021	H2 2021	H1 2022	Change H1 2022 to H1 2021
Income*	3,261.2	3,635.7	4,678.6	43.5%
Cost	-1,512.8	-1,451.7	-2,131.5	40.9%
Risk cost	-147.9	-224.5	-334.8	126.4%
Profit before tax	1,343.7	1,671.6	1,899.3	41.3%
Net profit**	1,000.9	1,307.4	1,365.8	36.5%
Balance sheet total	197,282.3	201,654.2	212,395.0	7.7%
Liabilities to clients	161,998.3	170,609.9	185,095.1	14.3%
Loans granted and other receivables, net	133,863.1	146,614.4	152,180.9	13.7%
Equity**	17,857.6	13,531.4	7,716.9	-56.8%

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

Key effectiveness ratios

Key performance ratios of the Capital Group of ING Bank Śląski S.A.

	H1 2021	H2 2021	H1 2022	Change H1 2022 to H1 2021
Cost share ratio (C/I)	46.4%	39.9%	45.6%	-0.8 p.p.
Return on assets ROA	0.93%	1.18%	1.30%	0.37 p.p.
ROE	9.7%	13.6%	19.7%	10.1 p.p.
ROE, adjusted	11.6%	14.4%	16.0%	4.5 p.p.
Interest margin ratio (cumulated)	2.44%	2.88%	3.52%	1.09 p.p.
LTD ratio	82.6%	85.9%	82.2%	-0.4 p.p.
LCR	200%	164%	132%	-68 p.p.
NSFR	163%	157%	153%	-10 p.p.
LR according to transitional definition	7.19%	6.95%	6.20%	-0.99 p.p.
Total capital ratio	18.54%	16.05%	14.41%	-4.13 p.p.
Tier 1 capital ratio	16.20%	14.41%	12.88%	-3.32 p.p.

Return on equity (ROE) – adjusted – the sum of net profit for 4 consecutive quarters / average value of capita for 5 consecutive quarters net of revaluation reserve of instruments hedging cash flows..



Income statement

Basic consolidated Profit and Loss Account figures of the Group of ING Bank Śląski S.A. for 2022 and changes for H1 2020 are presented in the table below.

Basic figures in Consolidated Profit and Loss Account in analytical terms

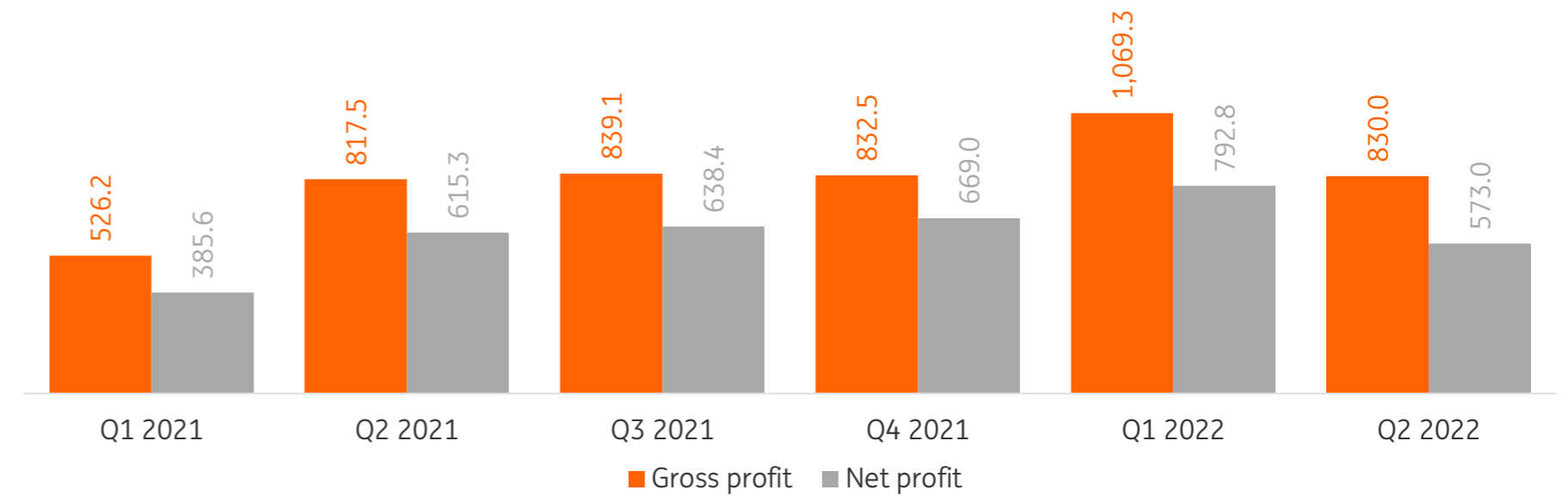
	H1 2021	H2 2021	H1 2022	Change H1 2022 to H1 2021	
				PLN million	%
PLN million					
Net interest income	2,316.6	2,653.1	3,492.6	1,176.0	50.8%
Net commission income	884.6	960.2	1,052.8	168.2	19.0%
Other income*	60.0	22.4	133.2	73.2	122.0%
Total income	3,261.2	3,635.7	4,678.6	1,417.4	43.5%
Operating expenses	-1,512.8	-1,451.7	-2,131.5	-618.7	40.9%
Allowances for expected credit losses and legal risk costs of foreign currency mortgages	-147.9	-224.5	-334.8	-186.9	126.4%
Bank levy	-256.8	-287.9	-313.0	-56.2	21.9%
Gross profit	1,343.7	1,671.6	1,899.3	555.6	41.3%
Income tax	-342.8	-364.2	-533.5	-190.7	55.6%
Net result attributable to non-controlling shareholders	0.0	0.0	0.0	0.0	-
Net financial profit/loss	1,000.9	1,307.4	1,365.8	364.9	36.5%

*The result on financial instruments measured through profit and loss account and net FX gains/losses, the result on sales of securities measured at amortised cost, the result on sales of securities measured at fair value through other comprehensive income and dividend revenues, the result on investments, the result on hedge accounting, the result on other core activities and net profit of associated entities consolidated with the equity method.

Profit before tax and net profit

In H1 2022, the ING Bank Śląski S.A. Group posted the net profit attributable to the shareholders of the parent entity of PLN 1,365.8 million. That implies that the net profit increased by 36.5% versus H1 2021. The gross result amounted to PLN 1,899.3 million.

Profit before tax and net profit of the ING Bank Śląski S.A. Group (PLN million)



The increase of the profit before tax for H1 2022 by PLN 555.6 million or 41.4% versus H1 2021 was mainly due to:

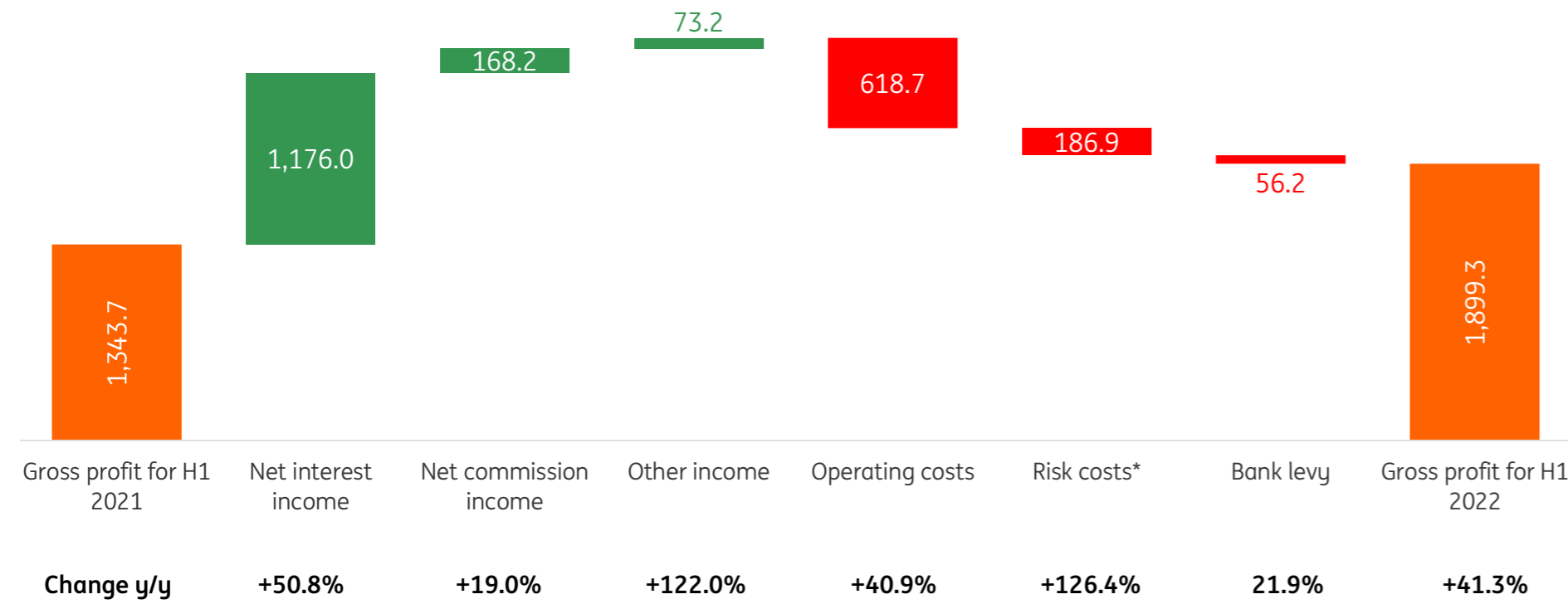
- net interest income, which was up by PLN 1,176.0 million (+50.8% y/y),
- Net commission income, which was up (by PLN 168.2 million, +19.0% y/y),
- an increase in other income of PLN 73.2 million (122.0% y/y).

On the other hand, the factors that had negative impact on the result before tax in the first six months of 2022 versus 2021 included:

- operating expenses up by PLN 618.7 million, (+40.9% y/y),
- risk expenses up by PLN 186.9 million, (+126.4% y/y),
- bank tax up by PLN 56.2 million (+21.9% y/y).



Change drivers for result before tax of the ING Bank Śląski Group in H1 2022 (PLN million)



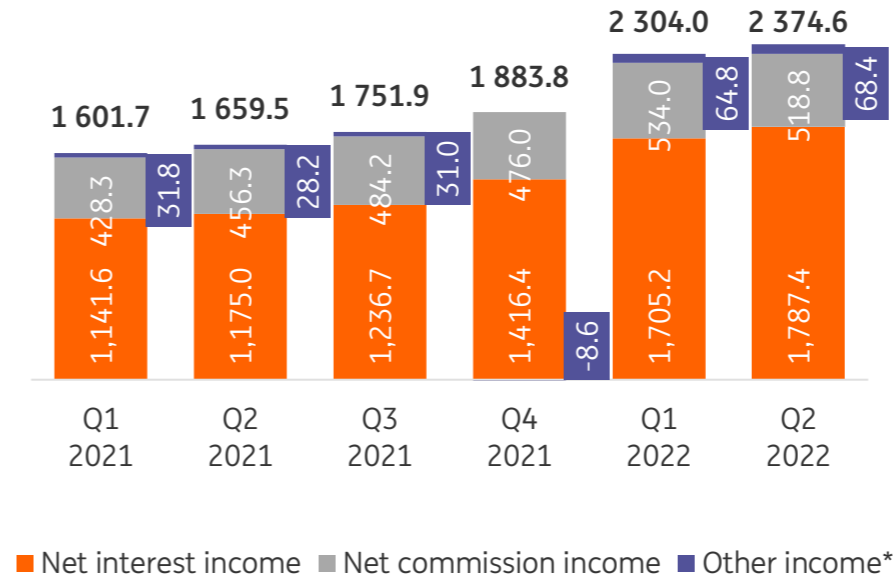
*including costs of legal risk of foreign currency mortgage loans

Revenue

In H1 2022, total income of the Group of ING Bank Śląski S.A. amounted to PLN 4,678.6 million. That means that the improvement compared to H1 2021 was PLN 1,417.4 million or 43.5% and was mainly driven by higher net interest income.

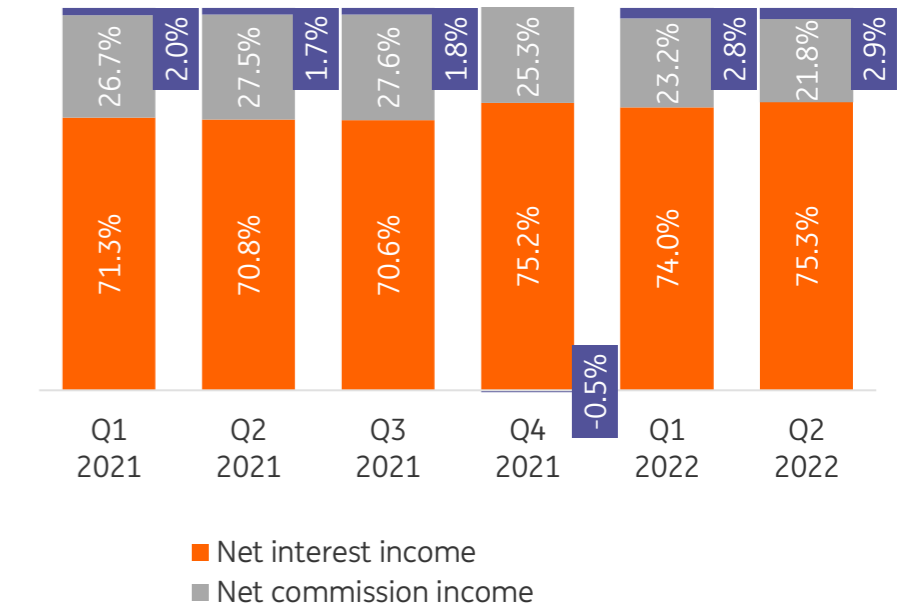
In H1 2022, the corporate segment was the main income growth contributor. Its income was up by PLN 808.8 million, or 48.3%, to up to the level of PLN 2,482.5 million. Consequently its share in the structure was up by 1.7 p.p. to the level of 53.1%. Income of the retail segment was up by PLN 608.6 million, or by 38.3%, to reach PLN 2,196.1 million.

Income* by income statement categories (PLN million)

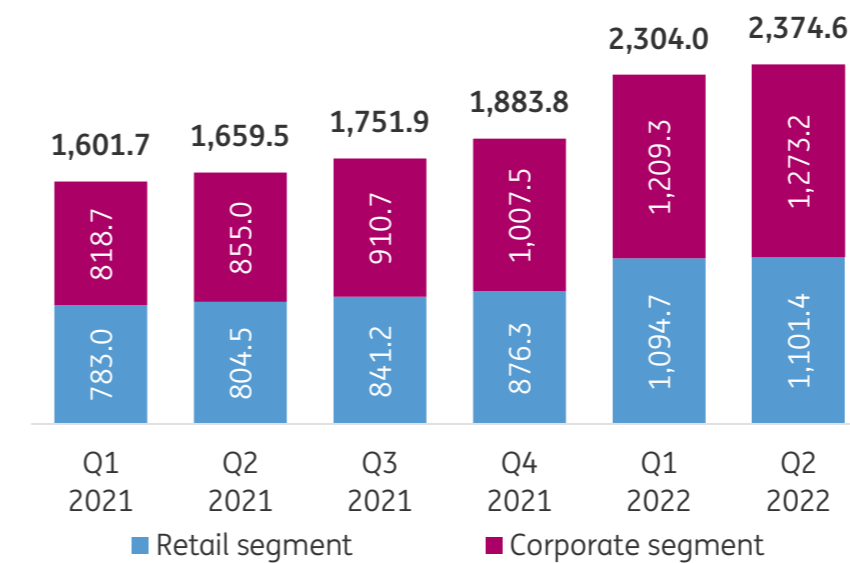


* including the share in net profits of associates accounted for using the equity method

Income structure *

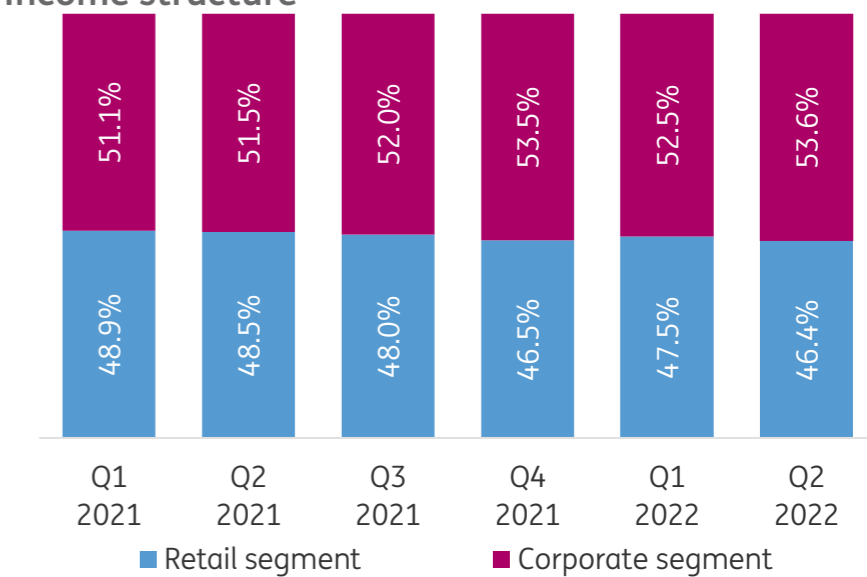


Income* breakdown by segments (PLN million)



*including the share in net profits of associates accounted for using the equity method

Income structure *

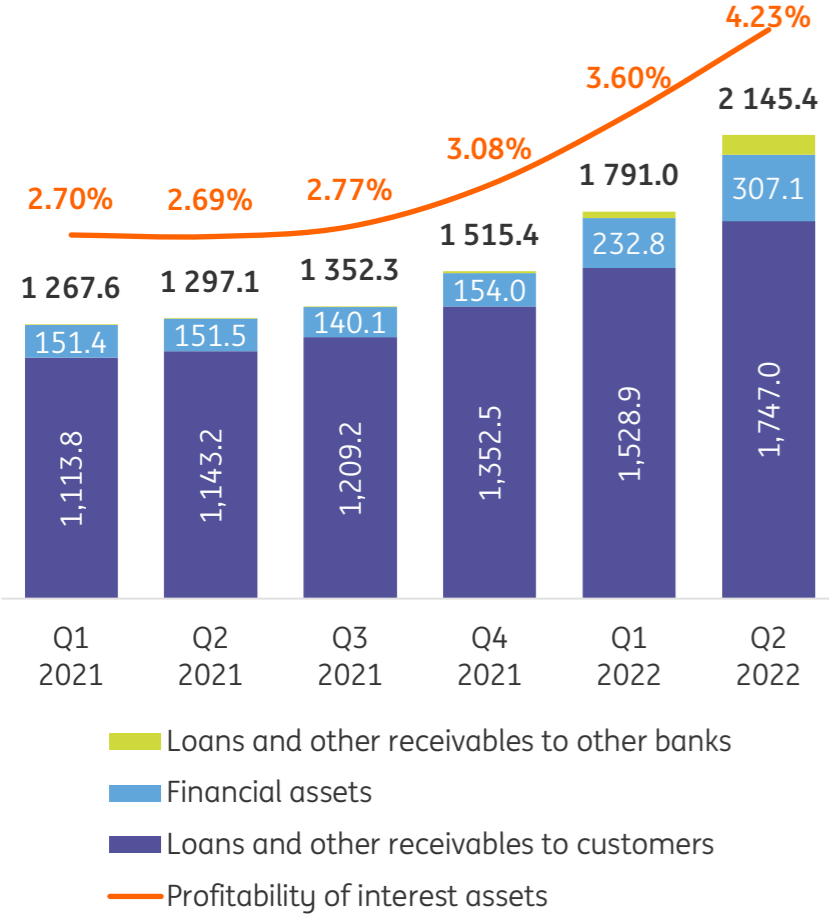




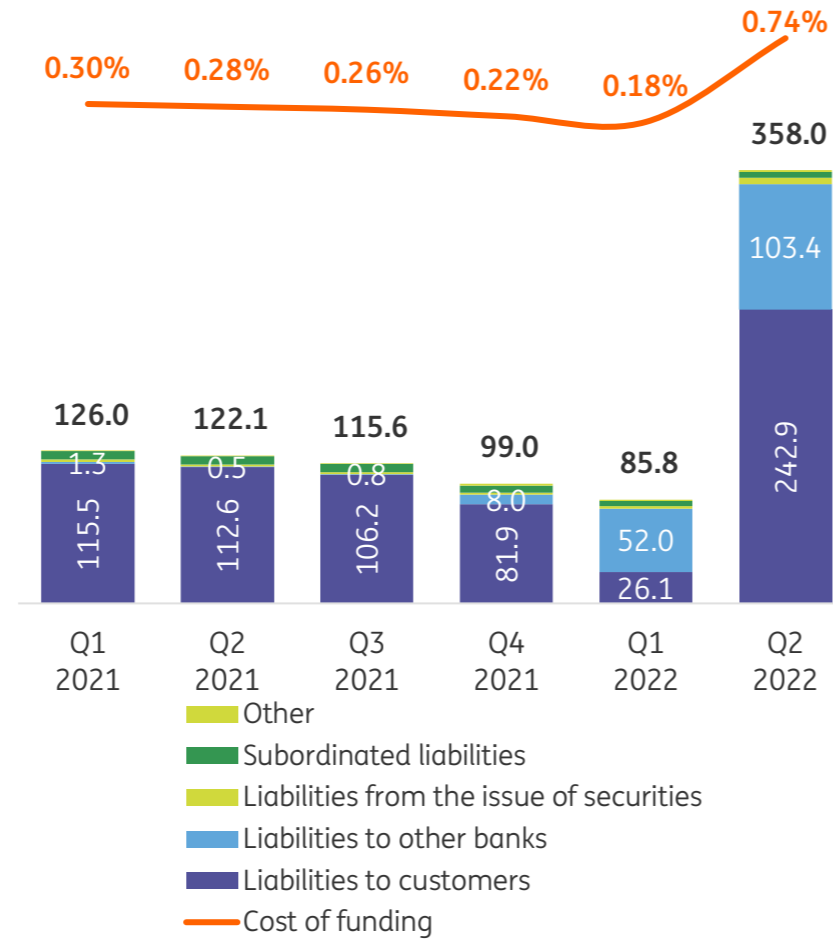
Net interest income

In H1 2022, interest income was up by 50.8% compared to H1 2021, mainly due to higher interest on loans and other receivables from clients. On the other hand, interest expenses were up by 78.9% y/y, mainly due to higher costs of liabilities to other banks. Consequently, the net interest income was up by 50.8% y/y, i.e. by PLN 1,176.0 million to the level of PLN 3,492.6 million. Due to the interest rate increases in H1 2022 (the reference rate increased from 1.75% at the end of 2021 to 6.0% at the end of June 2022), the bank's interest margin was improving (WIBOR increase, increase in the maximum lending rate, change in the amount and interest rate of the reserve requirement, increasing yields on treasury securities).

