



Management Board Report on Operations

of the ING Bank Śląski S.A. Group

in H1 2023



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Outlook

Business strategy objectives for 2022-2024

Key priorities	Selected ambitions for 2024
Increase in client activity and digitization	<ul style="list-style-type: none"> Number of <i>primary</i> clients: 2.3 million in the retail segment and 215,000 in the corporate segment Relational NPS approx.: 29 for individual clients, 42 for entrepreneurs, 42 for medium-sized companies, 49 for large companies and 69 for strategic clients Moving entrepreneur services from Moje ING to ING Business (100%)
Operating effectiveness, AI and data management	<ul style="list-style-type: none"> Number of meeting points – 200 Number of POS at meeting points – 50 The number of clients per FTE of the Operations Division – 3,100 The ratio of general and administrative expenses to the average commercial balance – 10 p.p. lower than in 2021 (2021 = 100%)
Motivation and commitment, strong teams	<ul style="list-style-type: none"> Employee NPS – around 60 points OHI score – around 85 points Percentage of internal recruitments for management positions around 80% Recruitment time (<i>time to hire</i>) around 45 days
Stability, availability, innovativeness	<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 at a minimum of 50% Control automation of a minimum of 90%
Compliance with regulatory requirements	<ul style="list-style-type: none"> A non-financial risk level of no more than 2.4 Risk level Compliance no more than 2.4 Timely implementation of all audit recommendations (no delays)
Sustainable development	<ul style="list-style-type: none"> Gender pay gap ratio – difference of no more than 1 p.p. Setting a minimum of one ESG-related goal for 100% of managers and 50% of employees. Financing of RES and pro-environmental projects (implementation of the Environmental Declaration) – new financing PLN 4.5 billion

Our financial targets for 2024

	Ratio	2021	2022	H1 2023	2024 target
Growth area	Average annual* growth in gross loan portfolio	16.2%	6.8%	2.8% y/y	~9%
	Average annual* increase in net fee and commission income	20.7%	13.6%	0.3% y/y (H1)	>7%
Performance area	Cost-to-income ratio**	43.0%	47.2%	36.4% (H1)	<40%
	Risk cost margin ratio***	23 bp	48 bp	44 bp (cumulative value)	<50 bp
Area of stability	Total solvency ratio	16.05%	16.22%	16.95%	>15%
	Loan-to-deposit ratio	85.9%	80.4%	82.7%	90-95%
Area of profitability	Return on equity (adjusted by MCFH)	14.4%	10.2%	13.5% (cumulative value)	>13%
	Dividend payout ratio from profit	30%	0%	0%	30-50%

*Average for 2021-2024; **Income including share of profits of associated entities; ***Excluding legal risk costs of FX mortgage loans

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 objectives [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, the 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 development, we are now ranked 4th in terms of total assets and commercial balance (total deposits and loans) in the Polish commercial banking sector. 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 218 meeting places. These are meeting places where our clients can ask for advice and talk.

In H1 2023, as in previous years, we are maintaining our position as a leader among banks in terms of brand power (*Brand Power*). We maintain a high level on all components of the index, both on brand differentiation from competitors, recognition among banks and image. We are systematically building our position by constantly raising the perception of innovation in our products and services. The strong image translates into consumer preference in choosing ING Bank Śląski as the first choice bank for: savings and loan and top-2 brand for: mortgage, personal

account and mobile app. Our brand has an aspirational image: a bank for entrepreneurial people and a socially engaged brand.

How does the 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 established ourselves as one of the largest financial institutions in Poland over our more than 30 years of operation. Our core business is banking, which means, among other things, risking the funds entrusted to us by our clients (this is detailed in Article 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,
- the development and maintenance of software for clients,
- payroll and accounting services.

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

In H1 2023, 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.

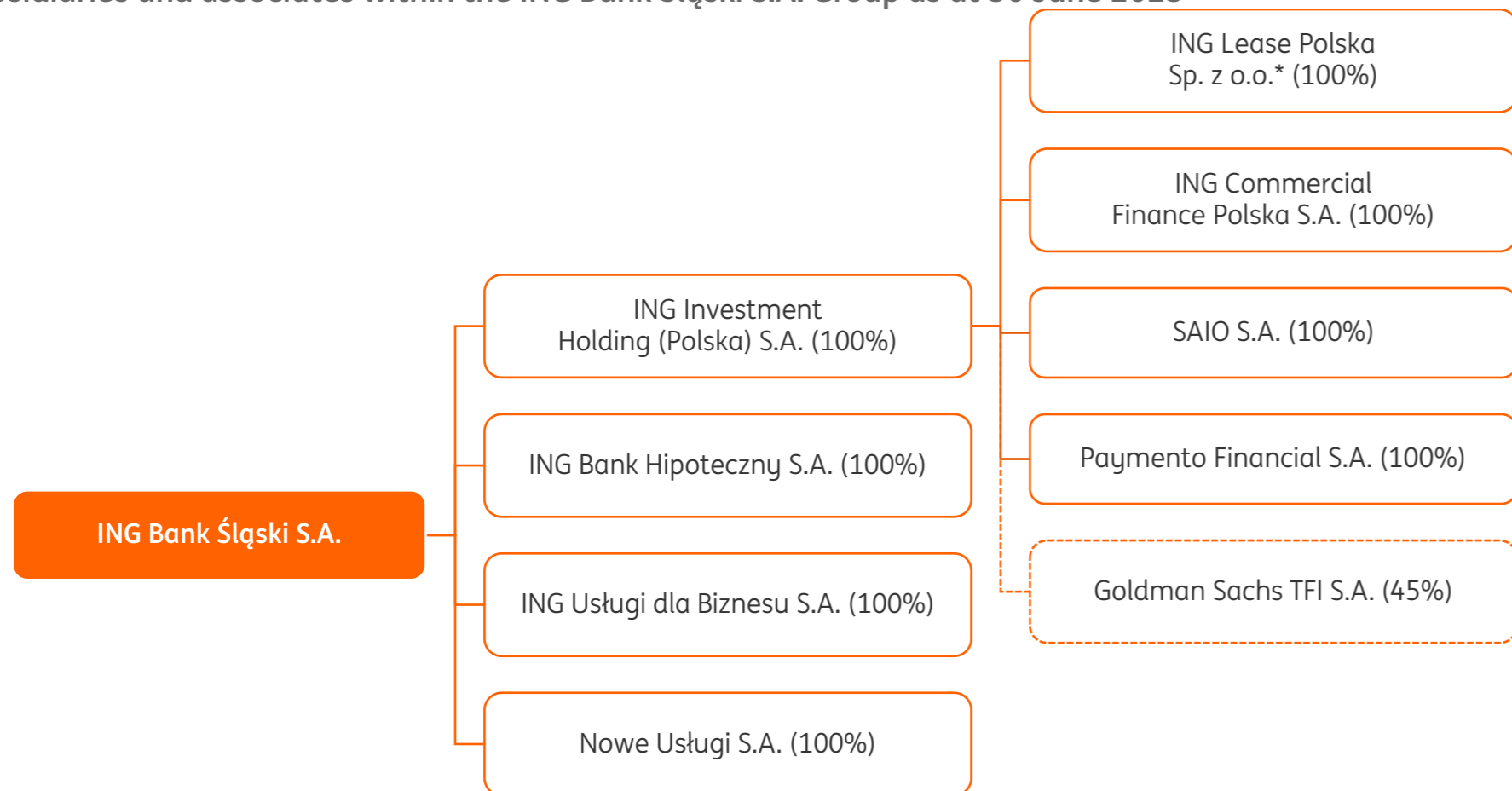
ING Bank Śląski performs operations with ING Bank N.V. and its subsidiaries on the inter-bank market. These are both short-term deposits and loans, as well as operations in derivatives. The Bank also maintains the bank accounts of ING Group entities, as well as providing outsourcing and advisory services. All of the above transactions are carried out on an arm's length basis.

The operating expenses incurred by the bank in favour of the parent entity result mainly from agreements for operational support, operational handling of payment cards, data processing and analysis, the purchase of IT services, the provision of software licences and consultancy-advisory services. In terms of costs incurred by the bank for other related entities outsourcing agreements play a dominant role regarding the provision of system resource hosting services for various applications and IT security monitoring and penetration testing play a dominant role.



ING Bank Śląski S.A. Group composition

Subsidiaries and associates within the ING Bank Śląski S.A. Group as at 30 June 2023



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 Goldman Sachs 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 (Goldman Sachs 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 27 January 2023, the Polish Financial Supervision Authority (PFSA) stated that there were no grounds for objecting to the acquisition by ING Investment Holding (Polska) S.A. - a wholly owned subsidiary of ING Bank Śląski S.A. - controlling stake in Paymentto Financial S.A. The transaction was finalized on 31 March 2023.

Paymentto Financial S.A. provides professional financial services and IT solutions to the financial sector. The Company is a National Payment Institution and its activities are subject to the supervision of the Office of the Polish Financial Supervision Authority.

The acquisition of the technology company signifies the strengthening of e-commerce competences at ING Bank Śląski S.A. and support in the further development of the offering in this area.

ING Investment Holding (Polska) S.A.

ING Investment Holding (Polska) S.A. is a holding company. Through it, the bank primarily holds shares in five companies: ING Lease (Poland) (100%), ING Commercial Finance (100%), SAIO S.A. (100%), Paymentto Financial S.A. and Goldman Sachs TFI S.A. (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 our bank. ING Lease (Polska) offers all basic types of leasing which allow financing 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's services are targeted at all market segments: large, medium and small enterprises as well as micro clients (entrepreneurs).

At the end of Q2 2023, the company's new leasing production amounted to PLN 3.27 billion (+3.2% y/y) and the portfolio value was PLN 13.1 billion (+6.8% y/y; based on management accounting data). At the end of June 2023, the company served more than 36,500 clients.

**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 2023, ING Commercial Finance Polska's turnover amounted to PLN 32 billion (+5% y/y), representing ca. 14.4% of turnover in the entire market. At the end of June 2023, the company had 10,200 clients (up 17% y/y) and redeemed 2.1 million invoices (down 1% y/y).

SAIO S.A.

SAIO was established in 2022 as a technology spin-off. It is active in the sale and implementation of RPA/RDA-class business process robotisation software, based on software originally developed by the Bank for its own needs.

The company is developing the business based on its own resources and the partner network it is building in Poland and abroad. SAIO's innovative software has been ranked in the Everest Group's 2022 RPA Products PEAK Matrix® Assessment and the SAIO brand has won a Red Dot award.

Paymento Financial S.A.

Paymento Financial was founded in 2016 as an initiative by private individuals and an equity infusion by venture capital funds. The company became part of the Bank Group on 31 March 2023 through the acquisition by ING Investment Holding (Polska) S.A. 100% of the shares from existing shareholders.

The aim of the company is to provide e-commerce transaction processing services to financial market players, particularly in the *white-label* formula. The company is a regulated entity authorised by the Polish Financial Supervision Authority to provide payment services as a National Payment Institution.

The company entered into a partnership with ING Bank Śląski in 2017. The subject of the cooperation is the development and transaction handling of the imoje payment gateway, the cooperation is being gradually developed. The company also provides services to entities outside our group.

ING Bank Hipoteczny S.A.

ING Bank Hipoteczny's strategic objective is to acquire and then increase the share of long-term funding on the ING Bank Śląski Group S.A.'s balance sheet by issuing mortgage bonds.

The set goal may be achieved through:

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

ING Bank Hipoteczny has so far issued 5-year “green” mortgage bonds in 2019 for an amount of 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.

ING Bank Hipoteczny has not issued mortgage bonds in recent years due to the market situation. Nevertheless, in order to increase the diversification of its existing sources of funding, it established a programme for issuing its own bonds, under which it issued short-term debt securities.

ING Usługi dla Biznesu S.A.

ING Usługi dla Biznesu was established in 2012 and offers innovative business services that go beyond traditional banking.

The company's main objective is to provide tools that make running a business easier. ING Usługi dla Biznesu currently offers the following solutions:

- ALEO.com – the largest online database of companies (registration data, financial data),
- ING Księgowość – invoicing and payment management platform as well as accounting and payroll services,
- Firmove – a service supporting would-be and existing entrepreneurs in business creation and development.



Nowe Usługi S.A.

Nowe Usługi S.A. conducts educational and marketing activities. In the field of education, it runs the website Edukacjagiieldowa.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.

Goldman Sachs TFI S.A.

In Poland, Goldman Sachs TFI S.A. has been present since 1997. It is the second largest TFI on the Polish market in terms of assets in capital market funds. As at the end of June 2023, the company managed assets of more than PLN 24 billion (according to IZFiA data), held in funds and portfolios for a wide range of clients. It supports over 600 thousand clients by offering them a wide range of investment products.

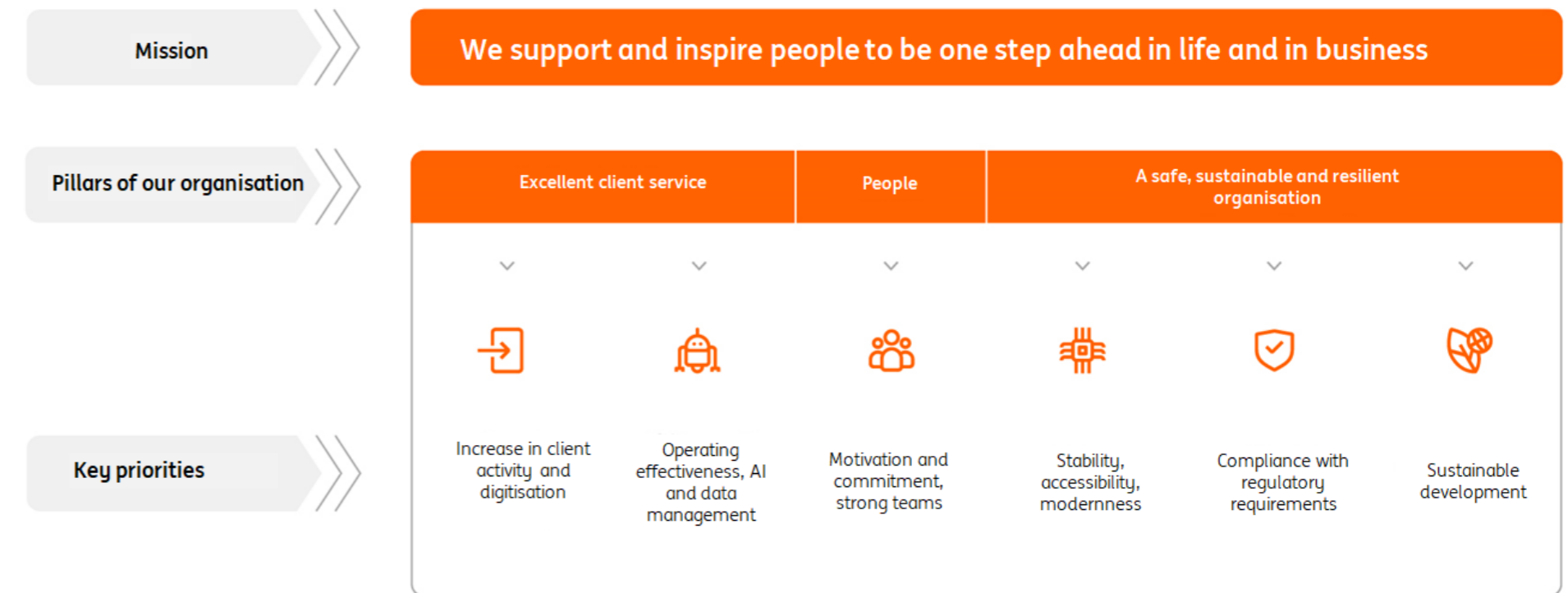
Goldman Sachs TFI S.A. is part of the international Goldman Sachs Group after the Goldman Sachs Group announced the completion of its acquisition of NN Investment Partners TFI S.A. Group on 11 April 2022. As a result of this transaction, NN Investment Partners TFI S.A. changed its name to Goldman Sachs TFI S.A. in April 2023.

Our strategy

Our mission remains unchanged – we support and inspire people to be one step ahead in life and business. We are building our operating strategy around this mission. In a world that is constantly changing, we are focusing our efforts on the digitalisation of processes and client relationships, as well as on sustainability activities. The implementation of our strategy is based on three, key pillars:

- Excellent client service,
- People,
- A safe, sustainable and resilient organisation.

The implementation of our strategy within its three strong pillars is based on interrelated groups and mutually supportive priorities, which we explain below.



Increase in client activity and digitization

We are focused on continuous growth in the number of active clients and *primary* clients in all our business segments. We are committed to the highest quality of service and keep our promises. We are building a comprehensive range of products and services, and its digitalisation and high accessibility are increasing the level of self-service by our clients. We are constantly optimising ourselves in order to better adapt our processes to the needs of different client groups.

Operating effectiveness, AI and data management

We aim for fully automated processes, very high availability and error-free transactional and operational systems. We focus on a modern working environment and tools. We effectively manage and use data to support our operations and client interactions.



Motivation and commitment, strong teams

We provide a safe and healthy workplace for all our employees. We want them to be proud of their employer. We create a consistent, positive and professional corporate image.

We are building an organisational culture designed to foster responsibility, commitment and identification of employees with the company. We want our employees to build strong and motivated teams with their professionalism and commitment.

Stability, accessibility, modernness

We want to be a strong, flexible and continuously change-oriented organisation. We want to develop these features on the basis of integrated, state-of-the-art transactional and operational systems. We aim to standardise the tools and systems we use. We place emphasis on ensuring the stability, security and resilience of our operating systems. Our competitive advantage must be our ability to change at a faster rate than the changes taking place in our environment.

Compliance with regulatory requirements

Our activities must be characterised by total compliance with regulatory requirements. This compliance must be built into all operational layers of our business. We are committed to a high risk culture in which each of our employees is aware of the risk factors associated with their responsibilities and our business.

Sustainable development

We are building a strong ESG culture, increasing our employees' awareness, knowledge and commitment to sustainability. We aim to be carbon neutral in scope I and II by 2030 (*market-based* own economy) and by 2050 in scope III (client receivables portfolio). We support and further intend to actively support our clients in complying with ESG requirements to remain competitive. We integrate ESG into our business and operations at all levels.



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

As part of the implementation of our strategy, we have set ourselves a number of key strategic areas to work on until 2024. The level of achieving these objectives in 2022 is shown in the table below:

Business strategy objectives 2022-2024 (1/2)	
Key priorities	Status of ambitions in H1 2023
Increase in client activity and digitization	<ul style="list-style-type: none"> We acquired 148.6 thousand new retail clients and 36.0 thousand new corporate clients. We have 2.13 million primary clients in the retail segment and 209,000 primary clients in the corporate segment. The number of mobile only clients in retail banking increased to 1.9 million (+15% y/y). The number of transfers in Moje ING amounted to 168.0 million, of which 54% were made through mobile banking. We processed 25.3 million transactions at our payment terminals (+8% y/y). Our clients made a total of 81.5 million BLIK transactions (+32% y/y).
Operating effectiveness, AI and data management	<ul style="list-style-type: none"> The value of the DIGI60* index is 62.4% (the target for 2023 is 57%). We have implemented the first version of a tool that forecasts the time it takes to open relationships with Business Banking clients. We launched further self-service modules in Moje ING for selected processes (e.g. for account notarized representatives). We have launched further processes based on low-code technology, thanks to which we have simplified the handling of cases (e.g. in the area of loan servicing and enquiries from enforcement authorities).
Motivation and commitment, strong teams	<ul style="list-style-type: none"> We have enriched the development offer for employees with Career Counselling. We have made available the POWER TOOLS FOR LEADERSHIP – manuals for self-learning and workshop work with the team about building: Culture of Feedback and Appreciation; Engagement; Sense of Meaning and Trust. We conducted the second edition of the EXI – Employee Experience Index survey, which examines the quality of the employee experience according to the moment of life in the organisation. We recorded an average score for the survey of excellence. We carried out our annual basic salary increases for our employees. We invited all employees to attend the annual I grow because I want to... conference on career paths, critical skill building and effective learning. The conference itself was attended by more than 800 employees, and a further 100 people benefited from the workshops, webinars and training sessions accompanying the conference in Q2.
Stability, availability, innovativeness	<ul style="list-style-type: none"> The availability of Moje ING and ING Business was 99.98% and 99.96% respectively at the end of June 2023. As part of the new central system project, we deployed a payment service for retail loan repayments on production in the public cloud.
Compliance with regulatory requirements	<ul style="list-style-type: none"> We have fulfilled all the regulators' recommendations with a maturity date in H1 2023 on time. We have updated the Policy – Principles for Reputation Risk Management at ING Bank Śląski S.A. We have updated the Regulations – Principles of Professional Ethics of Employees of ING Bank Śląski S.A.

*ING DIGI Index – the digitalisation index is the percentage of the client journey that is handled without any manual intervention. The DIGI index covers client journeys, which account for 80% of all interactions. The DIGI60 index for 2023 covers the nine most important client journeys.



Business strategy objectives 2022-2024 (2/2)

Key priorities	Status of ambitions in H1 2023
Sustainable development	<ul style="list-style-type: none"> • ING Bank Śląski has been recognised for its work on gender equality in business and has been included in the global Bloomberg Gender Equality Index (GEI). • In a collection for the victims of the earthquake in Turkey and Syria, organised by ING Bank Śląski, the ING for Children Foundation and ING Hubs Poland, we collected nearly PLN 670,000. In addition, the bank and ING Hubs Poland each contributed PLN 250,000. The bank also purchased 14 large-scale specialised tents at a cost of PLN 1 million, which went to Hatay province – one of the most affected by the earthquake. More than 100 people could find shelter in each of them. • We launched the bank’s largest in-house photovoltaic installation, consisting of a photovoltaic farm and a 280 kWp photovoltaic car park canopy, at our office at 41 Roździeńska street in Katowice. • In the 3rd edition of the Grant Programme for start-ups and young scientists, the bank allocated PLN 1 million for the best solutions to support water conservation, efficient use of water and improving water quality. • ING Bank Śląski, together with the ING for Children Foundation, completed the 2022/2023 edition of the “Step forward” programme as part of the Exempt from Theory social project competition. The completed edition involved 469 participants implementing 60 community projects that reached 4 million beneficiaries. • We launched a collection of the most important internal policies and documents governing the ESG area in our organisation on the bank’s website, in the Investor Relations section. The section is available here.



Our financial ambitions for 2024 published in 2022 and an assessment of the extent to which they have been achieved

	Ratio	2021	2022	H1 2023	2024 ambition	Comments on implementation in H1 2023
Growth area	Average annual* growth in gross loan portfolio	16.2%	6.8%	2.8% y/y	~9%	The lower portfolio growth rate in 2023 relative to the ambition level is the result of prepaid mortgages and low (but improving) new mortgage production in the retail segment; the portfolio dynamics of the corporate segment remain satisfactory, especially in the current macroeconomic environment.
	Average annual* increase in net fee and commission income	20.7%	13.6%	0.3% y/y (H1)	>7%	The improvement in fee and commission income from financing was offset by a decrease in income from client accounts (impact of the removal of the monthly fee on high deposit balances of corporate clients) and a decrease in income related to the capital market (distribution of units, brokerage and custody activities).
Performance area	Cost-to-income ratio**	43.0%	47.2%	36.4% (H1)	<40%	The realisation in H1 2023 is better than expected due to, among other things, the absence of charges to the deposit guarantee fund on the cost side and an improvement in the income side.
	Risk cost margin ratio***	23 bp	48 bp	44 bp (cumulative value)	<50 bp	The risk cost margin remains below the level of ambition.
Area of stability	Total solvency ratio	16.05%	16.22%	16.95%	>15%	The total solvency ratio has improved relative to the end of 2022 and remains above ambition.
	Loan-to-deposit ratio	85.9%	80.4%	78.2%	90-95%	The growth rate of client deposits has declined relative to the growth rate of client receivables volumes, which favours raising the loan-to-deposit ratio. However, it still remains below the target set in the ambition.
Area of profitability	Return on equity (adjusted by MCFH)	14.4%	10.2%	13.5% (cumulative value)	>13%	The explanation for the improvement in profitability in 2023 and the level above the ambition is the same as the explanation for the cost/income ratio. The improvement in profitability is due, among other things, to the absence of significant non-recurring regulatory burdens. This was partly amortised by the increase – adjusted for the MCFH effect – in equity values over recent quarters.
	Dividend payout ratio from profit	30%	0%	0%	30-50%	Details of the dividend payments are described here .

*Average for 2021-2024; **Income including share of profits of associated entities, bank tax not included in cost of operation; ***Excluding legal risk costs of FX mortgage loans

A description of the types of risks and opportunities in the implementation of the business strategy is included in the Management Report of the ING Bank Śląski S.A. Group for 2022.



Major events in H1 2023

A list and description of core events in H1 2023 can be found in item 2 of the Consolidated semi-annual report for the period of 6 months ended on 30 June 2023.

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 2023:

- January 2023 – Highest ranking in banks' individual client satisfaction – survey conducted by ARC Rynek i Opinia for 2022.
- January 2023 – Top Employer 2023 title.
- February 2023 – 3 nominations at Invest Cuffs – categories “Investment product of the year”, “Brokerage of the year” and “Online exchange office of the year”.
- March 2023 – Consumer Golden Laurel in the category of green strategies in business.
- March 2023 – Prizes for 3 female ING representatives: Barbara Borgieł-Cury (Bank's Director responsible for the Retail Client Operations area) Agnieszka Lidke-Orzechowska (Director of the Daily Banking Centre) and Katarzyna Rudnicka-Mróz (Principal Expert, Business Client Division) – a ranking of the “Most Influential Women in the Polish Payments Industry” organised by the Cashless.pl website.
- March 2023 – Award named after prof. Remigiusz Kaszubski for Barbara Borgieł-Cury – Banking Forum organised by the Polish Bank Association.
- March 2023 – “Best Bank in Poland” in the 8th edition of the Institution of the Year ranking – awards in 8 categories.
- March 2023 – Financial Order for ING Lease (distinction in the “leasing” category for online leasing) – plebiscite organised by the editors of the Home&Market monthly.

- March 2023 – Title of Super Ethical Company 2022 – editors of Puls Biznesu.
- March 2023 – First place in the mobile banking category for the development of the Moje ING app at the Mobile Trends Awards 2022.
- April 2023 – Award for the ING Bank Śląski team of economists led by Rafał Benecki in the 15th edition of the competition for the best macroeconomic analyst, organised by the editorial teams of “Parkiet” and “Rzeczpospolita”.
- April 2023 – Awards for capital market leaders in 2 categories (highest share in client trading in structured products, leader of Treasury BondSpot Poland contingent trading market) – Summary of the Stock Exchange Year 2022 by the Warsaw Stock Exchange.
- April 2023 – 1st place in the “Car Leasing” category in the “Consumer Quality Leader” programme for ING Lease.
- May 2023 – 3 awards for Barbara Pasterczyk in the CMO Awards – Digital Champion, Purpose Ambassador, Grand Prix of the entire competition.
- May 2023 – Brand of the Year in the “Brand and Marketer of the Year” report – compiled by the editors of Media and Marketing Poland.
- May 2023 – Bronze statuette in the In – Gaming category, at the international MIXX Awards Europe 2023 for the City of ING project in Roblox.
- May 2023 – Title Poland's Best Employers 2023 – 1st place in the category “Banks and financial services” in the ranking of 300 Best Polish Employers prepared by Forbes Poland and Statista.
- May 2023 – ING on the Diversity IN Check list – among the employers most advanced in diversity and inclusion management in Poland.
- May 2023 – ING on the Best Banks 2023 list – 14th edition of the Golden Banker ranking.
- June 2023 – Star of Banking in the client relations category.
- June 2023 – Title “Banker with Empathy 2023” for Bruno Bartkiewicz.
- June 2023 – ING was awarded the CSR Gold Leaf for the fifth time.

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



Our environment

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Business environment

International economic environment

July 2023 marks more than 500 days since the start of the full-scale Russian military invasion of Ukraine. The Russian war continues to cause huge economic losses for Ukraine and has indirect effects on the global and Polish economy. Of the approx. 20 million war refugees from Ukraine, still around 8 million have not returned to their country. Nevertheless, companies, households and financial market participants have largely adjusted to the situation of the war in Ukraine, and markets sensitive to events in Ukraine or Russia (energy, metals, food) began to stabilise in Q4 2022, with further normalisation in H1 2023.

The Western world remains united and continues to support Ukraine militarily, economically and humanitarian. At the same time, coordinated financial, economic and personal sanctions targeting entities and individuals from Russia, and cooperating Belarus, are maintained. The US and EU maintain an embargo on Russian energy resources and civilian technology that could be used for military purposes. In June 2023, the European Union had already adopted 11 packages of sanctions against Russia. The last one was intended, among other things, to make it more difficult to circumvent sanctions and tighten export restrictions. Many Western companies have decided to withdraw or reduce operations in Russia altogether.

Global commodity markets have been operating in an increasingly predictable manner with the passage of time since the start of the war, with oil prices, or the European benchmark for natural gas in mid-2023, clearly lower than just after the outbreak of the war in Ukraine, although higher than long-term averages. Tensions in international supply chains also declined markedly with the end of 2022 and during 2023. In December 2022, China decided to lift most of the pandemic restrictions related to COVID-19. This process coincided with a significant slowdown in economic growth in the US and the Eurozone (Germany experienced a winter technical recession), which influenced a moderate economic rebound in China and disappointing economic performance in industry and good – albeit weaker than expected – economic performance in services.

Relatively weak demand from the world's major economies has translated into downward pressure on commodity markets. In recent months, there has been a decline in producer prices in the US and some European countries, which will encourage a process of gradual reduction in the rate of consumer inflation.

The US economy reached the peak of consumer CPI inflation in June 2022 (9.1% compared to the same period a year earlier), while in the euro area the peak of inflation was in October 2022 (10.6% y/y). In response to the inflationary threat, major central banks responded with the fastest cycle of interest rate rises in the 21st century, which were cut to around 0% during the pandemic. At the end of June 2023, Fed rates were in the range of 5-5.25% and the ECB's main refinancing rate at 4.0%. The rhetoric of the major central banks indicates that the tightening cycle in monetary policy is close at hand, however 1-2 more hikes are possible this year.

Since the inflation peaks in 2022, the headline inflation rate has clearly and steadily declined. In May this year, US CPI consumer inflation reached 4%, while in the euro area it fell to 5.5%. To a large extent, rapid disinflation is due to declines in energy and food prices, while the inflation rate excluding these categories (core inflation) is declining relatively slowly. This is prompting the major central banks, the Fed and the ECB, to maintain a restrictive monetary policy stance and show their determination to achieve the 2% inflation target over the medium term. At the same time, following the turmoil in the US banking sector in March 2023, the bankruptcies of several regional banks in the US and the decision to bail out Switzerland's Credit Suisse through a takeover by another bank, monetary policymakers have had to take greater account of risks to the stability of the financial sector. Turmoil in the US banking sector has led to some tightening of credit standards by banks, acting on the economy in a similar way to an increase in interest rates.

Lowering inflation and preventing inflationary expectations from being anchored is not helped by the still tight labour market situation, the low unemployment rate and the difficulty of filling vacancies in many sectors. However, the good labour market situation from an employee's perspective is accompanied by stagnant trends in the economy, particularly in industry and construction, which are the most sensitive to interest rate changes. Economic growth this year in the major markets (US, Eurozone, China) will be largely dependent on the performance of the services sector. According to forecasts of ING's economists, US GDP will grow by 1.7% this year and slow to 0% in 2024, while in the Eurozone, growth in 2023-24 will be 0.4% and 0.5% respectively. A solid recovery in US services and a strong labour market makes further Fed rate hikes likely, while pronounced weakness in the Eurozone services sector complicates further ECB monetary policy moves. Although the inflation projection and the rhetoric of ECB representatives indicate a high probability of an interest rate hike in July, the decision on the next hike will depend largely on the data coming in over the summer months.

ING Group's economists expect one more Fed rate hike in H2 2023 (to a range of 5.25-5.50%) and the start of interest rate cuts in Q1 2024. As for ECB policy, on the other hand, ING's economists expect two interest rate rises in the second half of 2023 (refinancing rate to 4.5%) and a first cut in the second quarter of 2024. Although the



European economy managed to avoid significant energy shortages, particularly of natural gas, during the last heating season, elevated inflation led to an erosion of real incomes and a weakening of private consumption and a consequent slowdown in GDP growth.

In addition to the Fed and the ECB, over the past year a number of other central banks around the world have taken decisions on and significant interest rate increases in response to inflationary risks. The process of normalising interest rates was led by the Bank of England or the central banks of Canada, Australia, New Zealand, Sweden, Norway or Switzerland, among others. The latter generally took monetary policy decisions in response to ECB decisions.

The ongoing appreciation trend of the euro against the US dollar since October 2022 supported the quotations of currencies in Central and Eastern Europe, including the zloty. Additional support for the Polish currency is provided by a surplus in the current account of the balance of payments in the first months of this year and increased flows of EU funds related to the accumulation of settlements of investment projects financed from the 'old' EU budget. It is worth mentioning that due to the delay in the required legislative changes in the judiciary, Poland has still not been able to access funds from the National Recovery Plan (NRP). In addition, financial market participants do not expect these measures to be triggered after the autumn parliamentary elections.

Treasury bonds of our region's countries will be supported by expectations of interest rate cuts this year. Central banks in the Czech Republic, Hungary and Poland have already started tightening cycles in mid-2021 (in Poland from October 2021) and their rhetoric (and, in the case of Hungary, also decisions to cut the effective market interest rate) indicate that interest rate cuts in our region may start before the major central banks decide to make their first cuts.

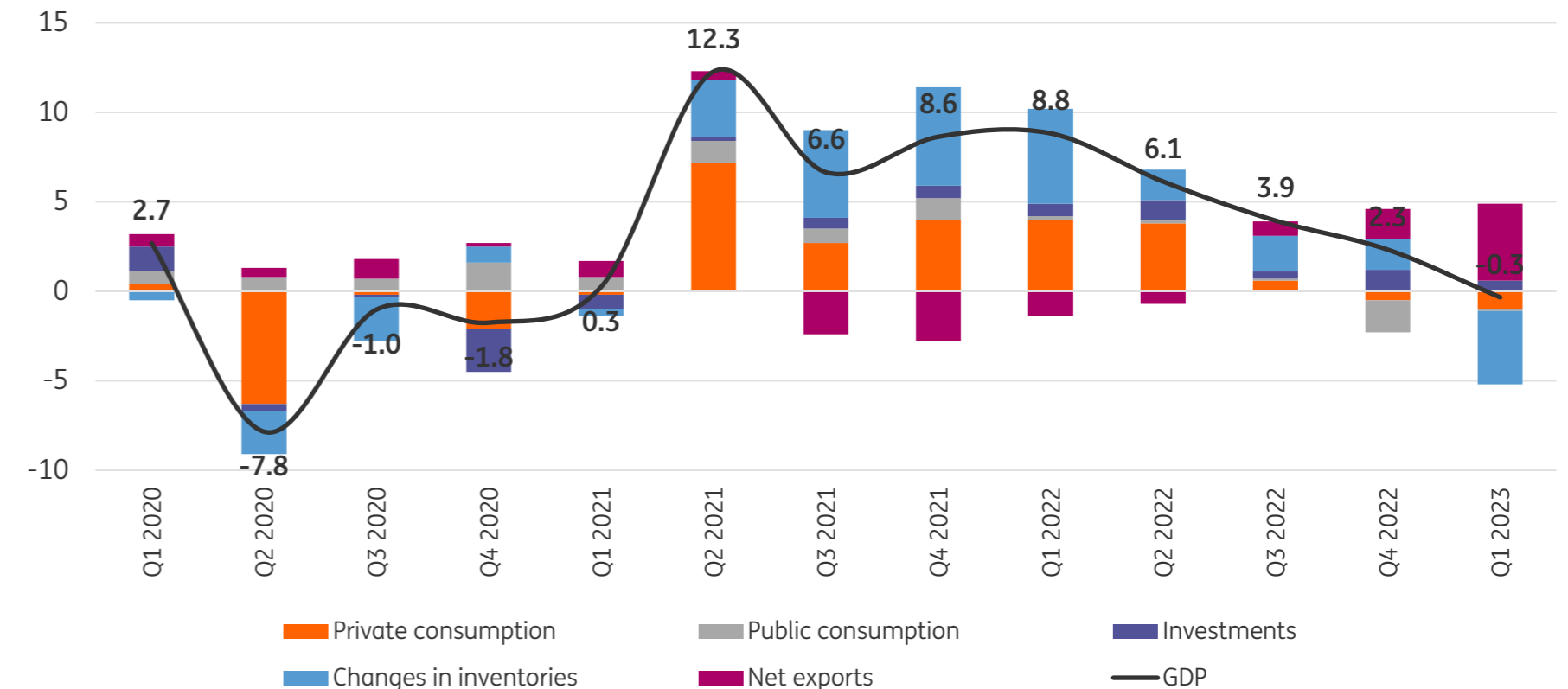
Core trends in Poland's economy

Gross Domestic Product

H1 2023 saw a marked downturn in the Polish economy. In Q1, GDP contracted by 0.3% y/y, following growth of 2.3% y/y in the last quarter of the previous year. The poor first quarter result is mainly a consequence of the reversal of the stock trend. While 2022 companies have been rebuilding inventories as a consequence of improved permeability in supply chains, weakening global demand has caused companies to change their behaviour. As a result, the negative contribution of stock change to annual GDP was as high as 4.6 percentage points. The second major factor weighing on economic activity was the decline in consumption, resulting from high inflation, which eroded households' real purchasing power. In Q1, household consumption decreased by 2.0% y/y. On the other

hand, there was a more optimistic outlook for fixed asset investment data, with Q1 growth of 5.5% y/y, supported by strong corporate profits, particularly in the energy and mining sectors. In doing so, it is worth noting that it was mainly large companies that decided to invest. Regarding the foreign exchange balance, weakening domestic demand (-5.2% y/y) led to a significant decline in imports (-4.6% y/y), which, against the backdrop of sustained export growth (3.2 y/y), translated into a positive contribution of net exports to growth in the first quarter of this year (+4.8 percentage points).

Decomposition of GDP growth (%)



Source: GUS, projection by ING

Economists at ING Bank Śląski estimate that the second quarter of this year did not bring a significant improvement in GDP in annual terms. Annual household consumption growth remained negative in the second quarter of this year. This is indicated by higher-frequency data, such as the 6.8% y/y drop in retail sales in May this year. All the while, consumer spending is negatively impacted by high inflation, past interest rate rises and uncertainty related to the war in Ukraine. In the quarters ahead, rising fiscal transfers, combined with falling inflation, should lead to an increase in real disposable income. In addition, the 2% safe loan programme and the interest rate cuts announced by the President of the NBP mean that financing conditions are loosening. These factors should lead to a revival in consumer demand in the second half of this year and beyond. As a result, personal consumption is forecast to



decline slightly throughout 2023, compared to an increase of 3.3% in 2022. As for fixed asset investments, the bank's economists expect them to maintain positive growth in the coming quarters, supported by the good financial situation of companies, the inflow of foreign direct investment and the need for spending on the energy transition. It is worth noting in this regard that the level of investment continues to be adversely affected by the continuing uncertainty regarding the unlocking of funds from the National Recovery Plan, linked to the impasse over the Judiciary Act. Regarding the other components of GDP, a negative contribution of stock changes to growth is expected in 2023, which will be more than offset by a positive contribution of net exports. The resulting projected GDP growth in 2023 is 1.0%, up from 5.1% in 2022. In contrast, GDP growth of 2.4 per cent is forecast for 2024, largely driven by an increase in domestic demand.

Labour market and salary levels

Estimated by the Ministry of Family and Social Policy, the registered unemployment rate in June this year was at a historically low level of 5 per cent. Similarly, the Labour Force Survey unemployment rate was at a record low and in Q1 2023 was 2.9%. It is worth noting the increasing level of labour force participation and the increasing number of working immigrants (1.085 million in May this year, according to the Social Insurance Institution data). This means that there are significant supply constraints to further employment growth, especially given the worsening demographic structure (decline in the working age population). For this reason, ING Bank Śląski's economists expect the registered unemployment rate to remain around 5% in the coming years, despite the relatively low GDP dynamics.

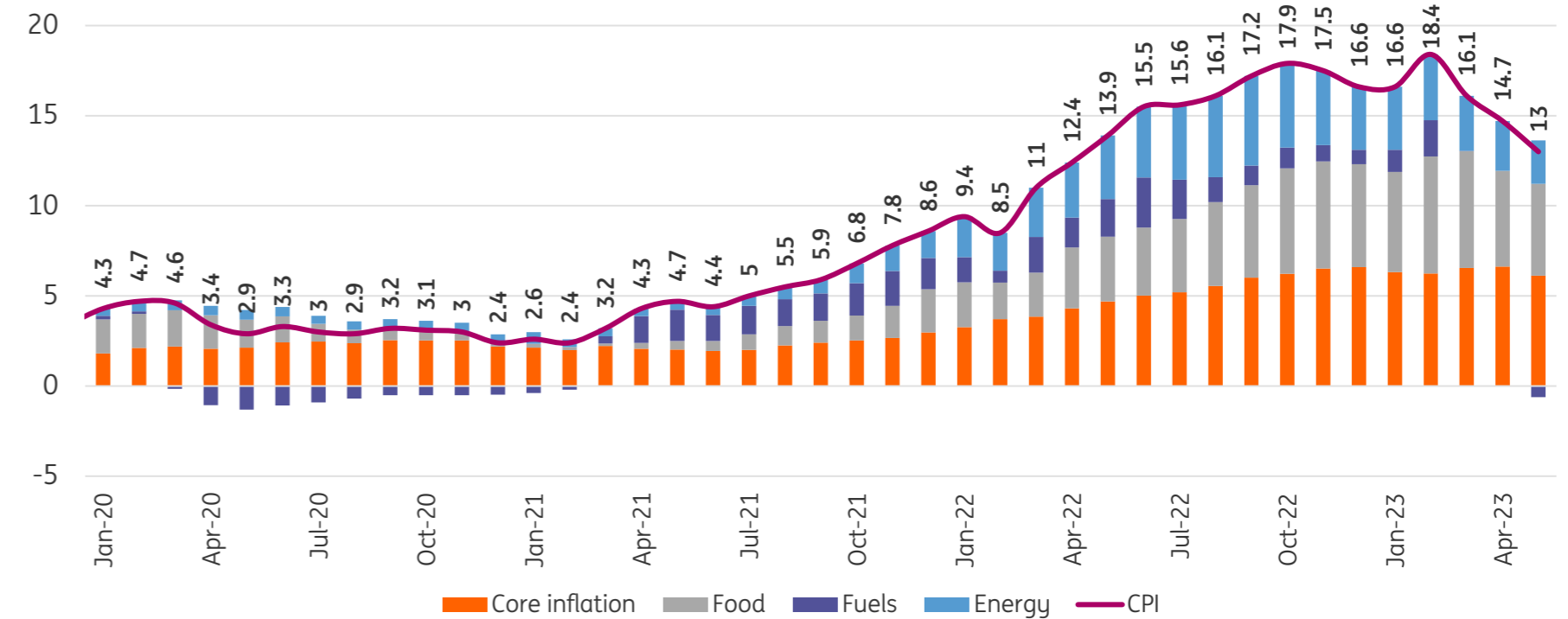
Despite sustained double-digit growth in nominal wages and salaries in the corporate sector since February 2022, there has been a decline in real wages and salaries over the past year, linked to even higher consumer price dynamics. In May this year, nominal wage dynamics stood at 12.2% y/y, which meant that the decline in real wages in the business sector continued. According to ING Bank Śląski's economists, the average annual increase in average wages in the coming years will be in the region of 10% (12.2 and 11.2% in 2023 and 2024 respectively), which will be due to the decreasing supply of workers in the labour market (due to unfavourable demographic changes) and a high increase in the minimum wage (20.5% in 2024). This means that a return to positive real wage dynamics is expected in the second half of this year.

Inflation

Annual CPI inflation, after rising sharply from 2.4 per cent in February 2021 to a peak of 18.4 per cent in February this year, has started to decline, and was 11.5 per cent y/y in June, according to preliminary estimates. The

reduction in the annual dynamics of fuel prices (from 30.8% in February to -18.0% in June) and food and non-alcoholic beverage prices (from 24.0% February to 17.8% y/y in May) have contributed most to the fall in inflation in recent months. At the same time, core inflation excluding food and energy prices has been at a relatively stable and still high level for several months. Its decline was rather symbolic, especially in an environment of weakening domestic demand. Core inflation declined from 12.0% y/y in February and 11.5% y/y in May. It is worth mentioning at this point that inflation expectations, despite having fallen in recent months, are still at an elevated level. For example, participants in the NBP Macroeconomic Survey in June this year expected CPI inflation for the eight quarters to be 4.6% y/y, clearly above the inflation target.

Inflation (CPI) – decomposition (%)



Source: GUS, projection by ING

According to ING Bank Śląski's economists, average annual inflation will remain well above the band of fluctuation around the inflation target (2.5 per cent +/- 1 percentage point) and will reach 11.8 per cent and 5.8 per cent in 2023 and 2024, respectively. The staggered effects of declines in energy commodity prices and weak consumer demand will contribute most to lower inflation. Instead, the main factors hindering the return of inflation to the target will be the continued high dynamics of nominal wages, fiscal transfers (e.g. the valorisation of the 500+ programme) and the delayed adjustment of energy prices to changes in commodity prices and emission allowances, which are currently hampered by the government's shielding programmes (e.g. the energy price



freeze). Due to the current geopolitical situation and the associated progressive deglobalisation process, or the threat of a renewed rise in commodity prices, the balance of risks is tilted towards higher inflation.

Situation on global financial markets

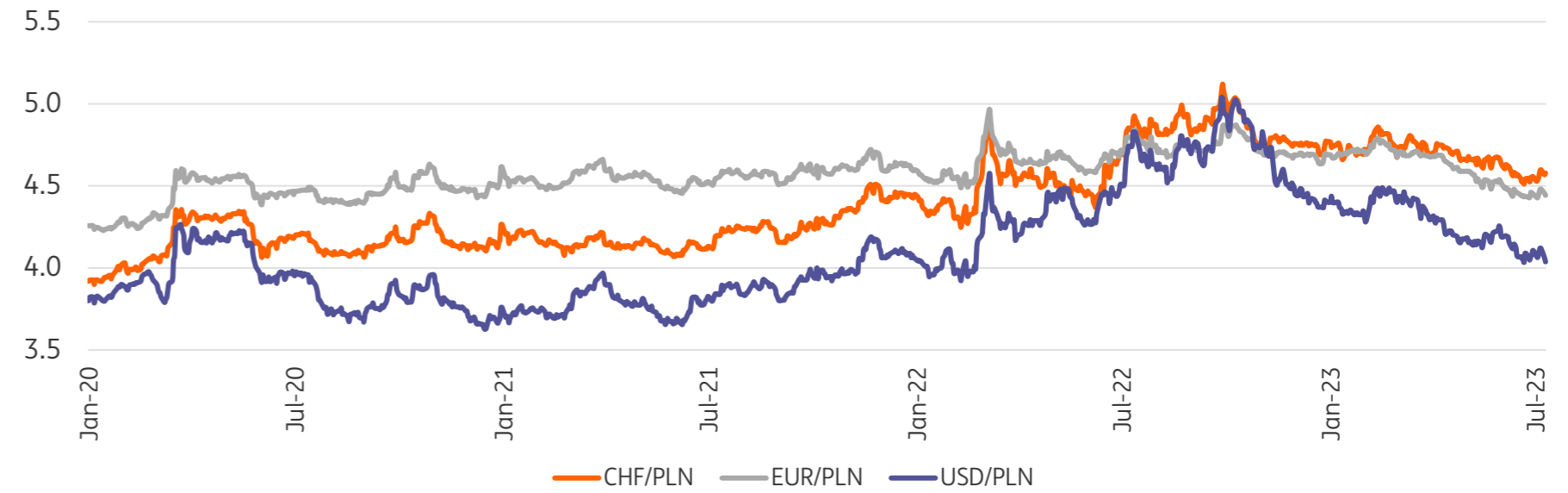
After a relatively weak Q1 2023, there has been a definite strengthening of the zloty. The €/PLN exchange rate approached 4.40, the lowest since 2020. This is the result of an improvement in Poland's trade balance, an inflow of foreign capital or a decrease in fears of the consequences of the CJEU ruling on foreign currency mortgage loans. At the same time, there was also a further repricing of the US dollar, triggered, among other things, by increased concerns about the US economic downturn and rapid rate cuts by the Federal Reserve.

The underlying bond markets were in a broad sideways trend. Investors are still concerned that the rate rises so far by the Federal Reserve or the European Central Bank will lead to a strong slowdown in the economy and rate cuts will soon be necessary. In the domestic debt market, we have instead seen yields fall, across the curve. This is the result of growing expectations of NBP rate cuts, or a generally better perception of the assets of the CEE economies, after a nervous 2022.

Given the NBP's estimate of the profitability of Polish exports at around 4.30, the potential for further strengthening of the zloty may be limited. In Q3 2023 €/PLN is likely to oscillate close to or below 4.40. In the following months, however, ING's economists expect a moderate increase in €/PLN. The expected rebound in domestic demand in Poland should offset the trade surplus. ING Bank Śląski's economists expect further NBP rate cuts are also expected in 2024, which will also make the zloty less attractive.

In the domestic debt market, ING's economists expect yields to fall further. Although the NBP's monetary easing cycle may proceed more slowly than the market is currently pricing in, rate cuts are likely to start as early as Q3 2023 and will continue into H2 2024. In addition, despite the Treasury's relatively high borrowing needs, these can be largely covered on foreign markets, reducing the supply of government bonds.

PLN exchange rates



Source: NBP

Public finances

The economic upheaval resulting from the war in Ukraine, the erosion of household purchasing power associated with high inflation and rising social and armaments spending have jacked up the general government deficit from 1.8% of GDP in 2021 to 3.7% in 2022. In H1 2022, the tax base increased significantly on the back of GDP growth and high inflation, but in the second half of last year, the budget experienced a clear deceleration in economic growth. The high nominal GDP favoured a reduction in the public debt-to-GDP ratio from 53.6% of GDP in 2021 to 49.1% of GDP in 2022, calculated using the EU methodology.

ING Bank Śląski's economists expect a significant increase in the deficit in 2023 to 5.2% of GDP. The fiscal deterioration is partly the result of a marked weakening of domestic demand and economic growth, especially in the first half of 2023, but partly due to government decisions translating into lower revenues (e.g. the energy shield and the freezing of electricity prices within a certain annual consumption limit, zero VAT on food, the 12% first rate of PIT introduced from mid-2022), as well as increased spending in an election year (e.g. additional benefits for teachers or senior citizens).

Data on the execution of the state budget, which covers part of the public finance sector, signal a strong weakening of tax receipts in 2023, particularly in PIT and VAT, which, while maintaining the implementation of expenditure, led to a relatively rapid build-up of the deficit. In such a context, new government initiatives increasing expenditure (e.g. higher valorisation of pensions and annuities, social spending linked to the minimum wage being raised twice



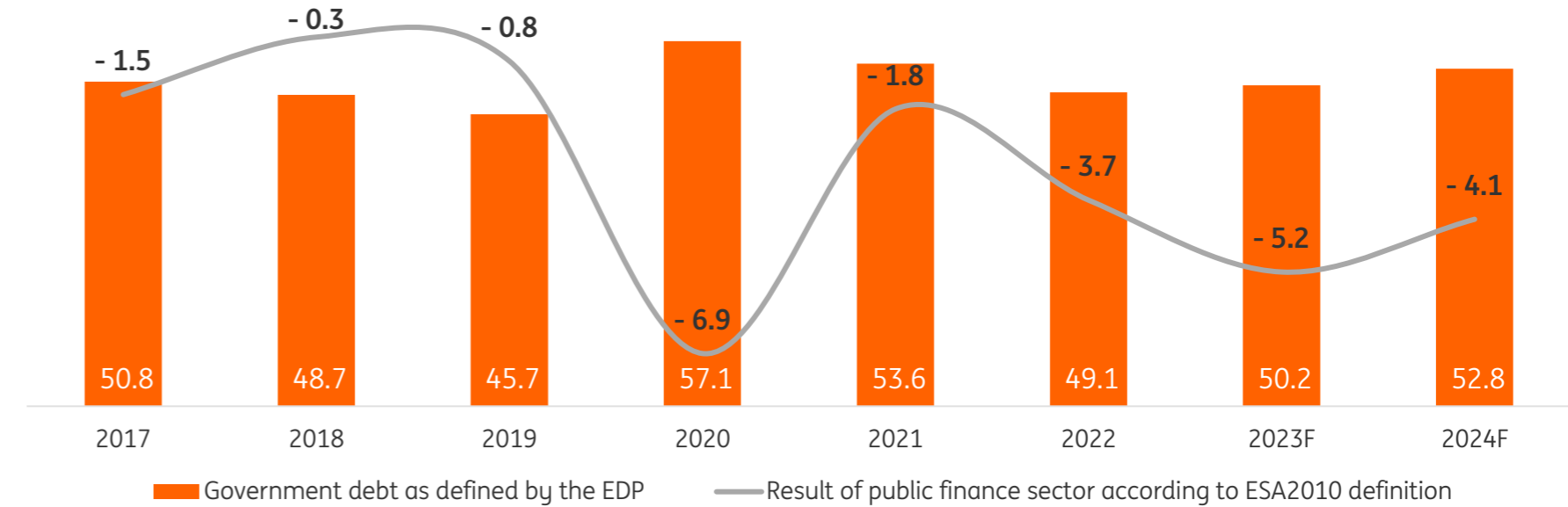
a year) or reducing public revenue (e.g. maintaining a zero VAT rate on food) forced an amendment to the Budget Act for 2023 in the middle of the year and increased the state budget deficit limit by PLN 24 billion (from PLN 68 billion to PLN 92 billion).

The announcement of the amendment was, however, quietly received by the financial markets, as the additional financing needs are to be met not by increased issuance of treasury securities, but by a reduction in liquid funds in budget accounts (a record PLN 139 billion at the end of June 2023). The amendment is based on updated macroeconomic assumptions, reflecting, among other things, a deep economic slowdown in the first half of 2023.

The public deficit and debt projections for 2023 and beyond are subject to a high degree of uncertainty. This is due to the projected path of GDP in the second half of this year and the expected turning point in the downturn, and the clear deceleration in inflation, resulting from strong global inflationary pressures (downward trend in energy commodities, normalisation of global supply chains). New policy proposals resulting in higher spending or depleted public revenues are also likely in an election year, in addition to those already announced by the main political parties in June this year.

ING Bank Śląski's economists forecast that after a strong increase in the general government deficit to 5.2% of GDP this year, a gradual consolidation will begin from next year, which, supported by the expected economic recovery, will lead to a reduction in the deficit to 4.1% of GDP in 2024. At the same time, the increasing trend of the public debt-to-GDP ratio will continue and, after rising to 50.2% of GDP in 2023, the ratio will reach 52.8% of GDP the following year. In addition, an increase in the issuing of government bonds on foreign markets or loans for the supply of armaments will mean an increase in the share of foreign debt in public debt.

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



Source: GUS, projection by ING

Monetary policies

The National Bank of Poland last raised interest rates in September 2022, bringing the reference rate to 6.75%. However, the NBP did not formally end the rate hike cycle until July this year.

ING Bank Śląski's economists expect the Monetary Policy Council to begin loosening its policy in September this year, cutting rates by a total of 50 bps in 2023. According to ING's economists, further rate cuts will not occur until the second half of 2024, due to stubbornly high core inflation. Bringing inflation down to the 2.5% y/y target is likely to be a long-term process. In response to the monetary tightening that has taken place, the decline in core inflation in Poland is the slowest in the region. This is compounded by a tight labour market situation (Poland has the second lowest unemployment in the EU), combined with a high increase in the minimum wage in 2024. This facilitates the passing on of costs to end users.

NBP interest rates are (after the MPC meeting in July 2023):

- deposit rate – 6.25%,
- reference rate – 6.75%,
- bill discounting – 6.85%,
- bill re-discount rate – 6.80%,



- lombard rate – 7.25%.

The NBP does not currently carry out operations to buy Treasury bonds or bonds guaranteed by the Treasury.

Summary

The European and Polish economies have adapted to the Russian war situation in the east of the continent. The war has been a source of increased uncertainty and a boost to energy, metals or food prices, but from Q4 2022 onwards the situation in the markets began to stabilise. In H1 2023, the situation has further normalised, both in terms of energy commodity quotations and the functioning of global supply chains. In response to the energy shock and the risk of shortages, EU countries have accelerated the diversification of natural gas suppliers in place of Russia and increased investment in renewables and energy efficiency. A good example of the limited role of Russian supplies for global energy commodity quotations is the low reaction of the markets to the attempted putsch in Russia at the end of June.

The relatively rapid disinflation in the underlying markets means that stagflationary fears have declined, but the next phase in the current business cycle will be stagnation in the US and the euro area in 2023-24. The German economy experienced a technical recession in the first half of 2023 (decline in GDP in deseasonalized terms in two consecutive quarters). If there is another fall in GDP in Q3, it will be for the first time since the financial crisis in 2009. Poland's economy also went through a period of weakest activity in the first half of 2023. During a downturn, upward pressure on prices decreases, as can be seen in the rapid headline CPI inflation rate this year (peaking in February) and past the peak in core inflation this spring.

The war in Ukraine and the associated uncertainty remain a major source of risks for the European and Polish economies. There is still no indication of a quick end to the war, although the discussion about the future reconstruction of Ukraine and its financing is an important topic in the international debate, also in Poland. The counter-offensive by Ukrainian troops in the Donbass, which began in late spring this year, is making relatively slow progress in the face of Russian military resistance. Civilian targets in Ukrainian cities continue to be fired upon (e.g. Lviv in early July). Reconstruction and recovery in Ukraine's economy requires an end to the war.

ING Bank Śląski's economists expect a gradual improvement in Poland's economy in the second half of 2023, allowing for growth of ca. 1% for the year as a whole, and a moderate economic recovery and 2.4% GDP growth in 2024. The recovery will be linked to a recovery in domestic demand, particularly consumer demand, thanks to positive real wage growth again, after almost a year of real declines from mid-2022 to mid-2023. The Polish

economy can also benefit from the relocation of foreign investment closer to Western markets and to countries belonging to the same economic or political bloc (*nearshoring* and *friendshoring*).

The experience of last year's energy crisis shows the need to accelerate the green transition in Poland, partly using EU funds dedicated to green and digital transformation. In particular, our recent research and interviews with companies – executed by ING economists – point to the need for increased investment in the modernisation and expansion of distribution and transmission networks. This will further increase the share of renewable energy in the Polish energy mission while maintaining the stability of the electricity system. Polish companies are interested in green investments and the low network capacity is one of the important barriers to these investments.

The energy transition process of the Polish economy is costly, but it can also be a lever for the development and innovation of the Polish economy. In addition, investments in energy-saving technologies, renewable energy sources and nuclear power make it possible to reduce Poland's energy dependence on imported fossil fuels. At the same time, they will serve to increase Poland's energy security and protect the climate.

Macroeconomic projections

	2020	2021	2022	2023F	2024F
GDP growth (%)	-2.0%	6.9%	5.1%	1.2%	2.4%
General government sector debt according to EU methodology (% GDP)	57.2%	53.6%	49.1%	50.2%	52.8%
Average annual inflation (CPI) (%)	3.4%	5.1%	14.4%	11.8%	5.8%
Unemployment rate (%; CSO)	6.8%	5.8%	5.2%	5.4%	5.2%
USD/PLN exchange rate (year-end)	3.90	3.88	4.47	4.08	3.80
EUR/PLN exchange rate (year-end)	4.61	4.60	4.69	4.45	4.50
WIBOR 3M (year-end)	0.21%	2.54%	7.02%	6.45%	5.95%



Financial market

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

- retail segment:
 - individuals,
- corporate segment,
 - individual entrepreneurs,
 - individual farmers,
 - 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 2023, the basic cash categories were as follows:

- Total liabilities increased by 8.4% y/y to a total of PLN 1,808.4 billion (up by PLN 139.5 billion y/y) and were characterised by a higher growth rate on the deposits side of the retail segment than on the corporate segment.
- Liabilities to the retail segment reached PLN 1,054.3 billion, an increase of PLN 115.4 billion y/y (+12.3% y/y) compared to the end of June 2022.
- Liabilities to the corporate segment amounted to PLN 754.0 billion, i.e. they were 6.5% higher than as at the end of June 2022. The volume increase by PLN 45.9 billion y/y was primarily attributed to higher liabilities vis-a-vis companies (up by 13.4% i.e. by PLN 55.8 billion i.e. by PLN 471.2 billion) Relatively small increases in nominal terms were recorded in deposits from individual farmers (PLN +3.8 billion, but +17.6% y/y) and deposits from non-commercial institutions acting for households (PLN +1.4 billion, + 4.2% y/y). Other groups of entities in the

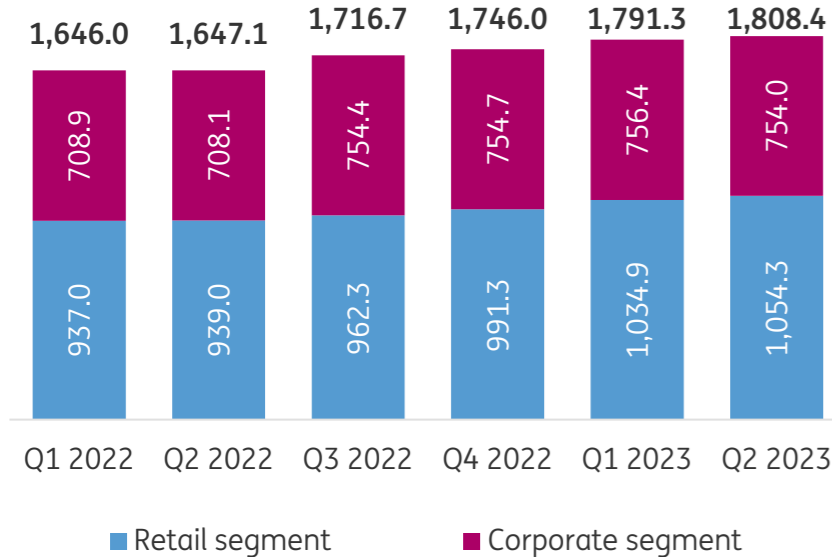
corporate segment recorded a decrease in deposits, the largest of which were those to local government institutions and the Social Security Fund (PLN -15.4 billion, -17.6% y/y).

Receivables

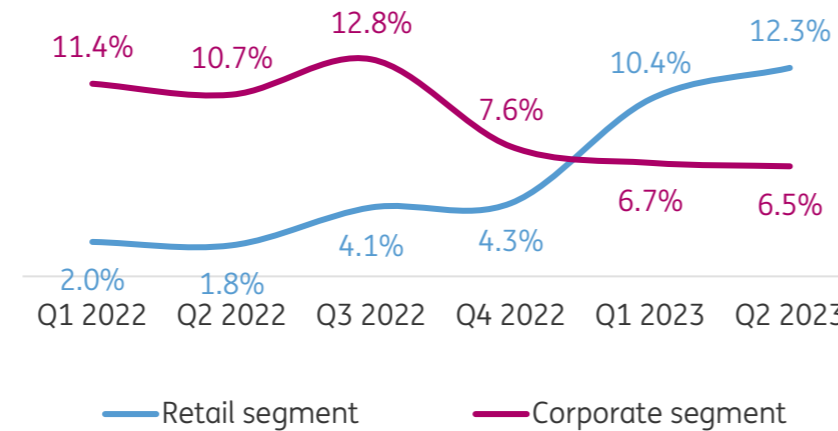
- Total receivables at the end of June 2023 decreased by 1.4% y/y (down by PLN 18.5 billion to a total of PLN 1,299.8 billion). The decrease in the portfolio of receivables from clients was due to the dynamics achieved in the retail segment.
- Receivables from the retail segment reached PLN 684.0 billion in June 2023 and were 4.5% lower than in the previous year. Housing loans, which constitute the main part of banks' credit exposure to the retail segment (constitute 70.0% of receivables from this group of clients, compared to 71.2% in the previous year), decreased by 6.1% to PLN 479.0 billion. At the end of June 2023, the portfolio of PLN-denominated housing loans amounted to PLN 390.7 billion and was down by PLN 11.7 billion y/y. The sales of mortgage loans alone – based on NBP data – in H1 2023 amounted to PLN 18.5 billion (-44.3% y/y). The portfolio of FX housing loans decreased by PLN 19.2 billion y/y to PLN 88.3 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 0.8% (by PLN 1.6 billion) compared to the end of June 2022 and amounted to PLN 205.0 billion. Sales of other retail loans – based on NBP data – amounted to PLN 51.2 billion in H1 2023, up by 9.1% y/y.
- Receivables from corporate clients increased by PLN 14.1 billion (+2.3% y/y) compared to June 2022 to PLN 615.8 billion. The receivables from companies alone increased by PLN 4.5 billion (+1.2% y/y) to the level of PLN 379.2 billion. Demand for corporate loans remained relatively high in 2023. Sales of loans to non-financial companies – based on NBP data – in H1 2023 amounted PLN 102.4 billion, down by 4.6% y/y. Receivables from individual entrepreneurs declined, with their balance falling by 7.3% y/y (PLN -4.5 billion) to PLN 56.9 billion.