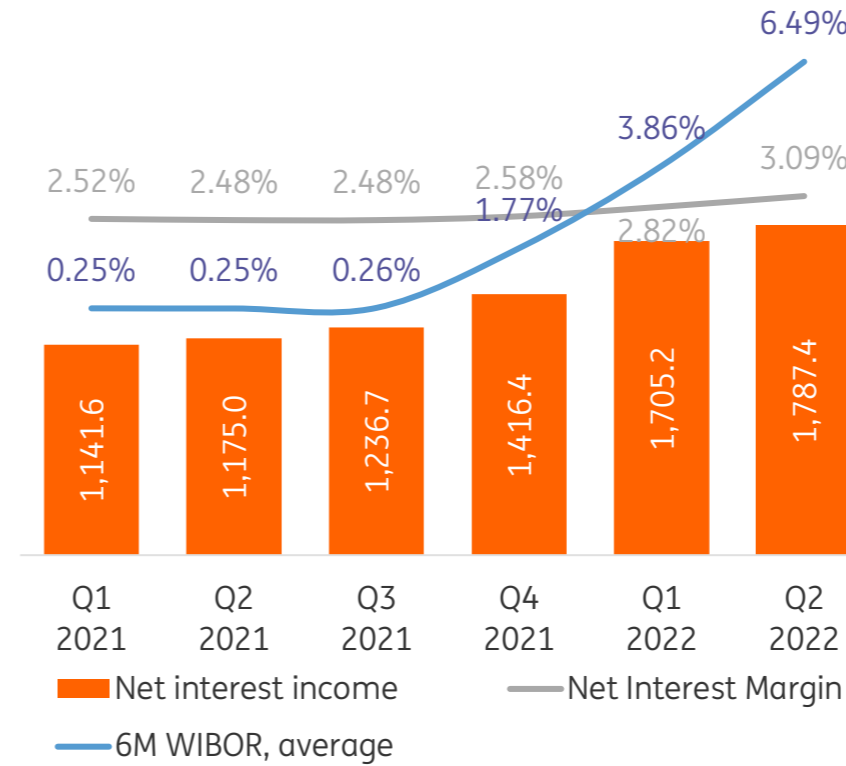
Interest income (PLN million)



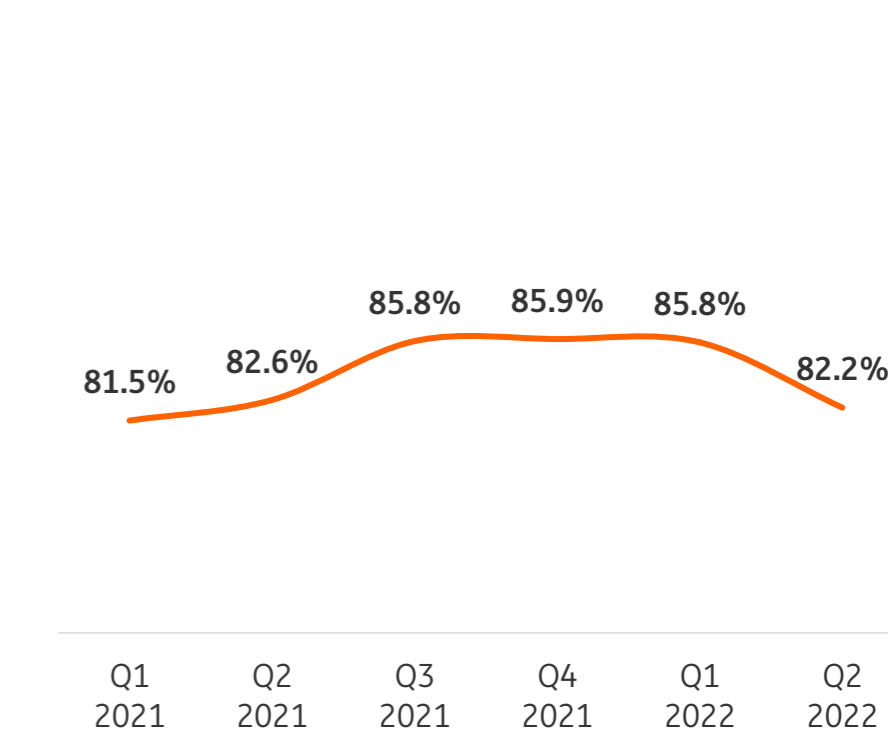
Interest expenses (PLN million)



Net interest income (PLN million) and interest margin against the average 6M WIBOR rate



LTD ratio



Net fee and commission income

In H1 2022, net fee and commission income of the Group of ING Bank Śląski S.A. was up by PLN 168.2 million or by 19.0% compared to H1 2021 to PLN 1,052.8 million.

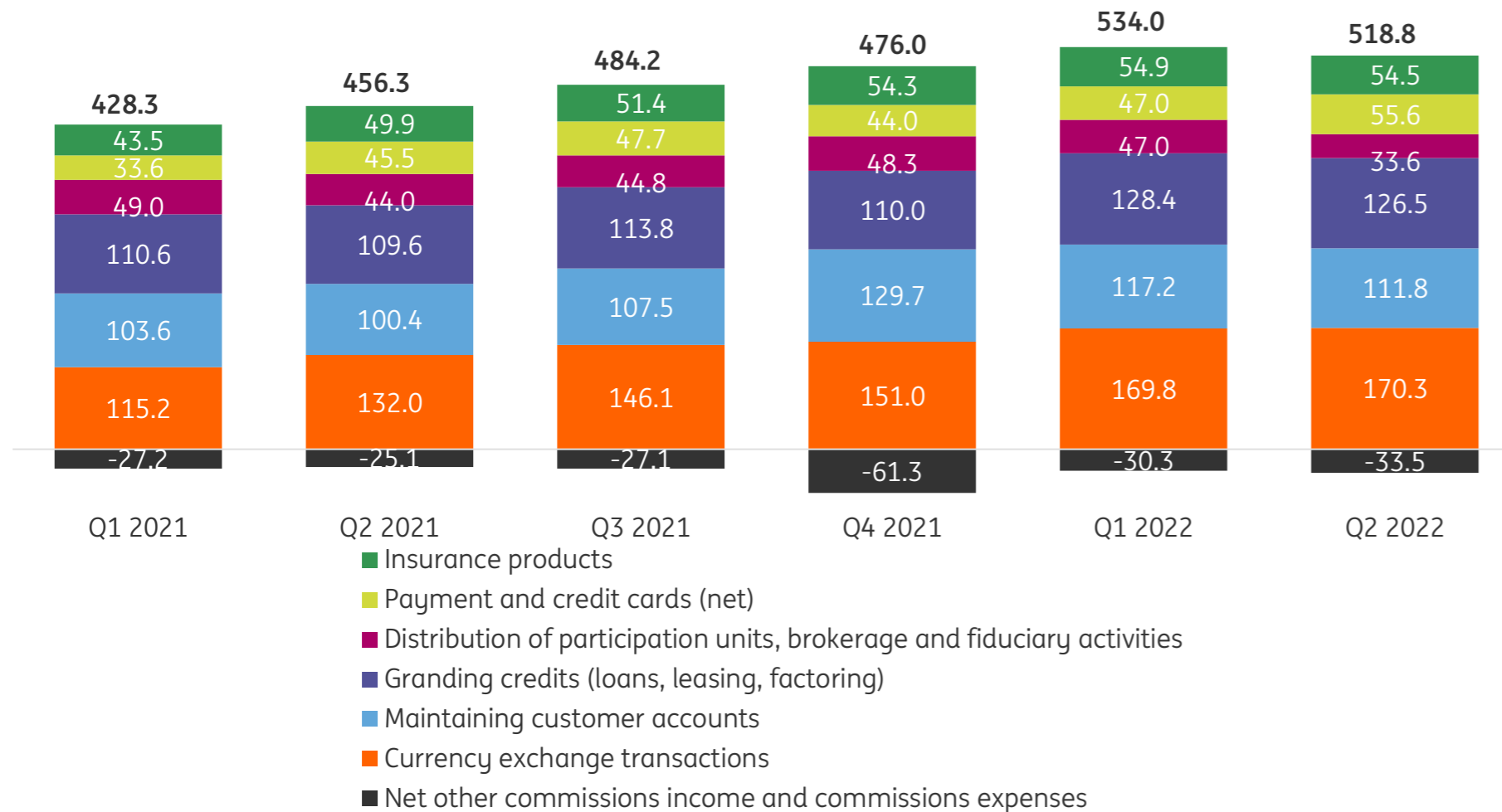
The most significant increase in fee and commission income was recorded for the following items:

- foreign exchange transaction fees and commissions – by PLN 92.9 million (+37.6% y/y),
- fees and commissions for providing financing – by PLN 34.7 million (+15.8% y/y),
- fees and commissions for client accounts – by PLN 25.0 million (+12.3% y/y).

As a result of the increase in interest rates, our bank's interest margin increased. The cumulated interest margin increased from 2.48% after H1 2021 to 3.09% at the end of H1 2022.



Net fee and commission income (PLN million)



Other income

In the first half of 2022, the remaining income of the Group (including the share in the net result of associates valued using the equity method) amounted to PLN 133.2 million and was higher by PLN 73.2 million compared to the previous year. The increase is due to a better result on hedge accounting (PLN -14.2 million in the first half of 2021 compared to PLN +105.8 million in the first half of 2022).

Operating expenses

In the first half of 2022, operating expenses of the of ING Bank Śląski Capital Group increased by 40.9% y/y to the level of PLN 2,131.5 million.

Regulatory costs increased the most in 2022 (PLN +470.7 million y/y, i.e. by 226.6% y/y). This is due to the increase in the costs of the Bank Guarantee Fund (including: the restructuring fund - an increase from PLN 132.6 million to PLN 172.8 million; the guarantee fund - a decrease from PLN 55.9 million to PLN 53.8 million - which results from

paying the premium for only one quarter in 2022) and incurring the costs of establishing the Commercial Banks Protection System (cost of PLN 429.8 million incurred in the second quarter of 2022).

Establishment and participation in the Commercial Banks Protection System

In the first half of 2022, the Bank, together with seven other Polish banks (participating banks), has established an Commercial Banks Protection System. The System is managed by a joint stock company established for this purpose (the Managing Entity), whose share capital was set at PLN 1 million. The Bank's share in the share capital and the total number of votes is 13.0%.

An aid fund has been set up in the Managing Entity, to which the participating banks contribute cash. The aid fund can be used to ensure the liquidity and solvency of each of its participants (up to the level of available contributions), and to assist in the resolution of participating and non-participating banks.

As at 30 June 2022, the Bank had a liability for a payment to the aid fund in the amount of PLN 429.8 million, which was presented in the statement of financial position under Other liabilities. This amount was calculated as 0.4% of the amount of the Bank's guaranteed funds at the end of Q1 2022. The amount of the payment was recognized in the profit and loss account under General and administrative expenses and charged to the financial result for the 2nd quarter of 2022. Aid fund contributions of the protection scheme members are tax deductible.

As at 30 June 2022 the Group did not have liabilities or contingent liabilities to provide additional contributions to the aid fund. Subsequent contributions to the aid fund shall require a unanimous resolution of the general meeting of the Managing Entity. Each participating bank can terminate the agreement on the protection scheme against a 24-month notice. After terminated, the agreement shall continue to apply to the other participating banks.

Bankowy Fundusz Gwarancyjny (BFG) suspended the determination of obligatory contributions to the deposit guarantee scheme until 31 October 2022. In addition, the BFG published amendments to its rules that allow for a reduction of the deposit guarantee scheme's target level up to 1.7% of deposits subject to the deposit guarantee scheme.

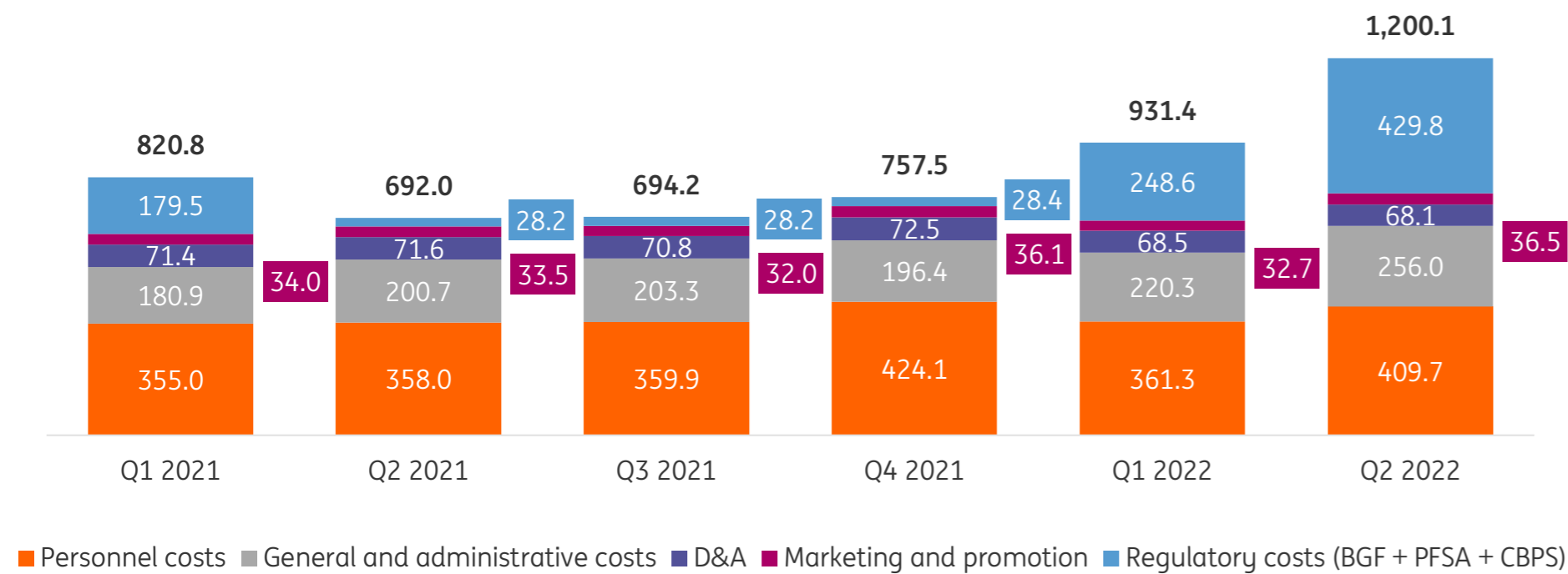


Personnel costs also increased significantly from PLN 713.0 million in the first half of the 2021 to PLN 771.0 million in the first half of 2022 (increase by PLN 58.0 million, +8.1% y/y). This is due to the campaign to increase the salaries of employees carried out at the beginning of April 2022.

Other operating expenses (excluding depreciation and regulatory costs) increased by PLN 96.4 million y/y (+21.5%), which is a result of, inter alia, widespread inflationary pressure.

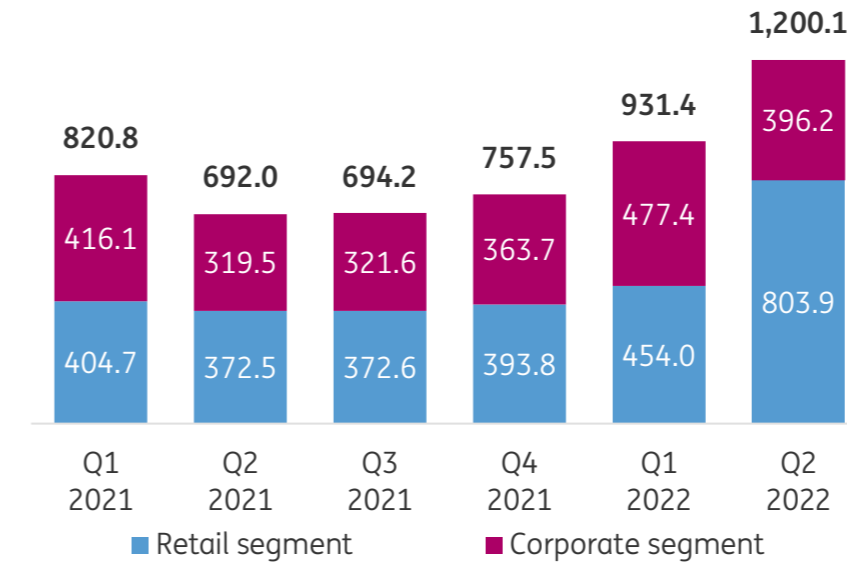
Employment in the ING Bank Śląski Capital Group decreased (8,441 FTEs at the end of June 2022 compared to 8,731 FTEs at the end of June 2021 and 8,643 FTEs at the end of December 2021).

Operating expenses (PLN million)

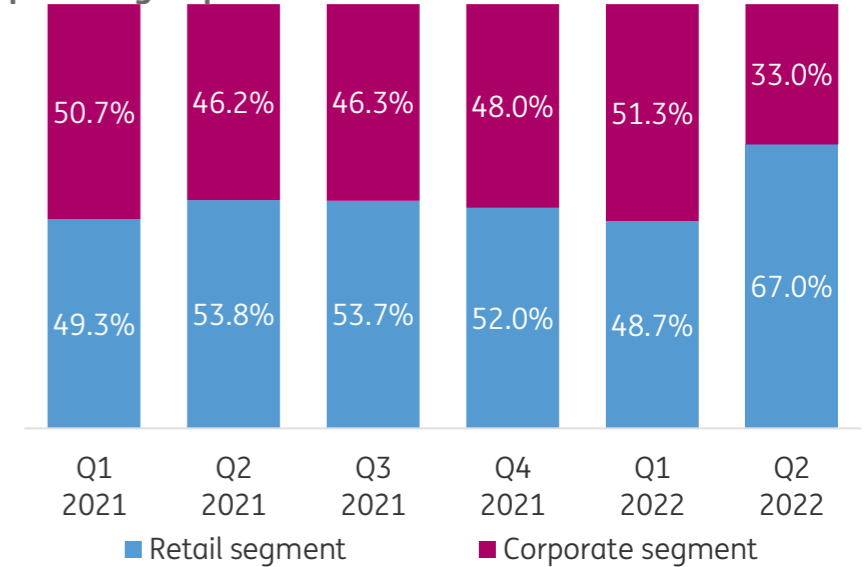


Operating expenses of the retail segment were up by PLN 480,7 million y/y (+61.9%) to PLN 1,257.9 million, while operating expenses of the corporate segment were up by PLN 138.0 million y/y (+18.8%) to PLN 873.6 million. Consequently, the share of the retail segment in expenses increased by 7.6 p.p. to 59.0% compared to H1 2021.

Operating expenses by segment (PLN million)

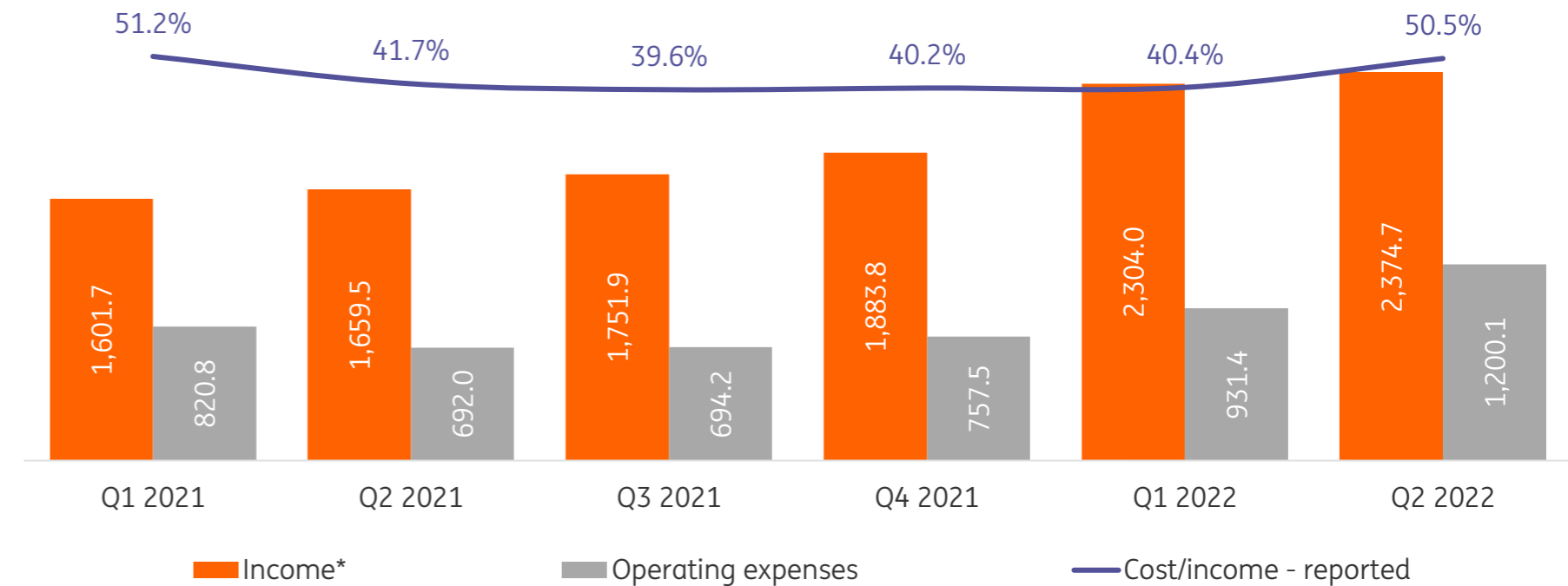


Operating expenses structure



Due to the faster growth rate of income than operating expenses, the cost-to-income ratio was up in H1 2022 compared to the previous year. It was 45.6%, which means it was down by 0.8 p.p. y/y.

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



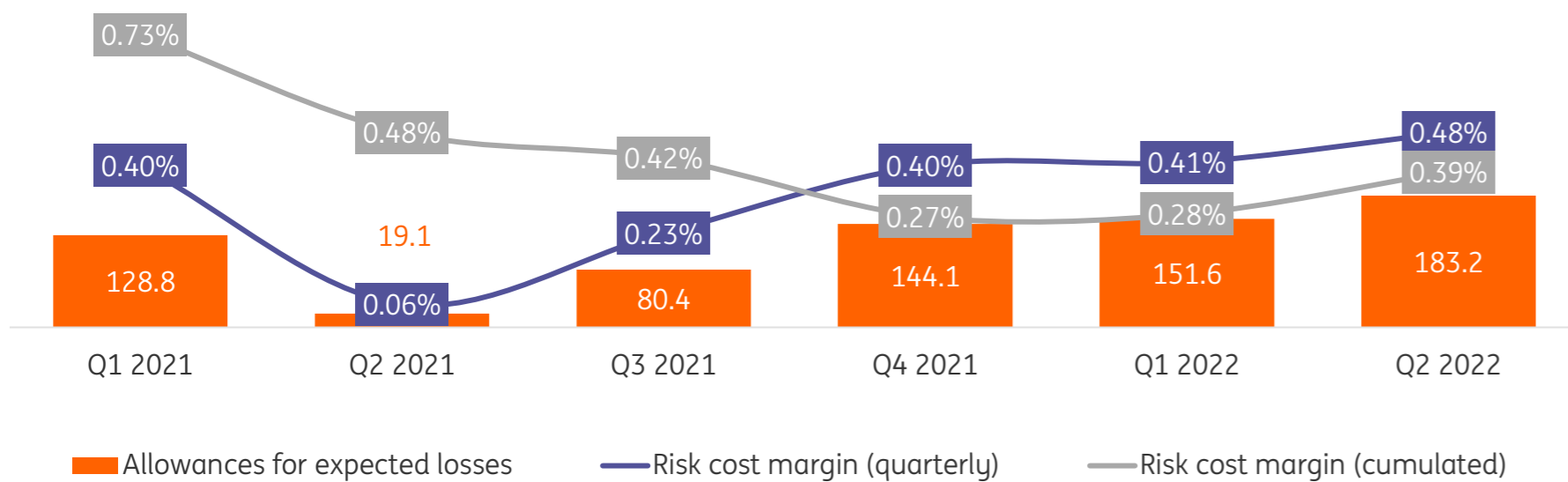
*including the share in net profits of associates accounted for using the equity method



Allowances for expected losses

In H1 2022, the ratio of the cumulative risk cost margin (the ratio of the allowance for expected losses and legal risk costs of foreign currency mortgages to the gross loan portfolio) decreased to 0.39% from 0.48% in the previous year. In the retail segment, the cumulative cost of risk margin (including legal risk costs of foreign currency mortgages) decreased from 0.79% in H1 2021 to 0.41% in H1 2022. This was due to a PLN 56.4 million provision for the legal risk of foreign currency mortgages in H2 2021 against PLN 260.1 million in H2 2020. In the corporate segment, the cumulative cost of risk margin slightly increased from 0.24% in H1 2021 to 0.37% in H1 2022.

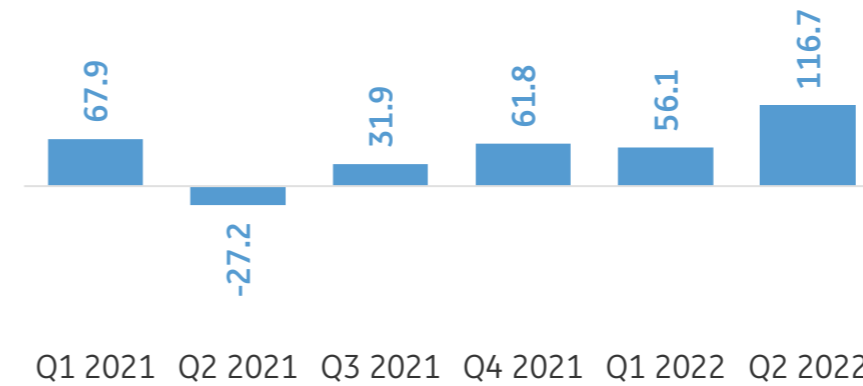
Consolidated allowance for expected net credit losses and legal risk costs of foreign currency mortgages (PLN million)



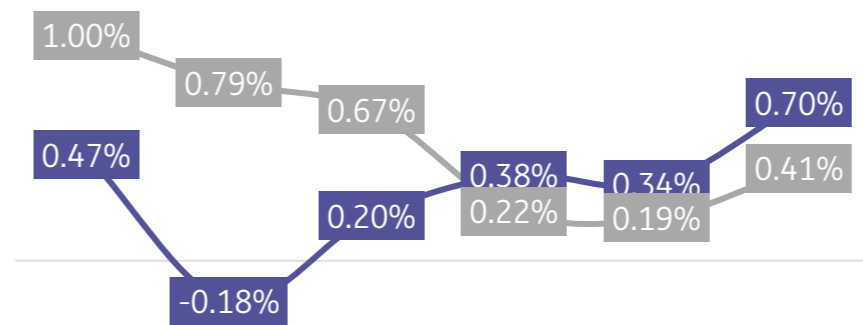
In H1 2022, the change in macroeconomic parameters in the models had a negative impact on the level of expected credit loss allowances (increasing) of PLN 58.7 million (PLN 49.1 million in the retail segment and PLN 9.7 million in the corporate segment), while in H1 2021 the impact was positive on the level of allowances (decreasing) of PLN 11.5 million. While the 2021 solutions were linked to improving macro indicators for an economy recovering from a pandemic crisis, the 2022 tie-ups were mainly the result of inflationary pressures, rapidly rising interest rates and a slowing economy as a consequence of the outbreak of war in Ukraine.

In Q1 2022, our bank sold a portfolio of Stage 3 receivables consisting of corporate exposures. The transaction had a positive impact on the risk costs of PLN 9.2 million. In Q2 2021, our bank sold a portfolio of Stage 3 receivables consisting of both retail and corporate exposures. The transaction had a positive impact on the risk costs of PLN 61.6 million.

Allowances (and margin) for expected losses on net financial assets and legal risk costs on FX mortgage loans in the retail segment (PLN million)



Q1 2021 Q2 2021 Q3 2021 Q4 2021 Q1 2022 Q2 2022



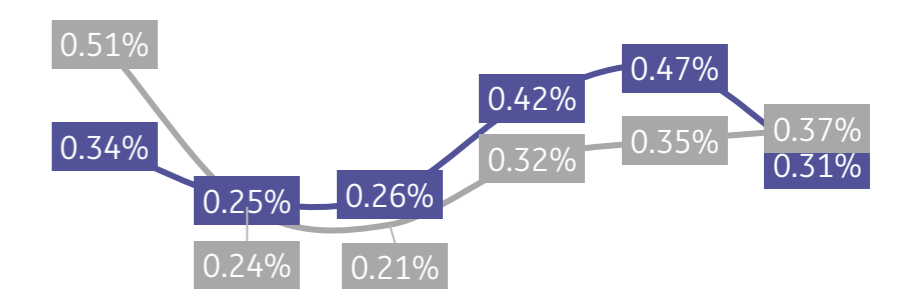
Q1 2021 Q2 2021 Q3 2021 Q4 2021 Q1 2022 Q2 2022

— Risk cost margin (quarterly)
— Risk cost margin (cumulated)

Allowances (and margin) for expected losses on net financial assets in the corporate segment (PLN million)



Q1 2021 Q2 2021 Q3 2021 Q4 2021 Q1 2022 Q2 2022



Q1 2021 Q2 2021 Q3 2021 Q4 2021 Q1 2022 Q2 2022

— Risk cost margin (quarterly)
— Risk cost margin (cumulated)

Tax on certain financial institutions

In H1 2022, the Group of ING Bank Śląski S.A. paid tax on certain financial institutions (the so-called bank levy) in the amount of PLN 313.0 million. There was a growth by PLN 56.2 million, i.e. by 21.9%, compared to H1 2021 due to a higher tax base. This is a consequence of the increase in the bank's balance sheet total and the decrease in the share of Treasury bonds in the asset structure.



Income tax

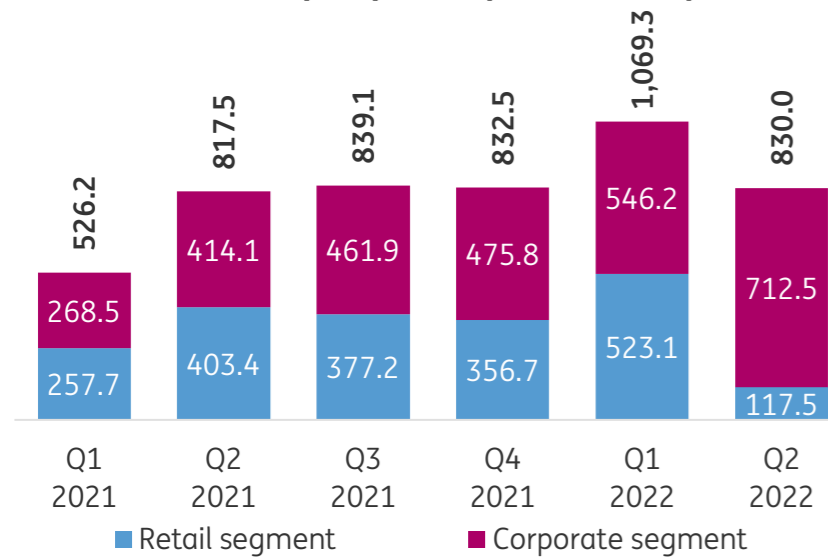
In H1 2022, the Group of ING Bank Śląski S.A. recorded income tax in the amount of PLN 533.5 million. It was up by 55.6% compared to the previous year. The effective tax rate was 28.1% compared to 25.5% a year earlier.

Report by business segment

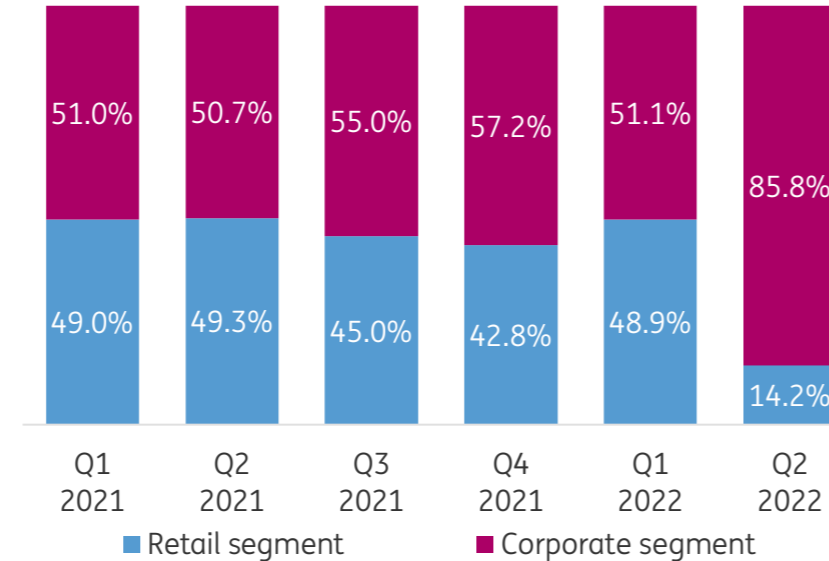
Our Bank's business model is divided into two major segments:

- retail banking segment within which natural persons are serviced,
- the corporate banking segment, which comprises service of entrepreneurs, institutional clients (commercial companies) and operations in financial market products.

Profit before tax by segment (PLN million)



Profit before tax structure



In H1 2022, results of the retail banking segment and of the corporate banking segment accounted for 33.7% and 66.3% of the Group's result before tax respectively (last year: 49.2% and 50.8% respectively).

Result before tax in retail banking segment

	H1 2021	H2 2021	H1 2022	Change H1 2022 to H1 2021	
PLN million				PLN million	%
Net interest income	1,280.2	1,435.2	1,878.6	598.4	46.7%
Net commission income	273.3	284.7	305.2	31.9	11.7%
Other revenues*	34.0	-2.4	12.3	-21.7	-63.8%
Total income	1,587.5	1,717.5	2,196.1	608.7	38.3%
Operating expenses	-777.2	-766.4	-1,257.9	-480.7	61.9%
Risk cost**	-40.7	-93.7	-172.8	-132.1	324.6%
Bank levy	-108.5	-123.5	-124.8	-16.3	15.0%
Gross profit	661.1	733.9	640.6	-20.5	-3.1%

*including net income of associates accounted for using the equity method; **including legal costs of foreign currency mortgage loans

Result before tax in corporate banking segment

	H1 2021	H2 2021	H1 2022	Change H1 2022 to H1 2021	
PLN million				PLN million	%
Net interest income	1,036.4	1,217.9	1,614.0	577.6	55.7%
Net commission income	611.3	675.5	747.6	136.3	22.3%
Other revenues*	26.0	24.8	120.9	94.9	365.0%
Total income	1,673.7	1,918.2	2,482.5	808.8	48.3%
Operating expenses	-735.6	-685.3	-873.6	-138.0	18.8%
Risk cost	-107.2	-130.8	-162.0	-54.8	51.1%
Bank levy	-148.3	-164.4	-188.2	-39.9	26.9%
Gross profit	682.6	937.7	1,258.7	576.1	84.4%

*including net profit of associated entities consolidated with the equity method

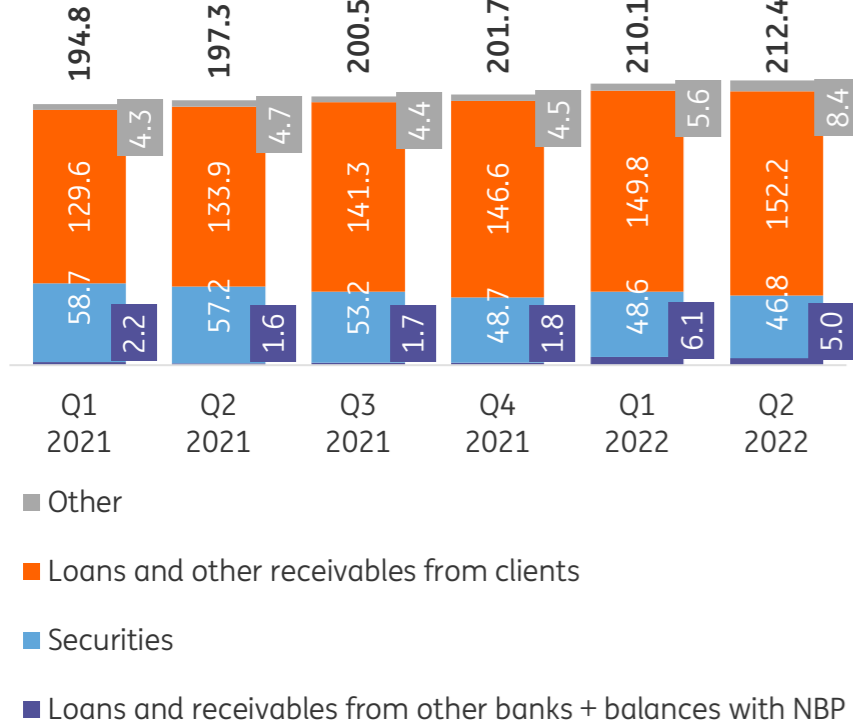


Statement of financial position

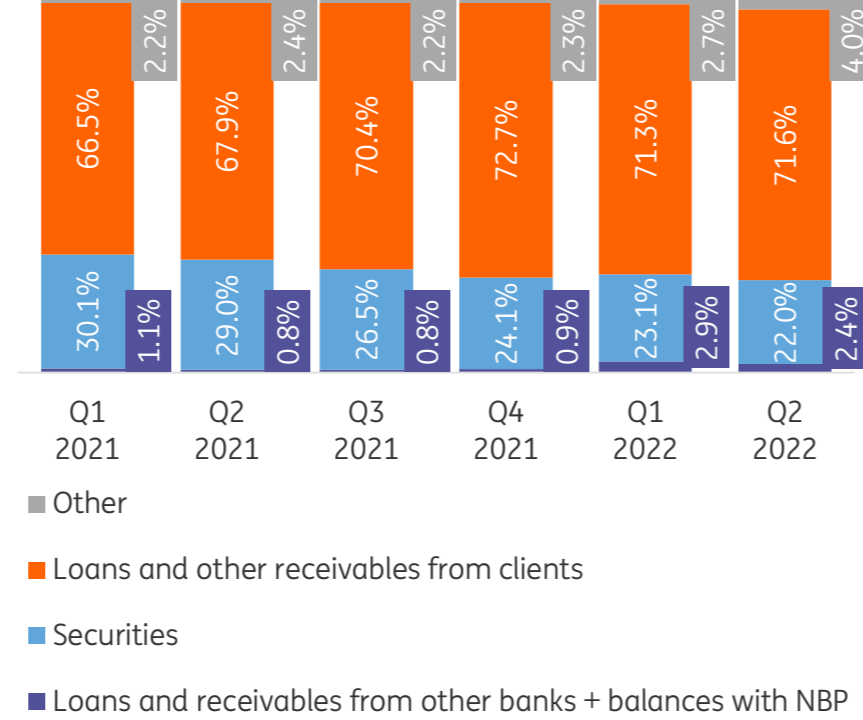
Assets

Total assets of the Group of ING Bank Śląski S.A. amounted to PLN 212.4 billion at the end of June 2022. This implies that they were up by 5.3% (PLN 10.7 billion) compared to the end of 2021. The main driver of growth was the portfolio of loans and other receivables from clients (up by PLN 5.6 billion, +3.8% y/y). Is it the most important item in the asset structure and as at 30 June 2022, they accounted for 71.6% of the Group's total assets.

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

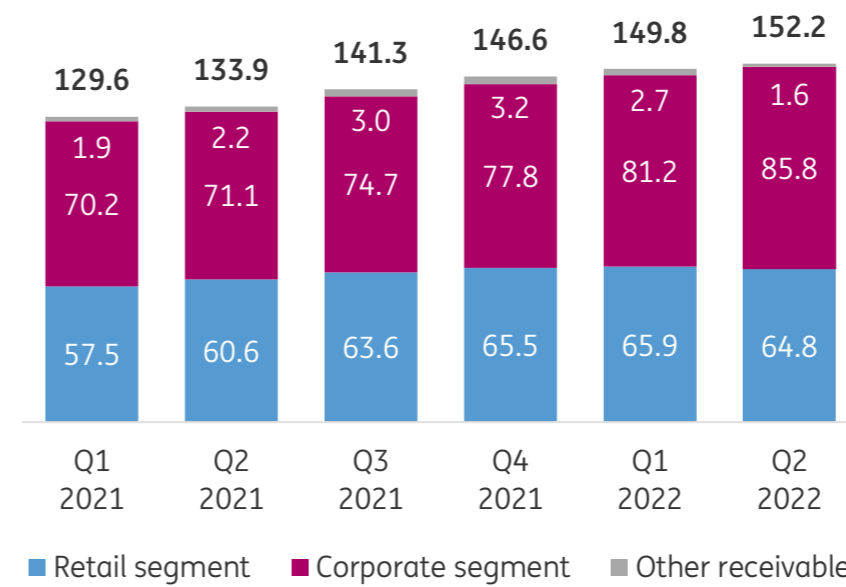


Structure of assets of the ING Bank Śląski Group

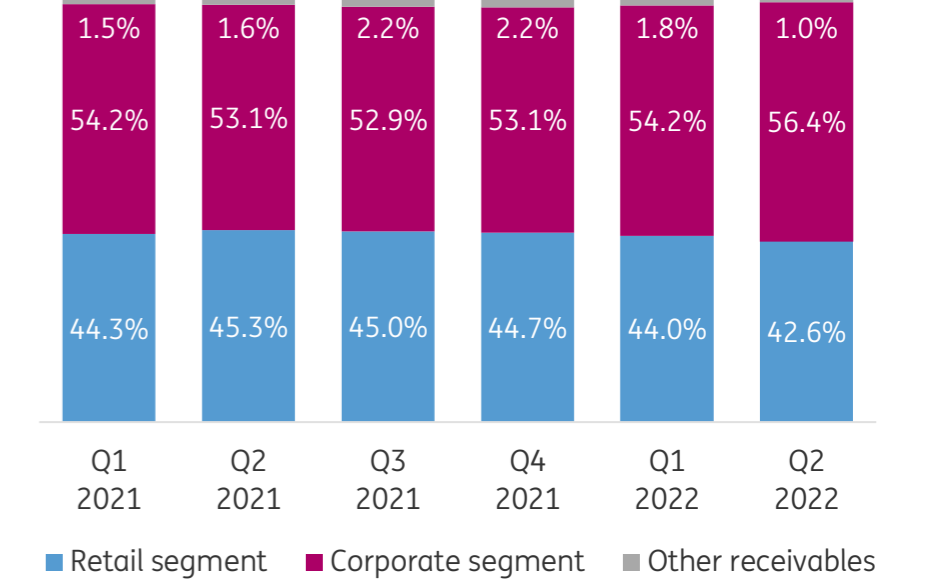


The receivables of the retail segment decreased versus the end of 2021 by PLN 0.7 billion (-1.1%) while the receivables of the corporate segment increased by PLN 8.0 billion (+10.3%). As a result, the share of the corporate segment in overall receivables grew up to 56.4% versus 53.1% at the end of 2021.