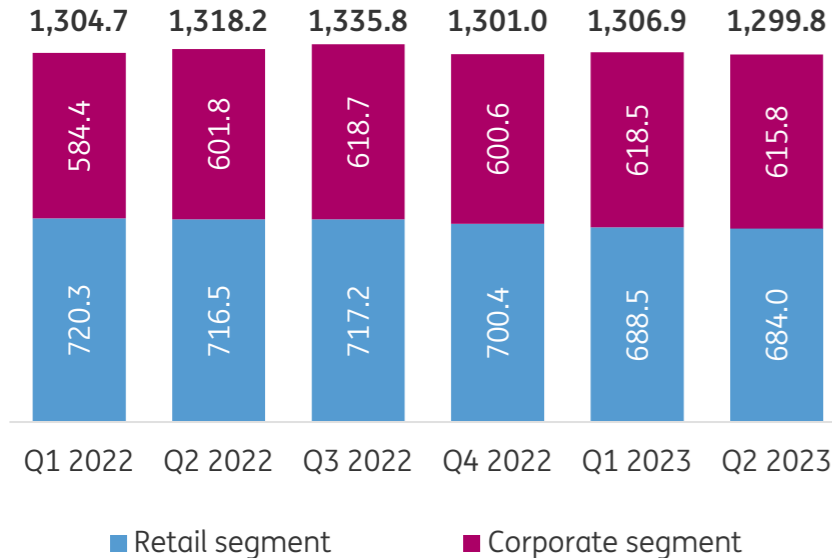
Balance of liabilities* (PLN billion)



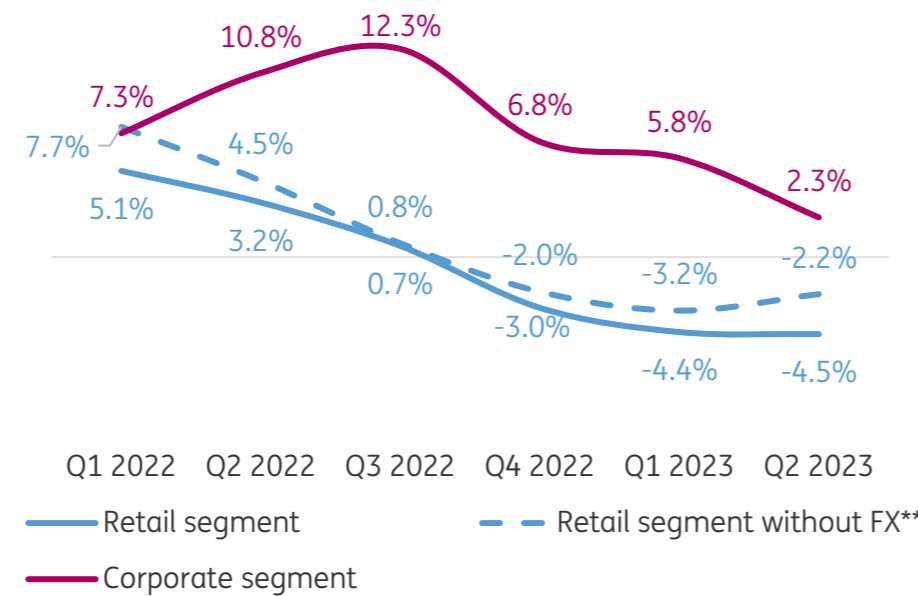
Growth rate of balance of liabilities*



Balance of receivables* (PLN billion)



Growth rate of balance of receivables*



*based on NBP data; ** excluding FX mortgage loan portfolio

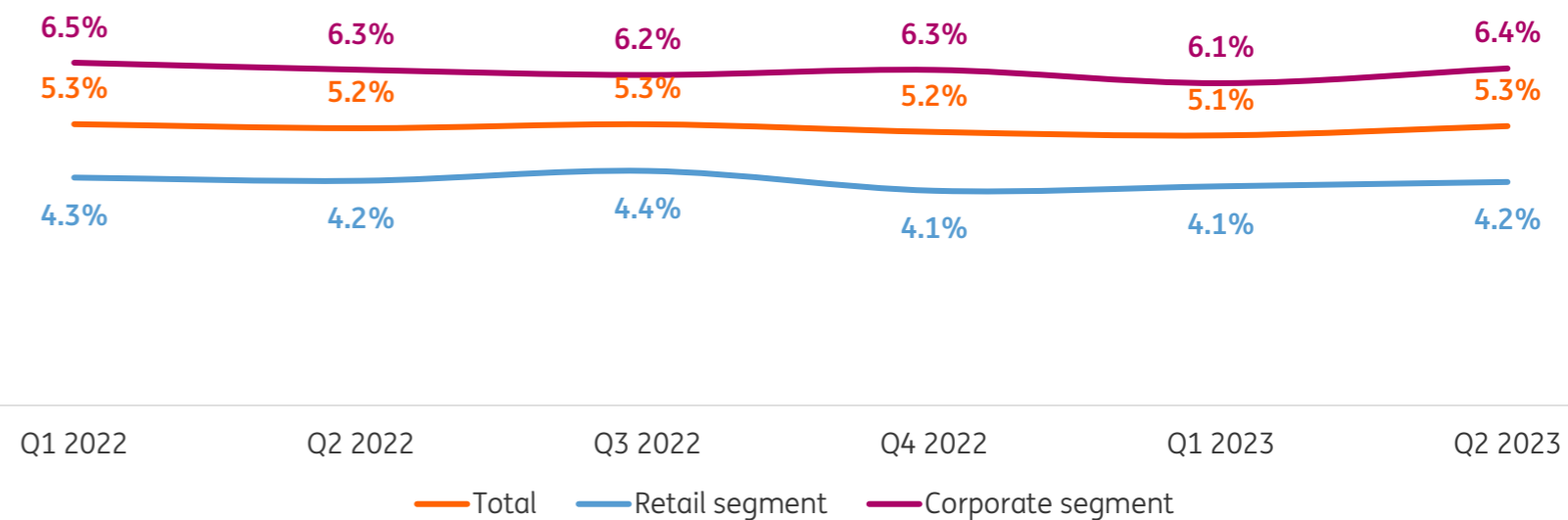
Asset quality

In terms of asset quality, in May 2023 the share of Stage 3 loans in total loans measured at amortised cost was 5.3% (a slight deterioration from the level for June and December 2022).

Asset quality in the retail segment was 4.2%, a slight deterioration from the end of 2022. A category that has seen a marked deterioration in quality is CHF-indexed/denominated real estate loans (up from 8.2% at the end of 2022 to 9.3% in May 2023).

In the corporate segment, the share of Stage 3 and POCI exposures was 6.4% at the end of May 2023, a similar level to the end of 2022. A slight decline in the quality of operating and real estate loans can be observed during this period, but at the same time a slight improvement in the quality of investment loans.

Share of receivables at stage 3



Source: estimate based on the PFSA data; data for May 2023 for Q2 2023

Financial results

In the first five months of 2023, the banking sector's net profit increased to PLN 17.0 billion against PLN 12.9 billion in the same period of 2022. The gross result of the banking sector amounted to PLN 23.0 billion, nearly a third higher than in the first five months of 2022.

The apparent improvement in the sector's results in 2023 is mainly the result of a higher interest rate environment, which supported net interest income - which improved by 31.9% y/y. It should be noted that the interest margin in the sector was at its highest in late 2022 and early 2023, when the interest margin was under pressure from the rising cost of funding after the loan schedules were adjusted to the new - higher - interest rate levels.

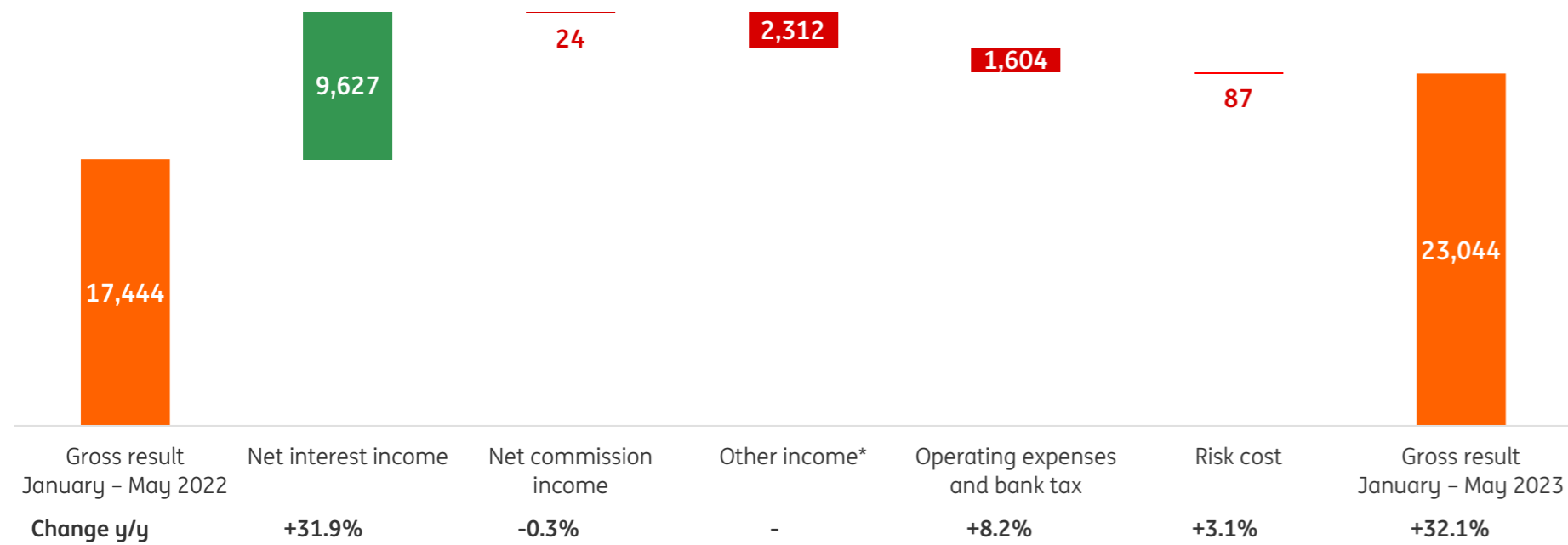


Net fee and commission income was at a similar level to the first five months of 2022, while other income was as much as PLN 2.3 billion lower (and consequently negative in January-May 2023) due to significant provisions for the legal risk of foreign currency mortgage loans.

The improvement in revenue was partly offset by an increase in cost items. Operating costs were 8.2% higher than in the previous year, mainly in terms of salary costs (+19.4% y/y), with a low increase in depreciation and amortisation (2.9% y/y) and other operating costs (including bank tax) remaining at a similar level to the previous year. The latter was favoured by the change introduced in the design of the bank tax (introduced at the beginning of 2023; budget receipts from this are for the first five months 2% lower y/y), but above all by lower costs related to the BGF (the cost of the sector's annual contribution to the forced restructuring fund and the absence of fees for the deposit guarantee fund in 2023 resulted in a 33.7% y/y decrease in BGF costs).

Risk costs were slightly higher y/y (up 3.1% y/y).

Change drivers for gross profit of the banking sector January – May in 2023 (PLN million)



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

Capital market

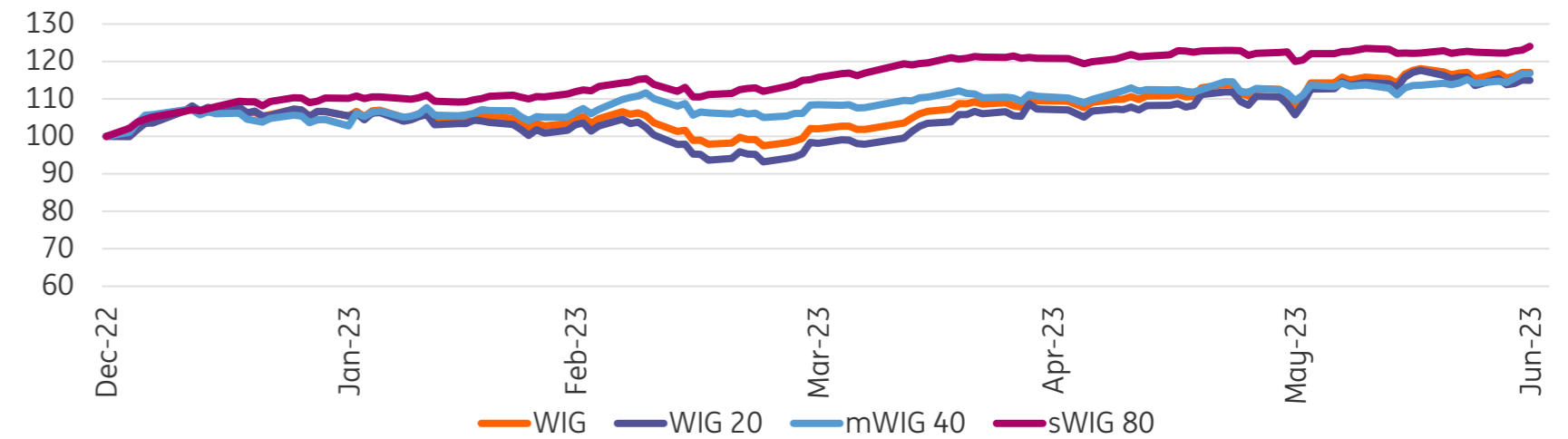
Warsaw Stock Exchange (WSE)

The core indices at the Warsaw Stock Exchange closed H1 2022 at higher levels than at the end of 2022. The broad market index – WIG gained 23.4% versus the end of 2022. The results were similar to the indices for highest capitalised companies – WIG20 gained 21.2% and mWIG40 23.1%. The index of smaller companies sWIG80 also closed H1 2022 with an increase – it gained 30.7% versus the end of 2022.

At the end of June 2023, 415 companies, including 43 foreign companies, were listed at the Main WSE market. The capitalisation of domestic companies was PLN 663.8 billion which was by 15.5% higher versus the end of December 2022. The total capitalisation of domestic and foreign companies was PLN 1,322.1 billion which was up by 18.7% versus the end of December 2022. In the past six months, there were seven IPOs (in all cases a transition from the NewConnect market), while seven other companies were delisted.

H1 2023 was characterised by a marked decline in turnover on the Main Market. The value of session trading in shares, rights to shares and pre-emptive rights fell by 17.7% y/y to PLN 134.4 billion. The value of total turnover (including block trades) decreased by 16.1% up to PLN 139.2 billion. The y/y decline in turnover can be linked to the strong base of the previous year, when market turnover was driven by, among other things, the outbreak of war in Ukraine in February 2022.

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



Source: Warsaw Stock Exchange (WSE)



Investment funds

As at the end of June 2023, the assets of investment funds (based on IZFiA data) amounted to PLN 291.5 billion, i.e. up by PLN 22.5 billion (+8.4%) compared to the end of 2022. Each of the months of 2023 was characterised by positive net inflows (total net inflows amounted to PLN 8.7 billion), in contrast to H1 2022 (net redemptions then amounted to PLN 19.5 billion).

The increase in assets was due to a higher value of funds in non-dedicated funds (available for a broad group of investors) by PLN 21.8 billion (down to PLN 169.4 billion). Dedicated funds at the end of H1 2023 managed assets worth PLN 122.2 billion (PLN 0.6 billion more than at the end of 2022).

Within non-dedicated funds (excluding Employee Capital Plans), in H1 2023, in nominal terms, asset values gained primarily debt and cash funds (+PLN 12.0 billion), followed by equity funds (+3.9 billion) and mixed funds (+2.4 billion) – a result of the scale of their popularity among clients and the size of funds under management.

Source: Chamber of Fund and Asset Management Companies

Open-End Pension Funds

In June 2023, the assets of OFE amounted to PLN 179.3 billion, i.e. up by PLN 29.3 billion (+19.5%) compared to the end of June 2022. As at the end of June 2023, 91.7% of those assets were stocks by Polish and foreign issuers (90.0% as at the end of June 2022).

Source: Polish Financial Supervision Authority

Employee Capital Plans

Based on data from the Employee Capital Plans Register, these funds had accumulated PLN 16.6 billion in assets at the end of June 2023 in a total of 3.80 million Employee Capital Plans accounts (9.0 billion and 2.67 million respectively at the end of 2022). At the end of June 2023, 312,000 entities allow their employees to save for their retirement through Employee Capital Plans, and participation in the programme was 44.0% (50.2% in the private sector and 25.6% in the public sector).

Source: mojejpk.pl



Our activity

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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. We want to be seen as the **bank of the future for entrepreneurial people** – a bank that provides its clients with practical solutions that they need and are happy to use. We want people to be able to achieve their goals with our support.

Effective functioning of our business model relies on a group of over 8 thousand employees. 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.

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, entrepreneur, 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 develop and offer products to support sustainable operations for both individuals and companies.

We offer our clients banking products and services (such as loans or savings accounts and transfers), but also in the area of *beyond* banking, i.e. not related to traditional banking. Our competencies support us in building a positive client experience. Those are not solely insurance products, accounting services or investment products. We offer our clients a broad range of tools for financial management.

As the bank of the future, **we are innovating** to meet the needs of our clients. We also use *big data* and artificial intelligence and cooperate with fintechs to reach beyond. 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, processing transfers, card, phone or BLIK payments and developing tools for cashless payments. To this end, we have provided specific solutions to support the development of e-commerce, such as the imoje payment gateway – the first online

payment for online shops offered by a bank in Poland. They allow clients to quickly and conveniently complete payment for their purchases. In 2021, we were the first bank in Poland to decide to replace the central system. We have opted for a cloud solution that will further accelerate the digital and technological transformation of our bank. This will make it possible to build reliable banking and ensure that the offer is fully personalised and tailored to individual clients' needs. This will eliminate planned unavailability due to maintenance work or the implementation of new products and solutions.

Electronic and mobile banking are the core interaction channel with both retail and corporate clients. We want our clients to have tools that enable them to make modern payments and remotely deal with simple issues such as paying for public transport tickets, parking and motorway journeys. Our electronic banking also allows you to deal with official matters more conveniently, e.g. you can submit applications for social benefits. More than half of retail clients use Moje ING exclusively on a mobile device, and in corporate banking, one in 10 transfers is made via the mobile channel.

We also note the changing role of bank outlets. That is why, for several years now, we have no longer been talking about branches, but about meeting points where our advisers help clients to make important decisions – to bank every day, to live better, to grow their business and to take care of their financial future. For corporate clients, we also provide a service at their company's premises, depending on their needs. The task of our employees is to support clients in taking financial decisions, inter alia by analysing their financial needs and objectives, financial condition or risk levels of investments.



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**. This applies to the areas of climate and environment (E), society (S) and corporate governance (G). We want to be an environmental leader and support our clients in their energy transition and in meeting new requirements. We support you in being entrepreneurial and help you manage your finances. We level the social playing field and look after the health of employees. We operate ethically based on values, principles and processes and in accordance with regulations and with reference to market best practice.

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 manage ESG risks as an integral part of each group of risks, both financial (e.g. credit risk or market risk) and non-financial (e.g. operational risk). We also care for optimum management of the asset and liability structure of our balance sheet in line with our risk appetite limits.



Retail banking

Number of clients

At the end of June 2023, 4.44 million individual clients (45,200 more y/y) were using ING Bank Śląski's services in the retail segment. We had a total of 2.13 million *primary* clients within the retail segment at the end of June 2023, 78.3 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 2023, our bank acquired 148.6 thousand new clients which resulted in a growth of the number of serviced clients by 53.3 thousand clients versus the end of 2022.

Deposit activity

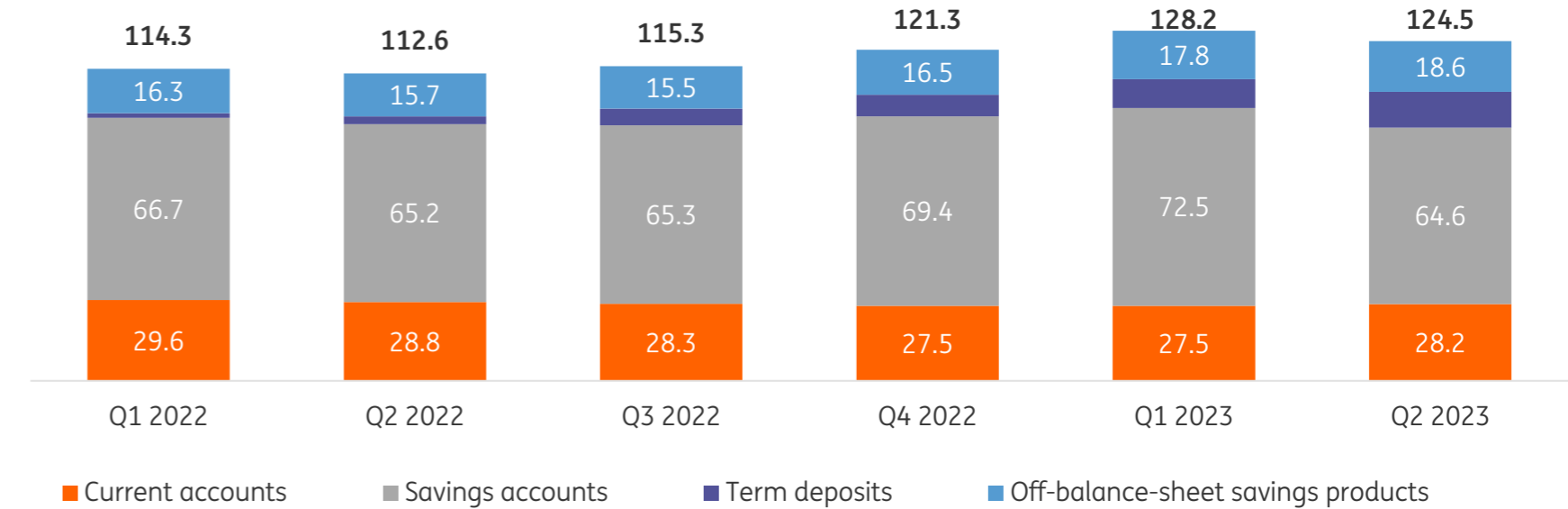
As at 30 June 2023, the total amount of funds deposited by our retail clients was PLN 124.5 billion – there was an increase by PLN 3.1 billion (+2.6%) in H1 2023 and by PLN 11.8 billion (+10.5%) y/y.

The balance sheet funds of our retail clients amounted to PLN 105.9 billion at the end of June 2023, up by PLN 1.1 billion on the end of 2022. This was due to the higher value of funds held in term deposits (up by PLN 5.2 billion relative to the end of 2022), which was partly cushioned by a fall in funds held in savings accounts (down by PLN 4.8 billion relative to the end of 2022).

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 2023 was PLN 18.6 billion and was by PLN 2.1 billion (+12.6%) higher than at the end of 2022 and higher by PLN 2.9 billion y/y (+18.4%). Assets accumulated in TFIs at the end of June 2023 amounted to PLN 10.1 billion (+2.2 billion, +27.7% relative to the end of 2022). TFIs that take ESG factors into account when making investment decisions accounted for 100% of our clients' assets in these products, with assets of funds compliant with Articles 8 and 9 of the SFDR accounting for 3.5% of this portfolio. Financial assets accumulated in brokerage accounts decreased by PLN 0.1 billion (-1.3%) relative to the end of 2022 to a total of PLN 8.5 billion.

The slower growth of the bank's deposit base relative to the growth of volumes in the sector translated into a decline in the market share of retail deposits in H1 2023. At the end of June, the share was 9.91% while at the end of December 2022 it was 10.41%.

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

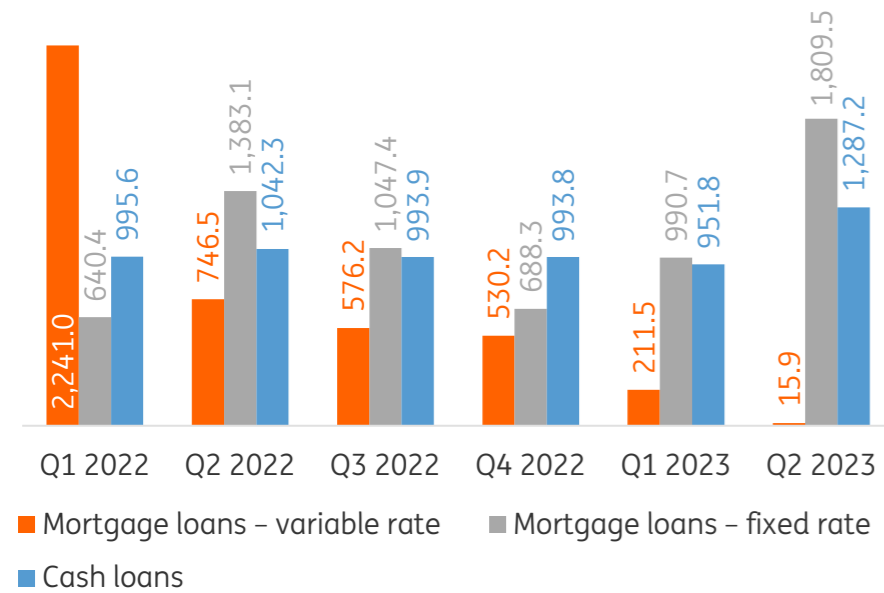


Lending activity

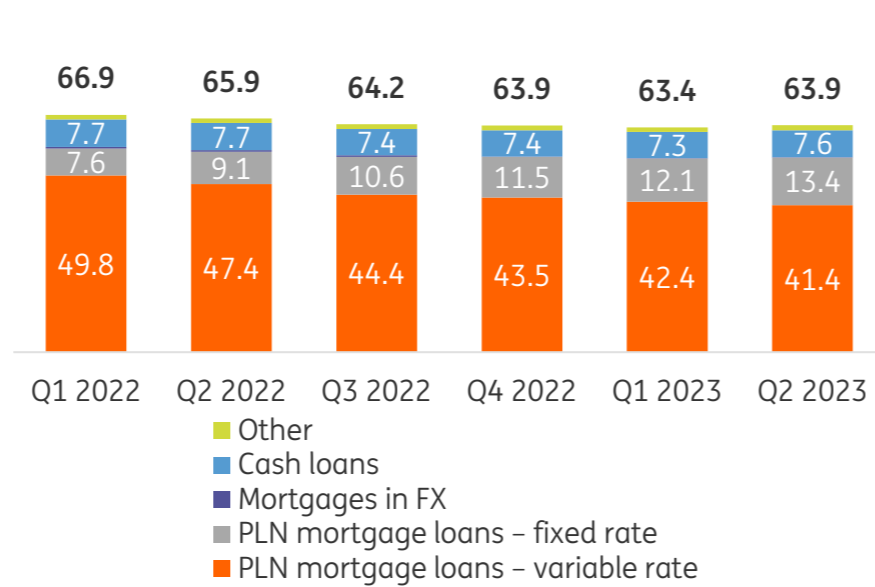
As at the end of June 2023, the Bank's retail gross loan receivables amounted to about PLN 63.9 billion. In H1 2023, the Bank's loan exposure to that Group of clients marginally grew by PLN 44.9 billion or by +0.1%. The increase in volumes in the area of cash loans was cushioned by declines in the mortgage portfolio, which was associated with relatively low (but improving) sales and the still observed elevated prepayment phenomenon of these loans. We slightly increased our market share of retail credit receivables to 9.33% (compared to 9.19% in December 2022). Net of FX mortgage loans, our market share in loans to retail clients would be 10.61% (June 2023) and 10.63% (end of 2022) respectively.



Retail credit sales (PLN million)



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



In H1 2023, the bank sold PLN 3,028 million worth of mortgage loans which was a decrease versus H1 2022 by PLN 1,983 million or by 39.6%. In accordance with the data of the Polish Bank Association, in H1 2023 ING Bank Śląski S.A. occupied the 2nd position in the market with a 16.5% share in the sale of housing loans to individuals. We would like to remind you that, due to the transition process to the new reference rates (from WIBOR to WIRON), we have decided – temporarily – to [withdraw \(from December 2022\) the offer to sell variable-rate mortgage loans](#). During this time, we continued to work on a variant of the WIRON rate product, allowing us to [include an offer based on this rate](#) in our offer from 26 June 2023.

In the areas of cash loans, in H1 2023 we granted loans totalling PLN 2,239.0 million or by 9.9% (PLN 201.1 million) higher than in H1 2022. 79.3% of these sales were made through remote channels (81.4% the year before).

Corporate banking

Number of clients

At the end of June 2023, the services of ING Bank Śląski in the corporate segment were used by 548.4 thousand corporate clients, of which:

- 3.4 thousand strategic clients,
- 108.2 thousand medium-sized and large companies, and

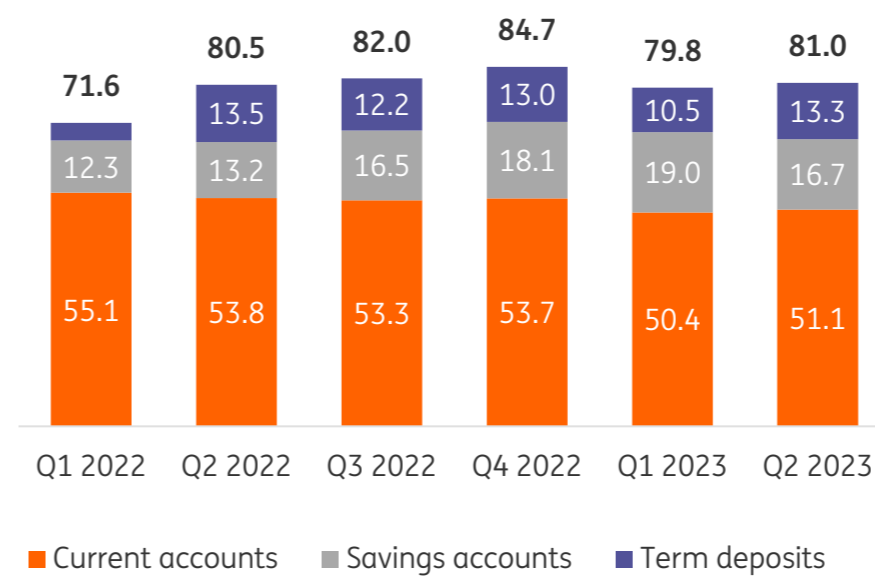
- PLN 436.87 thousand entrepreneurs.

We had a total of 208,700 *primary* clients within the corporate segment at the end of June 2023, 7,300 more than a year earlier. In H1 2023, our bank acquired 36.0 thousand new corporate clients which resulted in a growth of the number of serviced clients by 15.4 thousand clients versus the end of 2022.

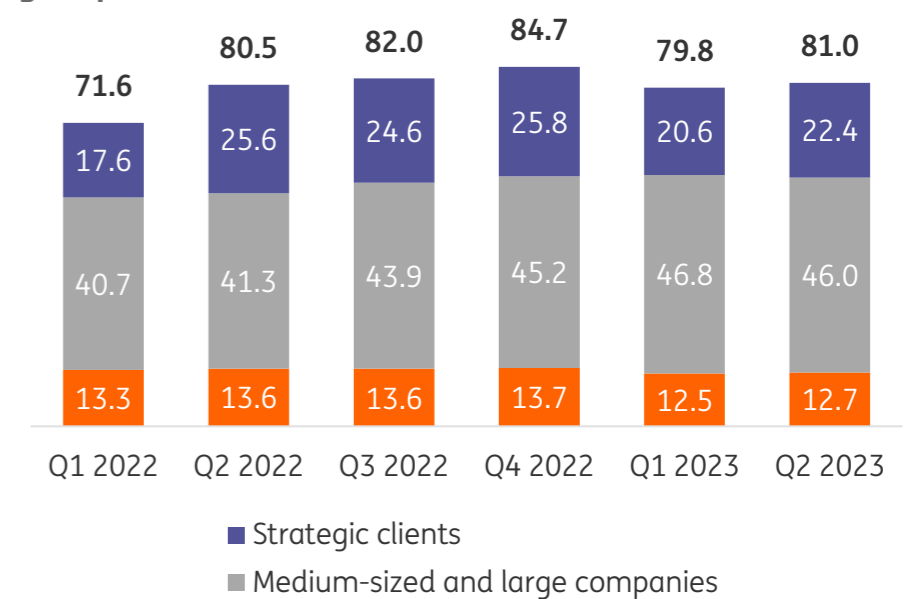
Deposit activity

At the end of June 2023, the amount of funds deposited by corporate clients with our bank was PLN 81.0 billion and thus the bank held a share of 11.30% in the deposit market of corporate clients (10.63% at the end of 2022). The decrease in deposit volumes relative to the end of 2022 was due to lower balances of deposits from strategic clients (PLN -3.5 billion) and entrepreneurs (PLN -1.1 billion), which was partly offset by an increase in deposits from medium-sized and large companies (PLN +0.8 billion).