Net loans* by segment (PLN billion)



Net lending structure*



*loans and other receivables from clients

Net receivables from clients

	June 2021	December 2021	June 2022	Change June 2022 to June 2021	
PLN million				PLN million	%
measured at amortized cost	94.3	78.4	63.2	-31.1	-33.0%
measured at fair value through P&L account	133.768.8	146.536.0	152.117.7	18.348.9	13.7%
Total	133.863.1	146.614.4	152.180.9	18.317.8	13.7%



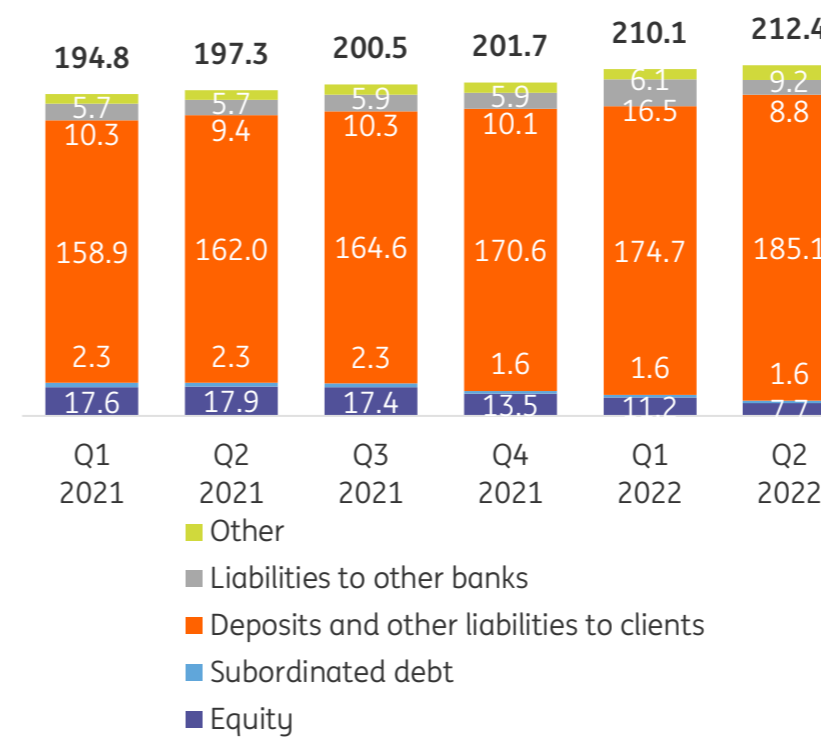
Net receivables from clients measured at amortised cost

	June 2021	December 2021	June 2022	Change June 2022 to June 2021	
PLN million				PLN million	%
Loan portfolio, of which:	131,611.7	143,286.7	150,563.3	18,951.6	14.4%
households	69,849.9	75,418.6	74,735.1	4,885.2	7.0%
business entities	58,600.6	64,922.5	72,960.9	14,360.3	24.5%
central and local government institutional sector	3,161.2	2,945.6	2,867.3	-293.9	-9.3%
Total, of which:	131,611.7	143,286.7	150,563.3	18,951.6	14.4%
Corporate banking	71,021.5	77,756.3	85,782.8	14,761.3	20.8%
overdraft facilities	10,990.3	11,848.6	15,202.6	4,212.3	38.3%
terms loans and borrowings	41,351.9	44,675.6	48,158.9	6,807.0	16.5%
lease receivables	10,267.9	11,090.0	11,894.3	1,626.4	15.8%
factoring receivables	5,693.2	6,823.8	7,228.2	1,535.0	27.0%
debt securities	2,718.2	3,318.3	3,298.8	580.6	21.4%
Retail banking	60,590.2	65,530.4	64,780.5	4,190.3	6.9%
mortgage loans and borrowings,	52,725.9	57,192.3	56,671.6	3,945.7	7.5%
overdraft facilities	602.3	631.9	626.5	24.2	4.0%
other loans and borrowings	7,262.0	7,706.2	7,482.4	220.4	3.0%
Other receivables, of which:	2,157.1	3,249.3	1,554.4	-602.7	-27.9%
opened call deposits	1,397.6	2,531.5	474.3	-923.3	-66.1%
other receivables	759.5	717.8	1,080.1	320.6	42.2%
Total	133,768.8	146,536.0	152,117.7	18,348.9	13.7%

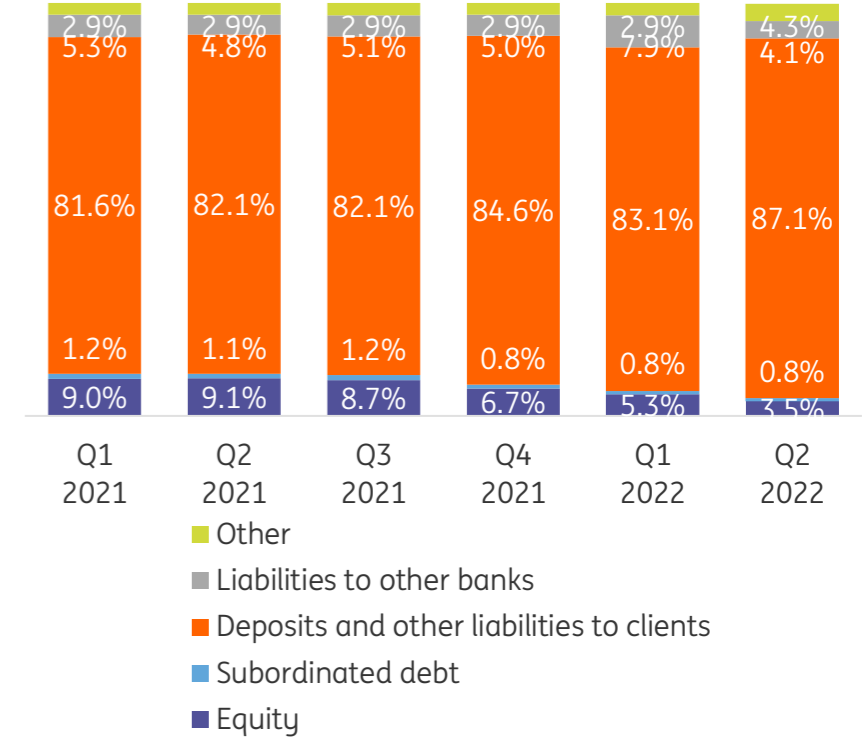
Liabilities

The dominant source of financing of the ING Bank Śląski S.A. Group's operations was clients' funds. At the end of June 2022, liabilities to clients amounted to PLN 185.1 billion, or 87.1% of total liabilities. The bank's equity accounted for 3.5% of total assets and stood at PLN 7.7 billion at the end of June 2022. The decrease relative to year-end 2021 of 5.8 billion was due to the negative contribution of cumulative other comprehensive income from cash flow hedging due to rising interest rates and a change in the shape of the yield curve.

Liabilities of the ING Bank Śląski Group (PLN billion)



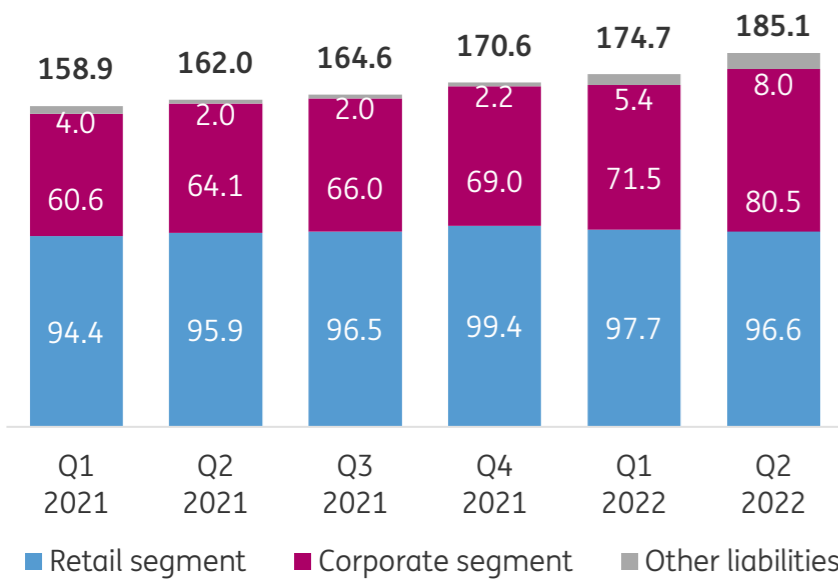
Structure of ING Bank Śląski Group liabilities



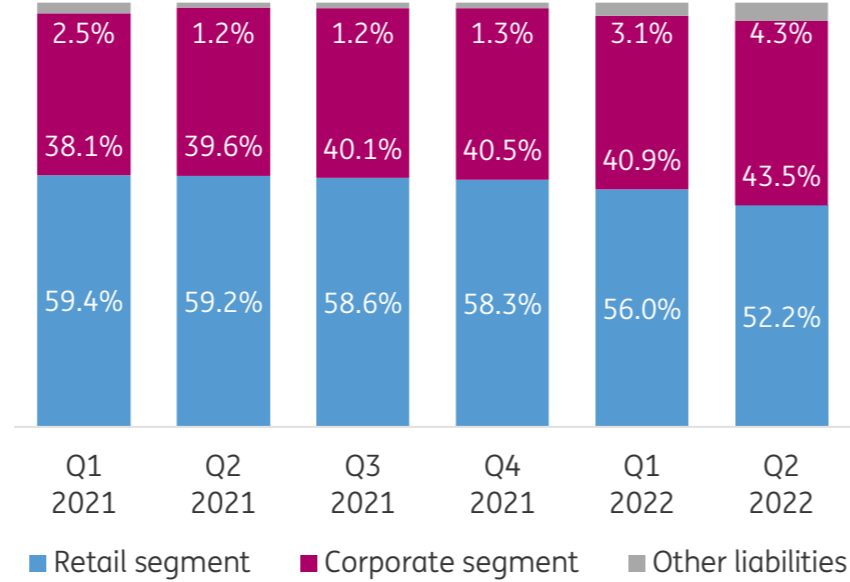
The increase of 8.5% or PLN 14.5 billion in deposits and other liabilities to clients relative to the end of 2021 was generated by the corporate segment (PLN +11.4 billion) and other liabilities (PLN +5.9 billion) with a decrease in the retail segment (PLN -2.8 billion). This caused the shares of these segments in the structure of liabilities to clients to shift in favour of the corporate segment (increase in importance in the structure from 40.5% to 43.5%).



Deposits* by segment (PLN billion)



Structure of deposits*



*deposits and other liabilities to clients

Liabilities portfolio vis-a-vis clients

PLN million	June 2021	December 2021	June 2022	Change June 2022 versus June 2021	
				PLN million	%
Deposits, of which:	160,016.4	168,458.5	177,089.4	17,073.0	10.7%
households	108,431.8	113,570.2	109,511.8	1,080.0	1.0%
business entities	47,530.4	51,415.7	60,174.6	12,644.2	26.6%
central and local government institutional sector	4,054.2	3,472.6	7,403.0	3,348.8	82.6%
Total, of which:	160,016.4	168,458.5	177,089.4	17,073.0	10.7%
Corporate banking	64,074.2	69,029.9	80,451.8	16,377.6	25.6%
current deposits	50,961.7	55,776.1	53,790.0	2,828.3	5.5%
saving deposits	12,638.0	12,462.4	13,204.3	566.3	4.5%
term deposits	474.5	791.4	13,457.5	12,983.0	2,736.1%
Retail banking	95,942.2	99,428.6	96,637.6	695.4	0.7%
current deposits	26,370.2	28,641.5	28,589.5	2,219.3	8.4%
saving deposits	68,094.5	69,286.6	65,171.9	-2,922.6	-4.3%
term deposits	1,477.5	1,500.5	2,876.2	1,398.7	94.7%
Other liabilities, including:	1,981.9	2,151.4	8,005.7	6,023.8	303.9%
liabilities under monetary hedges	509.5	476.3	646.1	136.6	26.8%
repo transactions	0.0	0.0	5,354.0	5,354.0	-
other liabilities	1,472.4	1,675.1	2,005.6	533.2	36.2%
Total	161,998.3	170,609.9	185,095.1	23,096.8	14.3%

Credit portfolio quality

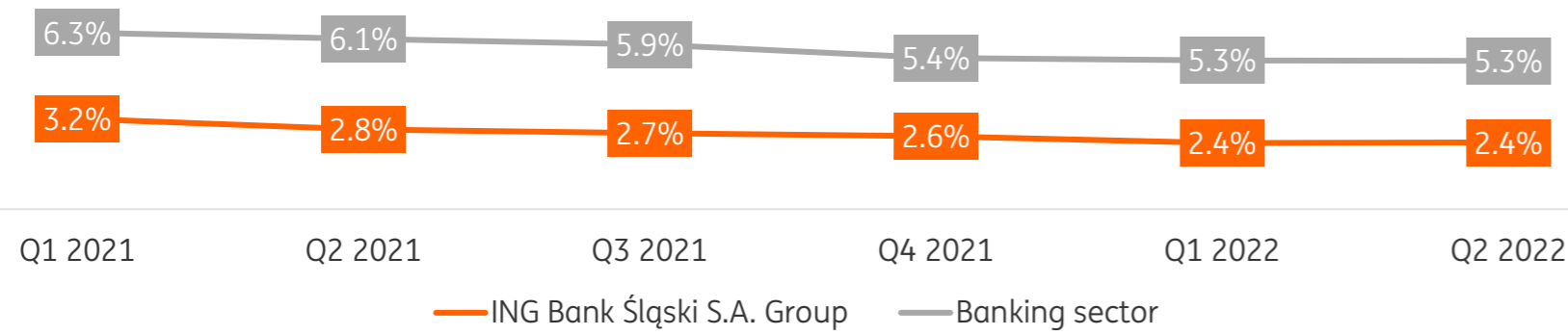
Share of Stage 3 receivables and POCI

In H1 2022, the quality of our loan portfolio increased versus to the end of 2021. The share of Stage 3 and POCI loans in the ING Bank Śląski Group decreased from 2.6% at the end of 2021 to 2.4% at the end of June 2022. Stage 3 and POCI loans in the our group stood at PLN 3,653.4 million compared to PLN 3,806.6 million at the end of 2021



(down by 4.0%). The quality of our bank's loan portfolios keeps being higher than the banking sector average when a comparison is made of the ratio of the share of stage 3 loans. The share of Stage 3 receivables in the sector at the end of May 2022 was 5.3%.

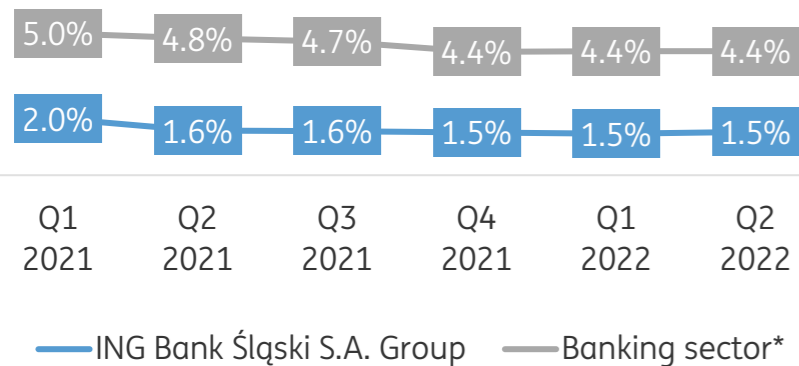
Share of Stage 3 loans at the ING Bank Śląski Group against sector average*



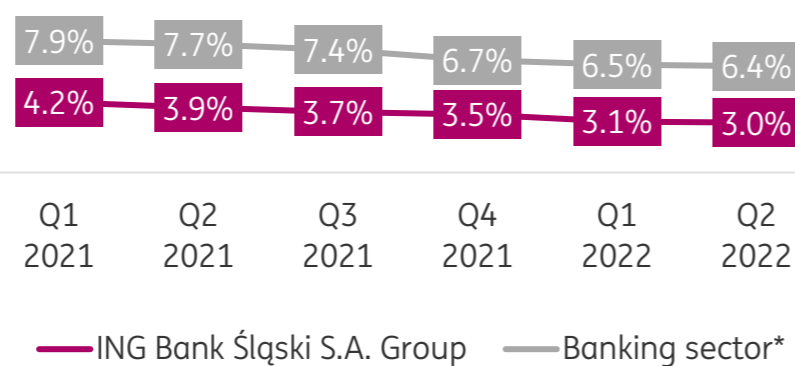
*Estimate on the basis of PFSA's data; data for May 2022 for Q2 2022 in the sector

Importantly, both our retail and corporate loans are of a higher credit quality than the respective averages for the entire banking sector. As at end of June 2022, the share of Stage 3 loans and POCI in the retail segment in the ING Bank Śląski Group accounted for 1.5% against 4.4% for private individual in the sector (May 2022). Equivalent ratios for the corporate segment are 3.0% for the ING Bank Śląski Group and 6.4% for the corporate clients sector, respectively (May 2022).

Share of Stage 3 and POCI loans in the retail portfolio



Share of Stage 3 and POCI loans in the corporate portfolio



*Estimate on the basis of PFSA's data; data for May 2022 for Q2 2022 in the sector

In Q1 2022, the quality of our loan portfolio, apart from the increase in business volumes and prudent lending policy, was also affected by the sale transaction of corporate receivables classified as Stage 3 loans. The total amount of receivables sold (principal, interest, other costs as at the date of the agreement) was PLN 279.1 million. The amount of PLN 211.8 million related to credit exposure.

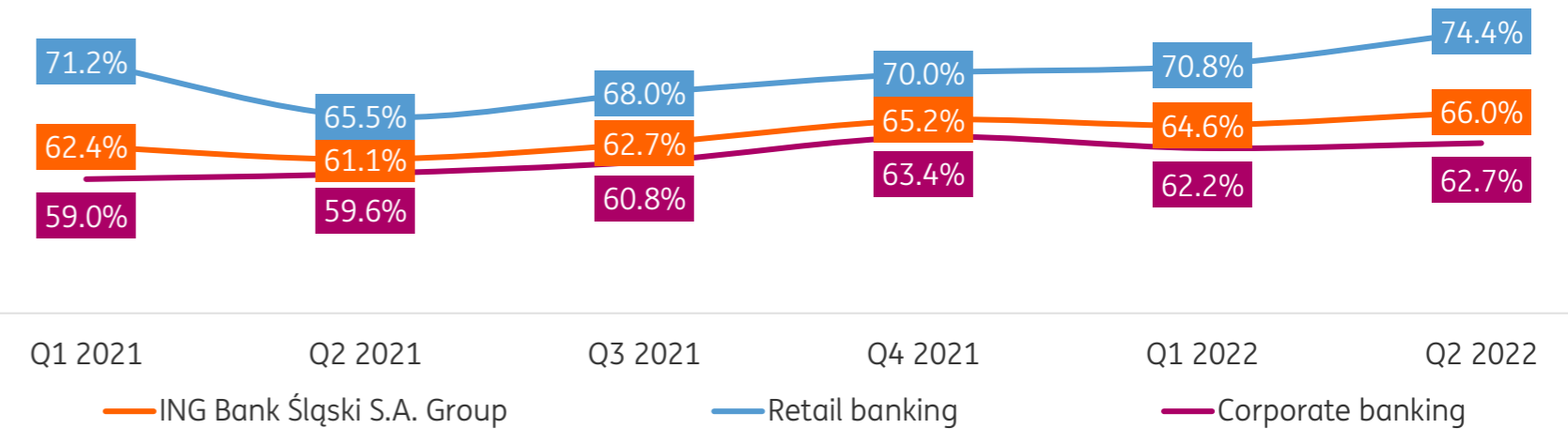
Q2 2021 was also influenced by the sale of the loan receivables portfolio. The total amount of receivables sold (principal, interest, other costs as at the agreement date) was PLN 468.2 million (PLN 290.6 million in the retail segment and PLN 177.6 million in the corporate segment), with PLN 373.4 million (PLN 227.8 million in the retail segment and PLN 145.6 million in the corporate segment) relating to receivables representing credit exposure.

Coverage of stage 3 and POCI loan portfolio by write-downs

As at the end of June 2022, the ING Bank Śląski Group held provisions for the stage 3 and POCI loan portfolio of PLN 2,411.2 million. The coverage of the stage 3 and POCI loan portfolio with allowances was 66.0%.

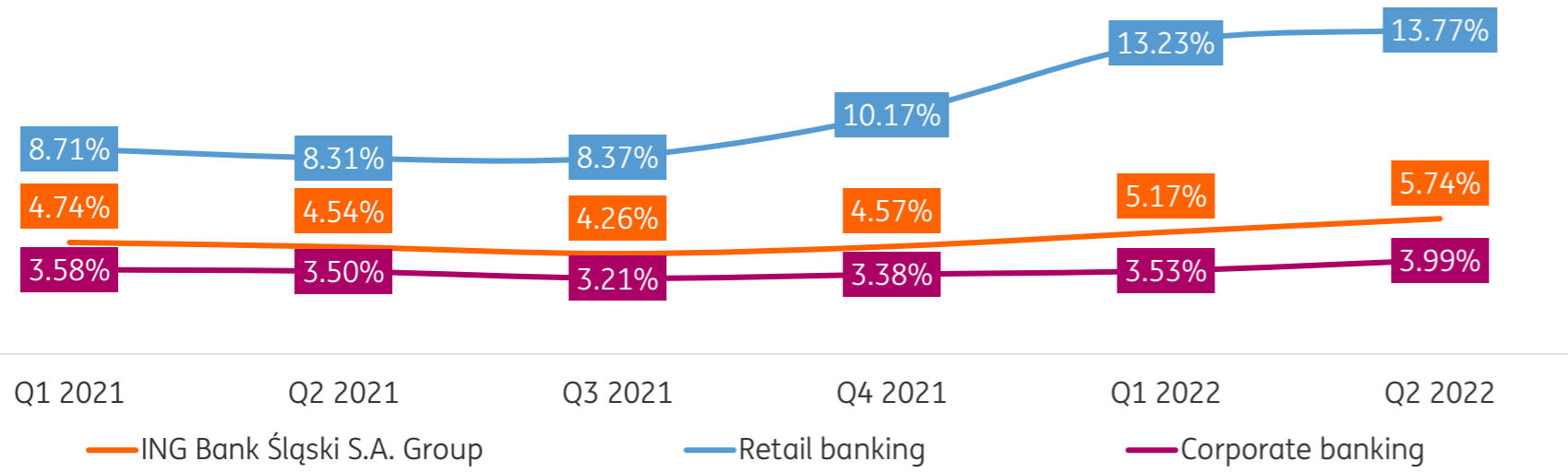
As at the end of June 2022, the ING Bank Śląski Group held provisions for the stage 2 loan portfolio of PLN 532.0 million. The coverage of the stage 2 loan portfolio with allowances was 5.7%.

Coverage ratio of the stage 3 and POCI loan portfolio with allowances





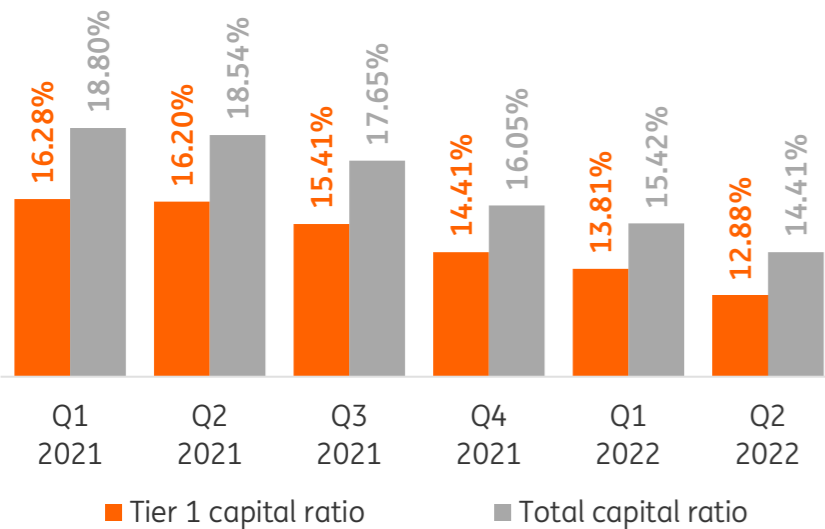
Coverage ratio of the stage 2 loan portfolio with allowances



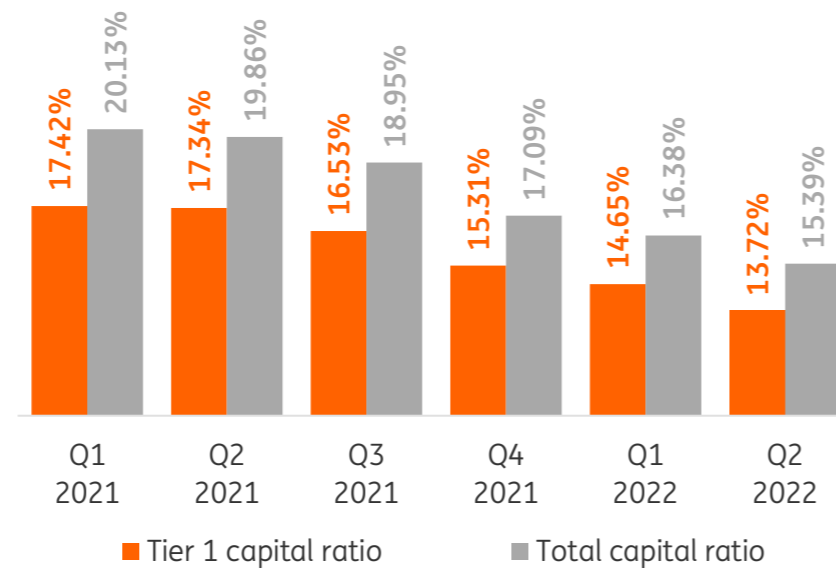
Capital adequacy

On 30 June 2022, the TCR (total capital ratio) for ING Bank Śląski Group was 14.41%, compared to 16.05% at the end of 2021, and the Tier 1 ratio was 12.88% and 14.41% respectively.

Capital ratios for the ING Bank Śląski S.A. Group



Capital ratios for ING Bank Śląski S.A.



If the bank had not applied the transition period for the implementation of IFRS 9 or provisionally treated unrealised gains and losses measured at fair value through other comprehensive income in accordance with Article 468 of the CRR Regulation, the total capital ratio and the Tier 1 capital ratio would have been respectively:

- at the consolidated level – 14.11% and 12.57%,
- at the standalone level – 15.07% and 13.40%.

Declared and paid dividend

Abridged history of dividend payment by ING Bank Śląski S.A.

	2017	2018	2019	2020	2021
Dividend amount in a given year (PLN million)	416.3	455.4	0	663.5	689.5
Dividend amount per share (PLN)	3.20	3.50	0	5.10	5.30
Dividend payment rate (to consolidated profit)	29.7%	29.8%	0%	49.6%	30.0%
Dividend payment rate (to the share price on the dividend rights acquisition day)	1.6%	1.8%	0%	2.0%	2.3%

Dividend from 2021 profit

In 2022, ING Bank Śląski paid a dividend from its 2021 profit.

The Bank's Management Board recommended to the General Meeting a total dividend for 2021 of PLN 689.53 million, representing 30% of the consolidated profit of the ING Bank Śląski Group and 30% of the standalone profit of ING Bank Śląski. The proposed dividend per share is PLN 5.30 gross. The proposed ex-dividend date is 15 April 2022 and the proposed dividend payout date is 4 May 2022. The amount of the proposed dividend provides both for the current financial situation of the Group and the Bank and their development plans. We provided information in this regard in our [current report of 8 March 2022](#).

[In a current report of 1 March 2022](#), the Management Board of our Bank announced that the Bank had received a letter from the PFSA indicating that the Bank meets the requirements to pay a dividend of up to 100% of the net profit for 2021. At the same time, the PFSA recommended limiting the risks inherent in the Bank's activities by not taking, without prior consultation with the supervisory authority, other actions, in particular those outside the scope



of current business and operational activities, which could result in a reduction of own funds, including possible dividend payments from retained earnings and share buybacks.

The Annual General Meeting of 7 April 2022 adopted a resolution on the payment of dividends as proposed by the Management Board. We reported on this in our [current report of 7 April 2022](#).

Dividend from 2020 profit

In 2021, ING Bank Śląski paid a dividend from its 2020 profit.

Originally, according to a [current report of 15 January 2021](#), the Management Board announced that it would take steps to apply the individual recommendation of the Polish Financial Supervision Authority regarding the bank's dividend policy in the first half of 2021. Accordingly, [on 10 March 2021, the Management Board submitted a proposed resolution](#) to the General Meeting of Shareholders convened on 15 April 2021, which proposed to distribute net profit and retained earnings as follows:

- PLN 675.4 million to be allocated to reserve capital,
- leave PLN 1,157.9 million as undistributed net profit, in order to preserve the possibility of distributing it in the future in a way that includes the payment of dividends – this value includes, in addition to the undistributed profit for 2020 (PLN 663.5 million), the undistributed profit from previous years.

The General Meeting of Shareholders, [by Resolution 25 of 15 April 2021](#), distributed the profit for 2020 in accordance with the proposal of the Management Board.

Following the position on dividend policy for the second half of 2021 published by the Polish Financial Supervision Authority, the bank received a letter in this regard on 30 June 2021, as reported in the [current report of 1 July 2021](#). It has been determined that the individual ST ratio for our bank is 0.00%. In this connection, on 19 July 2021 the Supervisory Board approved the position of the Management Board regarding the implementation of the individual recommendation of the Polish Financial Supervision Authority regarding the dividend policy of commercial banks in the second half of 2021 – as reported in our [current report of 21 July 2021](#). This enabled the Management Board to decide and present a proposal to the Extraordinary General Meeting convened on 29 November 2021 regarding the distribution of the 2020 profit – as reported in our [current report of 19 October 2021](#). The Management Board has

proposed that the undistributed part of the net profit for 2020 (as decided by the General Meeting of Shareholders on 15 April 2021) be allocated to dividends. The amount of the proposed dividend is 49.6% of the 2020 net profit, or PLN 663.5 million (PLN 5.10 gross per share). The amount of the proposed dividend is equivalent to 50% of the bank's standalone and consolidated net profit for 2020. At the same time, according to the Management Board's proposal, the dividend vesting date would be 4 December 2021 and the payment date would be 10 December 2021.

The Extraordinary General Meeting of Shareholders adopted the dividend resolution in accordance with the wording proposed by the Management Board – as reported [in our current report of 29 November 2021](#).

More information on dividend policy of our bank and the history of dividend distribution can be found at: <https://en.ing.pl/company-profile/investor-relations>.



Our resources and infrastructure

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Online banking

We offer our clients products and services tailored to their needs. We provide access to online and mobile banking, which allows you to do most things remotely. We offer traditional banking products, but also services and products that go beyond traditional banking such as motorway payments or parking in a mobile app.

In 2016 we launched a new online banking system – Moje ING for individual clients and enterprises; in 2017 – a new version of a platform for the corporate client segment (businesses that are commercial companies, other than enterprises): ING Business. In Q2 2020 we launched a completely new mobile app – ING Business as an upgrade to the existing solution.

Moje ING – individual clients and entrepreneurs

We attach much attention to Internet and mobile banking. Moje ING online banking and the Moje ING Mobile app offer fast payments, easy management of your finances and simple saving and borrowing. At the end of June 2022, 2.34 million of our clients were active users of the Moje ING mobile app.

In H1 2022, we streamlined many processes for the individual client. We have added an option to close the banking version of Moje ING, which our specialists use for direct work with clients (known as MING DS). Clients also have the option to open online banking at ING Express outlets.

H1 2022 was full of implementations and change work in government areas. Among these was the application for Family Care Capital. The parent must choose whether to use the Family Care Capital or the nursery subsidy. This is another government application, alongside 500+ and 300+, that we have made available in our banking.

In addition to implementations related to official matters, we are continuously expanding our *beyond banking* offering. In collaboration with moBiLET, we have provided the option to purchase public transport tickets in the app. The option is available for Android and iOS.

In H1 2022, we have also made the process of updating ID card details easier. Now, during the process in the mobile app, the client can take a photo of the proof and the data from it will automatically be read into the form. We have also streamlined the process of changing the language in the Moje ING app. Simply select the option to change language (Polish / English) in the footer on the homepage after logging in to Moje ING and the app will remember your choice.

In April, we introduced an additional authorisation factor in the activation process of the Moje ING mobile app. This is an authorisation code transmitted to the client by voice (voicecode). This solution aims to reduce fraud, in which a fraudster tricks a client into activating an app on their device.

Among the H1 2022 implementations was also an idea from CX Day – a redirection from the transaction push to history. Until now, the client, upon receiving the push, was redirected to the Moje ING homepage, where he or she had to go to the transaction history themselves. Now it happens automatically when you click.

We have also made the Cockpit in MING DS available. This is a space in Moje ING for Specialists where we provide links to processes that will be carried out by Specialists outside of Moje ING/Moje ING DS.

We have improved the rules for the operation of automatic credit card repayment. The repayment will take effect from the next repayment date and not from the next cycle, as was previously the case, i.e. approx. two months after activation of the service.

We have made available the automatic closing of savings accounts in foreign currencies with a transfer to another account in the currency being closed or with a conversion to PLN, as well as a process whereby the notarised representative can revoke his or her power of attorney for the savings account himself or herself.

We have introduced a new personalised view of Open Savings Accounts in PLN, thanks to which the client has easy, convenient access to the most necessary functions, while at the same time being able to quickly use other products.

At the beginning of the year, we provided clients with investment funds with the option to set up automatic notifications so that they will be informed when the valuation of a selected fund reaches a certain level. Our bank was the first in the market to provide such functionality to its clients who chose to invest in funds through the bank.

We have aligned our investment offering with the legal requirements related to sustainability (ESG). As a consequence of the introduced ESG profile, we have changed the processes for the acquisition of investment funds, the provision of recommendations in Investment Robot and recommendations in Investment Advisory, which take into account clients' sustainability preferences. All investment funds have been marked with 'leaves' that correspond to the degree to which they meet sustainability targets, so that the client is warned before adding a fund to the basket that is not in line with their preferences.

In terms of bills and payments, we have refreshed the look of the Scheduled Payments functionality in Moje ING, made improvements and refined the most important functions for the client (filters, payment grouping). Payments Scheduled after changes (e.g. standing orders, loan instalments) are on the same list as forecast payments, making it easier for the client to manage day-to-day finances.



In addition, we have provided a convenient and quick way to pay taxes and other administrative payments in Moje ING – the client goes directly from the tax portal to banking and accepts the payment of his or her choice, without having to fill in any additional data. We have also extended the reach of online payments (Pay with ING) as part of this change.

A new feature we have made available in Moje ING is Your Card Online. This is a list of online shops and apps where the client has saved their Visa payment card details. In this way, clients have control over their payments and know which online services store their card data. The list is also educational – we direct you from it to a dedicated page where we write about the most important aspects of safe card payments online.

We have implemented a new transaction history including vendor icons on the homepage. The change aims to make the experience of clients who access the story on a tablet and a computer more consistent. Once implemented, the vendor icons are also available on the Moje ING mobile app. An additional benefit of the new story on the homepage is that it shortens the 'client path' in getting to the details of a particular transaction.

We have made it easier to copy the BLIK code and to check the balance of available funds in the account. In addition, on the new screens, clients are able to switch to the Transfer to Phone or Transfer Request functions. As part of the implementation, we provided new, graphically rich and personalised screens.

In 2022, a section has been introduced in the card blocking process that leads the client to the security accordion, a place in the app where the client will be able to immediately block other documents such as proof or passport.

Based on the recommendation of the GIIF, we have implemented an extended range of questions in our client onboarding processes regarding the purpose of the relationship and the source of funds.

In line with statutory requirements (Anti-Money Laundering and Countering the Financing of Terrorism Act), we have extended the refusal of transactions from client accounts that do not meet its KYC (*Know Your Customer*) documentation requirements. As part of the changes, messages have been adapted to inform clients and notarised representatives/co-holders of the reasons for the refusal of transactions, as well as the subsequent consequences. Mechanisms for blocking future and card transactions have been implemented, and related parties have also been refused.

ING Business – business operating as commercial companies

The online banking platform dedicated to corporate clients (business operating as commercial companies other than enterprises serviced via Moje ING) has been positively received by clients. The ING Business ecosystem consists of a browser version, native smartphone apps and a H2H channel – ING WebService. We are successively working on further regular updates and releasing new important features.

On 11 January, we changed the login to the ING Business system for a login, password and text message-based method. The address of the login page, its design and how to enter the password have changed. This makes logging in simpler and faster and at the same time secure. The user does not enter selected characters of his or her password but enters it in its entirety. The text message authorisation (code) for logging in consists of only 6 characters (instead of 8 as before). The way it is entered is more readable because we have separated it with a hyphen after the first three characters. A very important element of our change is that we have ensured that the new login page is user-friendly and accessible, i.e.:

- is responsive, i.e. adapts to the size of the screen – from the smallest smartphone to a large TV;

- in any light – the font is just the right size and contrast to read it comfortably if the user has visual difficulties or wants to use the system outdoors, e.g. when the sun shines on the screen;
- is fully keyboard-operated so that assistive technologies (e.g. screen reader) can be used;
- a login reminder and a new password setting function is available;
- the new login is fully accessible for visually impaired and blind people – it meets WCAG 2.1 (Web Content Accessibility Guidelines) guidelines at AA level;
- we write each communication according to the principles of plain language – that is, clear, understandable and without banking jargon.

On 30 January, we released a new version of the ING Business password change function for logged-in users. From then on, it forces authorisation of the change with a 6-digit text message code. In addition, for non-logged-in users, we have added an additional field to be filled in during the password reset process. In order to reset the password, the user must enter not only his or her login but also the telephone number for authorisation.

Mobile application

In H1 2022, we released two major updates to the mobile app. The first of these included a new application activation process, which can now be done entirely in the mobile app for most users. Thanks to the changes, activating the app is faster, simpler and just as secure as before. As part of the application, users gained an overview of their corporate cards, along with the ability to view and filter their card transaction history.

The second major update to the app primarily involved making BLIK available to corporate clients. We were the first bank in Poland to give all business clients – even the largest – the opportunity to use this convenient form of payment. With BLIK, we have made available the possibility to make



transactions at payment terminals, online, as well as deposits and withdrawals at ATMs.

Cancellation of transfers

From May 2022, clients have the option to cancel selected domestic transfers via ING Business. This functionality applies to transfers that have been sent for execution. The cancellation of a transfer is available from the level of the details of the orders that are still revocable (according to the cut-off times for the individual order types). The action is performed on a one-to-one basis - to use this function, the user must have the authority to cancel transfers and the authority to sign transfers from a specific account.

Cards

In May 2022, we made the possibility of activating corporate cards available in the card module for all system users and corporate cardholders at the same time.

In addition to activation, we have also provided the option to quickly and easily change the PIN code for the card. Changing the PIN code is available from Card Details.

Security

We have introduced a control that monitors the devices from which a user logs on to the ING Business system. If we identify a device from which we have not recorded any logins so far, we send an email to inform the user that a login from a new device has taken place.

Our meeting places

At the end of Q2 2022, ING Bank Śląski had 244 retail locations (including 182 with modern cash services – cash only at ATMs, deposit machines and

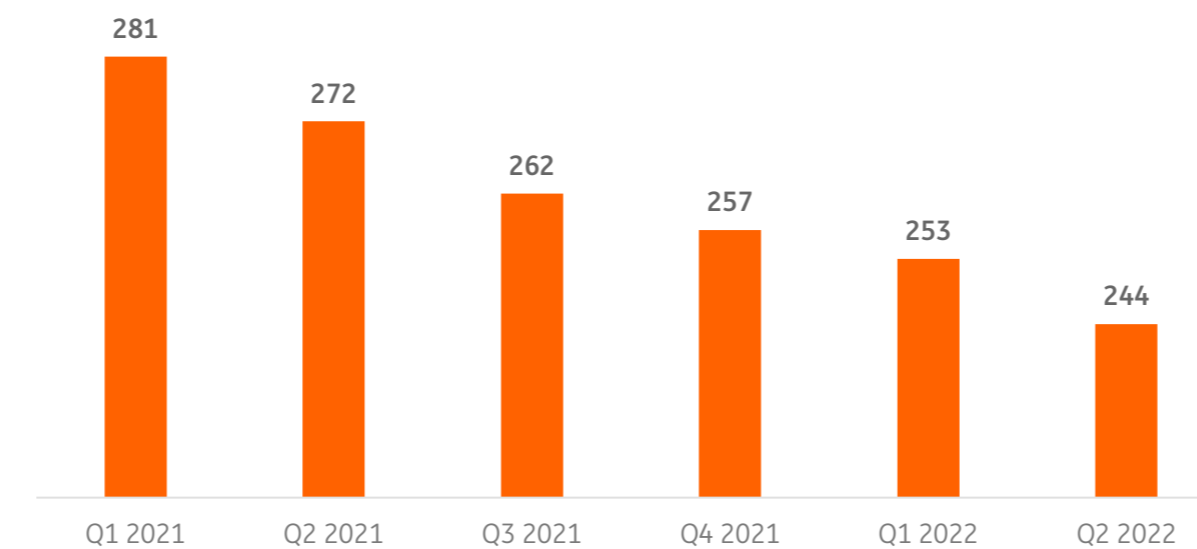
dual machines). All are equipped with self-service areas where clients can both withdraw and deposit cash on their own. The Bank continues to modernise its meeting places by replacing equipment and interior decoration and by implementing new functional solutions.

At the end of Q2 2022, the bank also had 54 sales outlets located in major shopping centres across Poland and 62 cash-only service outlets for over-the-counter (deposits, withdrawals).

Our outlets were normally available to clients for seven hours (10 am – 5 pm) on Mondays, Tuesdays, Thursdays and Fridays and on Wednesdays (10 am – 3 pm).

Contact Centre specialists were at our clients' disposal 24/7 at all times.

Number of our bank outlets



Corporate clients of the large- and medium-sized segment are serviced by the bank in 36 corporate branches and 14 corporate banking centres. Almost all of them operated in the same locations as retail branches. Our largest corporate clients were serviced by the Strategic Clients Department in Warsaw and a regional office in Katowice.

Structure of the distribution network at the end of Q2 2022

Province	Meeting venues and counter service points (including counter service points)	ING Express
dolnośląskie	18 (4)	5
kujawsko-pomorskie	8 (3)	5
lubelskie	3 (1)	2
lubuskie	2 (2)	0
łódzkie	17 (2)	2
małopolskie	26 (6)	7
mazowieckie	33 (7)	5
opolskie	13 (3)	1
podkarpackie	9 (3)	3
podlaskie	4 (1)	3
pomorskie	12 (2)	6
śląskie	61 (19)	3
świętokrzyskie	7 (2)	2
warmińsko-mazurskie	3 (1)	3
wielkopolskie	19 (3)	5
zachodnio-pomorskie	9 (3)	2
Total	244 (62)	54

As at the end of June 2022, our clients had access to a network of 919 cash handling devices, including 155 standard ATMs and 764 dual devices and recyclers (965, 170 and 795 respectively at the end of June 2021).



Human resources management

Headcount

As at 30 June 2022, ING Bank Śląski S.A. Group employed 8,488 people (of which ING Bank Śląski S.A. employed 8,043 people). The number of employees decreased by 206 compared to December last year. The reported decrease in employment is mainly due to the Outsourcing of the *Know Your Customer* Project.

Employment in the ING Bank Śląski S.A. Group.

	30 June 2022		31 December 2021	
	Individuals	FTEs	Individuals	FTEs
Head Office in Warsaw	933	929.4	882	878.3
Head Office in Katowice	3,655	3,640.3	3,811	3,791.1
Branches	3,455	3,441.4	3,555	3,541.7
Total Bank	8,043	8,011.1	8,248	8,211.0
ING Lease (Poland)	242	241.2	246	245.2
ING Commercial Finance	115	113.6	116	114.4
ING Bank Hipoteczny	38	38.0	38	38.0
ING Usługi dla Biznesu	47	34.3	43	31.4
Nowe Usługi	3	2.9	3	2.9
Subsidiary companies	445	429.9	446	431.9
ING Bank Śląski Group	8,488	8,441.0	8,694	8,642.9

Remuneration Policy

At the Annual General Meeting held on 7 April 2022 a report was presented in the functioning of the remuneration policy at ING Bank Śląski S.A. in 2021 in compliance with the guidelines of the Principles of Corporate Governance for Supervised Institutions. The General Meeting found the remuneration

policy pursued by the bank as supporting the development and security of the Bank operations.