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



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



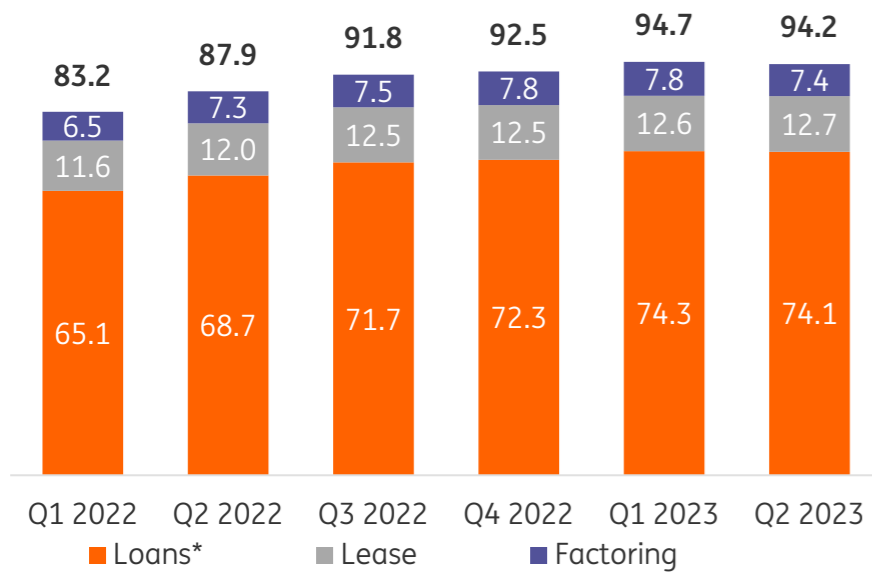
Lending activity

At the end of H1 2023, the amount of financing provided by or Group to corporate clients amounted to PLN 94.2 billion gross. Over 6 months of 2023 the amount increased by PLN 1.7 billion (+1.8%). During this period of time, our exposure to all corporate clients increased – from entrepreneurs (PLN +257.7 million), to medium-sized and large companies (PLN +766.9 million), to strategic clients (PLN +657.4 million). The increase in this exposure included bank financing (PLN +1.8 billion), but also in the form of leasing (PLN +0.2 billion) with a slight decrease in factoring (PLN -

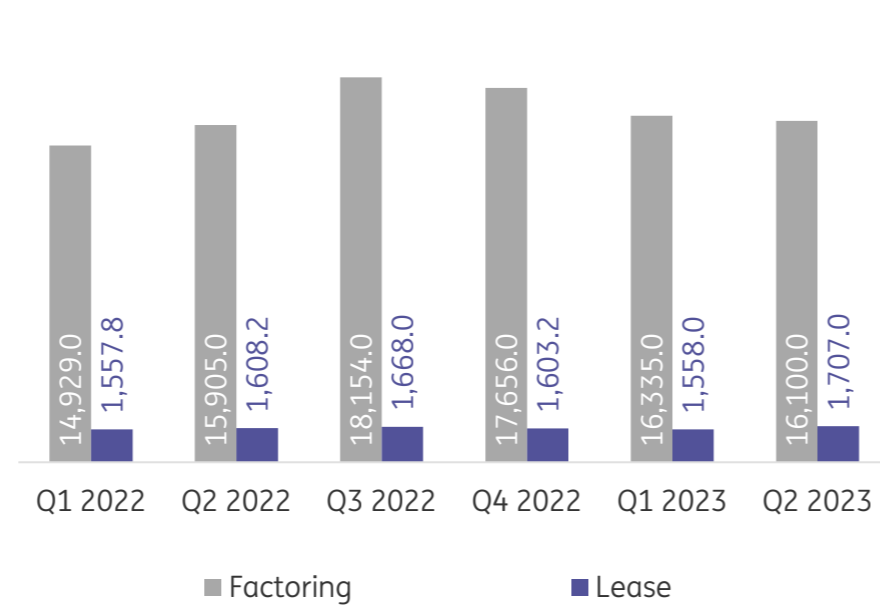


0.4 billion). We estimate that in June 2023 our bank held a 12.39% share in the loan market of corporate clients (versus 12.63% at the end of June 2022).

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



Turnover in factoring and leasing sales (PLN million)



*Including loans measured at fair value



Sustainable development

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Implementation of the ESG Strategy

At ING, we conduct business in an ethical and responsible manner. This is based on our values and Orange Code. The area of ESG (*Environmental, Social, Governance*) is one of ING's priorities.

In Q1 2022, we announced the ESG Strategy of the ING Bank Śląski S.A. Group, which reflects our sense of responsibility for our impact and actions towards current and future clients, the world in which they will operate and therefore the environment and social environment.

The ESG strategy is part of our business strategy and follows directly from our mission and values. It allows us to set a clear course of action and the objectives we pursue. The ESG strategy covers its environmental, social and corporate governance aspects in a three-year perspective with annual updates.

The ESG strategy is available on the website [at this link](#). A complementary document to the ESG Strategy is the Environmental Declaration, available [here](#). An account of the achievement of the 2022 ESG Strategy targets (as one of the pillars of the Business Strategy) is available [here](#). We also write about our commitment in the ESG area on our [website](#).

In line with the ESG Strategy, we have continued to respond to the challenges of the modern world in H1 2023:

E (Environmental)

We are implementing the provisions of the Environmental Declaration and ESG Strategy. We support pro-environmental measures and support our clients in their ESG transformation.

S (Social)

We support you in being entrepreneurial and help you manage your finances. We draw attention to social inequalities. We care about the health of employees.

G (Governance)

We operate ethically based on values, principles and processes. We implement regulations and market best practice.

Environment (E)

We strive for climate neutrality

Calculation of greenhouse gas emissions from the portfolio of receivables from clients

In Q2 2023, we expanded the calculation of GHG emissions from the client receivables portfolio (scope III, *GHG Protocol* category 15) to include additional asset classes and further emission ranges (including scope II in the corporate loan portfolio). This work was a necessary part of the baseline emissions count required to start the decarbonisation process. We will present updated calculations for category 15 Scope III emissions in our 2023 management report.

Own economy activities

Examples of the activities we carry out:

- we are aiming for 100% of the energy purchased by the bank and its subsidiaries to come from renewable sources. Since 2016, in order to fulfil this provision, we have been purchasing certificates and guarantees of origin certifying that the electricity comes from renewable sources,
- as part of the ongoing refurbishment, we use recycled materials (carpets, lamps, plaster, seat upholstery) that are *Greenguard-certified with Gold* and above. For example, the official opening of a unique space on the first floor of the headquarters building at pl. Unii in Warsaw took place in March 2023. Several zones have been created in this area such as: LAB, auditorium, conference area and café. When designing interiors, we chose, for example, upholstered furniture whose manufacturer uses fibres from recycled plastic or office chairs that use recycled plastic harvested from the oceans. The walls, meanwhile, are decorated with paintings from the ING Polish Arts Foundation Gallery. The First Floor Gallery is a place that fulfils many functions, not only those of business, but also of leisure,
- we are gradually modernising the exterior and interior lighting and replacing the existing lighting with LED lighting,
- we conduct numerous education and awareness-raising campaigns among employees,
- we donate office furniture and other office equipment to foundations and schools as in-kind donations, and organise furniture resale campaigns for employees.



Winter closures

During the winter months, we have temporarily shut down the floors in our offices in Katowice and Warsaw. As a result, we joined the campaign to reduce electricity and heat consumption by saving 791 GJ of heat energy and 452 600 kWh of electricity in our offices.

New policy on business travel

In January 2023, we updated our travel policy. The most important aspect of the policy is guided by sustainability, the business case, safety, common sense and reducing business travel costs. A new provision of the travel policy is a ban on flights of less than 500 km.

New photovoltaic installation

In April, we launched the bank's largest in-house photovoltaic installation, consisting of a photovoltaic farm and a 280 kWp photovoltaic car park canopy, at our office at Rożdżeńska 41 in Katowice. The total installed photovoltaic capacity in our bank is now already 507 kWp.

We support clients in their environmental transformation

Mortgage loan for an energy-efficient home

A mortgage loan for an energy-efficient house offered by ING Bank Śląski may be used for: the purchase of a house on the secondary market, the construction or purchase of a house on the primary market, the construction or purchase of a flat specified in the Regulations on the primary market; the purchase of a completed house or a flat specified in the Regulations on the secondary market with documented low energy consumption (non-renewable primary energy demand for heating, ventilation and hot water preparation does not exceed 57 kWh/m²/year). All the paperwork can be dealt with without leaving home, such as a video call with a specialist. The client only comes to the branch to sign the prepared loan agreement.

Investment loan to support sustainable development and leasing to support sustainable development

We continue to offer a sustainability investment loan and a sustainability leasing facility aimed at a wide range of medium and large companies. They enable smaller companies to benefit from solutions that were previously reserved for larger entities and complex projects.

Financing linked to the achievement of sustainable development objectives

Supporting clients in their sustainability efforts is one of the key elements of our bank's strategy. In light of emerging ESG standards, we are focused on aligning our activities and solutions to help clients strengthen their competitive advantages. We offer products that broadly address the needs arising from the transformation process – financing sustainable assets directly as well as supporting the growth process. Please find below examples of transactions concluded in H1 2023.

Polsat Plus Group

In May, we launched the financing for the Polsat Plus Group, in which ING Bank Śląski S.A. acted as one of the Global Banking Coordinators and “ESG Junior Coordinator”.

The loan agreement concluded in April 2023 with Cyfrowy Polsat S.A. and Polkomtel Sp. z o.o., as borrowers, is aimed, among other things, at refinancing the current debt of the Polsat Plus Group, financing the implementation of the Group's new strategy focused on investments in clean energy production (Strategy 2023+) and is related to sustainable development objectives. Under the contract for the amounts: PLN 7,255 million (term loan), EUR 506 million (term loan) and PLN 1,000 million (revolving loan) our exposure represents 9.4% (around PLN 1 billion). We are one of the banks with the highest involvement in the consortium of financial institutions.

Rohlig Suus Logistics S.A.

In May, we signed an annex to the loan agreement with Rohlig Suus Logistics S.A. regarding the addition of an ESG component to the financing structure, which is linked to the EcoVadis rating. The amount of the multi-purpose line agreement is PLN 60 million. This is another financing linked to sustainable growth (the so-called *Sustainability Linked Loan*).

Rohlig Suus Logistics S.A. is one of the largest logistics operators in Central Europe. It specialises in end-to-end logistics and global supply chain management.

PKP Energetyka S.A.

In March 2023, we signed an annex to the loan agreement with PKP Energetyka – we added an ESG component to the financing structure, which is linked to the EcoVadis rating, with an option to switch to KPI. This means making the margin (reduction or increase) subject to certain conditions (based at the moment on the EcoVadis rating or later on the KPI). The amount of the multi-purpose line agreement is PLN 182 million. PKP Energetyka is the sole



distributor of electricity to the Polish national railway network and implements “green railway” projects. Our relationship with this client has now lasted 12 years.

Neptune Property Venture

In March, we closed the *Green Loan Facility* transaction for Neptune Property Venture for a total of EUR 169 million with ING Bank Śląski’s share of EUR 65 million. The loan was granted to refinance a portfolio of five outlet centres in Poland. All properties have BREEAM sustainability certificates with *Excellent / Very Good* ratings.

Neptune Property Venture has 15 centres in 5 countries – Poland, the Netherlands, Spain, France, Italy – with a market value of EUR 1.4 billion. In 2022, for the third consecutive year, the entire Neptune portfolio, jointly owned by Neinver and TIAA, was awarded a 5-star *Global Real Estate Sustainability Benchmark* (GRESB) rating.

Supporting innovation and local climate and environmental action

ING has donated PLN 1 million to grants for start-ups and young scientists for the third time

ING has announced the winners of the third edition of its Grant Programme aimed at start-ups and young scientists. The theme of the 3rd edition of the ING Grant Programme was: “How can we take care of clean water resources?”. For this edition, the Bank was looking for the best solutions that support water conservation, efficient water use and improve water quality. The best ideas received a total of PLN 1 million for further development.

The selection of the best solutions, out of 83 submissions, was made by a jury made up of representatives from ING Bank Śląski, the world of business, science and NGOs. 3rd edition of the competition was decided at the final gala held on 29 June 2023.

My Environment

My Environment is a competition for environmental initiatives for children and young people run by the ING for Children Foundation together with ING Bank Śląski. In the 2nd edition of the competition, which ran from December 2022 to February 2023, ING volunteers submitted as many as 55 projects, and funding totalling PLN 378,000 was awarded to 43 projects. Between March and the end of October, around 450 ING volunteers will be involved in the implementation.

Entrepreneurship and equal opportunities (S)

We have a friendly and diverse working environment

Diversity at ING

As every year, in May we celebrated the European Diversity Month proclaimed at ING under the slogan “Diversity suits us”. We have planned numerous events for our employees; including launching a new educational channel in the internal My Learning system on neurodiversity, publishing more than 20 educational posts on various aspects of diversity, including “rainbow parenting”; inviting Employees to 4 webinars: “Don’t use hate speech! How to deal with discrimination?”, “Microaggression”, “Introduction to Polish inclusive language”. “Skills to help you cope with life, improve your mental balance and relationships with others” .

In June, whose theme was: “We’re not all the same”, organisers have planned several different activities in connection with Pride Month, including numerous educational posts on LGBTQ issues. Members of our community also marched together in the Equality Parade.

During the final gala of *Diversity Month* – in May – we received an award as part of the *Diversity In Check* survey “Diversity Management in Practice”. Our bank has once again been ranked among the employers most advanced in diversity and inclusion management in Poland. We were among the companies that scored over 80% in this survey.

At the beginning of June, we received a special Diversity Company award for ING Bank Śląski as part of the Polish Diversity Awards, organised by the publisher of My Company magazine. We were recognised by the award panel for our consistency in Diversity and Inclusion and being a role model for others in building an inclusive culture.

We are also taking action to level the playing field between men and women. In May, we conducted qualitative research using the focus group method “Honestly about Equality” to identify stereotypes and barriers to career progression and design solutions based on these to support employees in their career development. We launched the “30 under 30” development programme for future female leaders.

Equal opportunities and remuneration principles

Equal treatment of women and men in terms of remuneration is one of our priorities, which is why we continuously monitor the gender pay ratio in the ING Bank Śląski Group. The cyclical analyses include not only a gender pay gap index – the *gender pay gap* – but also a detailed analysis in *equal pay for equal work* indicating pay mismatch gaps



in the same jobs, grades and competences. ING Bank Śląski is taking steps to gradually reduce the occurrence of pay gaps (e.g. by strengthening managers' awareness of this issue), and the results of cyclical analyses are one of the dimensions of decisions taken on pay rises and during recruitment processes.

One of the measures that were implemented during the last cyclical increase campaign was to identify managers in their areas employees who were paid statistically significantly higher/lower than the average salary in their respective grades, both for the same and opposite sex (the so-called *gender pay gap positive/negative outliers* group). In 2022, for a population of ~5% of the total ING population, recommendations were made to managers on the level of salary changes to gradually close the pay gap for this group.

We were also recognised for our work on gender equality in business and were included in the global *Bloomberg Gender-Equality Index* (GEI). ING's presence in the Bloomberg GEI index is the result of high scores in a survey on five areas of the company's performance: women's leadership and talent development, equal pay, an inclusive work culture, gender protection policies and a pro-female brand.

Wellbeing

The first half of 2023 will see the continuation of our work on preventive mental health for employees. We are consistently building a friendly workplace where our employees can enjoy a variety of benefits to support their physical and mental health. These activities aim to raise awareness and encourage employees to take responsibility for their own wellbeing using the tools, materials and time that the employer provides.

In terms of physical health, we run a year-round Health Days campaign where employees have the opportunity to receive massages, consultations with nutritionists and physiotherapists. We also promote a preventive health review as part of our private medical care. In Q1 2023 alone, 1,200 people benefited from the review, where this compares to 2,100 people in the whole of 2022. In addition, we support our employees with tick-borne encephalitis vaccinations by reimbursing the cost of the vaccines and provide HPV vaccinations for employees' children. We also implemented a childhood cancer prevention programme in collaboration with the Ronald McDonald Foundation. We also work to develop the sporting passions of our employees by organising sports tournaments (table tennis and football tournaments) and providing a sports budget.

In the area of mental health, we implemented the Mindgram platform at the end of 2022, which offers employees a wide range of webinars, podcasts, relaxation sessions and individual consultations with psychotherapists. 2,400 employees have already registered on the platform. We also focus on supporting leaders to recognise the symptoms of burnout and other emotional difficulties that may arise in employees.

The Entrepreneurial Gene

We support employees in being entrepreneurial. Employees are encouraged not only to identify problems, but also to verify their relevance before they start to solve them. In 2023, we are continuing our efforts to support employee development in the area of entrepreneurship by, among other things, promoting the 6 Steps of Effective Idea Work educational programme and the business incubator, a "place" where, in a safe environment, an employee can learn to work effectively with an idea. The educational videos are short, practical and have been viewed more than 400 times by employees. In addition, we organised creative discussions for leaders in April, with the theme of entrepreneurship in thought and action.

We help employees take responsibility for their own development, encourage self-directed learning and create an environment that enables the most effective learning and development based on digital platforms and practical application of skills in everyday work.

Since April, we have implemented Career Advisory in our organisation to enable talent to be mobile within ING and to increase employability if employees decide to leave our organisation. There are currently 28 certified Career Advisors at ING. The role of the counsellor/advisor is to support employees in: making career decisions based on individual preferences, motivation, designing individual career paths, exploring career opportunities at ING. Consultation with a Career Advisor is open to all employees as well as those working under alternative forms of cooperation.

Developing service design at ING

In June, we organised an in-house Masterclass for our service designers at ING, the theme of which was *Humanity Centered Design*. It is an approach to service design in which we combine an "obsession" with delivering exceptional client experiences with a concern for the impact of our solutions on people, the planet and communities.

By designing the event accordingly, we gained even more motivation and energy for ESG, gained new knowledge, and developed concrete ideas that we can implement at ING.

The masterclass is part of a designed development path for service designers for 2023, in which we include areas such as *humanity-centred design, futures thinking* and *data science*.



We support the financial health of our clients

Plan for the financial future

ING Bank Śląski clients can use daily financial management tools in the banking app to help plan and monitor their household budget. In May, a new category “Financial health” was added to the existing ing.pl/wiem (Polish link) website, with interesting articles addressing topics of interest to our clients. The most popular are: budgeting, saving in difficult times, and borrowing rationally. Content is based on internal and external research, the website has an educational role and is not intended to promote our services.

ING is once again encouraging clients to regularly put aside extra money for retirement and create their plan for their financial future. We are the only bank in the market to offer clients as many as three pension products: An Individual Retirement Security Account (IKZE) in both investment and savings versions and an Individual Retirement Account (IKE) based on investment funds. In the first half of this year, we encouraged clients to save and invest using pension products with sales of more than 30,000 products. The sale of the pension offer was supported by another edition of the special offer “Invest in your future”, which ran from 21 February to 19 May. At the end of H1 2023, more than 115,000 clients were already putting money aside for retirement at ING Bank Śląski using one of the dedicated products. Nowadays, one in three IKEs and almost one in four IKZEes on the market was purchased through ING Bank Śląski.

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

ING Bank Śląski continues to help Ukraine

In February 2023, we launched a fundraiser to purchase power banks, charging stations and other devices that provided energy independence to those in need in Ukraine, including ING Ukraine colleagues. Until mid-February, ING Bank Śląski employees were raising funds to purchase equipment to make them independent of power cuts. The collection raised PLN 40,000. ING Bank Śląski subsidised the collection, which made it possible to complete the parcels, which went to 80 ING Ukraine employees.

SPLIT UA Residency

In March and April, ING Bank Śląski was actively involved in the SPLIT UA Residency project. The SPLIT UA Residency is an initiative of the SPLIT Institute Foundation, with the support of the US Department of State and the US Embassy in Poland. The programme is aimed at young people from Ukraine (18-30 years old) who are currently

in Poland and are interested in creating social innovation prototypes related to the reconstruction of their homeland. Participants, with the support of mentors, including experts from ING, work on topics based on the Reconstruction Plans for Ukraine.

Children from Zaporozhye in the Wisła centre

Children from an orphanage in Zaporozhye, who were taken to Poland in March 2022 following the Russian aggression against Ukraine, are still in the care of the ING for Children Foundation. Children go to school in the Wisła area and are provided with 24-hour care at the centre. Holidays and birthdays are organised for them. ING volunteers visit the children, providing them with outdoor activities and sports. In H1 2023, 11 ING volunteers from different units of the bank visited the children.

In May, the ING Polish Arts Foundation together with the BRDA Foundation led a workshop for Zaporozhye wards on the creation of so-called marbled papers.

Assistance to Turkey and Syria

In February 2023, ING Bank Śląski, together with the ING for Children Foundation and ING Hubs Poland, launched another collection, this time for victims of the earthquake in Turkey and Syria. The collection was met with an overwhelming response, managing to raise PLN 667,000. The money went to UNICEF Poland, which provided safe shelter, food and medical care to families with children in devastated areas. ING Group donated EUR 3 million to those in need, and ING Bank Śląski together with ING Hubs Poland donated an additional PLN 250,000 each to UNICEF Poland to support earthquake victims. The bank also purchased 14 large-scale specialised tents at a cost of PLN 1 million, which went to Hatay province – one of the most affected by the earthquake. More than 100 people could find shelter in each of them.

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 and Visa. The programme is under the Honorary Patronage of the Ministry of Climate and Environment and the National Library. The final of the 1st edition of the programme took place in June 2023. More than 34,000 pupils from 416 establishments in 307 locations across the country took part.



Exempt from Theory Olympiad

In April 2023, ING Bank Śląski, together with the ING for Children Foundation, completed the 2022/2023 edition of the “Step forward” programme as part of the Exempt from Theory social project competition. 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. The completed edition attracted 469 participants carrying out 60 community projects, supported by 50 ING mentors. Completed projects have reached 4 million beneficiaries. Among the projects supported by ING Mentors, there were nine Silver Wolf awardees and one Gold Wolf awardee.

ING Charity Football Tournament

In June, ING employees took part in a football tournament in which the financial prizes (PLN 10,000 for each charity) went to three organisations supporting physical activity – Amp Futbol Polska for a women’s football team, the Zero Refraction Association to support paracycling players and the Hope for Mundial Foundation to organise a football tournament for children from orphanages. The tournament attracted 249 players from all over Poland.

Good Idea Competition

As part of the “Good Idea” competition, ING employees, with financial support from the ING for Children Foundation, carried out their own projects (artistic, educational, renovation and construction or sports) in cooperation with NGOs, social welfare centres or children’s homes. Funding was awarded to 40 projects, amounting to PLN 195,000. All projects were completed by the end of June 2023.

Good Idea Grant Fund

In June, the ING for Children Foundation announced the first edition of the Good Idea Grant Fund, in which any ING employee can apply with a community partner of their choice. Successful ideas receive financial and substantive support from the ING Foundation for Children. The call for ideas for implementation is continuous – applications will be accepted until mid-October. The Fund has scheduled an online information meeting on the idea of ING Volunteering and the key principles of the programme.

Orange Power

It is a programme that supports sports activities for children with disabilities. It exists thanks to the involvement of ING employees in the Run Warsaw annual run. For every ING employee runner, the bank transfers funds to the foundation’s account. This year, the foundation received PLN 105,000 to support as many as 10 organisations.

Thanks to this cooperation, children all over the country take part in competitions, runs and Olympics, as well as regular sports activities during the school year.

For the umpteenth time, the Ambassador of the Orange Strength programme is Alicja Jeromin, Paralympic sprint champion, who supports children with disabilities with her attitude.

Artist-Professional Programme

The Artist-Professional programme, organised by the ING Polish Arts Foundation, was the result of conversations with artists from the Foundation’s collection. The aim of the programme is to supplement academic knowledge with practical tools – art market skills, studio organisation and finances. The Foundation supports this group in financial health and in being entrepreneurial.

For years, she has been inviting top experts, curators, artists, critics and gallery owners to share their knowledge: she organises lectures and individual portfolio consultations for budding female artists. This part of the project is organised by the foundation every spring in the form of online meetings. This year was already the 7th edition of the event, attended by 2,045 people from all over Poland.

ABC of Economics – Financial education for children

The ING for Children Foundation together with the Czepczyński Family Foundation invited ING employees to participate in the ABC ECONOMY project in the spring. The project aims to introduce children to the world of finance and develop sound financial habits. And all this on the basis of the publication entitled. “The ABC of Economics, or the first steps in the world of finance”, dedicated to pre-schoolers and pupils in grades I-III.

Ethics and regulatory compliance (G)

We integrate ESG into internal processes and organisational culture, strive for regulatory compliance

Management of sustainability issues

We understand that our activities have an impact on many stakeholder groups. We act with respect for international standards – the Universal Declaration of Human Rights and the principles of the United Nations Global Compact. We are a signatory to the Diversity Charter. We feel responsible for our impact on society, the



environment and the economy and are actively working towards the UN Sustainable Development Goals. We care about the availability of our services and the safety of our clients. We create a welcoming workplace and an environment for employee development and support diversity and inclusion. We work with our suppliers in accordance with business ethics and market best practice. At the same time, we carefully vet our suppliers, including in terms of social and environmental risks. Each of our suppliers pledges to comply with the standards contained in the [Supplier Code](#).

In 2022, the Management Board of ING Bank Śląski established two committees in the organisational structure of the bank: ESG Council and ESG Risk Committee. These committees have decision-making functions vis-à-vis all organisational units of the bank and advisory functions vis-à-vis the Management Board for matters requiring its approval.

In 2022, the ESG Innovation Expert Centre (coordinating activities related to the building and implementation of the ESG Strategy and the functioning of the ESG Council) and the ESG Risk Team within the Risk Regulation Department were also established at the bank. We write about the activities implemented in the field of ESG risk management in H1 2023 [here](#).

To achieve the objectives of the ESG Strategy, we have adopted two ways of working. The ESG Transformation Programme has been set up to carry out new, complex, multi-faceted tasks. On the other hand, relatively homogeneous topics, which we have been pursuing for a long time and where we have already reached an appropriate level of maturity, are carried out in interdisciplinary teams – guilds – which take care of the continuity and synergy of the work. Both the ESG Transformation Programme and the individual ESG Guilds report to the ESG Council. A detailed description of how sustainability issues are managed is available [here](#).

We are strengthening the bank’s ESG culture by increasing staff awareness, knowledge and engagement in the area of sustainability. From 2023, 100% of managers reporting directly to Board Members have an ESG target in their KPIs. In addition, the staff of the units directly involved in the implementation of the ESG Strategy from 2023 onwards have targets related to the area of sustainability. We are also developing an ESG education programme for employees, available on the internal My Learning system.

ESG Day and Global Sustainability Week

In May, we celebrated our premiere internal Day at ING Bank Śląski. 750 participants, 25 speakers and panellists, 5 thematic blocks and 4 inspiration zones – this is how the event looked in numbers. During ESG Day, our experts and invited guests discussed global environmental, social and economic challenges. They advised on how to build the

competences of the future, how to responsibly create spaces for living and working, and how to integrate ESG into the design of products and services. They presented examples of implemented solutions that help our clients get on the path to transformation and financial health. They also showed how important dialogue and collaboration – with suppliers, business partners or local communities – are in ESG. After an inspiring ESG Day, we celebrated *Global Sustainability Week* at ING. It was a time full of interesting local and international events, opportunities to expand knowledge and build engagement in the ESG field.

New section with documents regulating the ESG area in our organisation

In H1 2023, we launched a collection of the most important internal policies and documents governing the ESG area in our organisation on the bank’s website, in the Investor Relations section. The section is available [here](#).

Building client awareness in the area of ESG

We care about online safety

ING Bank Śląski is supporting Poles to take better care of their online safety. The bank is promoting additional security features in the “Security Zone” in the Moje ING app. It allows the use of behavioural verification, activation of the free CyberRescue service and expert support, setting secure limits and notifications for payments and transfers, setting payment authorisation methods, temporarily blocking the card. ING also organises educational activities on security: webinars with Piotr Konieczny from the Niebezpiecznik.pl portal, the “How to bank safely” website, and the “You are second to none in taking care of security” campaign.

From July, we are changing the authentication and authorisation method in the Moje ING online banking system. These changes are dictated by security considerations and aim to counter cybercrime. Each time you log in to Moje ING from your browser, in addition to your login and password, you will be asked to authenticate with a second factor (code from a text message, confirmation in the mobile app or security key – if the client has an active security key). A Moje ING user can add the browser from which he or she logs in to a trusted list. This will ensure that we do not ask him for additional authentication when logging in for 90 days.

As of July, we are introducing the possibility of additional authentication when logging into Moje ING with a FIDO2-compliant security key. After registration and activation in Moje ING (separately for the browser and for the mobile app), the user must use the U2F key when logging in to banking. The keys are connected to a computer or smartphone, and some also work proximity-based via NFC.



Educational game on cyber security in Roblox

ING also teaches online safety to the youngest. This is why we are targeting parents with an invitation to play the educational game “ING City” in Roblox. At the end of January, we unveiled the game in a new version. This time, in addition to good financial habits, ING is teaching children the principles of cyber security. “ING City” is very popular and was the first Polish commercial game on Roblox to already exceed 1.5 million visits. Safety principles through play have so far been taught to more than 550,000 users.

Firmove.pl platform

We are developing Firmove.co.uk, launched at the end of 2022, which supports entrepreneurs at every stage of business development and raises awareness in the ESG area. Firmove has been prepared for people who are planning to set up or are already running sole proprietorships, micro-enterprises and small companies.

The service supports users by providing reliable and up-to-date business knowledge. Step by step, we guide them through the various issues: from vetting the business idea, to financing and accounting, to business solutions to support sustainability. More than 300 articles and document templates await clients on the Firmove platform. At the end of Q2, the service had 55,000 unique users.

We share knowledge and cooperate in the field of ESG

Round tables and participation in events

In H1 2023, we inaugurated round tables with corporate clients (February and April). Topics of the meetings included energy efficiency and sustainability and how the banking sector can support companies in 2023.

This year we are also continuing the roundtables organised in cooperation with the financial sector and NGOs (April and May). The April table was organised in collaboration with BNP Paribas Bank Polska (3rd edition) and think-tank Wise Europa, while in May ING was a supporting partner of the Santander Bank Polska and the Polish Bank Association roundtable expert panel. Among the topics discussed was the role of the banking sector in the development of sustainable finance in Poland.

We share knowledge and our best practices in the ESG area on an ongoing basis through publications and events (e.g. webinars, lectures) within social partnerships (e.g. United Nations Global Compact, Responsible Business Forum, National Chamber of Commerce or universities – e.g. Warsaw School of Economics, University of Łódź).

Our representatives speak at numerous events and conferences. For example, ING Bank Śląski, as Main Sponsor, supported the European Economic Congress in Katowice and the accompanying event European Startup Days, this year’s edition of which focused, among other things, on environmental themes.

The report “Polish business response to the energy shock. Prospects for energy investments”

In June, ING and the PTWP Group presented the report “Reaction of Polish business to the energy shock. Prospects for energy investment”. The report points to numerous efforts to improve energy efficiency or build our own renewable energy sources in the context of energy shocks. In energy investments, a key problem is the inadequacy of electricity grids to accommodate more distributed energy sources. The report is available on the website: [The response of Polish business to the energy shock. Prospects for energy investments. | ING Economic Service](#)

Series of publications on the role of ESG factors in the supply chains of Polish companies

ING economists strongly emphasise the growing bottom-up pressure for decarbonisation and specific ESG requirements, driven by the expectations and policies of foreign trading partners in supply chains. Lack of or delayed adaptation by Polish companies may create a risk of losing competitiveness and pushing Polish companies out of supply chains. This topic was addressed in a joint report by ING and PTWP Group, published during the European Economic Congress in April ([Poland in global supply chains. Global opportunities versus local risks](#)). We have also written about this in collective works: the Responsible Business Forum report: [Shared responsibility. The role of environmental management](#) and in the publication of the Institute for Responsible Finance and the UN Global Compact Network Poland: [Green Finance in Poland 2023](#).

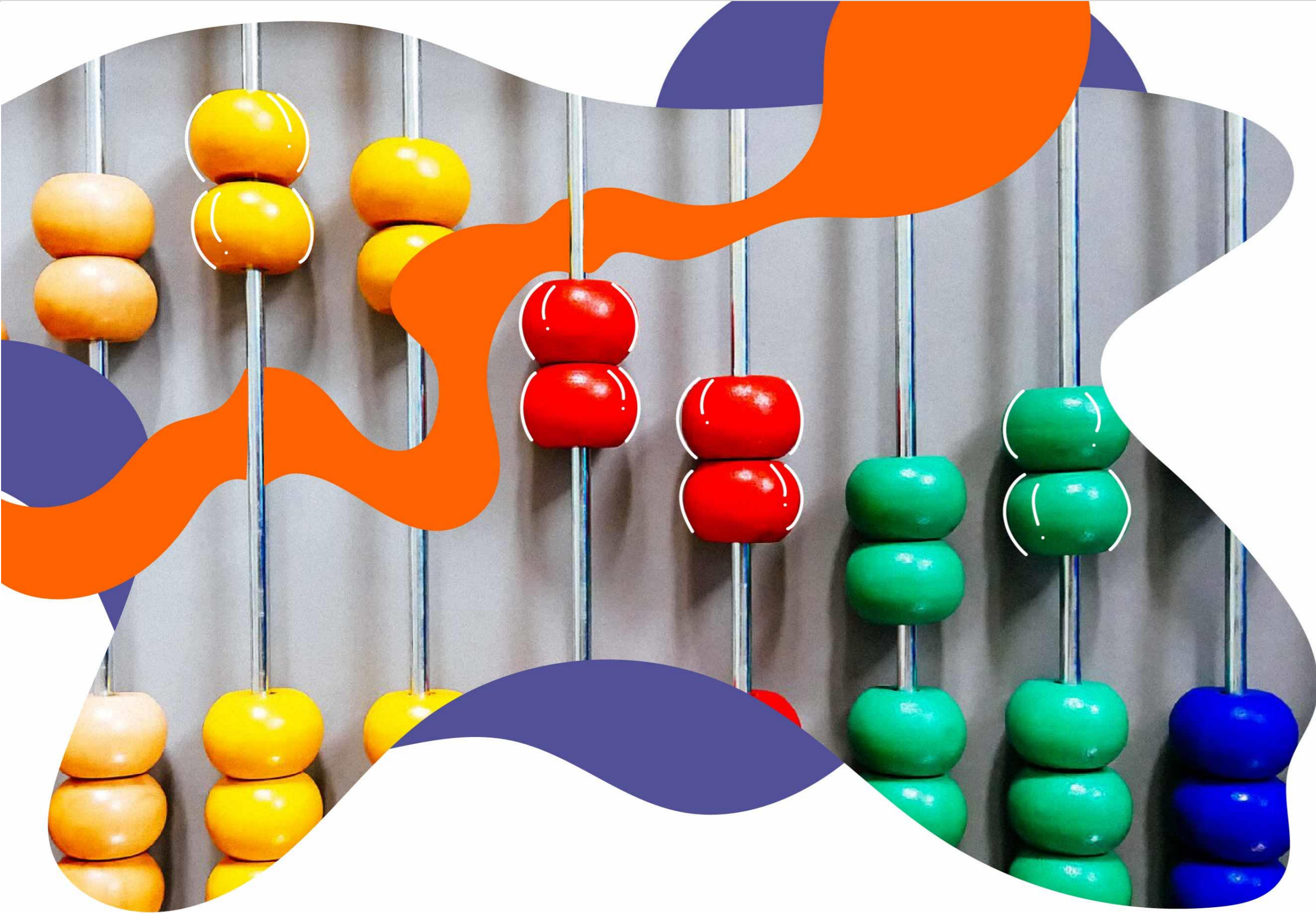
Art and sustainable development

Art and sustainable development – this was the title of the third edition of lunch course on art for ING employees (January-March 2023). This time, the ING Polish Arts Foundation joined forces with the ESG Innovations Expert Centre: during eight meetings, it showed how artists and the art world respond to issues that engage public attention. Works from the Foundation’s collection were used as a pretext for a broader discussion on the significant challenges of the contemporary world.