Fixed remuneration

In H1 2022, ING Bank Śląski S.A. introduced changes to the remuneration policy, while maintaining its core task of effectively supporting strategic objectives. The assumptions underlying the policy include market levels as well as transparency and consistency of remuneration offered to employees. One of the most important changes was the introduction of a new organisation-wide uniform base salary scale. Thus, the geographical differentiation of salaries based on the employee's place of supply, which had been maintained until then, was abandoned. The rationale for the introduction of a single pay scale was the pandemic and successively increasing proportion of remote working and the introduction of a hybrid working model. The change in approach to remuneration tables and, at the same time, the market analysis carried out, taking into account macroeconomic conditions, inflation and planned changes in tax legislation, led to the decision to launch an increase action aimed at all employees. The action envisaged an increase in the basic salary fund of the ING Bank Śląski S.A. Group by approx. 9% for:

- automatic increase,
- discretionary pay rise at the manager's discretion – dependent on commitment, intended for employees who exhibit particular potential and competence.

The indicated dynamics of the salary fund do not include higher salary costs related to realised staff promotions.

In connection with the implementation of the hybrid working model, we are paying an adaptation allowance on a regular basis in 2022, after the end of each quarter, to employees who are newly recruited and returning from long-term absences.

Variable remuneration

The bank closed bonus handling for employees for 2021. The bonus was paid using a bonus potential adjustment factor which in effect increased the bonus accrual by 10%. The bonus amount for each employee was subject to assessments in three areas:

- work results,
- orange code,
- challenges.

The bank also closed handling the bonus for employees covered with the Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A. In compliance with the Policy, variable remuneration is deferred and in minimum 50% percent is disbursed in phantom shares entitling to cash payments with the value subject to the value of shares of ING Bank Śląski S.A.

In H1 the non-deferred annual bonus for 2021 was disbursed as well as a part of the deferred bonus for 2017, 2018 and 2019 for the Identified Staff. The non-deferred portion of the variable remuneration awarded in phantom shares for 2017, 2018 and 2020 was also settled.

New approach to variable remuneration for Identified Staff

At its meeting on 7 April 2022, the Annual General Meeting approved changes to the variable remuneration approach for *Identified Staff* establishing a new incentive programme based on the allocation of ING Bank Śląski S.A. treasury shares instead of phantom shares. The implementation date for the new programme is 1 July 2022. In accordance with the approved schedule, it has been assumed that share-based variable remuneration will apply for the first time to the 2022 bonus.



Recruitment and development of the image of the institution as a desirable employer (employer branding)

An employer brand is a reflection of how people work in our company and our corporate culture. On the one hand, it influences how candidates perceive us, and on the other, it plays an important role in retaining the employees who already make up our organisation. Last year we successfully implemented the employer brand communication strategy *Do Your Thing* and *Our People Offer*. *Do Your Thing* is ING's brand development direction aimed at strengthening ING's image in Poland. *Our People Offer* is the foundation for building a consistent experience for ING candidates and employees around the world. The *Do Your Thing* strategy was based on the results of an employee survey (*Agree/Disagree*). The results of this survey set the direction ING wants to take as an employer, it defines what we offer to all ING employees, but also what we ask in return. As last year's campaign implemented as part of this strategy was a huge success, a second instalment of the campaign is being implemented this year, based on the results of this year's survey.

In H1 2022 ING Bank Śląski S.A. was involved in activities to develop an image of a desirable employer (employer branding) dedicated to students, graduates and professionals, in particular those with technical profiles. In the area of actions addressing specialists (people with professional experience), we used various types of activities and methods of reach. Those included inter alia: attendance in thematic conferences (webinars, workshops, conferences, expert communications), organisation of technological meet-ups and attendance of job fairs.

In the period, we continued actions to promote the employer's brand and support recruitment activities in social media (mainly LinkedIn, bank's career site). We reached candidates with posts that were directly or

indirectly related to work at the bank, by publishing job offers, actions of managers, recruiters and employees with the aim to construct and expand business contacts (Employee Advocacy). The presence of our employer brand in the web, in particular in channels dedicated to young talents (students, graduates) was supported with activities by participants in the Ambassador Program 2021/2022 from 12 universities all over Poland. Improving the attractiveness of the ING employer brand we resort to modern communication tools suited to recipients' preferences and ways they consume content (e.g. video content, interactive questionnaires).

Activities dedicated to people entering the labour market (students and graduates) included:

- Ambassador Program – 12 students represented the bank at universities, coached by bank employees who supported the Ambassadors in learning about ING and developing their career paths. As a result of its cooperation with the Ambassadors, the bank was involved in such projects as: Meet the Lion (directional, e.g. *robotics, data science, compliance* and general, related to economic and financial education), or the series of meetings with student organisations, "Meet Me At Mine". The recruitment of ambassadors for the new academic year began in July 2022.
- Internship with the Lion – another edition of the internship program and continued activities to implement the idea of year-round recruitment. We continue to focus on the specific skills that trainees acquire during the programme. Internships with the Lion were promoted, among others, during one of the biggest career events for students and graduates – *Absolvent Talent Days* – of which ING Bank Śląski was a partner and at job fairs, as well as through career offices. Each intern undergoes an *onboarding* path and establishes with the manager the objectives to be achieved during the internship using the "Internship Platform" tool, which permanently contains the basic necessary information for the intern.

- ChallengING internship programme – a one-year programme, currently continuing in the IT area (programming and data science).
- *International Talent Programme* (ITP) – is a programme in which we recruit graduates (Bachelor's or Master's) from universities with up to two years' professional experience and fluency in English. Individuals in the ITP programme rotate between different Bank teams within their path for the first two years of their career at ING, with the aim of finding the ideal position for them after the programme. As part of the programme, there is an opportunity to do a six-month rotation abroad at one of ING's banks around the world. This year, the ITP is being implemented in 5 business paths (Risk, IT, Finance, Analytics, Operation & Change), the programme offers participants the opportunity to participate in projects that are important from the bank's perspective, numerous development activities and internships abroad. Recruitment for the Warsaw and Katowice headquarters runs from June to October.
- Meetings with the Lion – a series of workshops by experts from the bank to demonstrate practical aspects of banking in a manner friendly to students. Meetings were conducted at universities across the country.
- Promotion of ING in the academic environment – includes participation in events organised by universities or student organisations and scientific circles operating at universities, combined with the organisation of Meetings with the Lion (the content part based on knowledge sharing) and the organisation of ING's own initiatives. The actions dedicated to students and graduates within campus recruiting are a part of the Cooperation Strategy with Universities pursued by the bank. ING Activists, an informal group of employees who are in contact with universities from their regions and actively promote the ING employer brand, play a big role in the implementation of these activities.



Employee development and training

A strategic priority of the bank is to develop employees competencies and focus on ongoing improvement. In H1 2022, the bank implemented development activities in line with its strategic objectives in the areas of inclusive leadership, strengthening the building of new competencies and capabilities of the organisation as well as strengthening the effectiveness and working in a hybrid model.

Those actions were implemented in the following key areas:

- Strengthening organisational culture and building team engagement (in particular through a leadership development programme focusing on self-awareness, accountability and collaboration, and developing subordinate teams and talent).
- Strengthening the competences and behaviours of employees (in particular through the implementation of training processes in the area of products and sales quality, as well as the offer of development activities including – knowledge exchange, working with another person as part of development internships, coaching and mentoring processes).
- Specialist and expert knowledge (in particular through internal programmes geared towards development in critical roles for the bank, but also highly specialised training, national and international industry conferences, mainly aimed at domain specialists, and certifications).
- Strengthening self-learning competences, in particular by providing tools for acquiring new knowledge in an online format and introducing, through gamification, new learning strategies adapted to the challenges of reality and available tools.
- Dedicated development programs to designated organisational units or identified recipient groups as responses to strategic challenges inter alia in such areas as sales management or data science.

Development activities to build expertise were delivered both internally and using external training offerings, workshops and conferences. Further, the bank supports individual expansion of qualifications by employees in the form of certifications, post-graduate studies or standards of the Polish Bank Association.

In order to strengthen the readiness and capacity of teams to work effectively in the hybrid working model, two programmes and tools have been implemented to support managers in discussing with their teams how to work in the new model, what to ensure that collaboration is effective and every team member included.

Digital development actions are promoted as well as use of external training platforms available on-line and digital information resources (e-book library). A particular point of focus is building the capacity of employees to create digital learning content themselves and to share their knowledge and experience with others, which supports the circulation of know-how within the organisation.

Employees of the Bank shared their knowledge and experience both inside the organisation (e.g. at internal training, webinars, activities in communities) and outside, acting as speakers at external events.

Development actions are addressed to all employees in the retail and corporate sales networks as well as employees of organisational units in the Head Office (new hires, specialists and managers).

Diversity and Inclusion

We want the bank to be a workplace where everyone can be themselves and feel part of our organisation. With this in mind, we create solutions that support our employees in many dimensions to better understand and continually draw on how diverse we are. We have long believed that diversity and inclusion help us respond faster to change, client needs and develop the way we work with each other. In H1 2022, we organised the

next edition of the *Why differences matter* conference on the topic of gender equality in the working environment. In addition, we celebrated European Diversity Month again. Throughout the month, we focused on the 4 aspects of diversity chosen as priorities in the organisation, i.e. generational, gender, multicultural and by workplace. We offered webinars, e-learning training courses available on MyLearning, and provided a number of posts on the bank's internal intranet pages. We continued to work in the Diverse community, with activities supported by a patron in the rank of Board Member – Sławomir Soszyński.

WellbeING activities

In 2022, we decided to give employees responsibility for their own *wellbeing*. We have taken a number of measures to make employees aware of how to take care of their own mental, physical and financial wellbeing.

We started the year with webinars to support our employees in the wake of the outbreak of war in Ukraine: there were public workshops and webinars, as well as a special workshop for leaders on “how to take care of yourself and your team in a crisis”. We also provided one-to-one consultations for those in need of immediate support.

In the HEALTH area, we held health days during which employees were able to enjoy massages, consultations with a nutritionist and physiotherapist and take part in a week-long online training with a heart doctor. We made sure that the network's employees also took part in the proposed events: meetings with a dietician and a physiotherapist were also held online and massages were replaced by relaxation sessions led by experienced therapists.

In the ENERGY area, we have started a series of webinars to support parenting competences – the Parent Zone. Together with other teams at the bank, we organised a stationary children's day, which was attended by more than 1 500 children and their carers. In addition, since the beginning



of the year, we have been supporting leaders during individual consultations with a psychologist and a business coach, as well as through the planned workshop “Resilient leader – strong team”.

In the area of FINANCE, we provided employees with access to a webinar with an extended Q&A session related to the introduction of the Polish Deal. As is standard, Deloitte experts supported our employees in completing their PITs for the previous year. We also held finance days where we talked about children’s financial education, planned how to save for holidays using travel tips and launched the first meeting of the Investing Academy, where a blogger developed the topic of shares and the stock market. A booklet outlining the basics of finance also reached all those who signed up.

Within the ACTIVITY pillar, the number of active users of the Worksmile platform has increased from 600 to more than 1,000, thus succeeding in promoting healthy lifestyles and physical activity among employees. We encourage healthy competition and teamwork through participation in competitions, sports actions and through individual recording and tracking of activities undertaken. We have launched a sports budget, through which we support employees in the sporting activities they undertake: we pay for training rooms, the entry fee for running events or the purchase of outfits with the ING logo.

Activities related to war in Ukraine

Since the beginning of the hostilities crisis in Ukraine, our employees have been actively involved in providing humanitarian assistance to those affected by the conflict. As part of these activities, we have launched a cash collection and provide financial assistance to NGOs supporting refugees from Ukraine and providing humanitarian aid in Ukraine. In total, the collection from donors raised more than PLN 5 million, which the bank doubled. In total, more than PLN 10 million was donated to non-governmental aid organisations. In addition to the collection, ING Bank

Śląski donated PLN 1 million to four organisations supporting victims of the war in Ukraine.

Support for workers of Ukrainian origin

During the first days of the conflict, we identified workers who come from Ukrainian areas and have families who we can help evacuate. We immediately established the scope of support, which we modified over the following weeks, adapting the offer to current needs. The benefits package includes:

- Financial benefits from the Social Fund in the amount of PLN 1,000 / per person (family member) for bringing a family from the war zones and providing the first running costs of living (clothing, hygiene products, food).
- Transport of the family member from the reception point to the place of stay in Poland.
- Support in finding and renting accommodation for the worker’s family and covering the costs of renting accommodation in Poland.
- Medical care (financing the cost of medical packages).
- Legal services to deal with residence formalities.
- Package of 500 free minutes for calls to Ukraine.
- Additional days off to assist with transport and family arrangements.

Support for bank employees who have taken refugees under their roof

In order to support the bank’s staff who are hosting evacuees from the conflict zone privately, we have agreed a support package in the form of:

- Benefits in the form of gift vouchers worth PLN 300 for each person admitted and PLN 500 for each school-age child.

- Reimbursement of the cost of train/airline tickets in case of transit of Guests outside Poland.
- Psychological support.
- Additional volunteer days off – to deal with official matters for Guests.
- Organisation of holidays for willing families adopted by our staff.

In addition, we launched:

- Community I support visitors from Ukraine – for sharing information, exchanging good practices and proven ways to solve problems.
- An assistance platform to enable shopping for Ukrainian visitors.



Core changes to risk and capital management

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In the Management Report on operations in H1 2022, we present core changes to risk and capital management that occurred since the end of 2021. The risk and capital management system, risk assessment and quantification were presented in detail in the annual consolidated financial statements of the ING Bank Śląski S.A. Group for 2021 in chapter “Risk and equity management” (from page 123).

Equity management

In H1 2022 we continued our activities aimed at pursuing our capital management strategy. In the assessment process of internal capital adequacy, in H1 2022 we summed up a Workshop in assessment or risk materiality.

As part of the Workshop, we made some housekeeping modifications to the materiality assessment of risks, including aggregating the interest rate risks in the banking book under a single market risk subcategory. We currently identify 9 permanently material risks (default and counterparty risk, residual risk, concentration risk, residual value risk, currency risk, general and specific interest rate risk in the trading book, interest rate risk in the banking book, liquidity and funding risk, operational risk) and 3 material risks (risk of other non-credit assets, macroeconomic risk, model risk).

Following the imposition of the Pillar II (P2G) recommended capital charge by the Financial Services Commission in February this year, the following minimum levels of capital ratios apply to us in 2022:

- CET1 \geq 7.88%
- T1 \geq 9.38%
- TCR \geq 11.38%

On 1 March 2022, we received a letter from the PFSA indicating that we meet the requirements to pay a dividend of up to 100% of our net profit for 2021. At the same time, the PFSA recommended limiting the risks inherent in our business by not taking, without prior consultation with the supervisory authority, other actions, in particular those outside the scope of current business and operational activities, that could result in a reduction of own funds, including possible dividend payments from retained earnings and share buybacks. You can read the details in terms of dividends declared and paid [here](#).

Credit risk

Major changes in the bank's lending policy

- Assistance instruments for Ukrainian citizens have been introduced.
- The credit assessment parameters were adjusted to the current market situation and the PFSA's position, by updating the buffer on the variable interest rate (to 5% in the mortgage segment) and increasing the cost of living, taking into account high inflation.
- Depending on the client's risk level, the duration of the loan and the loan amount in the retail unsecured lending segment were optimised.
- A recalibration of the pre-approved model in the retail unsecured lending segment was performed.
- The BIK Overdebt pilot for the Moje ING channel has been implemented.
- Some of the restrictions introduced in connection with the COVID-19 outbreak have been lifted.
- A new version of the application model was implemented in the entrepreneur and medium-sized business segment.
- Applications have been made to the PFSA/ECB for PPU (*Permanent Partial Use*) for the *Easy Lending* portfolio.
- A description of a third algorithm for calculating *Easy Lending* limits based on financial data has been implemented.
- *Fast Track* has been increased for clients in the medium and large business segments improving the efficiency of the credit process.
- We reacted to current financial and geopolitical events: we updated interest rate levels, reviewed a portfolio of clients with significant risks related to the war in Ukraine and rising commodity costs. Client exposures with a significant level of risk were transferred to Stage 2 under IFRS 9 and included in the *Watch List* process (where applicable).



- For strategic clients, we have implemented changes to allow the bank to purchase non-Treasury debt instruments.
- We have implemented changes to CPAC levels (instead of product mandates) that determine client access to financial markets products.
- New model building and monitoring standards, in line with the most up-to-date regulatory guidelines, were approved and the corresponding processes were aligned.
- Model processes have been optimised for the implementation of Recommendation R measures.

Stress tests

In compliance with the “Stress Test Policy”, the Group regularly holds stress tests to assess the impact of potential events or changes to macroeconomic conditions on capital requirements, economic capital, bank’s liquidity, risk profile and profitability. Reports from stress test results are approved by ALCO and submitted to the Bank’s Management Board and Supervisory Board.

Market risk

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

Liquidity and funding risk

In H1 2022, we continued our efforts to mitigate liquidity and funding risk – in line with the liquidity and funding risk management policy, the bank’s strategy as well as regulatory requirements. In terms of regulatory requirements – all monitored measures remain within limits. Internal regulations and documents are subject to systematic reviews and we kept enhancing our reporting and modelling processes.

Model risk

In H1 2022, we continued our model risk management activities, which included: quarterly model risk reporting, model validations and model performance monitoring.

Operational risk

In H1 2022, the most significant theme in the area of operational risk management was the coordination of emergency actions resulting from Russia’s aggression against Ukraine. The situation is unprecedented and there is no experience or good practice in the area of risk that can serve as an example. One of the threats we had to deal with was the hybrid warfare element of disinformation. As a result, there has been an increased level of uncertainty among some clients resulting in increased cash withdrawals. In response to the situation, we have adjusted cash limits at ATMs and the number of cash transports, thereby reducing the risk of panic. Since the invasion, we have taken a number of measures to ensure the safety of our clients and to ensure the business continuity of the bank’s critical processes (e.g. business continuity plan reviews, crisis team meetings) as well as the security of the products and services offered to Ukrainian citizens as part of the bank’s organised support. The experience of the pandemic has led the Bank to make its processes more flexible and streamlined in a way that ensures a better response to crises and limits the negative impact from them.

Given the situation, we have increased the frequency of risk measurement and monitoring in order to identify and assess current risks without delay.

As part of the review of existing regulations, we have introduced updated: Operational Risk Management Policy, Non-Financial Risk Identification and Assessment Manual, Operational Risk Monitoring Manual using Key Risk Indicators (KRIs), Risk Mitigation and Monitoring of Mitigating Actions Manual, Regulations for Conducting Special Investigations, Anti-Fraud Policy, Policy on Standard for Implementation, Modification, Review and Disposal of Products for Bank Clients, Business Continuity Management Policy, Information Risk Policies.

We have started a review of the maturity of the control environment in ING Bank Śląski Group companies, which will continue in the second half of the year.



Together with other risk units, a Risk Culture programme has been developed and launched to raise risk awareness among managers and employees of the bank. Its scope includes webinars, training, presentations, chats and panel discussions on risk-related topics, including but not limited to sanctions, cyber-security, anti-fraud, know-your-client good practice and ESG risks. The programme will continue in the second half of the year.

We closed the annual summary and planning phase for the current year of the Key Controls Tests and performed quality monitoring of control tests mitigating the risk of improper financial reporting (SOX).

We have improved the Business Environment Assessment process by involving a larger group of respondents and by implementing workshops to deepen the given risk areas. The task was concluded with a workshop with the Board in mid-July, where we discussed the results and decided on an action plan for the identified risks.

We have started a project to replace the current application supporting operational risk management with a new cloud solution characterised by greater flexibility of parameterisation and reliability.

With a view to the reliability of the reports prepared and the speed of decision-making, we have carried out work aimed at maintaining the quality of data used in operational risk management processes at a high level.

Compliance risk

In H1 2022, we continued our efforts to ensure compliance with regulatory requirements, in particular the EBA, PFSA and GILF guidelines. In the wake of the war in Ukraine, we launched dedicated products for Ukrainian refugees and followed up on an ongoing basis on the Regulators' recommendations regarding the sanctions imposed on Russia and Belarus by Poland, the European Union and the United States.

We are involved in work at the level of the Polish Bank Association and industry organisations. As last year, we are improving the controls in our business processes, particularly in the areas of Know Your Customer (KYC) and personal data protection. We regularly build and strengthen the awareness of the bank's employees on issues of professional ethics and applicable regulations in the area of compliance, including personal data.

Business risk

Macroeconomic risk

Macroeconomic risk is the risk due to macroeconomic factors and their impact on the levels of minimum capital requirements. The Bank manages the risk by regular holding of internal stress tests to support ongoing monitoring of sensitivity or minimum capital requirements to macroeconomic factors. In H1 2022 the Bank held complete capital tests as at the end of 2021.



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Shares and shareholders of ING Bank Śląski S.A.

Shareholding structure

ING Bank Śląski S.A. is a subsidiary company of ING Bank N.V., which as at 30 June 2022, held a 75% shareholding in the share capital of ING Bank Śląski S.A. and 75% of the total number of votes at the General Meeting – the figures that have not changed since March 2005. The remaining shares of the Bank (25.0%) are in free float. They are held by institutions investors, especially Polish pension funds and national and foreign investment funds, and also individual investors. As at the end of June 2022, Aviva Otwarty Fundusz Emerytalny Aviva Santander was the largest investor which – according to semi-annual information on the structure of assets of Aviva Otwarty Fundusz Emerytalny Aviva Santander as at 30 June 2022 held 8.61% in the share capital and overall number of votes at general meetings. As of the date hereof, according to the information available to the Bank no other shareholder has exceeded the 5% threshold in the company's capital.

In 2022 the value of share capital of ING Bank Śląski S.A. and the share of its core shareholder in capital were not changed.

Shareholder's name	Number of shares/Number of votes at GM		Share in the share capital and the total number of votes at the General Meeting	
	31 December 2021	30 June 2022	31 December 2021	30 June 2022
ING Bank N.V. (a subsidiary of ING Groep N.V.)	97,575,000	97,575,000	75.00%	75.00%
Aviva Open Pension Fund Aviva Santander *	11,179,441	11,205,030	8.59%	8.61%
Other	21,345,559	21,319,970	16.41%	16.39%
Total	130,100,000	130,100,000	100.00%	100.00%

*on the basis of annual information on the asset structure of Aviva Otwarty Fundusz Emerytalny Aviva Santander as at 31 December 2021 and semi-annual information on asset structure of Aviva Otwarty Fundusz Emerytalny Aviva Santander as at 30 June 2022.

Characteristics of the dominating shareholder

ING Bank N.V. is part of ING Group, a global group of financial institutions offering retail and corporate banking services to 38 million clients (data as of the end of Q1 2022). ING Group entities employ over 57 thousand employees and operate in over 40 countries in Europe, North and South America, in the Middle East as well as in Asia and Australia. The ING Group operates in four areas: Market Leaders, composed of operations in the Netherlands, Belgium and Luxembourg; Challengers, composed of operations in Germany, Austria, Spain, Italy, France, Australia; Growth Markets, composed of operations in Poland, Romania, Turkey, the Philippines and in Asia; and a global network of corporate banking for strategic clients (Wholesale Banking).

ING Groep N.V., the Netherlands, is the dominating entity of the ING Group. It was set up in 1991 as a result of a merger of the Dutch insurance company – Nationale-Nederlanden and the Dutch bank – NMB Postbank Groep. For years, the ING Group kept developing both organically as well as with mergers and acquisitions. As a result of the 2008-2009 crisis, the Group was provided with government support (repaid in 2009-2014) subject to restructuring. Inter alia, the restructuring provided for a split of banking activity from insurance and investment activity which was to be sold. The restructuring of the ING Group was finalised in April 2016.

ING Groep NV is a public company listed on the stock exchange in Amsterdam (INGA NA, INGA.AS), Brussels and New York (ADR: ING US, ING.N). ING Groep N.V. has a fragmented shareholding structure. At the end of H1 2022, four entities had a shareholding of 3% or more in ING Groep N.V. and these were: Capital Research and Management Company, BlackRock Inc, Goldman Sachs Group Inc, and Artisan Investments GP LLC.

In 2021 the ING Group generated net profit of EUR 4,776 million versus EUR 2,485 million in 2020. Total assets were at EUR 951 billion (EUR 937 billion the year before). Assets of the ING Bank Śląski S.A. Group accounted for 4.6% of total assets of the ING Group as at yearend 2021. In contrast, our net profit for 2021 represented 10.6% of ING Group's net profit.

More information on the dominant shareholder is available at <https://www.ing.com/Home.htm>.

Shares and share capital

In accordance with its Articles of Association, the share capital of ING Bank Śląski S.A. is split into 130,100,000 shares with the nominal value of PLN 1 each share. All the shares issued by the Bank are ordinary bearer shares. No special control rights are attached to the Bank shares. The Articles of Association of the Bank not provide for any restrictions



as to transfer of title to the shares issued by the Bank, exercising voting rights and contains no provisions according to which equity rights related to securities are separate from holdings of securities.

Additionally, the Articles of Association authorises the Management Board to increase the share capital but maximum PLN 26 million (or issues of maximum 26 million shares) by 21 April 2023 (authorised capital) and to waive pre-emption rights at share issues of the authorised capital. The relevant amendments to the Articles of Association were entered to the National Court Register (KRS) on 6 May 2020. The decisions taken by the Management Board on the share issue price and waiver of pre-emption rights require approval by the Supervisory Board. The authorization to issue the target capital will enable the Management Board to take, if necessary, quick actions aimed at the capital strengthening of the bank. The full justification in this regard was attached to the draft resolution of the General Meeting on this matter (p. 12 of [this document](#)).

As at the publication hereof, ING Bank Śląski S.A. is not aware of any agreements that may in the future generate changes to the proportions of shareholdings by the existing shareholders.

Share price

In 2022, the price of ING Bank Śląski shares on the WSE fluctuated from PLN 170.4 to PLN 287.0. On 31 June 2022, the share price of our bank at the close of the session was PLN 170.4, i.e. it was 36% lower than on the last trading day of 2021 (the average price weighted by the trading volume was PLN 172.2588 as at 30 June 2022 and PLN 277.6867 as at 30 December 2021). For comparison, the WIG-banks sector index fell by 37% at that time.

Our Bank has been listed in the mWIG40 and WIG-ESG indexes since their beginnings. Our shares are also included in the WIG-banks index.

Participation in the main stock indices of ING Bank Śląski SA (based on the last revision in a given year)

	2018	2019	2020	2021	H1 2022
WIG	2.0300%	2.2023%	1.8181%	2.3694%	2.0172%
mWIG40	9.9700%	9.9998%	9.7038%	9.9999%	9.8450%
WIG-ESG	-	-	2.0845%	3.3669%	2.7938%

As at the end of June 2022, the market value of our bank was PLN 22.2 billion, while the book value of the bank's capital group was PLN 7.7 billion.

ING Bank Śląski S.A. shares data

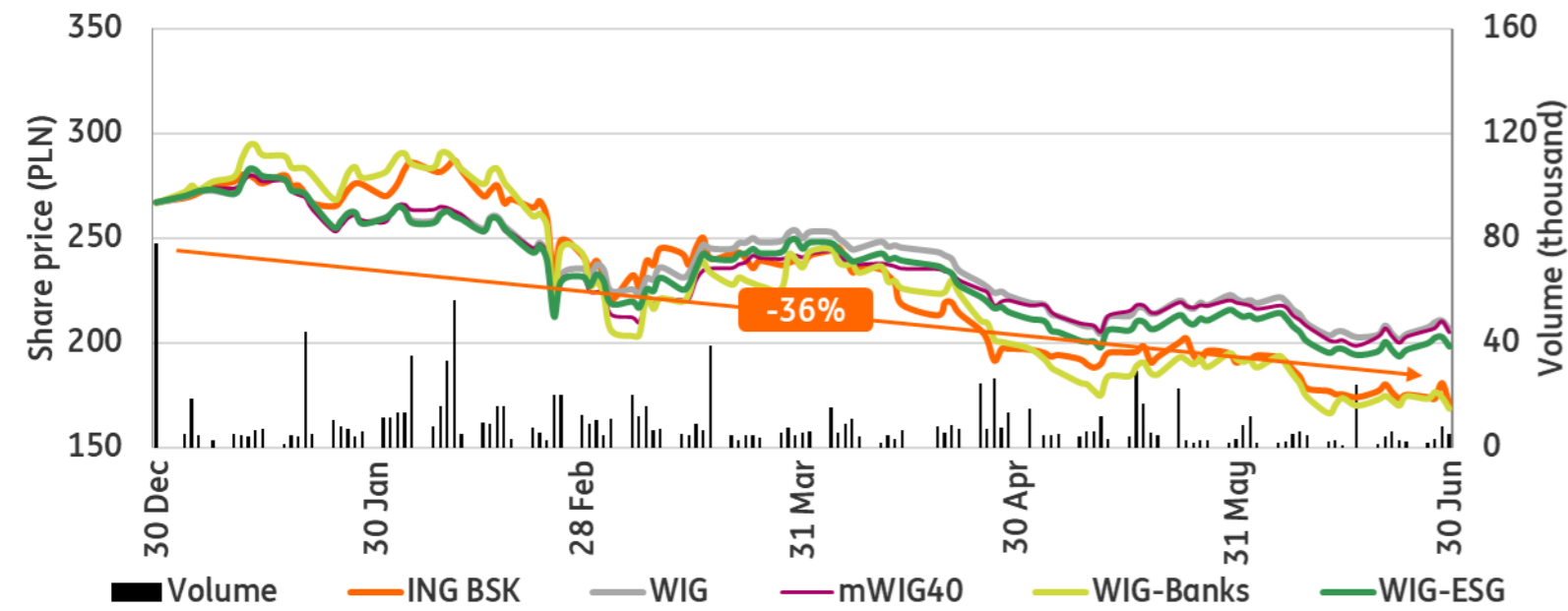
	2018	2019	2020	2021	H1 2022
Share price as at the period end (PLN)	180.0	202.5	171.0	267.0	170.4
Top share price (PLN)	221.5	204.5	207.0	282.0	287.0
Bottom share price (PLN)	160.6	180.0	102.6	167.2	170.4
Turnover weighted average spread (basis points)	36	35	43	43	46
Period-end capitalization (PLN billion)	23.4	26.3	21.8	34.7	22.2
Number of shares	130,100,	130,100,	130,100,	130,100,	130,100,
Total number of transactions	52,863	39,974	88,567	60,865	33,218
Number of block trades	7	3	0	2	1
Average number of transactions per session	214	161	351	242	268
Trading volume	2,892,622	1,949,283	3,799,640	2,404,219	1,118,923
Average trading volume per session	11,711	7,860	17,078	9,579	9,024
Market makers' share in turnover	6.39%	9.85%	12.41%	8.78%	8.12%
Dealers' share in turnover	13.00%	11.93%	3.50%	2.50%	0.76%
Earnings per share in PLN	11.71	12.75	10.3	17.7	20.55
Share book value (PLN)	102.40	117.01	143.1	104.0	59.3
Dividend paid per share in the year (PLN)	3.20	3.50	0.00	5.10	5.30
P/E ratio (x)*	15.3	15.9	16.6	15.0	8.3
P/B ratio (x)*	1.8	1.7	1.2	2.6	2.9

*ratio computed based on the share price at a given period-end; based on annualized earnings per share (4-quarter cumulative)

Our Bank's shares are under the number ISIN PLBSK0000017. The ticker on the WSE market is "ING", and information about our bank on Bloomberg and Reuters is available under "ING PW" and "INGP.WA", respectively.



Bank Śląski S.A. share quotations in 2022 versus comparable selected WSE indexes



ING Bank Śląski S.A. ratings

Our stable financial position is also confirmed by external credit ratings assigned to our bank. Our bank cooperates with two rating agencies: Fitch Ratings and Moody’s Investors Service. The history of the ratings changes issued by both agencies is available on [our website](#).

Fitch Ratings Ltd.

Fitch Ratings agency (Fitch Ratings Ireland Limited with its seat in Dublin) assigns a full rating under the agreement between our bank and the Agency. As at the date of signing of the report for H1. 2022, the rating assigned to our bank from the Agency is as follows:

Fitch Ratings Ltd.

Long-Term IDR	A+
Outlook for sustaining the rating	Stable
Short-Term IDR	F1+
Viability rating	bbb+
Shareholder Support Rating	a+
National Long-Term Rating	AAA (pol)
Outlook for sustaining the above rating	Stable
National Short-Term Rating	F1+ (pol)

In the press release published by Fitch on 1 December 2021, as part of the annual review, the Agency sustained the ratings for ING Bank Śląski S.A.

The outlook on the entity’s long-term rating is Stable and was changed from Negative. Fitch indicated that this follows directly from a similar change in the rating outlook for the bank’s parent company, ING Bank N.V. The perspective of the long-term rating on the national scale is Stable.

In addition, Fitch has withdrawn the Support Rating assigned and introduced a Shareholder Support Rating (at a+) as a result of the November 12, 2021 update to the methodology for assigning credit ratings to banks.

Moody’s Investors Service Ltd.

Moody’s Investors Service (Moody’s Investors Service Cyprus Ltd.) assigns their rating to our bank on the basis of public information. As at the date of signing of the report for H1. 2022, the bank’s rating from the Agency is as follows:

**Moody's Investors Service Ltd.**

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

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

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

ING Bank Hipoteczny S.A. ratings

Moody's Investors Service Ltd.

Moody's Investors Service (the Agency) provides a full risk assessment of ING Bank Mortgage S.A.. As at the date of signing of this report, ING Bank Hipoteczny's rating assigned by the Agency was as follows:

Moody's Investors Service Ltd.

LT Counterparty Risk	A1
ST Counterparty Risk	P-1
LT Issuer Ratings	A3
ST Issuer Ratings	P-2
Outlook	Stable
Long-term/ short-term CR Assessment	A1 (cr) / P-1 (cr)

In the Agency's view, the likelihood that the parent company – i.e. ING Bank Śląski S.A. - in a stressful situation will change its priorities in fulfilling its obligations in a way that is detrimental to ING Bank Hipoteczny is small. In addition, the Agency highlighted in its latest announcement that ING Bank Hipoteczny's current rating reflects:

- 100% ownership of ING Bank Śląski and its stable growth prospects,
- the significant strategic importance of ING Bank Hipoteczny and its operational integration within the structures of the ING Bank Śląski S.A. Group,
- commitment of ING Bank Śląski to support the capital and liquidity position of ING Bank Hipoteczny in order to meet regulatory requirements.

Changes to the statutory bodies

Supervisory Board

In H1 2022, the following changes took place in the composition of the Supervisory Board and the Board Committees:

- On 10 February 2022, Mr Remco Nieland resigned as a member of the Supervisory Board of ING Bank Śląski S.A. as of the date of the next Annual General Meeting of the Bank. The reason for his resignation was his planned retirement. The resignation of Mr Remco Nieland also resulted in a change in the composition of the Audit Committee of which he was a member.



- On 7 April 2022, the Annual General Meeting appointed Mr Aris Bogdaneris to the Supervisory Board as of 7 April 2022. Mr Aris Bogdaneris is affiliated with the ING Group.
- At the same time, guided by the changes introduced by the Annual General Meeting to *the Articles of Association of ING Bank Śląski S.A.* under Resolution No. 26 of the Annual General Meeting of the Bank of 7 April 2022, on the same day the Supervisory Board resolved amendments to *the Regulations of the Supervisory Board of ING Bank Śląski S.A.* and entrusted Ms Małgorzata Kołakowska with the function of the 1st Vice-Chairperson of the Supervisory Board of ING Bank Śląski S.A. and Mr Michał Szczurek with the function of the Vice-Chairperson of the Supervisory Board of ING Bank Śląski S.A. The aforementioned amendments became effective as of the date of entry in the Register of Entrepreneurs of the National Court Register of the amendments made by the Annual General Meeting to the *Bank's Articles of Association*, i.e. 16 May 2022.
- On 10 June 2022, after reviewing the adequacy assessment carried out by the Remuneration and Nomination Committee, in connection with the planned change in the composition of the Audit Committee, the Supervisory Board revised the composition of the Audit Committee and the Risk Committee.

Thus, the composition of the Supervisory Board and the Board Committees as at 30 June 2022 was as follows:

Composition of the Supervisory Board as at 30 June 2022

	Function in the Supervisory Board	Audit Committee	Remuneration and Appointment Committee	Risk Committee
Mr Aleksander Galos	Chairperson, Independent Member	●	●	●
Ms Małgorzata Kołakowska	First Vice-Chairperson		●	●
Mr Michał Szczurek	Vice-Chairperson	●		
Mr Aris Bogdaneris	Member			
Mr Stephen Creese	Member	●		●
Ms Dorota Dobija	Independent Member	●	●	●
Ms Monika Marcinkowska	Independent Member	●		●

● – Chairperson(s) ● – Member

Bank's Management Board

There were no changes to the composition of the Bank's Management Board in H1 2022. As a result, the composition of the Bank's Management Board and responsibilities of Members of the Management Board as at 30 June 2022 were as follows:

Composition of the Management and responsibilities as at 30 June 2022

Member of the Management Board	Responsibility area
Mr Brunon Bartkiewicz	President of the Bank's Management Board , supervising the CEO Division
Ms Joanna Erdman	Vice-President of the Bank's Management Board , supervising the CRO Division
Mr Marcin Giżycki	Vice-President of the Bank's Management Board , supervising the Retail Client Division and a subsidiary – Nowe Usługi SA
Ms Bożena Graczyk	Vice-President of the Bank's Management Board , supervising the CFO Division and the following subsidiaries: Solver Sp. z o.o. in liquidation and ING Bank Hipoteczny S.A;
Ms Ewa Łuniewska	Vice-President of the Bank's Management Board , supervising the Business Client Division and the following subsidiaries: ING Usługi dla Biznesu SA, ING Investment Holding (Polska) SA (ING Lease (Polska) Sp. z o.o. and ING Commercial Finance Polska S.A.)
Michał H. Mrożek	Vice-President of the Bank's Management Board , supervising the Wholesale Banking Division
Mr Sławomir Soszyński	Vice-President of the Bank's Management Board , supervising the CIO Division
Ms Alicja Żyła	Vice-President of the Bank's Management Board , supervising the COO Division



Remuneration of members of the Management Board and Supervisory Board

Remuneration due to members of the Management Board of ING Bank Śląski S.A. (PLN million)

Period	Remuneration	Other benefits*	Total
H1 2021	5.0	0.9	5.9
H1 2022	5.7	1.0	6.7

*Other benefits inter alia include insurance, deposits to an investment fund, medical care and other benefits approved by the Bank Supervisory Board.

Emoluments of Members of the ING Bank Śląski Management Board for 2022 under the Variable Remuneration Programme have not yet been awarded.

In keeping with our Bank's remuneration system, the Bank's Management Board members may be entitled to a 2022 bonus to be paid out in 2023–2030. Accordingly, a provision was set up for the payment of the 2022 bonus for the Management Board members, which as at 30 June 2022 stood at PLN 4.0 million. The Bank's Supervisory Board will take a final decision on the amount of the bonus.

Remuneration paid to members of the Management Board of ING Bank Śląski S.A. (PLN million)

Period	Remuneration	Bonus*	Other benefits**	Total
H1 2021	5.0	4.0	0.9	9.9
H1 2022	5.7	6.4	1.0	13.1

*Rewards for H1 2022 cover the following components: 1) A bonus under the Variable Remuneration Programme: for 2021 non-deferred cash, for 2019 the 1st tranche of deferred cash, for 2018 the 2nd tranche of deferred cash and for 2017 the 3rd tranche of deferred cash; and 2) phantom stocks under the Variable Remuneration Programme: for 2020 retained, for 2018 the 1st tranche deferred, for 2017 the 2nd tranche deferred.

Rewards for H1 2021 cover the following components: 1) A bonus under the Variable Remuneration Programme: for 2020 non-deferred cash, for 2018 the 1st tranche of deferred cash and for 2017 the 2nd tranche of deferred cash; and 2) phantom stocks under the Variable Remuneration Programme: for 2019 retained, for 2017 the 1st tranche deferred, for 2016 the 3rd tranche deferred.

*Other benefits inter alia include insurance, deposits to an investment fund, medical care and other benefits approved by the Bank Supervisory Board.

In H1 2022 the total amount of remuneration due and disbursed by ING Bank Śląski S.A. to member of the Supervisory Board was PLN 0.4 M.

Remuneration of members of the Supervisory Board of ING Bank Śląski S.A. (PLN million)

Period	Remuneration	Prizes and other benefits	Total
H1 2021	0.4	0.0	0.4
H1 2022	0.4	0.0	0.4

As at 30 June 2022 members of the Bank's Management Board and Supervisory Board did not hold shares of ING Bank Śląski S.A.

Independence of Supervisory Board Members and Board Committees

According to Article 19.3 of the [Bank's Chapter](#) the composition of the Supervisory Board includes minimum two independent members – are free of any relations with the Bank and its shareholders or employees, whereby such relations could materially affect the ability of such member to take impartial decisions – independent members. In addition, Article 22.6 of the Articles of Association provides that the criteria of independence should be met by the majority of members of the Board Committees, i.e. the Audit Committee, the Remuneration and Nomination Committee and the Risk Committee, including the chairmen of these Committees. In accordance with the above provisions, reflected in the [Regulations of the Supervisory Board](#) (Article 3.4), there are three independent members of the Bank's Supervisory Board who are free from any relationship with the Bank and ING Group. Independent members furthermore form the majority of the Board Committees and serve as chairs of the Remuneration and Nomination Committee, the Risk Committee and the Audit Committee. Those are:

- Mr Alexander Galos, Chairperson of the Board, Chairperson of the Remuneration and Nominations Committee,
- Ms Dorota Dobija, Chairperson of the Board, Chairperson of the Risk Committee,
- Ms Monika Marcinkowska, Member of the Board, Chairperson of the Audit Committee.

The criteria for the independence of independent members derive from the law, inter alia, and the Best Practices for WSE Listed Companies adopted by the Bank, and are described in detail in the [Regulations of the Supervisory Board](#) (Article 3.5).



Also the Bank has an independent internal audit unit with the task of reviews and assessment – in an independent and objective manner – the adequacy and effectiveness of the risk management system and the internal control system, with the exception of the internal audit unit. The independence of the audit unit from other units of the Bank is ensured, inter alia, by the direct contact of the head of the audit unit with members of the Bank's Management Board, Audit Committee, Supervisory Board and the auditor on matters requiring their attention and by the fact that the appointment and dismissal of the head of the audit unit is subject to the approval of the Supervisory Board, after recommendation by the Audit Committee.

Diversity policy for supervisory, managing and administrative bodies

ING Bank Śląski S.A. has a *Diversity Policy for ING Bank Śląski S.A. Management Board and Supervisory Board Members* in place. The Policy seeks to:

- reach a broad spectrum of competence when appointing Supervisory Board and Management Board members so as to have diverse points of view and experience and to facilitate independent opinions and reasonable decisions to be taken by a given body;
- ensure the high quality of tasks performed by managing bodies by way of selecting competent individuals to the Supervisory Board and Management Board, primarily applying objective business-related criteria and taking into account benefits stemming from diversity.

As regards business-related criteria, the diversity strategy ensures selection of persons with diverse knowledge, skills and experience, suitable for positions held by them and duties entrusted to them, who complement each other at the level of the Management Board and Supervisory Board. The criteria are verified in the suitability assessment process described in the *Policy for the assessment of the suitability of the members of the Supervisory Board, Management Board and key function holders at ING Bank Śląski S.A.* Moreover, apart from knowledge, competences and professional experience, the diversity policy covers gender- and age-related differences, and applies them to arrive at the best outcome. In making its decision when appointing members to the governing bodies, the bank

takes into account that more diverse governing bodies foster constructive dissent and discussion based on different points of view.

The policy assumes aiming at ensuring representation of both genders in the processes of selection and succession plans, keeping in mind the laws on fair treatment while establishing employment relationship. The Remuneration and Appointment Committee of the Supervisory Board of ING Bank Śląski S.A. defines the target value of the representation of the underrepresented gender in the Bank's Management Board and Supervisory Board and adopts a plan aimed at achieving the target value. The target value is determined according to the term of office of the Supervisory Board and the Management Board of the Bank, i.e. once every four consecutive full financial years counted from the beginning of the term of office of a given body.

Since the implementation of the Policy in 2018, the target value of the under-represented gender has been set at 30% of women and 70% of men (with a deviation of +/- 2%). The means to achieve the target value is to verify and update the database of successors. The target value is verified annually on the basis of reports prepared by HR units and presented to the Remuneration and Appointment Committee of the Supervisory Board of ING Bank Śląski SA. Where the target value is not met, the bank will document the reasons, the measures that will be taken and the timing of such measures to ensure that the target is achieved.

At the end of H1 2022, the Management Board comprised 4 women out of 8 members (50% of the number of Management Board members) and the Supervisory Board comprised 3 women out of 7 members (43% of the number of Supervisory Board members).