According to the idea of sustainability, the environment should be left in as good or better condition for future generations. Therefore, culture and art as “reviewers” should constantly prompt questions about lifestyles, inspire creative ideas and encourage critical thinking. During the webinars, participants sought answers to various questions by discussing works from the ING Polish Arts Foundation’s collection and other selected contemporary



artworks. They considered how they respond to environmental and social issues related to over-consumption, climate change, greenwashing, the idea of post-growth, diversity and equality. The lunch course is a format of short weekly online meetings for staff initiated by the Foundation during the pandemic. More than 150 people took part in the 2023 edition.



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 2022	H2 2022	H1 2023	Change H1 2023 to H1 2022
Income*	4,678.6	3,043.6	5,095.2	8.9%
Cost	-2,131.5	-1,510.6	-1,852.9	-13.1%
Risk cost	-334.8	-695.3	-285.0	-14.9%
Profit before tax	1,899.3	503.8	2,633.1	38.6%
Net profit**	1,365.8	348.6	2,008.1	47.0%
Balance sheet total	212,395.0	217,266.1	227,735.8	7.2%
Liabilities to clients	185,095.1	192,731.3	199,740.2	7.9%
Loans granted and other receivables, net	152,180.9	155,029.2	156,255.7	2.7%
Equity**	7,716.9	9,344.3	12,962.6	68.0%

*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 2022	H2 2022	H1 2023	Change H1 2023 to H1 2022
Cost share ratio (C/I)	45.6%	49.6%	36.4%	-9.2 p.p.
Return on assets ROA	1.31%	0.81%	1.07%	0.23 p.p.
ROE	19.7%	17.4%	24.2%	4.5 p.p.
ROE, adjusted*	16.1%	10.2%	13.5%	-2.6 p.p.
Interest margin ratio (cumulated, adjusted**)	3.16%	3.56%	3.53%	+0.37 p.p.
LTD ratio	82.2%	80.4%	78.2%	-3.9 p.p.
LCR	132%	152%	166%	+14 p.p.
NSFR	153%	156%	162%	+6 p.p.
LR according to transitional definition	6.34%	6.98%	6.72%	+0,39 p.p.
Total capital ratio	14.72%	16.22%	16.95%	+2.23 p.p.
Tier 1 capital ratio	13.16%	14.72%	15.47%	+2.31 p.p.

*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;

**Margin adjusted for the impact of credit holidays



Income statement

Basic consolidated Profit and Loss Account figures of the ING Bank Śląski S.A. Group for 2023 and changes for H1 2023 are presented in the table below.

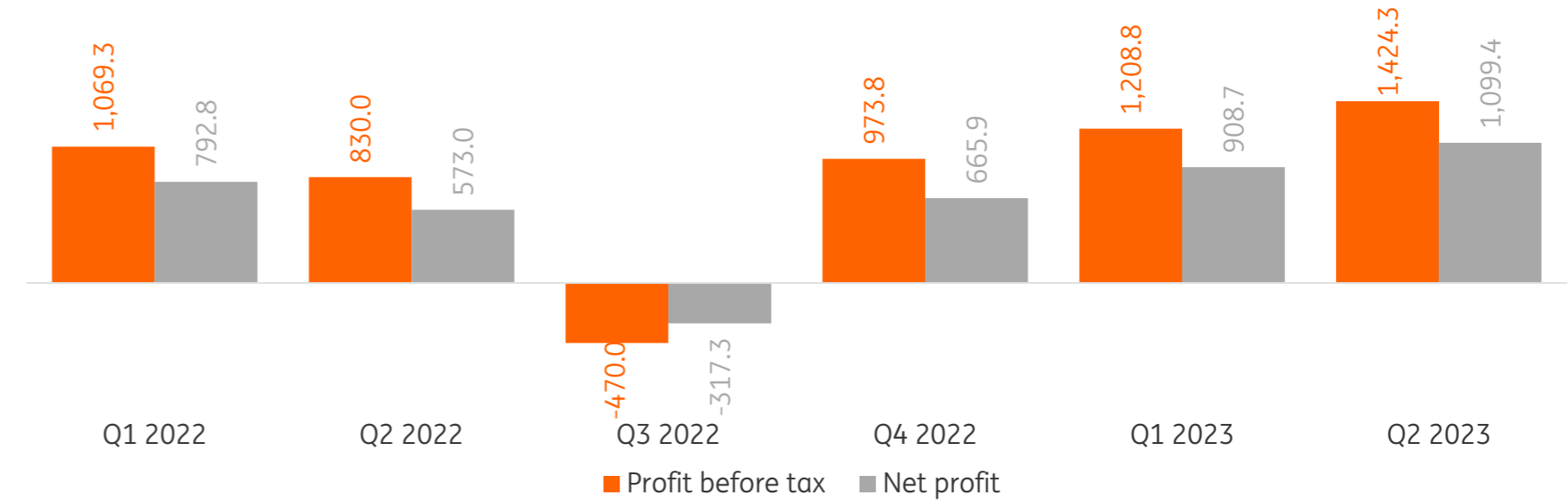
Basic figures in Consolidated Profit and Loss Account in analytical terms					
	H1 2022	H2 2022	H1 2023	Change H1 2023 to H1 2022	
PLN million				PLN million	%
Net interest income	3,631.1	1,982.9	3,914.4	283.3	7.8%
Net commission income	1,052.8	1,042.0	1,055.7	2.9	0.3%
Other income*	-5.3	18.7	125.1	130.4	-
Total income	4,678.6	3,043.6	5,095.2	416.6	8.9%
Operating expenses	-2,131.5	-1,510.6	-1,852.9	278.6	-13.1%
Allowances for expected credit losses and legal risk costs of FX mortgage loans	-334.8	-695.3	-285.0	49.8	-14.9%
Bank tax	-313.0	-333.9	-324.2	-11.2	3.6%
Gross profit	1,899.3	503.8	2,633.1	733.8	38.6%
Income tax	-533.5	-155.2	-625.0	-91.5	17.2%
Net result attributable to non-controlling shareholders	0.0	0.0	0.0	0.0	-
Net financial profit/loss	1,365.8	348.6	2,008.1	642.3	47.0%

*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 2023, the ING Bank Śląski S.A. Group posted the net profit attributable to the shareholders of the parent entity of PLN 2,008.1 million. That implies that the net profit increased by 47.0% versus H1 2022. The gross result amounted to PLN 2,633.1 million (+38.6% y/y).

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



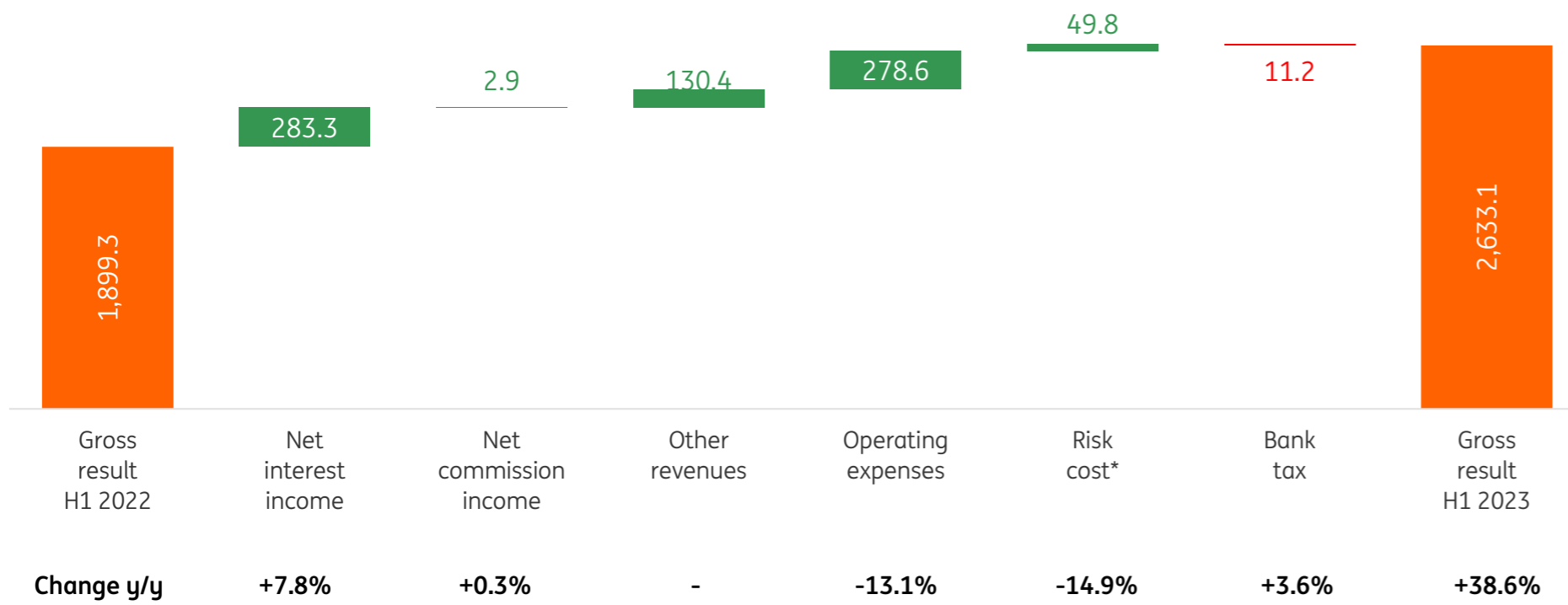
The increase of the profit before tax for H1 2023 by PLN 733.8 million or 38.6% versus H1 2022 was mainly due to:

- net interest income, which was up by PLN 283.3 million (+7.8% y/y),
- an increase in other income of PLN 130.4 million (loss a year earlier),
- a decrease in operating expenses by PLN 278.6 million (-13.1% y/y),
- a decrease in the cost of risk by PLN 49.8 million (-14.9% y/y).

The elements positively influencing the level of gross profit were partly amortised by the increase in the bank tax charge (up by PLN 11.2 million, +3.6% y/y).



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



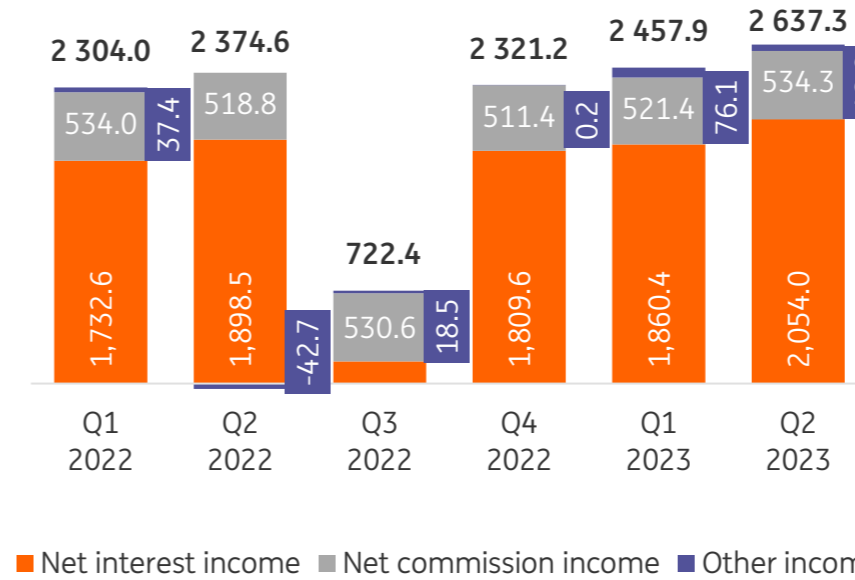
*including costs of legal risk of FX mortgage loans

Income

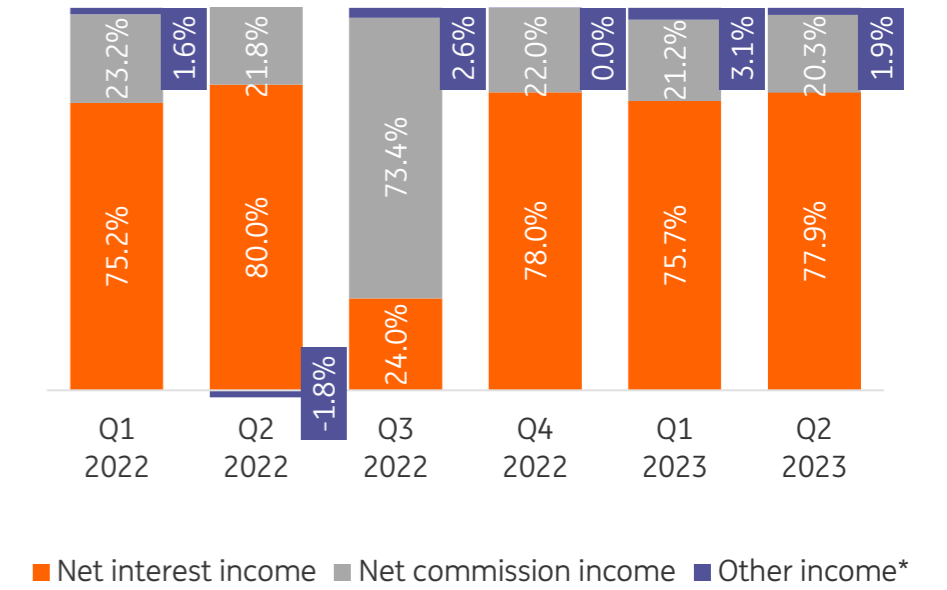
In H1 2023, total income of the ING Bank Śląski S.A. Group amounted to PLN 5,095.2 million. That means that the improvement compared to H1 2022 was PLN 416.6 million or 8.9% and was mainly driven by higher net interest income.

In H1 2023, the corporate segment was the main income growth contributor. Its income was up by PLN 506.9 million, or 20.4%, to up to the level of PLN 2,989.4 million. Consequently its share in the structure was up by 5.6 p.p. to the level of 58.7%. Income of the retail segment decreased by PLN 90.3 million, or 4.1%, to PLN 2,105.8 million.

Income* by income statement categories (PLN million)

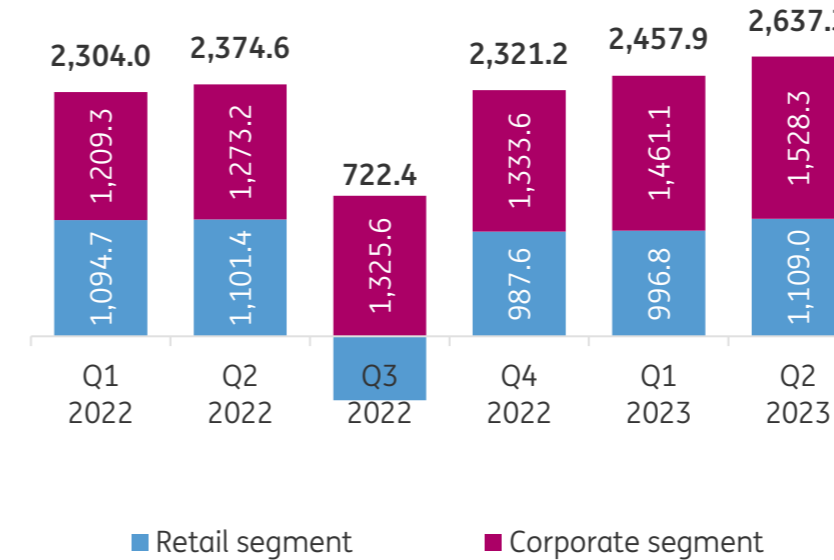


Income structure*

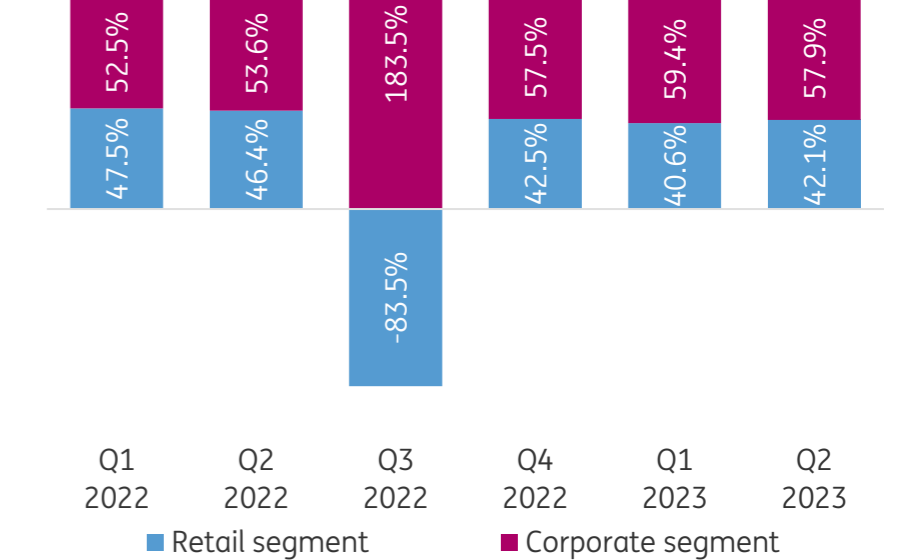


*including the share in net profits of associated entities accounted for using the equity method

Income* breakdown by segments (PLN million)



Income structure*



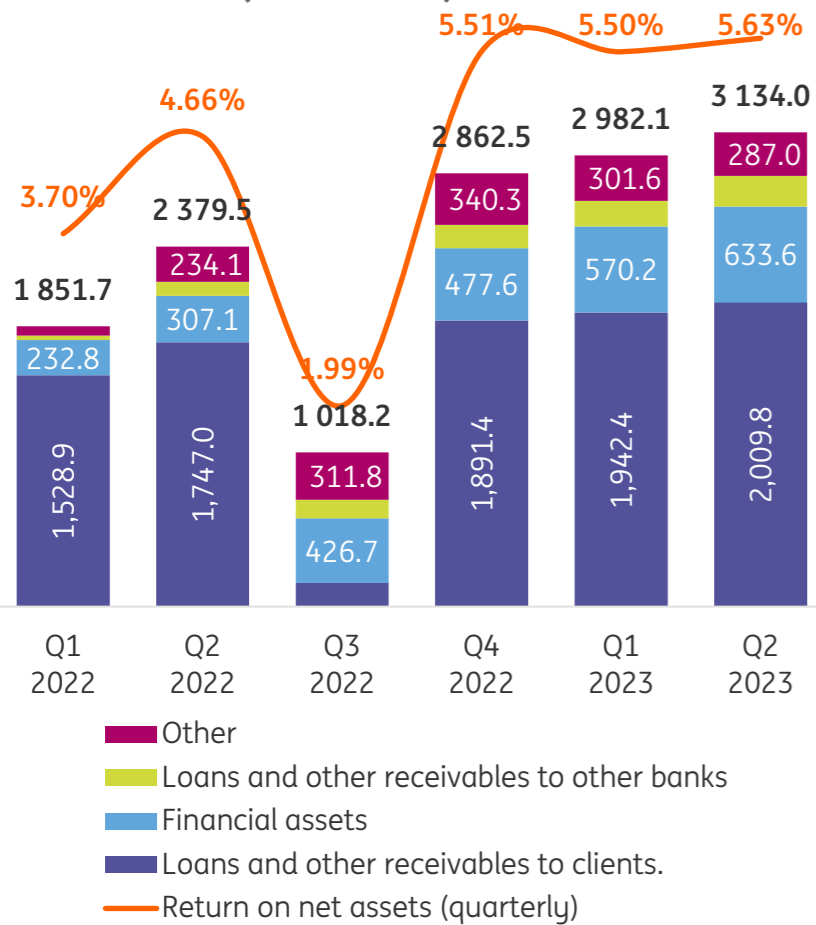
*including the share in net profits of associated entities accounted for using the equity method



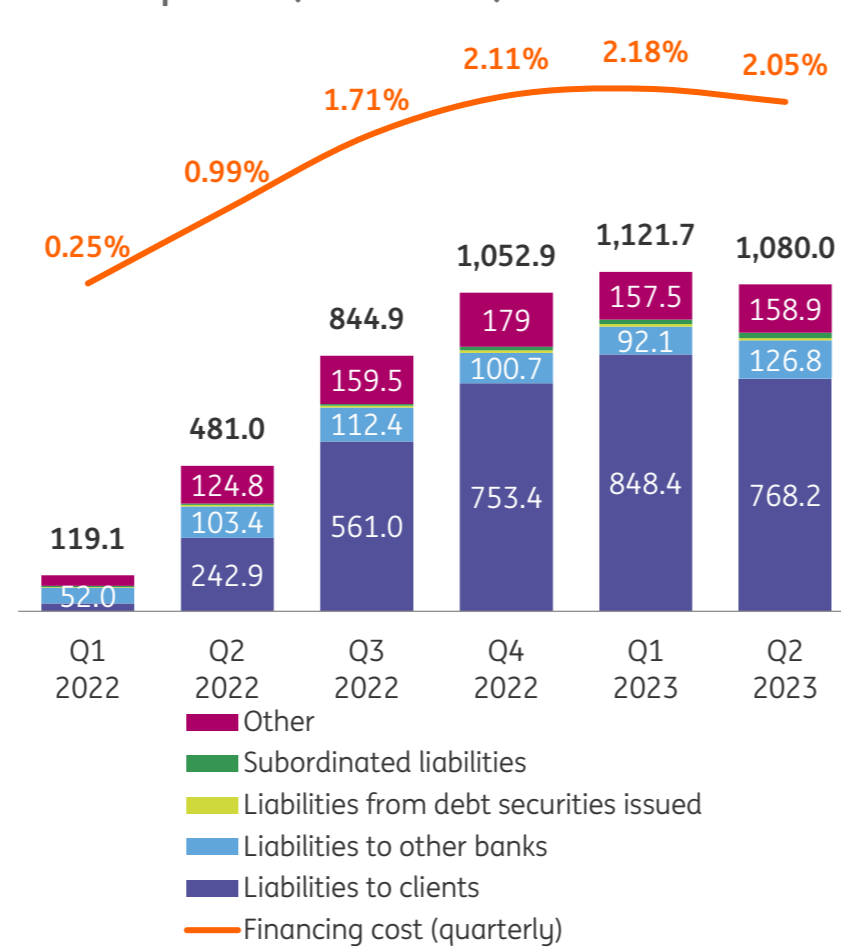
Net interest income

In H1 2023, interest income was up by 44.5% compared to H1 2022, mainly due to higher interest on loans and other receivables from clients. On the other hand, interest expenses were up by 266.9% y/y, mainly due to higher costs of liabilities to clients. Consequently, the net interest income was up by 7.8% y/y, i.e. by PLN 283.3 million to the level of PLN 3,914.4 million. Due to the higher interest rate environment in H1 2023 (the interest rate hike cycle ended in September 2022), the bank's interest margin was improving (rising WIBOR rates, increased maximum lending rates, changes in the amount and interest rate of reserve requirements, rising yields on treasury securities).

Interest income (PLN million)

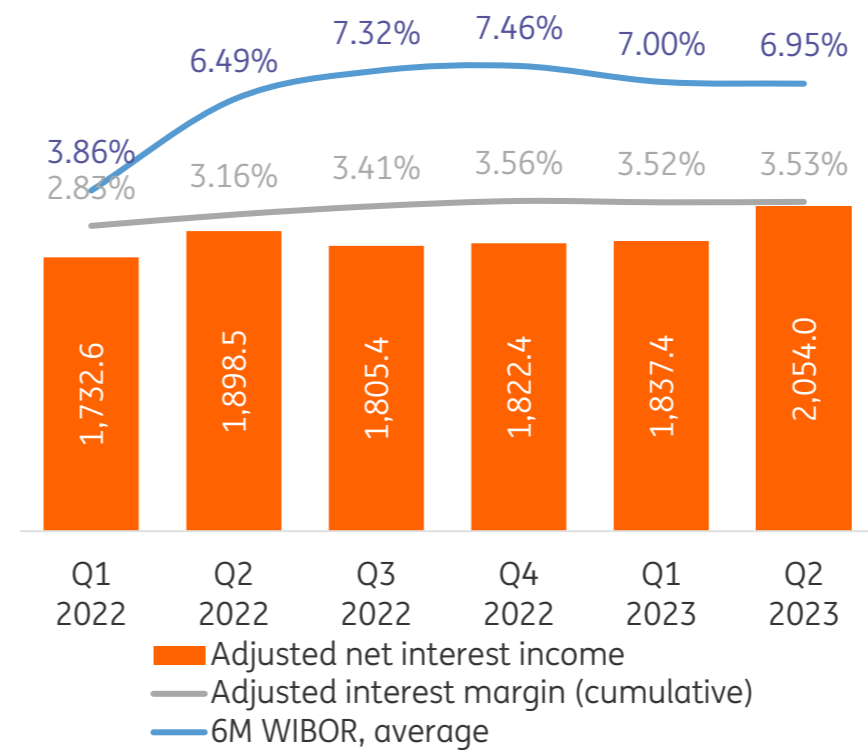


Interest expenses (PLN million)



Adjusting the figures for the impact of credit holiday costs, our bank's interest margin increased as a result of the rise in interest rates. The cumulated interest margin increased from 3.16% after H1 2022 to 3.53% at the end of H1 2023.

Adjusted* net interest income (PLN million) and adjusted* interest margin against average 6M WIBOR



*After adjustment for the impact of interest holidays for mortgages

Net fee and commission income

In H1 2023, net fee and commission income of the ING Bank Śląski S.A. Group was up by PLN 2.9 million or by 0.3% compared to H1 2022 to PLN 1,055.7 million.

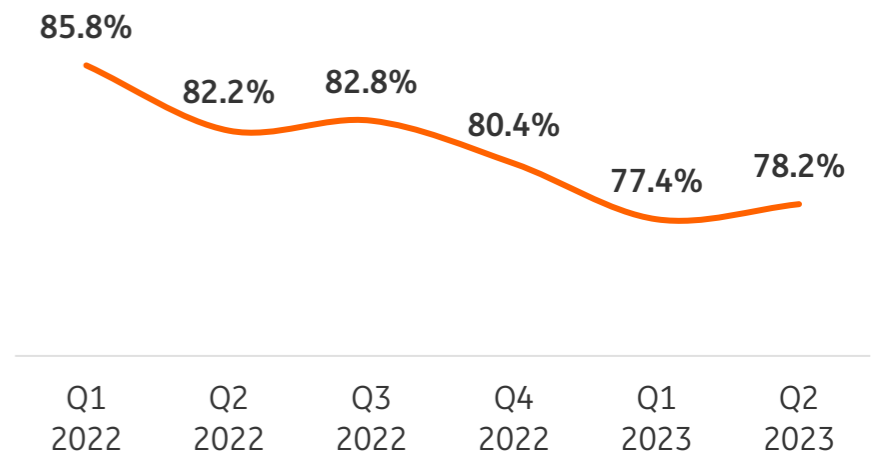
The most significant increase in fee and commission income was recorded for the following items:

- fees and commissions for providing financing – by PLN 24.2 million (+9.5% y/y),
- FX transaction fees and commissions – by PLN 6.2 million (+1.8% y/y),
- fees and commissions for insurance products – by PLN 3.4 million (+3.1% y/y).

These increases were largely offset by decreases in income in the following categories:

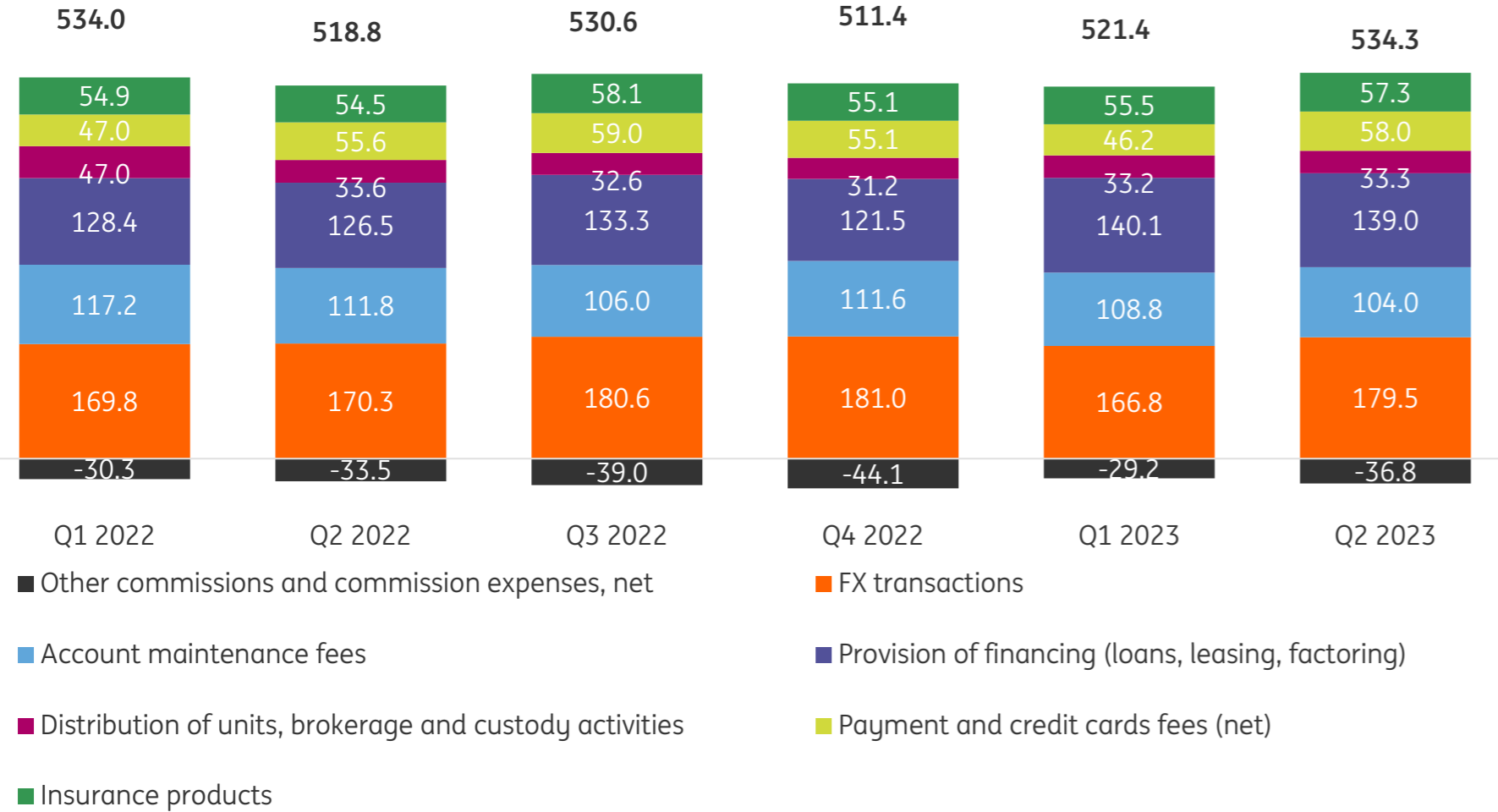
- account fees and commissions – by PLN 16.2 million (-7.1% y/y),
- fees and commissions for unit distribution, brokerage and custody activities – by PLN 14.1 million (-17.5% y/y).

LTD ratio





Net fee and commission income (PLN billion)



Other income

In H1 2023, the Group's other income (including the share in the net result of associated entities accounted for under the equity method) amounted to PLN 125.1 million and was up by PLN 130.4 million versus the first half of the previous year. The increase is due to an improvement in the result on financial instruments measured at fair value through profit or loss and the result on FX positions. Income from this category improved by PLN 106.2 million y/y in H1 2023.

Operating expenses

In H1 2023, the ING Bank Śląski S.A. Group's operating expenses (including bank tax) decreased by 10.9% y/y to PLN 2,177.1 million.

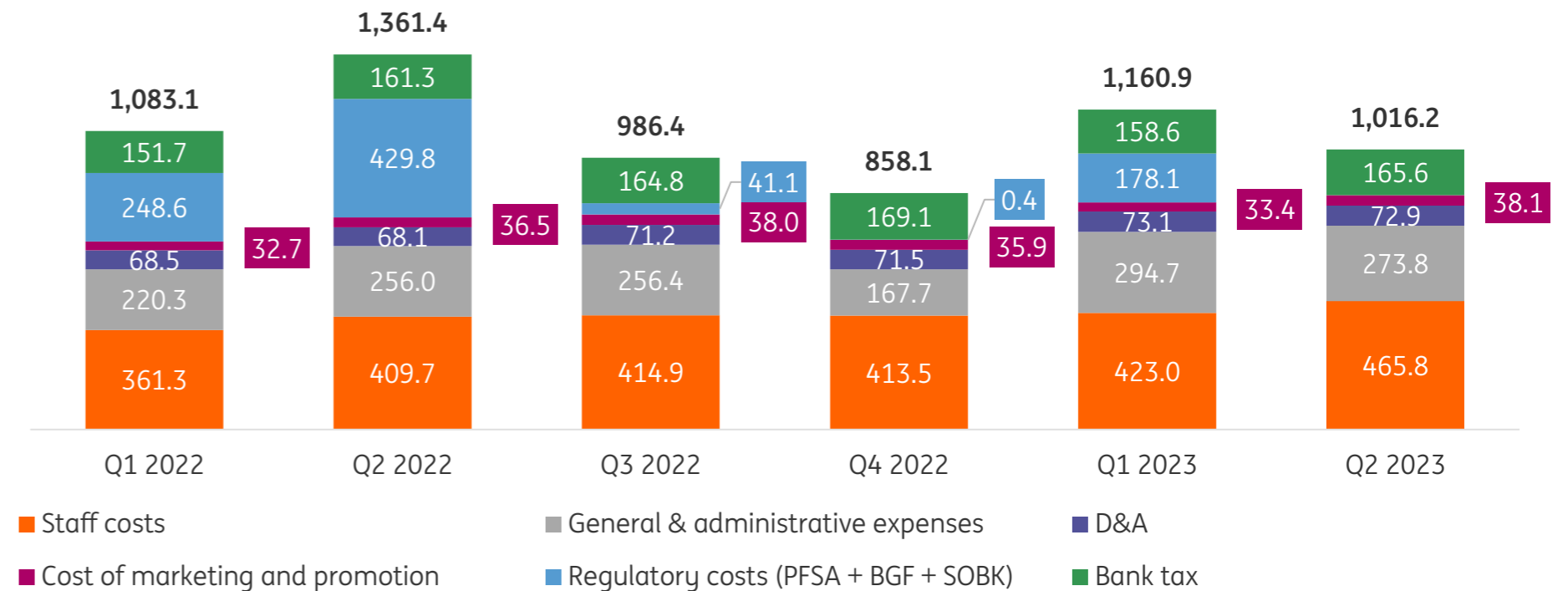
The comparability of operating expenses between 2023 and 2022 is hampered by regulatory costs. In H1 2022, we recognised in operating expenses the costs related to the establishment of the Commercial Bank Protection System

(PLN 429.8 million) and the contribution to the BGF Deposit Guarantee Fund (PLN 53.8 million). In 2023, there are no such elements in our costs. On the other hand, the contribution to the BGF's Forced Restructuring Fund was PLN 73.0 million lower y/y in 2023, and the cost of supervision of the PFSA was 2.5 million higher y/y. Costs incurred for bank tax amounted to PLN 324.2 million in H1 2023, 3.6% higher than a year earlier.

Our own costs (excluding regulatory costs and bank tax) increased by PLN 221.7 million (+15.3% y/y) in H1 2023. This is due, among other things, to an increase in wage costs (+15.3% y/y), general and administrative expenses (+19.4% y/y; here we see high dynamics in IT costs – 17.1% y/y, or property costs – 23.4% y/y). Marketing and promotion costs were relatively stable (+3.3% y/y). Depreciation and amortisation costs increased by 6.9% compared to the first half of the previous year.

Employment in the ING Bank Śląski S.A. Group increased slightly (8,494 FTEs at the end of June 2023 compared to 8,441 FTEs at the end of June 2022 and 8,358 FTEs at the end of 2022).

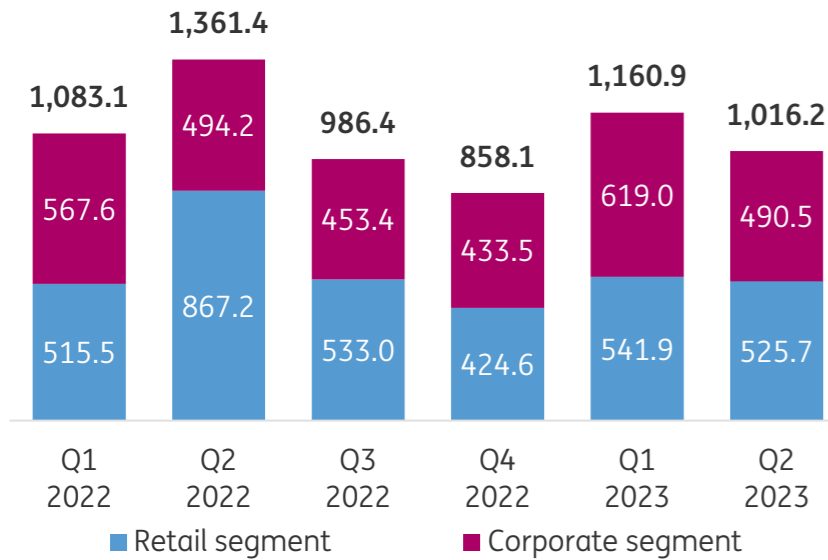
Operating expenses (PLN million)



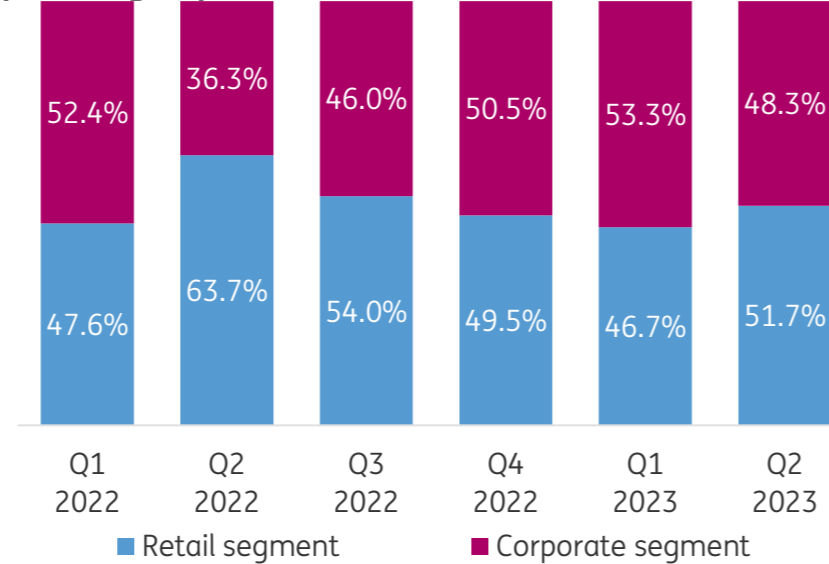
The operating expenses (including bank tax) of the retail segment decreased by PLN 315.1 million y/y (-22.8%) to PLN 1,067.6 million, while the operating expenses of the corporate segment increased by PLN 47.7 million y/y (+4.5%) to PLN 1,109.5 million. Consequently, the share of the retail segment in expenses dropped by 7.5 p.p. to 49.0% compared to H1 2022.



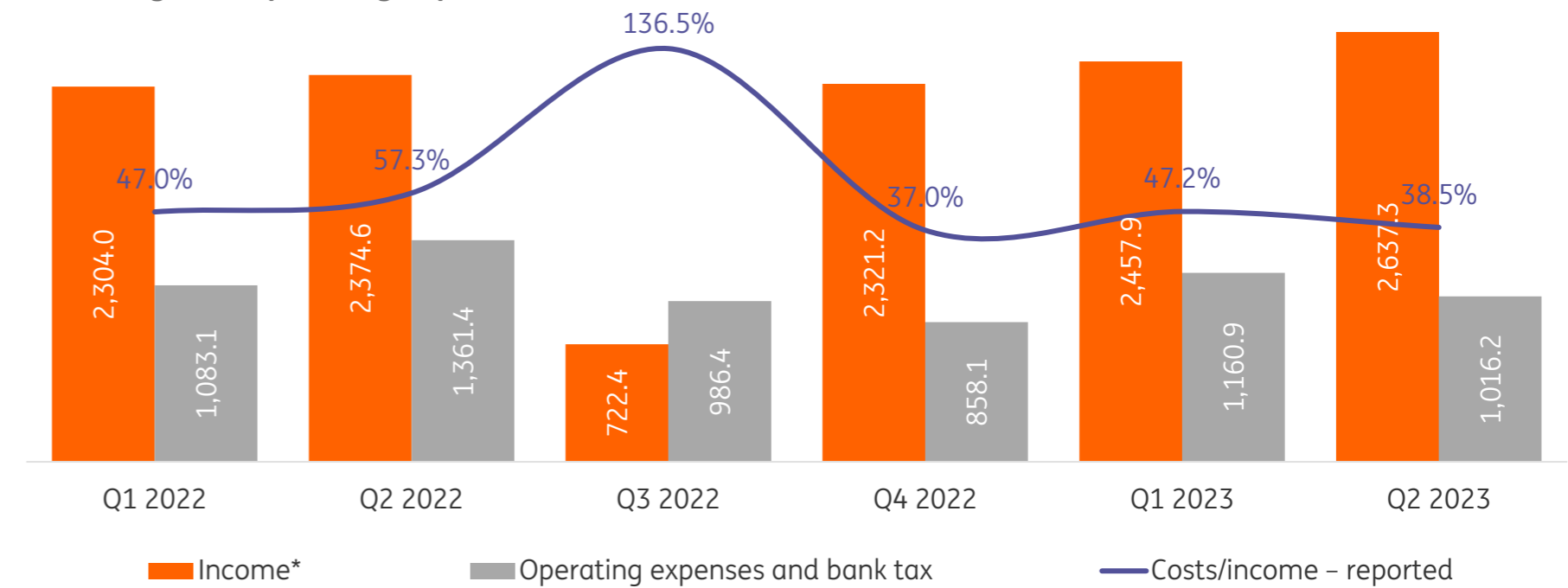
Operating expenses* by segment (PLN million)



Operating expenses structure*



Income* against operating expenses and bank tax (PLN million) and cost/income ratio



*Including bank tax

Due to the increase in revenue and the decrease in operating expenses (including the bank tax), the efficiency ratio – costs to revenue – improved in H1 2023 compared to the previous year. It was 42.7%, which means it was down by 9.5 p.p. y/y. The ratio of own costs alone (excluding regulatory costs and bank tax) to revenue was 32.9% in H1 2023 (+1.8 p.p. y/y).

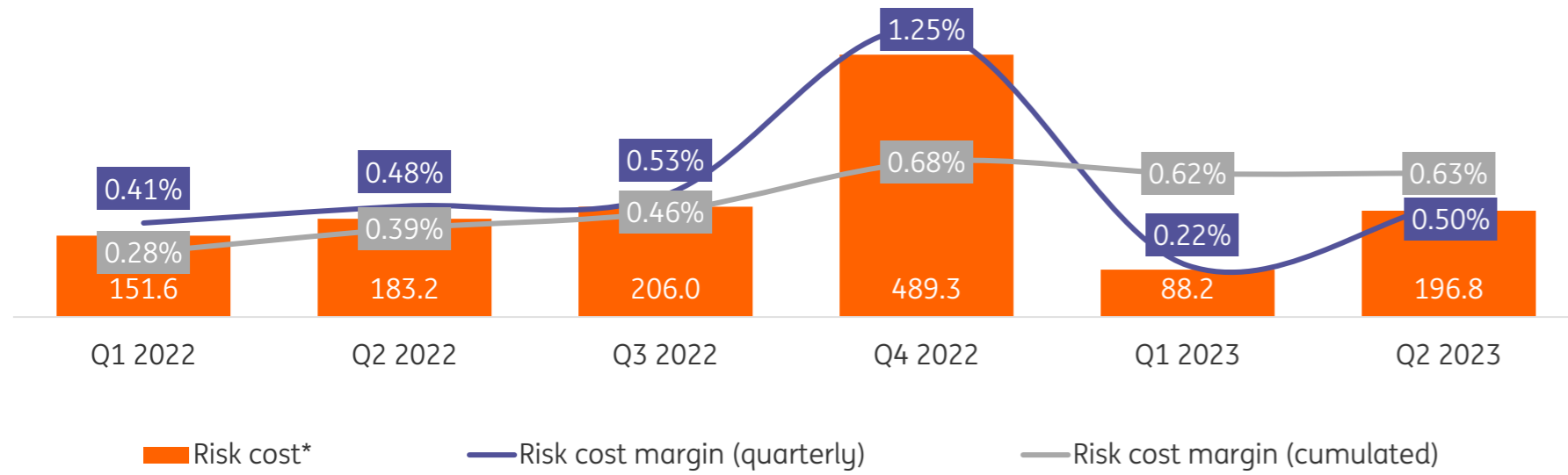
*including the share in net profits of associated entities accounted for using the equity method

Allowances for expected losses

In H1 2023, the ratio of the cumulative risk cost margin (the ratio of the allowance for expected losses and legal risk costs of FX mortgage loans to the gross loan portfolio) increased to 0.63% from 0.39% in the previous year. In the retail segment, the cumulative cost of risk margin (including legal risk costs of FX mortgage loans) increased from 0.41% in H1 2022 to 0.77% in H1 2023. This was due to a PLN 293.0 million provision for the legal risk of FX mortgage loans in H2 2022 against PLN 56.4 million in H2 2021. In the corporate segment, the cumulative cost of risk margin increased from 0.36% in H1 2022 to 0.53% in H1 2023.



Consolidated allowance for expected net credit losses and legal risk costs of FX mortgage loans (PLN million)

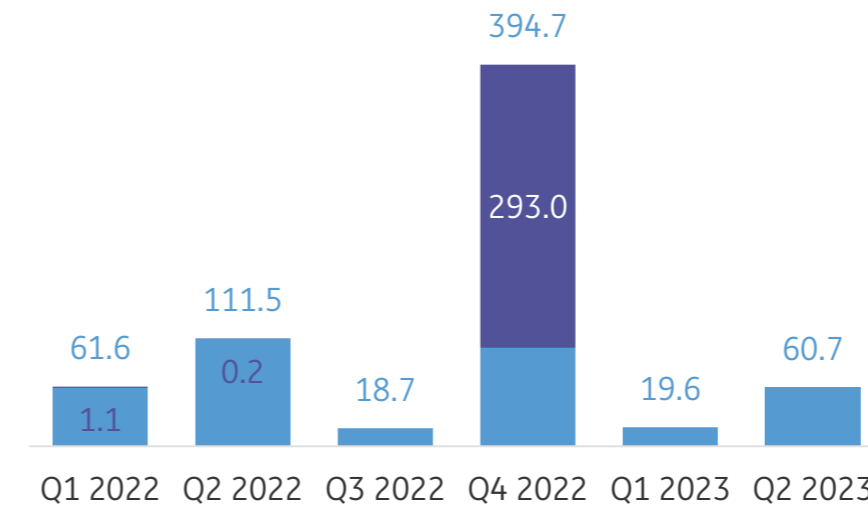


*Allowance for expected losses and legal risk costs of FX mortgage loans

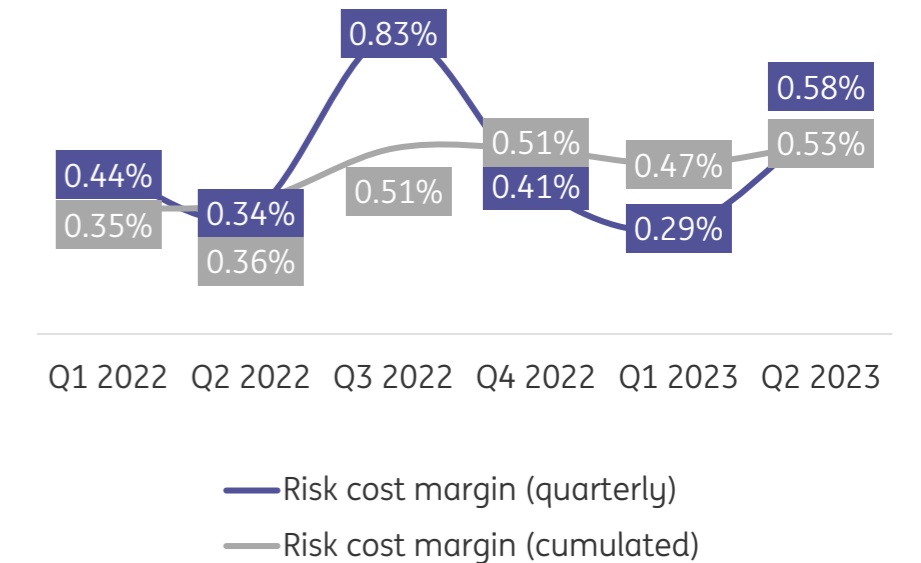
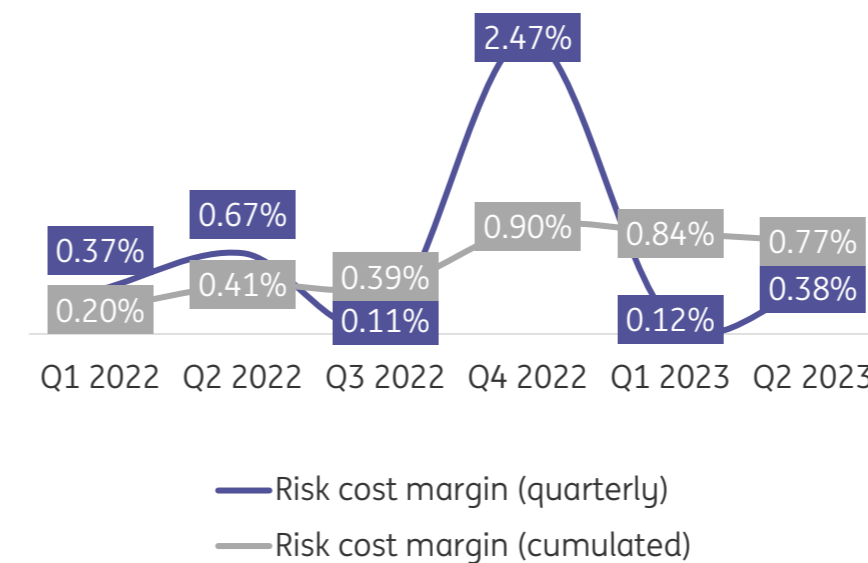
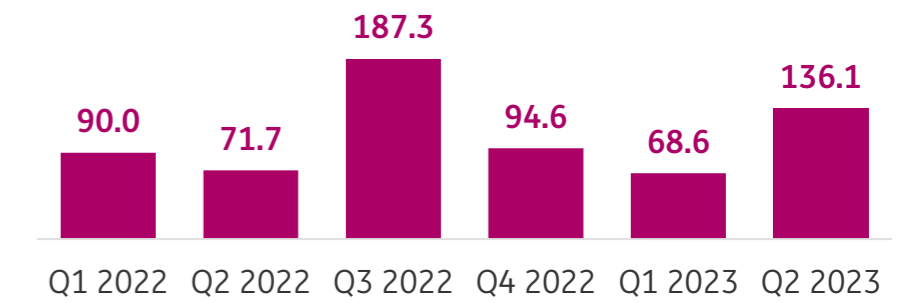
In H1 2023, the change in macroeconomic parameters in the models had a positive impact on the level of expected credit loss allowances (decreasing) of PLN 46.3 million (PLN -2.9 million in the retail segment and PLN -43.4 million in the corporate segment), while in H1 2022 the impact was negative on the level of allowances (increasing) of PLN 58.7 million.

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. We did not carry out a similar transaction during the first six months of 2023.

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



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



Income tax

In H1 2023, the ING Bank Śląski S.A. Group recorded income tax in the amount of PLN 625.0 million. It was up by 17.2% compared to the previous year. The effective tax rate was 23.7% compared to 28.1% a year earlier.

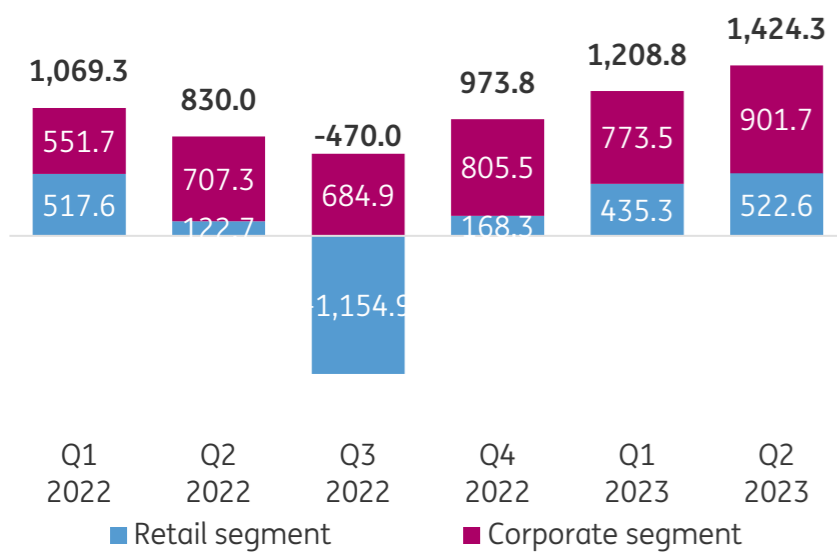


Report by business segment

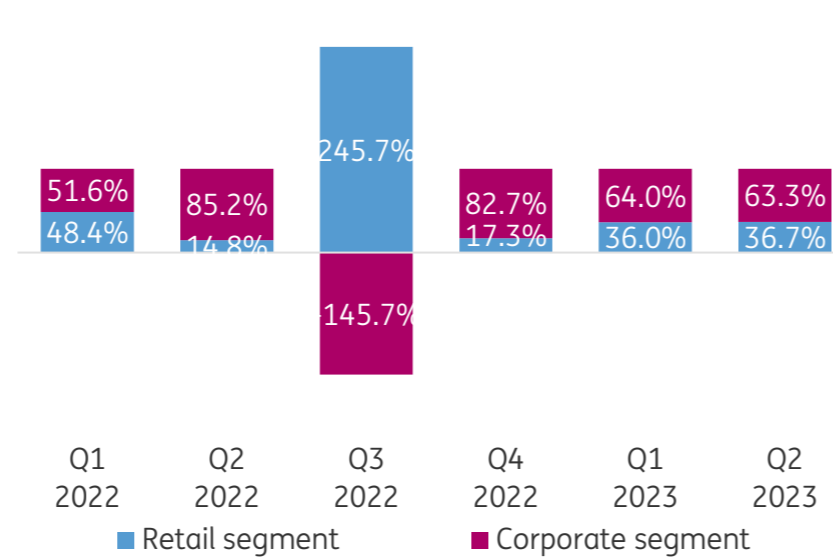
Our Bank's business model is divided into two major segments:

- 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 2023, results of the retail banking segment and of the corporate banking segment accounted for 36.4% and 63.6% of the Group's result before tax respectively (last year: 33.7% and 66.3% respectively).

Result before tax in retail banking segment

	H1 2022	H2 2022	H1 2023	Change H1 2023 to H1 2022	
PLN million				PLN million	%
Net interest income	1,878.6	33.4	1,813.6	-65.0	-3.5%
Net commission income	305.2	275.0	273.4	-31.8	-10.4%
Other income*	12.3	76.0	18.8	6.5	52.8%
Total income	2,196.1	384.4	2,105.8	-90.3	-4.1%
Operating expenses	-1,257.9	-835.8	-953.3	304.6	-24.2%
Risk cost**	-173.1	-413.4	-80.3	92.8	-53.6%
Bank tax	-124.8	-121.8	-114.3	10.5	-8.4%
Gross profit	640.3	-986.6	957.9	317.6	49.6%

*including net income of associated entities accounted for using the equity method; **including legal costs of FX mortgage loans

Result before tax in corporate banking segment

	H1 2022	H2 2022	H1 2023	Change H1 2023 to H1 2022	
PLN million				PLN million	%
Net interest income	1,752.5	1,949.5	2,100.8	348.3	19.9%
Net commission income	747.6	767.0	782.3	34.7	4.6%
Other income*	-17.6	-57.3	106.3	123.9	-
Total income	2,482.5	2,659.2	2,989.4	506.9	20.4%
Operating expenses	-873.6	-674.8	-899.6	-26.0	3.0%
Risk cost	-161.7	-281.9	-204.7	-43.0	26.6%
Bank tax	-188.2	-212.1	-209.9	-21.7	11.5%
Gross profit	1,259.0	1,490.4	1,675.2	416.2	33.1%

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

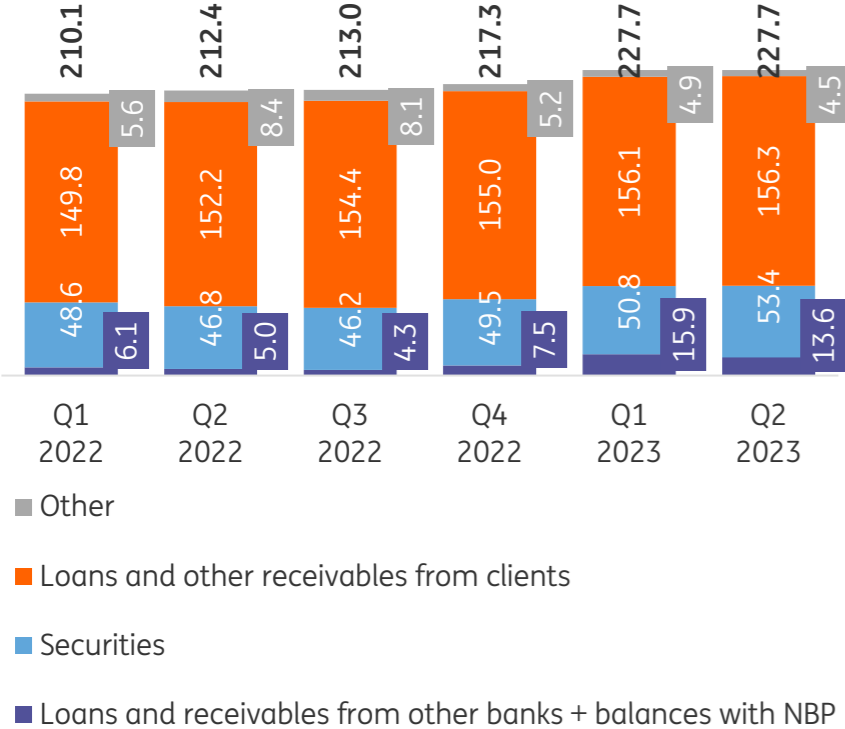


Statement of financial position

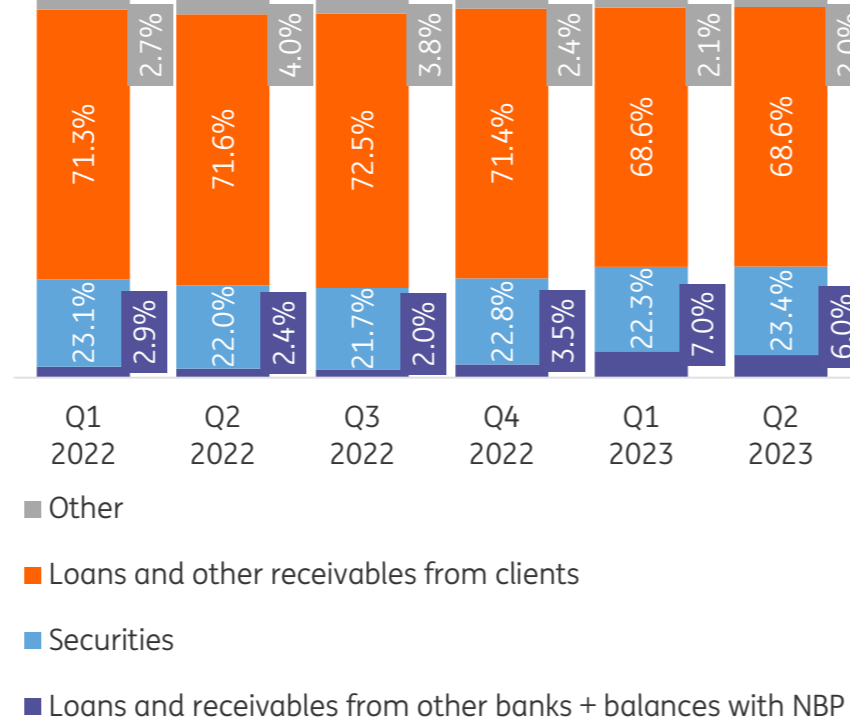
Assets

Total assets of the Group of ING Bank Śląski S.A. amounted to PLN 227.7 billion at the end of June 2023. This implies that they were up by 4.8% (PLN 10.5 billion) compared to the end of 2022. The main driver of the growth was the portfolio of loans and receivables from other banks and funds in the NBP (up by PLN 6.1 billion, +80.8%). On the other hand, the portfolio of receivables from clients increased by PLN 1.2 billion relative to the end of 2022 (+0.8%) and represents the most significant item in the asset structure (68.6%).

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

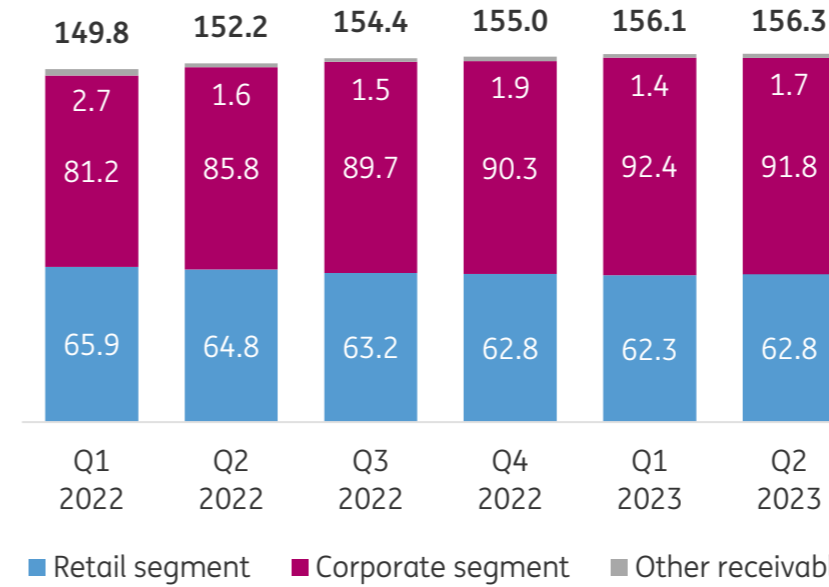


Structure of assets of the ING Bank Śląski Group

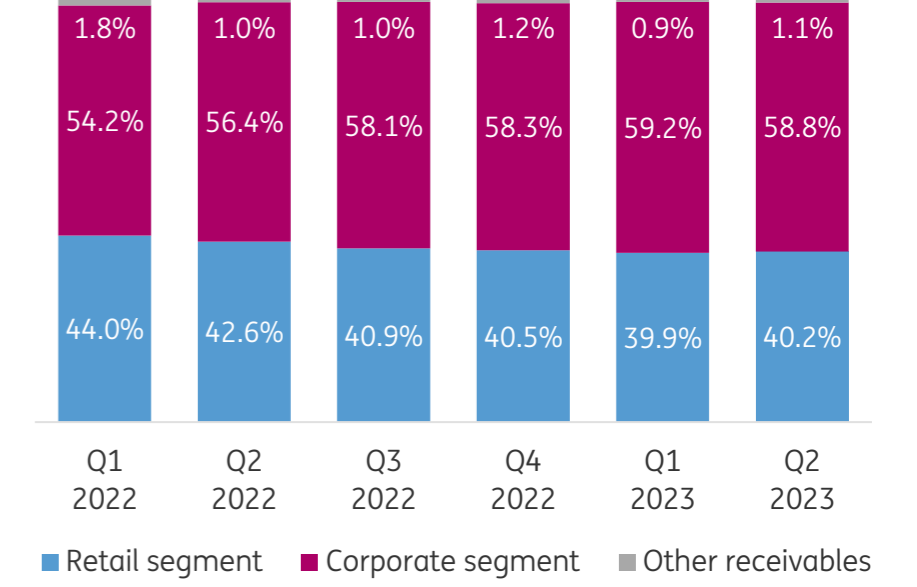


Retail segment receivables maintained their level relative to the end of 2022 (-0.1%), while corporate segment receivables increased by PLN 1.5 billion (+1.6%). As a result, the share of the corporate segment in overall receivables grew up to 58.8% versus 58.3% at the end of 2022.