Supplementary information

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Position of the Management Board on the feasibility of the previously published forecasts

The Bank has not published its projected financial results for 2022.

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

Detailed information on proceedings pending before the OCCP is included in the Consolidated Semi-Annual Report of the ING Bank Śląski S.A. Capital Group for the six months ended 30 June 2022.

Legal risks of the Swiss franc-indexed mortgage portfolio

Information on the legal risk of the Swiss franc-indexed mortgage loan portfolio is presented in the Consolidated Semi-Annual Report of the ING Bank Śląski S.A. Group for the six months ended 30 June 2022. The information contained therein relates, inter alia, to the value of the subject

matter of the litigation and the provisions made, the number of litigation cases and the ongoing programme of settlements with clients.

Contingent commitments granted

ING Bank Śląski S.A. and its subsidiary entities provide sureties to loans and guarantees as part of its statutory activity. The amount of off-balance financial commitments granted at the end of H1 2022 was PLN 51.6 billion (PLN 48.7 billion at the end of 2021 and PLN 45.7 billion at the end H1 2021).

Off-balance liabilities of the ING Bank Śląski Group						
PLN billion	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Unutilised credit lines	35.1	36.1	37.7	39.0	43.7	41.2
Guarantees	5.8	6.0	6.2	6.2	6.7	6.9
Undrawn overdrafts in current account	1.5	1.5	1.5	1.6	1.5	1.5
Credit card limits	1.5	1.5	1.5	1.5	1.5	1.5
Letters of Credit	0.5	0.5	0.5	0.4	0.4	0.5
Total	44.4	45.7	47.5	48.7	53.9	51.6



Changes in the banking sector regulations

Name	Effective date	Description
Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on establishing a framework to facilitate sustainable investment, amending Regulation (EU) 2019/2088	The regulation entered into force on 12 July 2020, but the specific requirements apply from 1 January 2022 / 1 January 2023	The EU taxonomy provides for the extension of the scope of non-financial reporting to include information on how and to what extent a company's activities are related to economic activities that qualify as environmentally sustainable.
Act of 29 October 2021 amending the act on tax on goods and services and certain other acts Council Implementing Decision (EU) 2022/1003 of 17 June 2022 authorising the Republic of Poland to apply a special measure derogating from Articles 218 and 232 of Directive 2006/112/EC on the common system of value added tax (Official Journal of the EU No. L 168/81, hereinafter: the Decision)	1 January 2022 / 1 January 2024	The introduction of the National e-Invoice System (KSeF), i.e. a nationwide ICT system operated by the Ministry of Finance, in which entrepreneurs will be able to issue and receive electronic structured invoices. This will be one of the acceptable forms of documenting sales alongside paper invoices and electronic invoices. Structured invoices will be issued based on a uniform logical structure provided by the Ministry of Finance. From 1 January 2022, the use of the e-invoicing system is voluntary, while the mandatory KSeF-based universal invoicing from the originally planned 2023 is postponed by the EU Council Decision (following Poland's request for a special measure derogating from Articles 218 and 232 of the VAT Directive) to 1 January 2024 with a temporary scope of application until the end of 2026. Only taxpayers with a registered place of business in Poland, but no longer a permanent place of business or, even less, only those registered for VAT in Poland, will be subject to the obligatory KSeF.
"The Act of 29 October 2021 amending the Act on Personal Income Tax, the Act on Corporate Income Tax and certain other acts, the so-called "Polish Deal"	1 January 2022	This Act is referred to as the Polish Deal (originally: New Deal) and introduces a significant number of changes to existing tax principles, in particular personal income tax, of systemic importance. Tax changes in the area of personal income tax include, inter alia, elimination of the possibility to deduct health contributions from personal income tax, increase in the amount of the tax-free sum, introduction of the so-called middle class relief or the so-called return relief. In the area of corporate income tax, the changes implemented by the Polish Deal include: <ul style="list-style-type: none"> • amendments to the transfer pricing rules with regard to: <ul style="list-style-type: none"> • definition of related entities – the previously used term “company without legal personality” has been replaced by “company not being a legal person”, • transfer pricing adjustments, • the financial safe harbour mechanism – the period in which a taxpayer will be able to take advantage of this institution will be the tax year, the moment for which a loan (credit, bond) agreement should comply with the financial safe harbour conditions with regard to interest rates has been specified, • local transfer pricing documentation, • the extension to 14 days of the deadline for the taxpayer to submit local documentation when requested by the tax authority (instead of the current 7 days), • elimination of the statement on preparation of transfer pricing documentation as a separate document and moving it, with its amended content, to the transfer pricing information (TPR form),



- signing the transfer pricing information – as a rule, the information is signed by the head of the entity within the meaning of the Accounting Act, however, if the entity is managed by a multi-person body – by one or more persons authorised to represent it. In addition, the amended regulations have allowed the transfer pricing information to be submitted by an attorney who is an advocate, legal adviser, tax adviser or statutory auditor, and a notarised representative (acting in accordance with the principles of representation);
- the introduction of the so-called holding regime, including the definition of a holding company and a subsidiary, as well as the inclusion of CIT exemptions introduced by the holding regime in anti-abuse regulations;
- remodelling the withholding tax procedure by, inter alia, implementing additional restrictions/conditions that must be met in order for remitters to apply reduced withholding tax rates or exemptions from withholding tax. The material scope of payments subject to the pay and refund mechanism has been narrowed (in relation to the provisions implemented in 2019) to income of a passive nature (e.g. interest, copyright, trademarks and dividends). The same applies to the personal scope, which has been narrowed down to non-residents who are related parties of the payer or issuer (the relationship is determined on the basis of transfer pricing rules). The total annual amount of disbursements that are conditional on meeting additional requirements (PLN 2 million) is left. The existing exemption opinion is replaced by a preference opinion. The definition of beneficial owner has been modified. The legislator has allowed the payer to use a copy of the taxpayer's residence certificate;
- modification of the rules on lump-sum taxation on income of capital companies (the so-called Estonian CIT), aimed at expanding the catalogue of entities entitled to opt for this taxation, as well as relaxing the necessary conditions to be met;
- extension of the catalogue of capital gains income;
- the introduction of reliefs for entrepreneurs incurring costs in connection with the employment of employees in research and development activity, test production of a new product or its market launch and the increase of revenues from product sales;
- introducing a robotisation allowance;
- enabling simultaneous use of the R&D tax credit and the IP Box preference;
- the introduction of a tax credit for taxpayers supporting sports, cultural activities and higher education and science;
- the introduction of relief on the costs of Initial Public Offerings (IPOs) for new entrants;
- promoting cashless transactions by introducing an income tax deduction for the purchase of a payment terminal or fees for the use of such a terminal;
- the introduction of a consolidation relief for taxpayers wishing to carry out economic expansion in domestic and foreign markets, through the acquisition of shares in capital companies operating in these markets;
- introducing changes to the depreciation of buildings and residential premises by excluding the possibility to treat depreciation deductions as tax deductible costs (this restriction will enter into force on 1 January 2023 for buildings and premises purchased until 31 December 2021);
- introduction of an obligation to keep accounting books (tax records) using computer programmes, as well as an obligation to send them in a structured form by the deadline for filing the return for the tax year (this obligation will come into force on 1 January 2023);
- introduction of a new definition of Management Board ownership to limit the phenomenon of Polish residents registering companies in the territory of a foreign country;
- introducing changes to depreciation in real estate companies by limiting the amount of tax deductible depreciation on real estate to the amount of depreciation deducted in accordance with the Accounting Act;



- removing interpretation doubts that have arisen and adapting them to the Polish economic reality with thin capitalisation;
- the introduction of provisions to counter situations where tax revenues within a group of related entities are reduced as a result of the conversion of debt financing into equity financing;
- the introduction in taxation of a new concept of so-called revenue shifting, designed to prevent the possibility of obtaining a tax advantage through tax schemes aimed at transferring revenue to tax jurisdictions with a low effective tax rate;
- the introduction of regulations limiting the generation of artificial tax deductible costs in the form of payment of the so-called “hidden dividend”, so-called profit stripping – the legislator finally postponed the application of the new regulation until 1 January 2023;
- sealing of regulations on tax deductible costs by clarifying the way of determining the limit of debt financing costs – modification of the wording of Article 15c of the CIT Act;
- amending the rules on entity reorganisations to counteract the possibility that tax neutrality could lead to an exemption from capital gains tax;
- introduction of provisions on tax on passed-through income – newly added Article 24aa in the CIT Act. Costs that will generate tax on pass-through income include:
 - costs of intangible services (consultancy, advertising, management and control, data processing, guarantees and sureties, and services of a similar nature),
 - fees and charges for the use or right to use certain intangible assets,
 - the transfer of the risk of insolvency of the debtor,
 - costs of debt financing (including penalties and fees for remuneration for the transfer of functions, assets and risks – if the sum of such costs incurred in a tax year for the benefit of entities (including unrelated entities) constitutes at least 3 per cent of the sum of deductible costs incurred in that year in any form;
- introduction of the alternative minimum corporate income tax and changes in the scope of limitation of costs of intangible services purchased from related parties – taxpayers that are financial companies as defined in art. 15c item 16 of the CIT Act, i.e., among others, banks with the registered office in Poland (Article 24ca(14)(2) of the CIT Act), the existing Article 15e of the CIT Act, limiting classifying acquired intangible services from related parties as tax deductible costs, is repealed;
- relaxation of the rules related to the formation and operation of tax capital groups (PGK);
- amending the conditions for benefiting from the tax exemption in the PSI and SSE;
- introducing amendments to the foreign controlled entity (CFC) legislation.

In addition to numerous changes in income taxes, the Polish Deal also affects the tax on goods and services through such solutions as:

- option to opt for taxation of financial services – the option to tax financial services, which until now have benefited from VAT exemption, is introduced. The option to opt for taxation of financial services will only apply to business to business (B2B) relationships. Financial services provided to non-business persons (individual clients) will continue to be compulsorily exempt from VAT. The decision to opt for taxation will be binding on the taxpayer for at least 2 years;
- the introduction of a new category of taxable persons, i.e. VAT groups. A VAT group shall mean a group of entities related by financial, economic and organisational links, registered for VAT. The purpose of the introduced solution is to enable such entities to settle jointly for VAT purposes. The model based on joint settlements is intended to be voluntary. The functioning of the VAT group is expected to



		<p>significantly simplify settlements between its members and to have a positive impact on efficiency and liquidity within the group. As a new category of VAT taxpayer, it will apply from 1 July 2022.</p> <ul style="list-style-type: none"> • In addition to the above, as a result of the amendment to the Tax Ordinance, the Polish tax system implements a completely new instrument called the “investment agreement”, which enables the conclusion of an agreement between an investor and a tax authority on the tax consequences of a planned investment in the territory of the Republic of Poland. The investment agreement is to take the form of an agreement concluded between the tax authorities and a taxpayer who is an investor that plans or has commenced investments in the territory of Poland with a value of at least PLN 100 million (PLN 50 million from 2025). The conclusion of this agreement is therefore intended to provide a protective power with regard to the tax consequences of the planned/conducted investment covered by the agreement concluded.
<p>Regulation of the Minister of Health of 12 May 2022 on the cancellation of an epidemic state in the territory of the Republic of Poland (Journal of Laws of 2022, item 1027) and the Regulation of the Minister of Health of 12 May 2022 on the declaration of an epidemic emergency in the territory of the Republic of Poland (Journal of Laws of 2022, item 1028).</p>	<p>16 May 2022</p>	<p>The cancellation of an epidemic state has specific consequences in the sphere of economic life in particular, including income taxes. The preferences introduced in the tax laws, which were intended to mitigate the negative effects of the spread of the coronavirus, among other things, are being abolished. Some of them cease to apply as early as the month following the month in which the outbreak is lifted, and others a little later. As a result, the following tax exemptions and allowances are reduced on the dates given below:</p> <ul style="list-style-type: none"> • bad debt relief – it is possible to exclude the need to increase the tax base (subject to certain conditions) until the end of the year in which the state of emergency is lifted, • exemption from tax on income from buildings – until the end of the month in which the epidemic condition is cancelled, • IP BOX relief, i.e. the application of 5 per cent. PIT/CIT for income from qualified IP used to counter COVID-19 – CIT taxpayers by the end of May (advance payments), PIT taxpayers by the end of 2022, • R&D relief, i.e. expiry of the right to account in PIT/CIT advances for eligible R&D costs incurred to develop products necessary to counter COVID-19 – accounted for in costs until the end of May 2022, • the right to a one-off depreciation allowance on fixed assets for the production of COVID-19-related goods – until the end of May 2022. <p>Until the end of the tax year in which the outbreak is cancelled, i.e. until the end of 2022, the increases in the limits for certain PIT exemptions for benefits paid to employees will continue to apply, i.e., for example, parking benefits paid in connection with the COVID-19 outbreak continue to be tax-free.</p> <p>Some of the special tax preferences have been maintained until the epidemic emergency is lifted. These solutions include:</p> <ul style="list-style-type: none"> • suspending deadlines for reporting of information on tax schemes (MDR) – will be in force until the 30th day following the date on which the epidemic emergency is lifted, • preference for holding a tax residence certificate, • extending by 14 days the deadlines for informing about the payment of debts to an account outside the so-called white list, • extending by 3 months the deadlines for issuing individual tax interpretations.
<p>Act of 7 April 2022 amending the Act on mortgage bonds and mortgage banks and certain other acts</p>	<p>7 May / 8 July 2022</p>	<p>The law aims to implement the provisions of Directive (EU) 2019/2162. In this respect, the changes concern the definitions and obligations relating to the issuance of mortgage bonds by mortgage banks.</p> <p>In addition, the Act supplements the Banking Law with provisions on the rules for the creation and operation of an institutional protection system, with the aim of also enabling commercial banks, operating in the form of joint stock companies, to create institutional protection</p>



		<p>systems, under rules similar to those for cooperative banks. The purpose of the operation of the protection scheme is to ensure the liquidity and solvency of each of its participants under the terms of the Act and the protection scheme agreement, in particular by providing loans, guarantees and sureties under the terms of the protection scheme agreement.</p> <p>The Act also introduces the possibility for the Council of the Bank Guarantee Fund to reduce the target level of the deposit guarantee scheme funds in banks to a level not lower than 1.6% of the amount of funds guaranteed in banks and branches of foreign banks covered by the mandatory deposit guarantee scheme. The obligation to pay the contributions due for 2022 to the mandatory deposit guarantee scheme paid by banks is suspended until 31 October 2022. In addition to this, the amendment deals with provisions related to the compulsory restructuring of banks.</p>
<p>Act of 20 May 2021 on the Protection of the Rights of the Purchaser of a Dwelling or Single-Family House and the Developer Guarantee Fund</p>	<p>1 July 2022</p>	<p>Among other things, the Act sets out the principles for banks to maintain housing trust accounts. As a result of the amendments, the bank's control over the implementation of development projects will be extended. The Act also provides for the intermediation of banks for contributions from developers to the Developer Guarantee Fund.</p>
<p>Act of 9 June 2022 amending the act on corporate income tax and certain other acts (Journal of Laws of 2022, item 1265)</p>	<p>1 July 2022 with exceptions</p>	<p>The law introduces further tax changes (mainly in PIT) to correct the tax errors of the Polish Deal, hence it is referred to as Polish Deal 2.0, while it has also become known as "Low Taxes" due to the key change in the tax rate it reduces. The most important changes include:</p> <ul style="list-style-type: none"> • reduction of the tax rate provided for in the tax scale for the first threshold of the tax base, i.e. for an amount not exceeding PLN 120,000, from 17% to 12%. Although the reduction was introduced on 1 July 2022, the 12% PIT rate covers income earned from 1 January 2022 onwards; • the abolition of middle class relief; • abolition of double counting of advances; • mitigating the impact of the non-deductibility of the health contribution; • simplification of the rules for submitting and withdrawing statements and applications to the payer; • enabling the application of a reducing amount by several payers; • the possibility for the taxpayer to authorise the payer not to make advance tax payments; • modification of the rules for single parents to benefit from tax preferences; • allowing some taxpayers to change their form of taxation for 2022; • allowing increased employee costs to be waived; • an increase in the amount of certain benefits exempt from PIT; • increasing the maximum support for public benefit organisations from 1% to 1.5% of tax due, • postponement of the deadline for obligatory electronic bookkeeping. <p>Tax capital groups and CIT taxpayers whose revenues for the previous tax year exceed the amount of EUR 50 million will be required to keep the relevant documentation using computer software in the tax year beginning after 31 December 2023 and send it in structured form. For CIT taxpayers who are obliged to send the records referred to in Article 109(3) of the VAT Act, pursuant to Article 109(3b) of the VAT Act, such obligation will occur from 2025, while for other taxpayers it will occur from 2026.</p>
<p>Act of 8 June 2022 on amending certain acts in order to automate the handling of certain matters by the</p>	<p>7 July 2022 with exceptions</p>	<p>The purpose of this Act is to automate the handling of certain matters handled by the National Tax Administration (KAS), using KAS ICT systems. The e-Fiscal Office (e-US) ICT system has replaced the tax administration's previous tool, the Tax Portal. E-US is an information and transaction service for taxpayers, payers, attorneys, bailiffs and notaries. It will enable taxpayers to deal with their affairs online in a comprehensive manner, mainly in the areas of VAT, PIT and CIT.</p>



[National Fiscal Administration \(Journal of Laws of 2022, item 1301\)](#)

Stamp duty has been waived for the issuing of certificates if the applications are submitted via e-US. The law also introduces changes to CIT and PIT regarding transfer pricing. The changes include an extension of the deadline for submitting transfer pricing information and a statement on the preparation of local transfer pricing documentation:

- by 30 September 2022 – where the term expires between 1 January and 30 June 2022,
- 3 months – where the term expires between 1 July and 31 December 2022.

These changes came into effect on 22 June 2022, with effect from 31 December 2021.

In addition, foreign permanent establishments or a foreign permanent establishment and a related party located in Poland were exempted from the obligation to prepare local transfer pricing documentation.

In addition, the provisions of the amendment:

- postpone the entry into force of the provisions on so-called VAT Groups – until 1 January 2023, together with the determination of the form and scope of keeping records of the activities referred to in Article 8c(1) uVAT, i.e. the supply of goods and provision of services by a member of a VAT Group to another member of the same VAT Group,

allow information on the release of funds from the technical account (to which funds from the VAT account being closed have been transferred by the bank) to be sent via STIR.

[The Act of 9 February 2022 amending the Act on the Code of Commercial Companies and certain other acts](#)

13 October 2022

The amendment introduces regulations for groups of companies and also concerns the functioning of the management and supervisory boards. Among other things, the scope of the management board's information obligations towards the board will be clarified and the possibility for the board to directly appoint advisors will be introduced. The law also regulates the liability of board and council members. A member of a corporate body does not breach the duty of care arising from the professional nature of his or her activities if, in acting loyally towards the company, he or she acts within the limits of reasonable economic risk.

[Regulation of the Minister of Finance of 30 June 2022 amending the regulation on the exclusion or limitation of the application of art. 26 sec. 2e of the Corporate Income Tax Act \(Journal of Laws of 2022, item 1381\) and Regulation of the Minister of Finance of 30 June 2022 amending the Regulation on the exclusion or restriction of the application of Article 41\(12\) of the Personal Income Tax Act \(Journal of Laws of 2022, item 1382\)](#)

1 July 2022

Both regulations concern the exclusion or limitation of the application of the so-called pay & refund mechanism (MPR) for withholding tax (WHT). The issue is the non-application of the provisions of Article 26(2e) of the CIT Act and Article 41(12) of the PIT Act, i.e. the necessity of collecting the basic rate on payments from passive income (inter alia, interest, dividends, etc.) exceeding the limit of PLN 2 million paid to related parties with the status of a tax non-resident. The change is to temporarily exclude the application of the MPR vis-à-vis the so-called technical payer. The exclusion applies to dues payments made from the amendment's entry into force until 31 December 2022. Also excluded from the MPR is the payment to the non-resident taxpayer of interest and discount on bonds issued by the Bank Guarantee Fund.

[Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers](#)

The legislative process of the law has not yet been completed, the new provisions are expected to enter into force 14 days after the promulgation of the law

The Act introduces tools to assist borrowers, including the possibility to temporarily suspend repayments of mortgage instalments granted in Polish currency (so-called credit holidays). This applies to contracts entered into to meet one's own housing needs. The solutions provided for in the Act are also intended to allow for the replacement of the WIBOR index. In addition, the amount of the Borrower Support Fund, which is financed by contributions from banks, is to be increased. By 31 December 2022, lenders shall make additional contributions to the Borrower Support Fund totalling PLN 1,400 million. The deadlines for the contributions and the amount thereof shall be determined by resolution, by the Council of the Borrowers' Support Fund.



Management Board statement

Correctness and reliability of the presented financial statements

To the best knowledge of the Bank's Management Board, the semi-annual abbreviated consolidated financial statements and the comparable data were prepared in line with the applicable accounting standards and in a manner reliably and clearly presenting the economic and financial condition of the Bank Group and its financial result. The semi-annual Management report from operations of the Bank Group contains a true picture of development and achievements and of the condition of the Bank Group in H1 2022, including a description of core hazards and risks.



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

2022-08-03	Brunon Bartkiewicz President of the Bank's Management Board	<i>The original Polish document is signed with a qualified electronic signature</i>
2022-08-03	Joanna Erdman Vice-President of the Bank Management Board	<i>The original Polish document is signed with a qualified electronic signature</i>
2022-08-03	Marcin Giżycki Vice-President of the Bank Management Board	<i>The original Polish document is signed with a qualified electronic signature</i>
2022-08-03	Bożena Graczyk Vice-President of the Bank Management Board	<i>The original Polish document is signed with a qualified electronic signature</i>
2022-08-03	Ewa Łuniewska Vice-President of the Bank Management Board	<i>The original Polish document is signed with a qualified electronic signature</i>
2022-08-03	Michał H. Mrozek Vice-President of the Bank Management Board	<i>The original Polish document is signed with a qualified electronic signature</i>
2022-08-03	Sławomir Soszyński Vice-President of the Bank Management Board	<i>The original Polish document is signed with a qualified electronic signature</i>
2022-08-03	Alicja Żyła Vice-President of the Bank Management Board	<i>The original Polish document is signed with a qualified electronic signature</i>