Net loans* by segment (PLN billion)



Net lending structure*



*loans and other receivables from clients

Net receivables from clients

	June 2022	December 2022	June 2023	Change June 2023 to June 2022	
PLN million				PLN million	%
measured at amortized cost	63.2	54.6	42.3	-20.9	-33.1%
measured at fair value through P&L account	152,117.7	154,974.6	156,213.4	4,095.7	2.7%
Total	152,180.9	155,029.2	156,255.7	4,074.8	2.7%



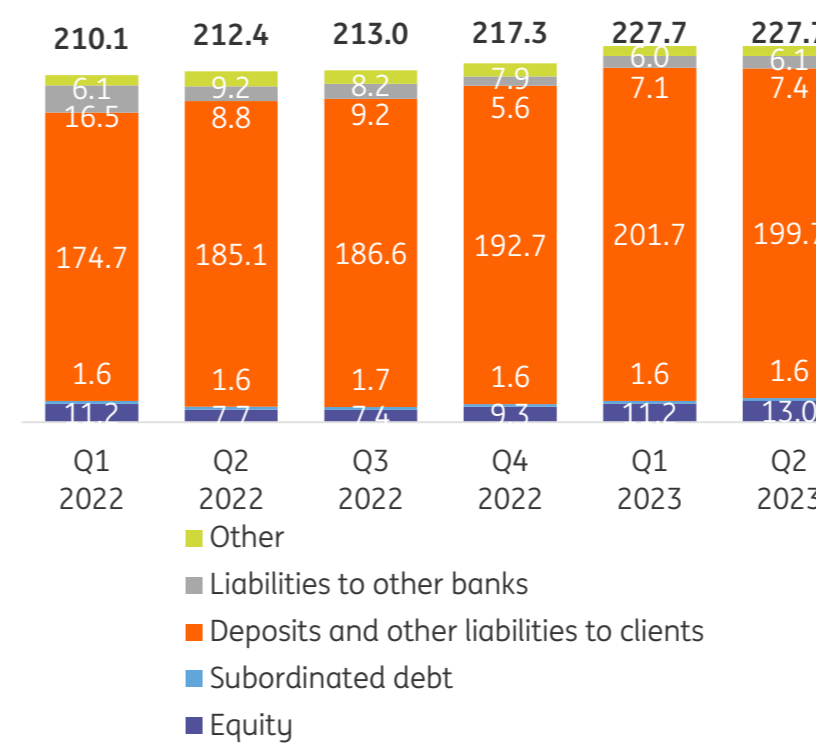
Net receivables from clients measured at amortised cost

	June 2022	December 2022	June 2023	Change June 2023 to June 2022	
PLN million				PLN million	%
Loan portfolio, of which:	150,563.3	153,091.2	154,550.0	3,986.7	2.6%
households	74,735.1	72,715.0	73,111.6	-1,623.5	-2.2%
business entities	72,960.9	77,308.6	78,378.5	5,417.6	7.4%
central and local government institutional sector	2,867.3	3,067.6	3,059.9	192.6	6.7%
Total, of which:	150,563.3	153,091.2	154,550.0	3,986.7	2.6%
Corporate banking	85,782.8	90,285.8	91,783.3	6,000.5	7.0%
overdraft facilities	15,202.6	14,960.8	15,697.1	494.5	3.3%
terms loans and borrowings	49,367.6	51,502.1	52,722.3	3,354.7	6.8%
lease receivables	11,090.0	12,363.5	11,894.3	804.3	7.3%
factoring receivables	6,823.8	7,682.0	7,228.2	404.4	5.9%
debt securities	3,298.8	3,777.4	4,241.4	942.6	28.6%
Retail banking	64,780.5	62,805.4	62,766.7	-2,013.8	-3.1%
mortgage loans and borrowings,	56,671.6	54,886.5	54,689.7	-1,981.9	-3.5%
overdraft facilities	626.5	634.0	625.6	-0.9	-0.1%
other loans and borrowings	7,482.4	7,284.9	7,451.4	-31.0	-0.4%
Other receivables, of which:	1,554.4	1,883.4	1,663.4	109.0	7.0%
opened call deposits	474.3	827.6	677.0	202.7	42.7%
other receivables	1,080.1	1,055.8	986.4	-93.7	-8.7%
Total	152,117.7	154,974.6	156,213.4	4,095.7	2.7%

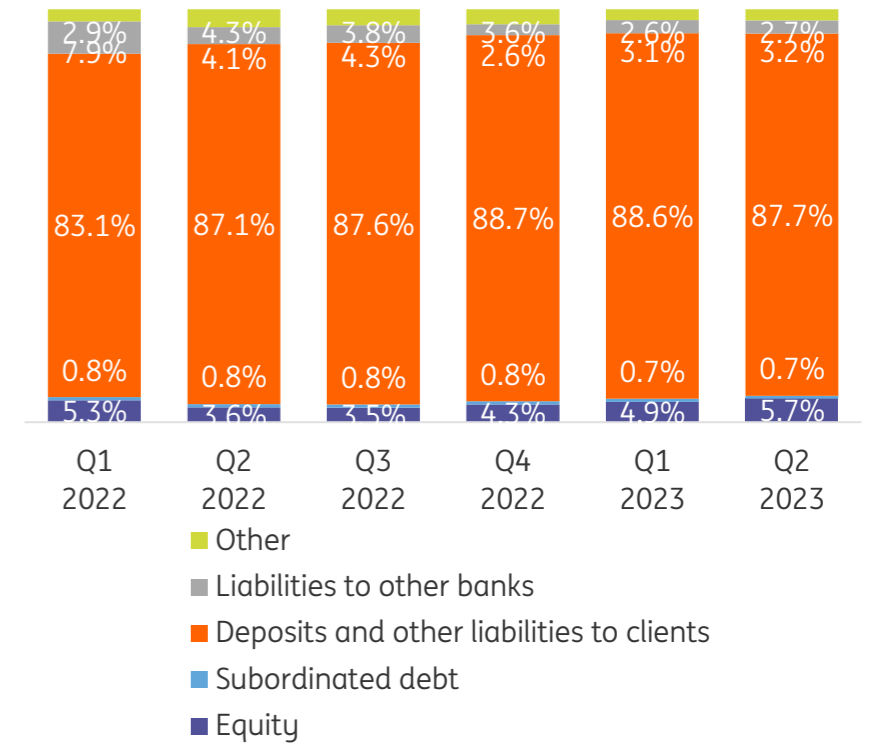
Liabilities

The dominant source of financing of the ING Bank Śląski S.A. Group's operations was clients' funds. At the end of June 2023, liabilities to clients amounted to PLN 199.7 billion, or 87.7% of total liabilities. The bank's equity accounted for 5.7% of total assets and stood at PLN 13.0 billion at the end of June 2023. The increase relative to the end of 2022 of PLN 3.6 billion was due to the net profit generated in the first half of the year and also the positive contribution of accumulated other comprehensive income from cash flow hedging.

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



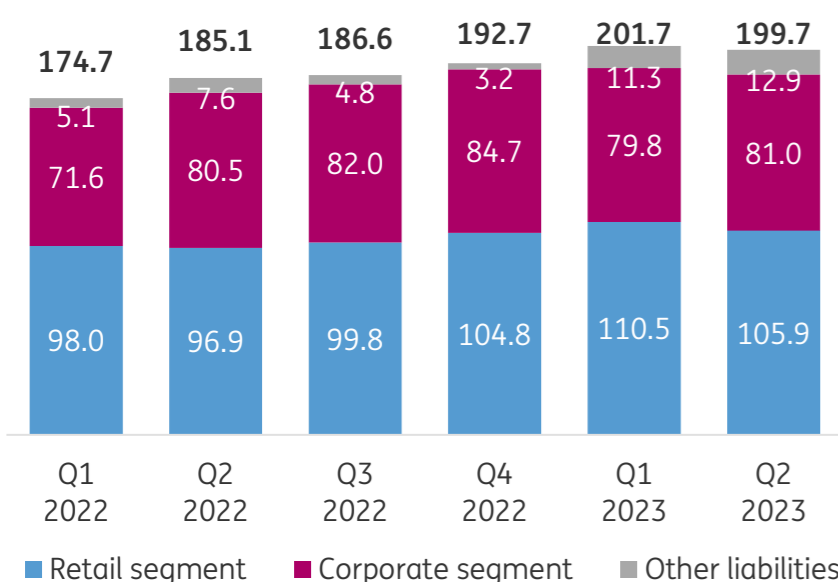
Structure of the ING Bank Śląski S.A. Group liabilities



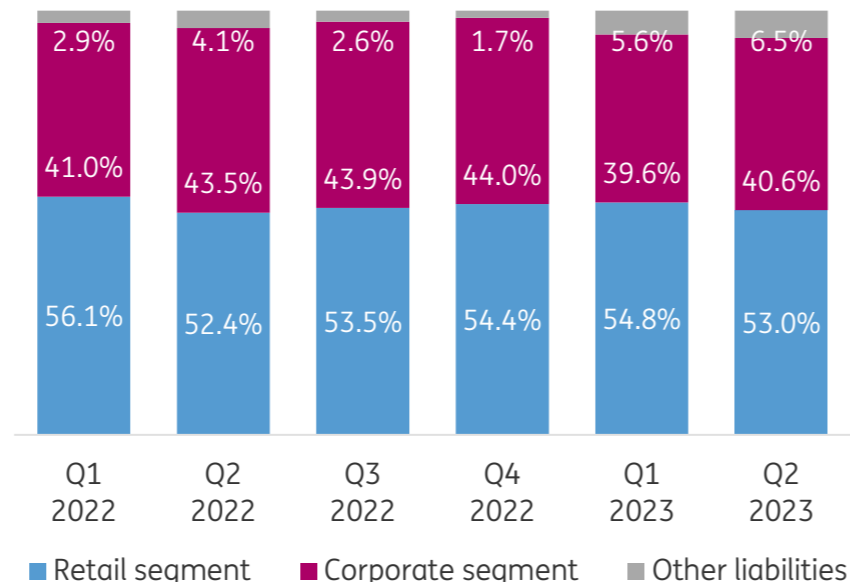
The increase of 3.6% or PLN 7.0 billion in deposits and other liabilities to clients relative to the end of 2022 was generated by other liabilities (+PLN 9.7 billion) and the retail segment (PLN +1.1 billion) with a decrease in the corporate segment (PLN -3.7 billion).



Deposits* by segment (PLN billion)



Structure of deposits*



*deposits and other liabilities vis-a-vis clients

Liabilities portfolio vis-a-vis clients

PLN million	June 2022	December 2022	June 2023	Change June 2023 versus June 2022	
				PLN million	%
Deposits, of which:	177,452.2	189,538.3	186,849.3	9,397.1	5.3%
households	109,814.5	118,537.0	119,115.8	9,301.3	8.5%
business entities	60,234.7	64,316.1	60,823.0	588.3	1.0%
central and local government institutional sector	7,403.0	6,685.2	6,910.5	-492.5	-6.7%
Total, of which:	177,452.2	189,538.3	186,849.3	9,397.1	5.3%
Corporate banking	80,532.4	84,738.9	80,998.5	466.1	0.6%
current deposits	53,822.3	53,716.8	51,064.9	-2,757.4	-5.1%
saving deposits	13,204.3	18,053.5	16,656.5	3,452.2	26.1%
term deposits	13,505.8	12,968.6	13,277.1	-228.7	-1.7%
Retail banking	96,919.8	104,799.4	105,850.8	8,931.0	9.2%
current deposits	28,841.3	27,530.3	28,170.6	-670.7	-2.3%
saving deposits	65,171.9	69,381.1	64,598.9	-573.0	-0.9%
term deposits	2,906.6	7,888.0	13,081.3	10,174.7	350.1%
Other liabilities, including:	7,642.9	3,193.0	12,890.9	5,248.0	68.7%
liabilities under monetary hedges	646.1	742.9	752.1	106.0	16.4%
transactions with repo agreements	5,354.0	0.0	10,894.2	5,540.2	103.5%
other liabilities	1,642.8	2,450.1	1,244.6	-398.2	-24.2%
Total	185,095.1	192,731.3	199,740.2	14,645.1	7.9%

Credit portfolio quality

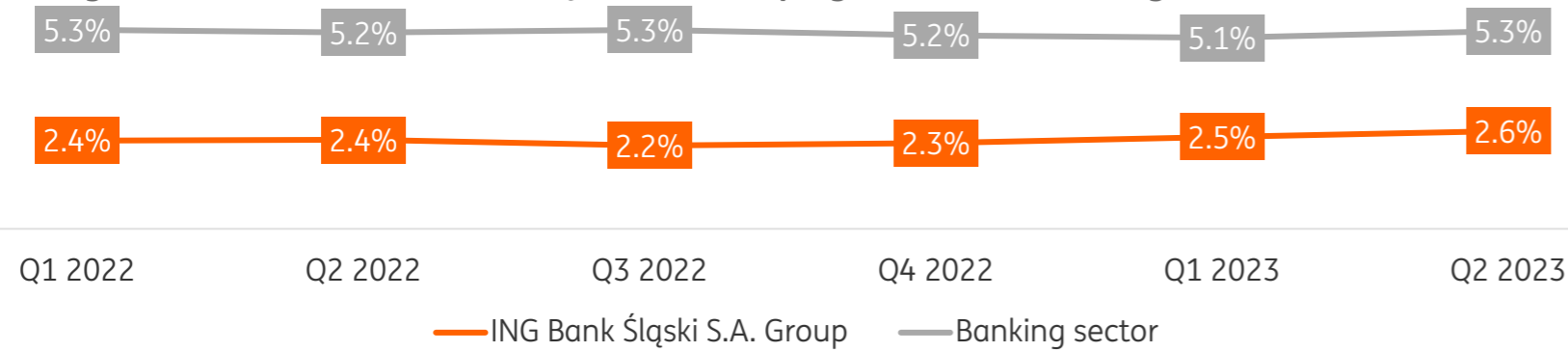
Share of Stage 3 receivables and POCI

In H1 2023, the quality of our loan portfolio deteriorated versus to the end of 2022. The share of Stage 3 and POCI loans in the ING Bank Śląski S.A. Group rose from 2.3% at the end of 2022 to 2.6% at the end of June 2023. Stage 3 and POCI loans in the our group stood at PLN 4,141.5 million compared to PLN 3,581.0 million at the end of 2022 (up



by 15.7%). 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 2023 was 5.3%.

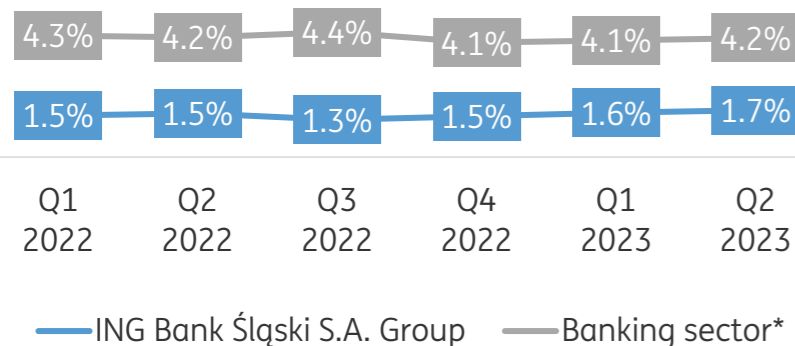
Share of Stage 3 loans at the ING Bank Śląski S.A. Group against sector average*



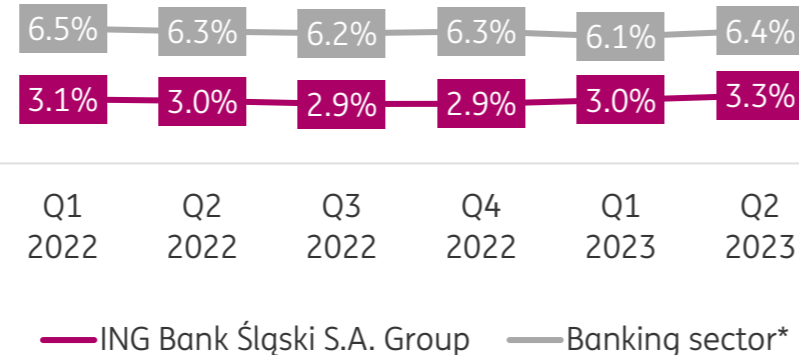
*Estimate on the basis of PFSA's data; data for May 2023 for Q2 2023 in the sector

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 2023, the share of Stage 3 loans and POCI in the retail segment in the ING Bank Śląski S.A. Group accounted for 1.7% against 4.2% for private individual in the sector (May 2023). Equivalent ratios for the corporate segment are 3.3% for the ING Bank Śląski S.A. Group and 6.4% for the corporate clients sector, respectively (May 2023).

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 2023 for Q2 2023 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

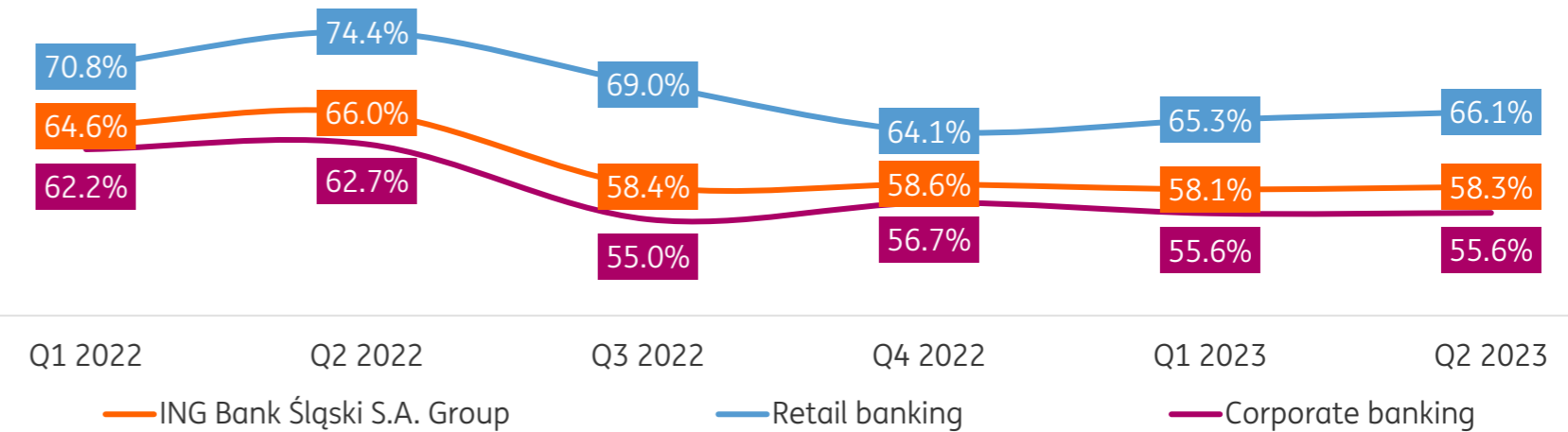
amount of receivables sold (principal, interest, other costs as at the date of the agreement) was PLN 279.1 million. The amount of PLN 211.8 million related to credit exposure. No similar transaction took place during H1 2023.

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

As at the end of June 2023, the ING Bank Śląski S.A. Group held provisions for the stage 3 and POCI loan portfolio of PLN 2,415.9 million. The coverage of the stage 3 and POCI loan portfolio with allowances was 58.3%.

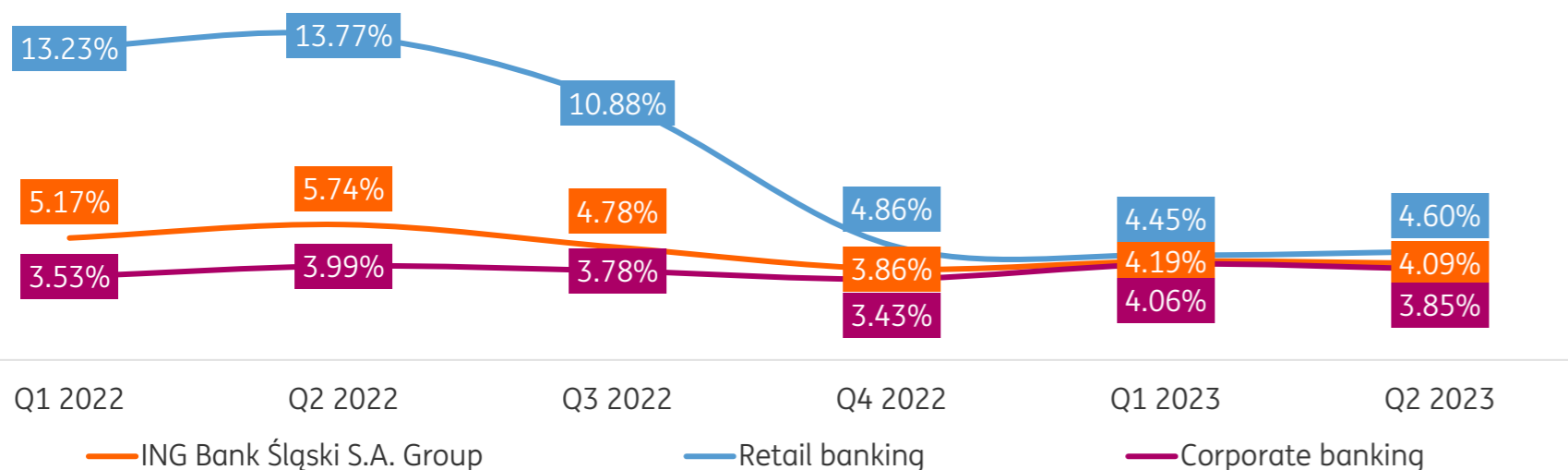
As at the end of June 2023, the ING Bank Śląski S.A. Group held provisions for the stage 2 loan portfolio of PLN 782.1 million. The coverage of the stage 2 loan portfolio with allowances was 4.1%.

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





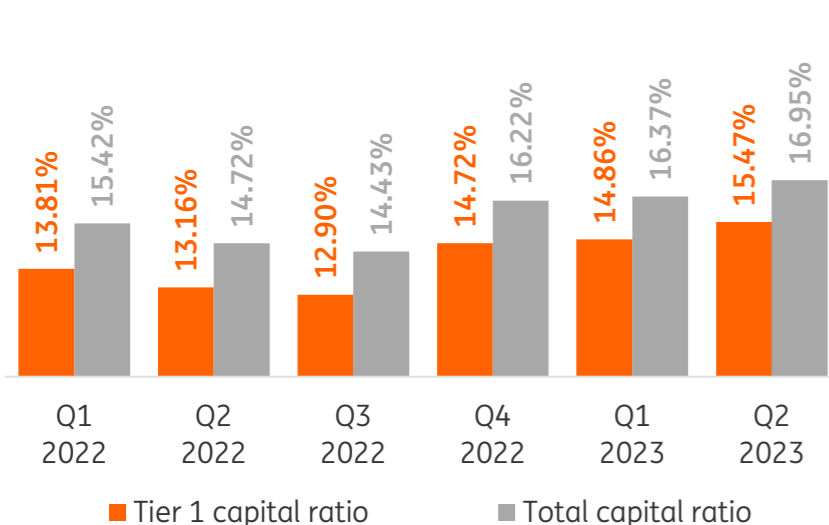
Coverage ratio of the stage 2 loan portfolio with allowances



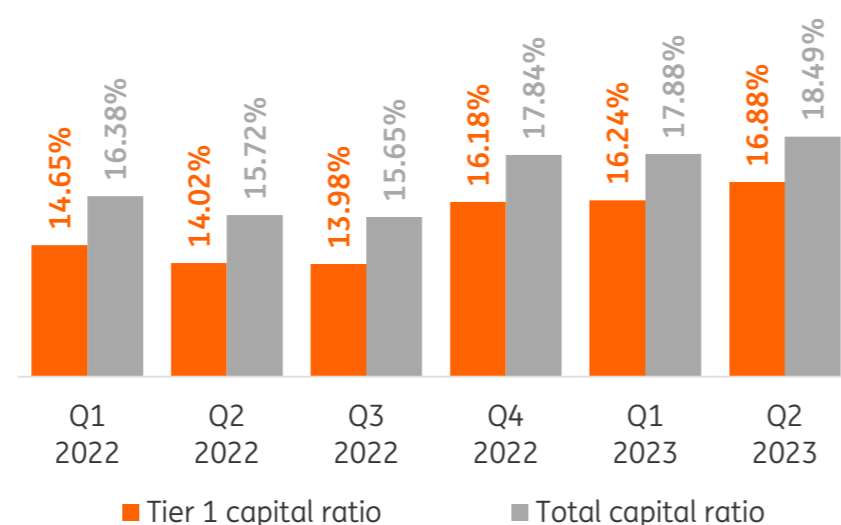
Capital adequacy

On 30 June 2023, the TCR (total capital ratio) for the ING Bank Śląski S.A. Group was 16.95%, compared to 16.22% at the end of 2022, and the Tier 1 ratio was 15.47% and 14.72% respectively.

Capital ratios for the ING Bank Śląski Group



Capital ratios for ING Bank Śląski



If the bank had not applied the transition period for the implementation of IFRS 9, the total capital ratio and the Tier 1 capital ratio would have been respectively:

- at the consolidated level – 16.79% and 15.31%,
- at the standalone level – 18.34% and 16.72%.

Declared and paid dividend

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

	2018	2019	2020	2021	2022
Dividend amount in a given year (PLN million)	455.4	0	663.5	689.5	0
Dividend amount per share (PLN)	3.50	0	5.10	5.30	0
Dividend payment rate (to consolidated profit)	29.8%	0%	49.6%	30.0%	0%
Dividend payment rate (to the share price on the dividend rights acquisition day)	1.8%	0%	2.0%	2.3%	0%

Dividend from 2022 profit

In 2023, ING Bank Śląski did not pay dividends from the profit for 2022.

According to the [current report of 17 March 2023](#), the Management Board presented a proposal for the distribution of net profit for 2022, which did not include the payment of a dividend. The Management Board proposed that PLN 513.9 million (30% of the net profit for 2022) be allocated to the dividend reserve, including advances on expected dividends.

The Annual General Meeting on 26 April 2023 passed a resolution with regard to the distribution of profit for 2022 as proposed by the Management Board ([resolution no. 23](#)).

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 amount of the proposed dividend



provided 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 informed, of a letter from the PFSA with an individual dividend recommendation.

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](#). The dividend was paid on 4 May 2022.

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.

Moje ING – individual clients and entrepreneurs

In H1 2023, we introduced solutions that enhance security and self-service for our clients. We have also developed existing processes and Moje ING for Specialists.

Security area

We have strengthened security when logging into Moje ING by introducing:

- strong authentication – every time you log in from your browser, in addition to your username and password, we ask you to authenticate with a second factor (text message code, confirmation in the mobile app, and soon a security key),
- trusted browsers – a browser can be added to the trusted list; this way, no additional authentication will be requested when logging in for 90 days.

From now on, clients confirm the addition of the card for Apple Pay payments on the MacBook in the Moje ING app with a PIN code. This method meets the requirements for strong authentication.

Those wishing to use Google Pay confirm digitisation with a new method that meets the requirements for strong authentication in the Moje ING app via the Bank's helpline (the number is visible in the Play shop).

Changing the PIN code for debit, prepaid and credit cards is now additionally secured with a so-called “Red text message”. When a new device is paired and the card's PIN code is changed, in certain cases clients additionally confirm this change with a text message code.

Another change concerns the credit processes (debt limit and credit card). We have introduced dual authorisation – the first by PIN code or text message and the second by Voice Code.

We have also introduced anti-fraud safeguards:

- examination of a restricted identity document in the Moje ING application process (preapproved offer for a loan, limit or card),
- Ermine 20 – a process that blocks clients without up-to-date data and a current FATCA and CRS statement from purchasing new products.

Self-service area

We have added several solutions in Moje ING to facilitate client self-service. From now on, users themselves can:

- close the foreign currency account,
- add or revoke notarised representatives for investment funds,
- close a term deposit (in PLN and other currencies),
- close the credit card,
- unblock the credit card,
- complete the financial documents in the application process for credit products at the pre-platform stage, if the analyst identifies missing documents or has doubts about the documents already sent.

We have also facilitated self-service in products for underage clients:

- a parent or legal guardian will find the child's product records more easily with the new “Child Documents” folder in My Documents,
- the parent/legal guardian will close the child's account conveniently in Moje ING, without having to visit a branch.

As of this half-year, it has also become easier to close a PLN savings account with foreclosure. The clients will see a message from which we direct them to the seizure deposit process. It informs you that you can accelerate the repayment of the foreclosure so that you can close the account yourself after repayment.

The clients will also independently close the prepaid card.

We have also improved the Face&ID module within the account application with the selfie method. Now the clients have 30 seconds to take a photo of each side of the proof. This change has significantly reduced the number of verifications ending in error. In addition, we have also improved the communication informing the client how to proceed when trying to verify viability.

Improvements and enhancements

In addition to implementing many new processes, we developed and improved existing ones.

We have refreshed the look of the Services in Moje ING. The clients will now find it easier to navigate the system and reach additional functionality more quickly. We have invariably left the Safety Zone at the top of the list. The same is true for the details of the Open Savings Account (OKO) Premium in PLN – the client will find it easier and quicker to reach the most necessary functions.

We have also improved several processes in terms of CX, consistency with the WCAG standard, and these are:



- reporting an erroneous transfer,
- reporting an unauthorised card transaction,
- Open Savings Account details in PLN,
- BLIK payment without code,
- Portfolios and Listings.

We listen to our clients and make changes that are convenient for them. A frequently reported problem was the difficulty of finding the child's login after setting up online banking. From now on, the parent/legal guardian will receive the login in a text message.

Following analysis of the Voice of the Client, we have also changed the Automatic Repayment process – from now on, the client will see a description of the minimum and total repayment. The process also tells us what will happen if there are no funds in the account to collect the automatic repayment. We have also improved the confirmation of the inclusion/exclusion of this service.

In line with the recommendation of the PFSA, we have modified the names and definitions of the fields on the credit applications. The above change is intended to facilitate understanding of the content and correct interpretation by clients.

In addition, we are continuously developing the area of government services, and in this half-year we have implemented:

- the next edition of the 500+ application,
- a new standard for the circulation of electronic identity (National Node) – thanks to this solution, the availability of the Trusted Profile at ING will improve, we will eliminate the list of technical problems plaguing our clients, and in the long term, we will be able to join new services at the same time as they become available at the Node.

Moje ING for Specialists

With the exit of the *Chordiant FrontEnd* app, we also made sure to further develop Moje ING for Specialists and make new features available there, both for clients with online banking and those who do not yet have it.

In H1 2023, we made the process of closing a foreign currency account in Moje ING available. The extension of this functionality allows self-service closure of the foreign currency account in Moje ING by the client without the need to visit the meeting point.

We have implemented the process of transferring an account to ING in Moje ING for Specialists. With this implementation, clients can easily transfer their account, including balance, recurring payments, to our bank, without visiting the bank from which the account is being transferred.

This year, in Moje ING and Moje ING for Specialists, we made the process of closing an account for a minor available. Now parents/legal guardians can close their child's Moje ING account themselves. Until now, the process has only been available at meeting places.

This year, we have made available the process of converting an account from the refugee offer to the standard offer while keeping the existing account number. With this implementation, clients can receive benefits and salaries without having to update their institutional account number. We sent communication to clients on how they should proceed to convert their account. Clients who did not take the appropriate steps had their accounts closed automatically.

ING Business – business operating as commercial companies

The online banking platform is designed for corporate clients (companies operating as a company, i.e. other than entrepreneurs who are serviced through Moje ING). The ING Business 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.

Mobile application

In H1 2023, we focused on three areas in the mobile application – card functions, client connectivity and login performance. In the card area, we have provided the following functions:

- temporary blocking and unblocking of the card,
- card blocking,
- closing the card,
- enabling/disabling contactless card function.

We have also significantly improved the ability to communicate with clients by implementing the Information module. From now on, clients have a convenient overview of the information being sent, including critical and offer information, and the most important of these is informed by sending a push notification, after selecting which the client is taken to the details of the information.

In terms of login performance – in the first half of the year, we were able to reduce login times to the mobile app for the 95th percentile of clients by 35%.

Conclusions

Two key functions are being replaced in the new Applications module: the management of entered applications and the search for new applications that the user can submit remotely via ING Business.

The most important changes are:

- new information architecture on screens,



- separation of the Conclusions module into a separate item in the system navigation (in the main menu),
- reduction of the number of available application statuses – we are introducing new ones, which unambiguously indicate to the user at which stage of the processing the application is and, if necessary, what actions he/she should take; the new statuses are: draft, to be signed, to be sent, sent, realised, rejected and cancelled,
- an easier way to search and filter submitted applications,
- the ability to easily search for a request or matter that the user wishes to pursue.

The new list of applications will include all cases that have been entered by users since 01 January 2023. Applications prior to 2023 will be available on an earlier version of the application list.

Cards

The new module is more intuitive and functional, we have changed the navigation and improved the readability of the screens. In addition, we have changed the card export templates.

We have also made technological changes that provide even greater security in line with the latest standards issued by the *Payment Card Industry Security Standards Council* (PCI DSS). This standard is designed to ensure a high and consistent level of security across all environments where payment cardholder data is processed.

Our meeting places

At the end of Q2 2023, ING Bank Śląski had 218 retail meeting places. All our meeting places are equipped with self-service areas where clients can both withdraw and deposit cash themselves. The Bank continues to modernise its

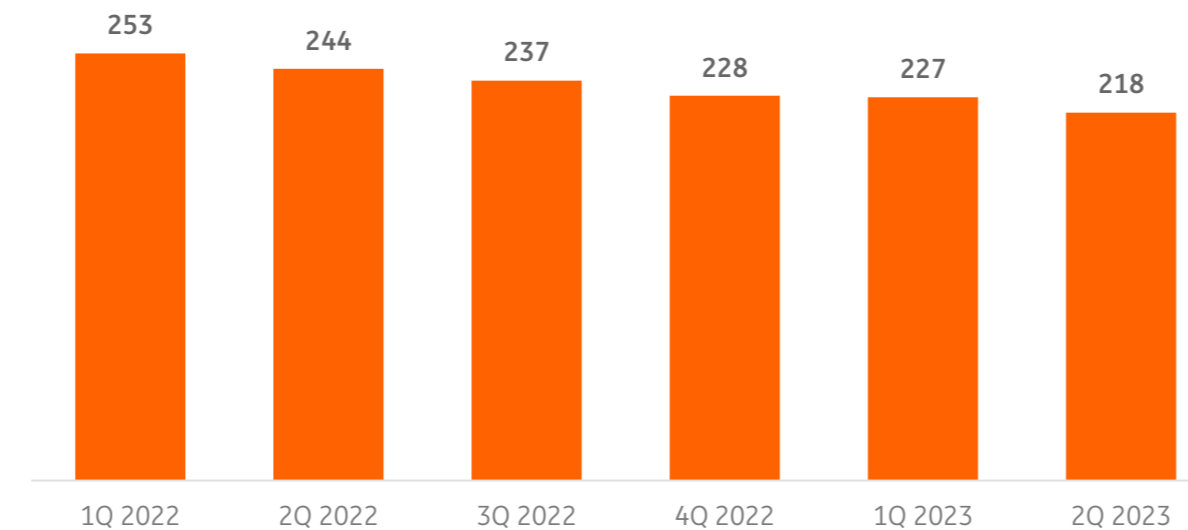
meeting places by replacing equipment and interior decoration and by implementing new functional solutions.

At the end of Q2 2023, the bank also had 54 ING Express sales outlets located in major shopping centres across Poland and 55 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.

As at the end of June 2023, our clients had access to a network of 791 cash handling devices, including 106 standard ATMs and 685 dual devices and recyclers (889, 144 and 856 respectively at the end of 2022).

Structure of the distribution network at the end of Q2 2023

Province	Meeting places and counter service points (including counter service points)	ING Express
dolnośląskie	17 (4)	5
kujawsko-pomorskie	7 (3)	5
lubelskie	2 (1)	2
lubuskie	2 (2)	0
łódzkie	15 (2)	2
małopolskie	22 (6)	7
mazowieckie	30 (6)	5
opolskie	11 (3)	1
podkarpackie	8 (3)	3
podlaskie	4 (1)	3
pomorskie	11 (2)	6
śląskie	54 (14)	3
świętokrzyskie	6 (2)	2
warmińsko-mazurskie	3 (1)	3
wielkopolskie	17 (3)	5
zachodnio-pomorskie	9 (2)	2
Total	218 (55)	54



Human resources management

Headcount

As at 30 June 2023, the ING Bank Śląski S.A. Group employed 8,538 people (of which ING Bank Śląski S.A. employed 8,065 people). The number of employees increased by 139 compared to December last year. The reported increase in headcount is due to the acquisition and integration of Paymneto Financial into the ING Bank Śląski Group's structures, as well as slight increases in headcount in the bank's units.

Employment in the ING Bank Śląski S.A. Group

	31 December 2022		30 June 2023	
	persons	FTEs	persons	FTEs
Head Office in Warsaw	994	989.3	1,089	1,084.1
Head Office in Katowice	3,645	3,633.1	3,706	3,692.5
Branches	3,322	3,309.2	3,270	3,258.2
Total Bank	7,961	7,931.5	8,065	8,034.8
ING Lease (Poland)	237	236.2	238	237.9
ING Commercial Finance	114	112.7	116	115.6
ING Bank Hipoteczny	36	36.0	36	36.0
ING Usługi dla Biznesu	37	36.1	38	37.1
Nowe Usługi	3	2.9	3	2.9
Paymento Financial	-	-	30	28.5
SAIO	11	3.1	12	3.2
Subsidiary companies	438	427.0	473	461.2
ING Bank Śląski Group	8,399	8,358.4	8,538	8,496.0

At the Annual General Meeting held on 26 April 2023 a report was presented in the functioning of the remuneration policy at ING Bank Śląski in 2022 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 2023, ING Bank Śląski S.A. maintained the core task of the remuneration policy to effectively support strategic objectives. The assumptions underlying the policy include market levels as well as transparency and consistency of remuneration offered to employees. Based on the results of a market analysis taking into account macroeconomic conditions and the level of inflation, the Bank's Management Board has decided to launch an increase action targeting all employees on 1 April 2023. The action assumed an increase in the ING Bank Śląski Group's base salary fund by approximately 10%.

The main thrust of the increase action was

- an increase in the minimum basic salary to PLN 5,000 gross (full-time),
- introduction of a new basic salary scale.

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

2023 is the next year of the hybrid working model, for which an adaptation allowance is paid to offset the costs of remote working. In December last year, the allowance was paid to all employees. The allowance compensates for the costs of remote working for the full year 2023. In addition, after the end of each quarter, an adaptation allowance is paid to employees newly recruited and those returning from long-term absences.

Variable remuneration

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. 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.

In H1 2023, a portion of the non-deferred bonus for 2022 and a portion of the deferred bonus for 2017 (applicable to the Bank's CEO), 2018, 2019, 2020 and 2021 *Identified Staff* were paid. A portion of the variable remuneration awarded in phantom shares for these years was also settled.

Implementation of the new approach to variable remuneration for Identified Staff years.

Following the approval at the meeting on 7 April 2022 by the Annual General Meeting of a new approach to variable remuneration for *Identified Staff* based on the allocation of ING Bank Śląski's treasury shares instead of phantom shares from 01 July 2022, the implementation of the measures in accordance with the approved timetable proceeded. The Polish Financial Supervision Authority (PFSA) issued a decision on 13 March 2022 to authorise the repurchase of treasury shares by ING Bank Śląski. The Bank's Management Board approved the parameters for the buy-back of the first tranche of treasury shares on 12 May 2023 and the buy-back of shares through Trigon Dom Maklerski S.A. began on the same date. The share repurchase ended on 19 June 2023 ([current report](#) and [appendix](#)). As a result of the transactions carried out within the framework of the share buy-back, since the start date of the buy-back, the Bank has acquired a sufficient number of treasury shares in total (24,931 shares for PLN 4.2 million), which made it possible to allocate shares to the programme participants. On the occasion of the award of shares, participants in the



programme signed individual Agreements for the purchase of Treasury Shares of ING Bank Śląski in connection with their participation in the Incentive Programme.

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

The employer brand is a reflection of how people work in our company, the organisational culture and the way we treat each other. The image and atmosphere we build as an employer influences the recruitment of suitable candidates to work for the bank whose values are in line with our Orange code values and behaviours. It also affects the commitment and willingness of existing employees to stay longer with the company. In H1 2023, we strengthened the positioning of the ING brand as an employer, focusing on external communication in social media, at Meet the Lion events organised at universities, and at job fairs and university career days.

Communication activities to promote the ING brand as an employer

In the period, we continued actions to promote the employer's brand and support recruitment activities in social media (mainly LinkedIn, Instagram, bank's career site). We reached candidates with posts that were directly or indirectly related to work at the bank, by publishing job offers, recruitment marketing, actions of managers, recruiters and employees with the aim to construct and expand contacts (Employee Advocacy). As a result of these measures, we have doubled the number of visitors to our online careers page including job vacancies, increasing the average time a visitor stays on the site.

Job fair

In H1 2023, in the area of activities targeting professionals (people with professional experience), we used various types of activities and outreach

channels. These include: participation in thematic conferences (webinars, workshops, conferences, expert speakers), and participation in job fairs targeting a specific group of professionals, particularly in IT. We ran a custom campaign called "Green Tesla for green coding", which followed the format of a competition where participants were tasked with shortening the code to fulfil its purpose in the spirit of *green coding*.

Employer brand advocates

We are continually improving and making the Employee Referral Programme more attractive to our employees. In H1 2023, we received 506 referrals and employed 43 people.

The presence of our employer brand in channels dedicated to young talent (students, graduates) was supported by activities carried out by participants in the Ambassador Programme. 8 students represented the bank at 9 universities, under the guidance of bank employees who supported the Ambassadors in learning about ING and promoting development paths. As a result of its cooperation with the Ambassadors, the bank was involved in such projects as: Meet the Lion events (directional, e.g. *robotics, data science*, ESG and general, related to economic and financial education). The recruitment of ambassadors for the new academic year begins in July 2023.

Candidate experience survey

We pay particular attention to our candidates' experiences and impressions during and after the recruitment process at the bank. In Q2 2023, we implemented a new iteration of the survey/survey that we send to candidates at each stage of the recruitment pathway. Feedback on how easy it is to apply, the atmosphere of the recruitment interview or the provision of feedback allows us to monitor and improve the recruitment process on an ongoing basis, thereby shaping a positive ING brand in the labour market.

Internship with the Lion

The first half of the year also saw the launch of another recruitment drive for the Internship with the Lion – the summer edition. Efforts to respond to business needs regarding recruitment for internships beyond the summer edition are also continuing. We continue to focus on the specific skills that trainees acquire during the programme. Internships with the Lion have been promoted at university job fairs, as well as through career offices and widely communicated on social media beyond banking. ING Bank Śląski was a partner of one of the biggest career events for students and graduates – *Absolvent Talent Days* in Katowice.

Each intern undergoes an *onboarding* path with us and sets development goals with the manager to be achieved during the internship. We use modern technology for this in the form of an application available online, the "Internship Platform", which permanently contains the basic information necessary for the intern and the area manager.

We also take care to study the experiences of our interns to continuously improve the internship programme. At the end of the internship, each intern completes a questionnaire asking about their feelings and experiences of the internship path and development.

Other programmes and activities

We also continue to implement our existing programmes and activities for young talent:

- 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 teams in our bank 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, HR, WB, 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 in 2023 for the Warsaw and Katowice headquarters will run from June to October.

- Promotion of ING in the academic community based on the established Strategy for cooperation with the academic community. The plan 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. ING Activists, an informal group of employees who are in contact with universities from their regions and actively promote ING's employer brand and initiate interaction between universities and the bank, play a major role in the implementation of these activities.

Employee development and culture of continuous learning

Our ambition is to provide an intuitive and accessible learning experience that allows every employee to continuously acquire knowledge in line with market demand. A learning culture based on self-development and the openness of employees to informal ways of learning linked directly to the rhythm and scope of work plays a key role in developing and building new skills. In H1 2023, we delivered development activities in line with the strategic objectives:

- We support employee involvement in building skills and commitment: we organised another edition of I grow because I want to – an activity revolving around professional development themes – this year focusing on career paths and future competences. Staff attended a conference, webinars and workshops.
- We need to continually strengthen our skills and learn new ones – allowing us to carry out tasks in a more adaptive way. We support employees in building their careers by implementing the role of career counsellor in the organisation, i.e. specialised employees who support their development by establishing an individual career path, upgrading their qualifications or changing their professional role within the bank. We have also introduced a new concept of virtual in-house job fairs – #tujestrobota [we are hiring] – and revitalised our development internship offer.
- We invariably focus on expertise, particularly through internal programmes geared to developing knowledge in critical areas for the bank. In Q1, we offered employees a course on ESG and sustainability prepared by experts from ING. The language learning platform eTutor is also very popular. More than 4,000 employees have already started their language courses there
- We build development programmes for designated organisational units or defined audiences, responding to strategic challenges in areas such as data management or artificial intelligence, among others. We support employees in acquiring expertise through specialised training and certification through the Udemy Business platform, among others. Some of the most popular courses among employees are those on Python programming and familiarising them with cloud solutions(*cloud computing*).
- We strengthen the role of leaders in the organisation through development activities such as Masterclasses – inspiring discussions

where cutting-edge ideas encourage collaboration and practical action, or VR simulations to practically hone skills for challenging conversations. We test the leadership capabilities of managers through diagnostic tests such as 360 and Hogan 360 assessments.

We are continuing to promote hybrid learning through the wide availability of courses and educational content in a format and timeframe tailored to the current needs of employees, based on digital learning solutions and platforms. This allows employees to learn at their own pace, at different levels of proficiency and to effectively adapt their knowledge and skills to the daily challenges at work.

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. Year on year, we strive to expand and streamline our processes to create an inclusive and diverse workplace. In H1 2023, we implemented the following activities:

- The opinion of our employees is crucial to us, so we regularly ask them for their views. In May, we made available the OHI (*Organisational Health Index*) survey, which shows in detail how our employees feel and whether they are satisfied with their jobs. We also asked directly about the opportunity to be yourself at ING and 82% of our colleagues agreed with this statement. The indicators clearly show us that our activities are appreciated by our colleagues.
- In addition to the annual survey, we also organised a qualitative study using the focus group method Honestly about Equality, which aimed to find out about the experiences and difficulties that women and men face



at work, on their way to promotion. We will present our recommendations in the second half of the year. The survey was one of the many activities planned for European Diversity Month. Throughout the month, we focused on the aspects of diversity chosen as priorities in the organisation, i.e. generational, gender and by workplace. In collaboration with Mindgram, we organised webinars on inclusive language, micro-aggressions, how to deal with heckling and skills to improve mental balance. We have also offered e-learning courses available on our internal training platform and provided a number of educational posts on Yammer.

- We are constantly working on initiatives to promote intergenerational cooperation. Our job is to inspire and educate managers who are learning to work with Generation Z all the time. We also encourage intergenerational collaboration through mentoring, reverse mentoring or an initiative such as #tujestrobota [we are hiring] to support anyone looking for a new person to join a team or a new challenge in our organisation. We openly discuss needs and create space for discussion in the form of masterclass sessions with experts to discuss the importance of diversity in its broadest sense.
- We support employees and promote the establishment of employee groups. June is Pride Month, and we are proud of our diversity. This year we have produced a number of educational posts, reports from equality parades across the country and webinars. We continue to thrive in the Diverse community, whose activities are supported by a patron in the rank of Board Member – Sławomir Soszyński.

WellbeING activities

Following on from the 2022 targets, we continue to undertake intensive work to raise awareness and encourage employees to look after their own mental, physical and financial wellbeing. We make every effort to make

tools, materials and time available to employees so that they feel responsible for their own wellbeing.

In the FINANCIAL area, we provided employees with access to an extended Q&A session related to pensions. As is standard, Deloitte experts supported our employees in completing their PIT returns for the previous year. We also held finance days where we talked about how to save for the holidays and completed a series of meetings as part of the Investing Academy – our experts talked about the precautions to take when investing.

In the HEALTH area, a year-long HEALTH DAY campaign is underway, during which head office and network employees can enjoy massages, consultations with a nutritionist and physiotherapist. We are intensively promoting a preventive health review as part of our private healthcare offer. In Q1 2023 alone, 1,200 people benefited from the review, where this compares to 2,100 people in the whole of 2022.

As prevention is very important to us, we also subsidise tick-borne encephalitis vaccinations for employees and HPV vaccinations for employees' children. In addition, we spoke to an expert about how to support our immunity wisely. In addition, a group of 80 children of employees had the opportunity to have an abdominal ultrasound as part of the "NO to childhood cancer" programme implemented by the Ronald McDonald Foundation.

In autumn 2022, we implemented the MINDGRAM mental health platform, which intensively supports our ENERGY activities. Employees benefit from a wide range of webinars, podcasts, relaxation sessions and, most importantly, one-to-one consultations with psychotherapists in various fields. 2,400 employees have already registered on the platform. We also support our leaders all the time and help them to recognise symptoms of burnout, or other emotional difficulties that may arise in subordinate employees. Leaders have the opportunity to attend workshops or individual consultations with a business coach.

Within the ACTIVITY area, we support our employees in developing their sporting passions by organising sports tournaments. This year we have had a table tennis tournament and a football tournament. "Run Warsaw" and "I march and I support". The sports budget, through which we support employees in the sports activities they undertake, continues to operate and is very popular. In addition, there is the Worksmile platform, where we encourage healthy competition and teamwork through participation in competitions, sports actions and through individual recording and tracking of activities undertaken.

H&S Days and Health Days

In June, we organised H&S Days, during which employees of office buildings in Katowice and Warsaw were able to take part in stationary First Aid training courses led by experienced paramedics.

Caring for the comfort and wellbeing of employees, we organise Health Days every month, during which employees have the opportunity to receive an office massage or consult a dietician and physiotherapist.

Activities related to war in Ukraine

We have been supporting Ukraine since the outbreak of the war through various activities such as fundraising, charity work or banking products.

Thanks to contributions from our employees, we raised 40,000 PLN to purchase power banks for ING Ukraine employees. The Bank subsidised these purchases. Together, we have made it possible to complete the equipment and products for 80 packages, which will include:

- Solar power banks – for recharging from solar energy, even when there are longer power cuts.
- Solar mats – allowing you to charge your phone directly using solar energy.



- Electric pots – will allow you to cook meals without access to gas.
- USB-powered bedside lamps to be used by connecting them to solar power banks.

In Q1 2023, we joined the SPLOT UA Residency programme, which supports young people from Ukraine.

SPLOT UA Residency is a programme aimed at young people from Ukraine (18-30 years old) who are currently residing in Poland and are interested in creating prototypes of social innovations related to the reconstruction of their homeland. Participants, with the support of mentors, work on topics based on the Reconstruction Plans of Ukraine.

Support for bank employees who have taken refugees under their roof

In support of the bank's employees who host evacuees from Ukraine privately, for Easter we have prepared gifts in the form of gift vouchers worth PLN 300 for each person hosted.

We continue to operate within the framework:

- 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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ESG risk	68
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In the Management Report on operations in H1 2023, we present core changes to risk and capital management that occurred since the end of 2022. The risk and capital management system, risk types description and their quantification were presented in detail in the annual consolidated financial statements of the ING Bank Śląski S.A. Group for 2022 in chapter “Risk and capital management” (from page 112).

Equity management

In H1 2023 we continued our activities aimed at pursuing our capital management strategy. In the assessment process of internal capital adequacy, in H1 2023 we summed up a Workshop in assessment or risk materiality.

As part of the Workshop, we made several modifications to the materiality assessment of risk types, including that we considered that model risk should be included within operational risk (for commonality with the regulatory approach) and assessed the potential for ESG risk factors to materialise within individual risk categories. We currently identify 9 types of permanently significant risk (default risk 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 and operational risk) and 2 types of material risk (risk of other non-credit assets and macroeconomic risk).

We continue to be bound by the following minimum levels of capital ratios (taking into account the P2G recommendation):

- CET1 \geq 8.01%,
- T1 \geq 9.51%
- TCR $>$ 11.51%

On 16 March 2023, 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 2022. At the same time, the PFSA recommended limiting the risks inherent in our business by not taking, without prior consultation with the supervisory authority, 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 repurchases or buybacks of treasury shares. At the same time, the PFSA expects us to take into account the PFSA’s stance on dividend policy when making decisions, as well as the dynamic changes in the banking sector environment and the risks to which we are exposed, including in particular the risk associated with the CJEU ruling in case C-520/21 and the potential deterioration in credit quality associated with increased inflation, reduced economic growth, and high debt servicing costs for borrowers. the PFSA

additionally draws attention to the need to comply with regulatory requirements, including the limits on large exposures, the risk of exceeding which increases as our own funds decrease, and for us to comply with the applicable regulatory requirements after the payment of any dividend from generated profit also in the event of negative but foreseeable changes in our environment.

Accordingly, despite meeting the criteria to pay a dividend for 2022, by decision of the General Meeting, we have withheld the dividend as there are uncertainties of a sectoral nature, the effects of which may materialise during 2023, including, inter alia, the indirect impact on us of the CJEU judgment in case C-520/21 and uncertainties in the regulatory environment, macroeconomic and market situation. Our aim is to retain the capital hedge until the scale of the impact on us of the possible risks identified above is confirmed. In the absence of a material materialisation of these risks, and with our continued strong capital position, we will consider advancing the expected dividend for 2023 during 2023. It would be financed from the dividend reserve (including advances on expected dividends), which would consist of part of the 2022 profit and part of the 2019 profit. The payment of the dividend advance would be subject to the approval of the Supervisory Board and prior agreement with the PFSA.

You can read the details in terms of dividends declared and paid [here](#).

Credit risk

Major changes in the bank’s lending policy

Retail segment

- Changes were made to the creditworthiness assessment resulting from the post-audit recommendations and the sector letter from the PFSA on creditworthiness. The parameters of the creditworthiness assessment were adjusted to the current market situation and the position of the PFSA, by updating the buffer on the interest rate and the cost of living.
- The last restrictions introduced in connection with the COVID-19 pandemic in the area of mortgages have been withdrawn.



- Sales of retail mortgage products with variable interest rates based on the new WIRON 1M Compound Rate benchmark have resumed.
- A change has been made to the process for monitoring and updating the value of residential properties.

Corporate segment

- Changes were made to the creditworthiness assessment resulting from the post-audit recommendations and the quantitative metrics used in the evaluation as defined in the EBA LOM Guidelines were revised taking into account the proportionality principle based on the criterion of the volume and quality of loans granted for the Easy Lending portfolio among others,
- The validity period of the BIK report has been revised to ensure that up-to-date data on the borrower's financial obligations is included.
- Measures were introduced with the potential to improve the quality of the Easy Lending portfolio and the SE/Micro segment clients, such as limiting the financing of construction and transport clients subject to the acceptance of collateral.
- We reacted to current economic developments: we analysed the loan portfolio in terms of clients' resilience to possible further increases in operating and finance costs, and reviewed the portfolio for sectoral risks, including in relation to the commercial property and construction sectors.
- For strategic clients, we have implemented solutions to streamline the credit process of financial institutions. In addition, we have expanded the range of collateral available for credit commitments.

Stress tests

In accordance with the "Stress Testing Policy", the ING Bank Śląski S.A. Group regularly conducts stress tests, as well as scenario and sensitivity analyses to assess the impact of potential events or changes in macroeconomic conditions on the capital requirement, economic capital, bank liquidity, risk profile and profitability. A report with the results of the stress tests is approved by the ALCO Committee and presented to the Bank's Management and Supervisory Boards.

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 2023, 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. 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 2023, we continued our model risk management activities, which included: quarterly model risk reporting, model validations and model performance monitoring. New model construction and monitoring standards, in line with current regulatory guidelines, were approved and the corresponding processes were adapted to them.

Operational risk

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

In H1 2023, the most significant theme in the area of operational risk management was the reduction of the risk of external fraud (socio-technical attacks) through the implementation of a wide range of control mechanisms (innovative solutions of an application nature). Further efforts will focus on modifying the fraud complaint handling process, working with other banks and regulators to pursue a consistent approach across the sector and implementing further controls. In addition, the bank updated, among other things, the instruction on how to ensure a standardised approach to the management of information and business interruption risks in the bank, which includes risk profiling (RP), business impact assessment (BIA), control compliance (CC), detailed risk assessment



(DRA), Key Controls Monitoring Manual, Non-Financial Risk Appetite Determination and Monitoring Manual (and Non-Financial Risk Appetite Statement), Risk Mitigation and Recommendation Monitoring Manual, Outsourcing Policy and Non-Financial Risk Identification and Assessment Manual.

In H2 2023, the bank plans to continue project work to replace the current application supporting operational risk management with a new cloud solution. The implementation of the new application will be linked to a review of the scope and quality of the data used in the area of operational risk management.

In addition, the bank is working on preparing a new method for calculating the level of operational risk, which is expected to be implemented at the end of Q1 2024. The Bank will focus on meeting the formal conditions for implementing the new method and ensuring that the risk level measurement is appropriately granular.

Compliance risk

In H1 2023, we continued our efforts to ensure compliance with regulatory requirements, in particular the EBA, PFSA and GIIIF guidelines. We have updated our internal regulations on compliance risk, including reputation risk.

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 Client (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.

ESG risks

In H1 2023, we continued our ESG risk management activities.

- We held a workshop on assessing the materiality of risks, where we discussed and described in great detail the impact of ESG risks on the different categories of traditional risk groups.
- We have started work on integrating ESG risk calculations into the ICAAP process.
- We have drawn up a timetable of actions remaining to be implemented to ensure compliance with the November 2020 *ECB Guide on climate-related and environmental risks – Supervisory expectations relating to risk management and disclosure*.
- We have piloted a transformation environmental risk assessment form for Business Banking clients.

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 2023 the Bank held complete capital tests as at the end of 2022.



Information for investors

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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 2023, 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 our 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. The largest of these at the end of June 2023 was Allianz Polska Otwarty Fundusz Emerytalny (Allianz Polska OFE), which, according to the Semi-Annual Information on the Structure of Assets of Allianz Polska OFE as at 30 June 2023, held a 9.30% share in the share capital and total number of votes at the GM. As at the date of the report, we are not aware of any other shareholder exceeding the threshold of 5% of the share capital of our company.

In 2023 the value of share capital of ING Bank Śląski 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 2022	30 June 2023	31 December 2022	30 June 2023
ING Bank N.V. (a subsidiary of ING Groep N.V.)	97,575,000	97,575,000	75.00%	75.00%
Allianz Polska OFE*	1,469,297	12,102,036	1.13%	9.30%
Drugi Allianz Polska OFE*	11,205,030		8.61%	
Own shares for the purposes of the incentive scheme	-	24,931	-	0.02%
Other	19,850,673	20,398,033	15.26%	15.68%
Total	130,100,000	130,100,000	100.00%	100.00%

*Based on annual (2022) and semi-annual (2023) information on the asset structure of the indicated pension funds; PTE Allianz Polska was merged with Aviva Powszechnie Towarzystwo Emerytalne Aviva Santander S.A. on 30 December 2022. The merger of Allianz Polska OFE with Second Allianz Polska OFE (formerly Aviva Otwarty Fundusz Emerytalny Aviva Santander) was completed in May 2023.

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 37 million clients. ING Group entities employ over 60 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, Spain, Italy, Australia; Growth Markets, composed of operations in Poland, Romania, Turkey, 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 ING 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. As at 31 March 2023, shareholders with a stake in the company's capital of more than 3% (based on filings with the Dutch AFM) are: BlackRock Inc., Goldman Sachs Group Inc., Norges Bank and Capital Research and Management Company; shareholders holding more than 5% in the company's capital as of 31 March 2023 (based on US SEC filings) are: BlackRock, Inc. In 2022 the ING Group generated net profit of EUR 3,674 million versus EUR 4,776 million in 2021. Total assets amounted to EUR 1,059 billion as at 2022 yearend. Assets of the ING Bank Śląski S.A. Group accounted for 4.4% of total assets of the ING Group as at yearend 2022. Our net profit accounted for 11.3% of the net profit of the ING Group.

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 Bank's Articles of Association 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 26 April 2026 (authorised capital) and to waive pre-emption rights at share issues of the authorised capital. 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. 15 of [this document](#)).

Share price

In H1 2023, the price of ING Bank Śląski shares on the WSE fluctuated from PLN 156.6 to PLN 187.4. On 31 June 2022, the share price of our bank at the close of the session was PLN 187.4, i.e. it was 14% higher than on the last trading day of 2022 (the average price weighted by the trading volume was PLN 185.5583 as at 30 June 2023 and PLN 165.0892 as at 30 December 2022). For comparison, the WIG-banks sector index grew by 27% 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)

	2019	2020	2021	2022	H1 2023
WIG	2.2023%	1.8181%	2.3694%	1.8698%	1.6355%
mWIG40	9.9998%	9.7038%	9.9999%	8.6946%	9.2256%
WIG-ESG	-	2.0845%	3.3669%	2.8014%	2.2917%

As at the end of June 2023, the market value of our bank was PLN 24.4 billion, while the book value of the bank's capital group was PLN 13.0 billion.

ING Bank Śląski S.A. shares data

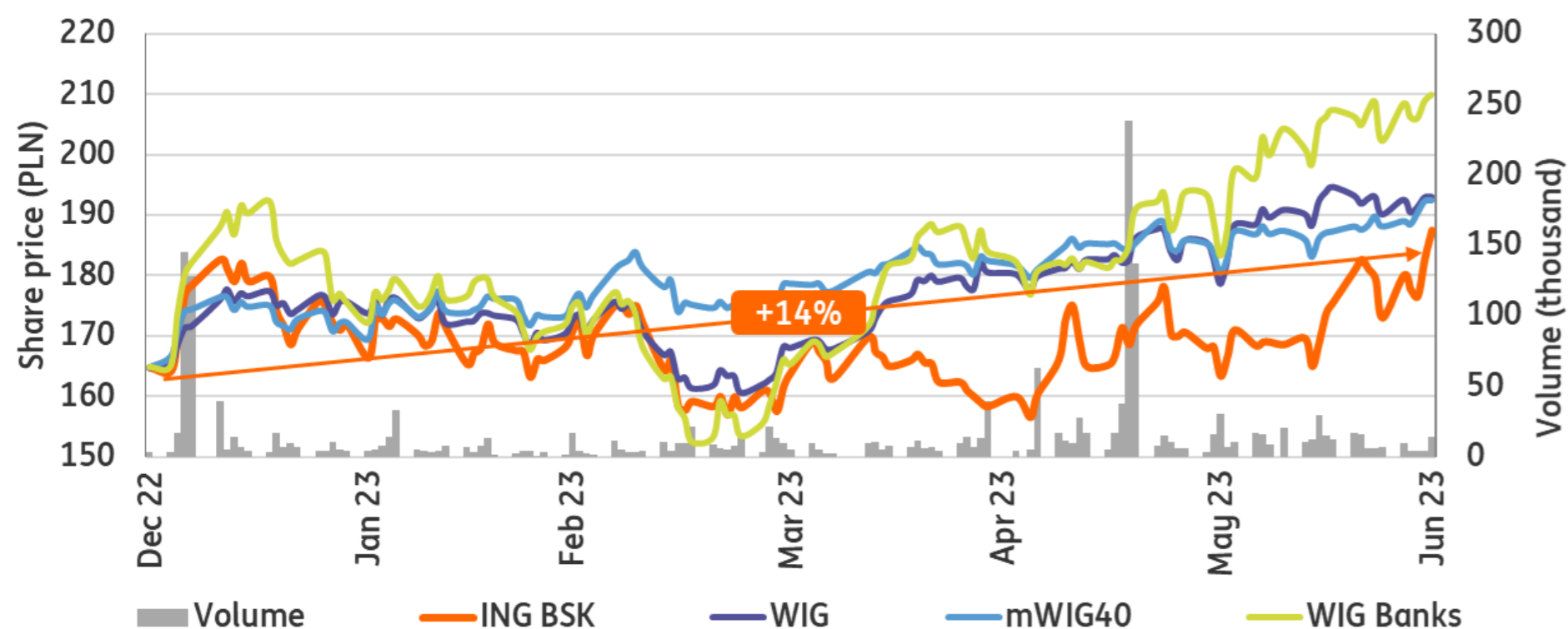
	2019	2020	2021	2022	I poł. 2023
Share price as at the end of the period (PLN)	202.5	171.0	267.0	164.8	187.4
Top share price (PLN)	204.5	207.0	282.0	287.0	187.4
Bottom share price (PLN)	180.0	102.6	167.2	130.0	156.6
Turnover weighted average spread (basis points)	35	43	43	50	42
Yearend capitalization (PLN billion)	26.3	21.8	34.7	21.4	24.4
Number of shares (thousands)	130,100	130,100	130,100	130,100	130,100
Total number of transactions	39,974	88,567	60,865	63,709	33,330
Number of block trades	3	0	2	1	0
Average number of transactions per session	161	351	242	254	269
Trading volume	1,949,283	3,799,640	2,404,219	2,203,660	1,877,466
Average trading volume per session	7,860	17,078	9,579	8,780	15,141
Market makers' share in turnover	9.85%	12.41%	8.78%	8.39%	5.77%
Dealers' share in turnover	11.93%	3.50%	2.50%	0.61%	1.12%
Earnings per share in PLN	12.75	10.3	17.7	13.2	18.11
Share book value (PLN)	117.01	143.1	104.0	71.8	99.6
Dividend paid per share in the year (PLN)	3.50	0.00	5.10	5.30	0
P/E ratio (x)*	15.9	16.6	15.0	12.5	10.3
P/B ratio (x)*	1.7	1.2	2.6	2.3	1.9

*ratio based on share price at the end of the period; based on annualised earnings per share (cumulative 4 quarters)

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.



ING Bank Śląski S.A. share quotations in 2023 versus comparable selected WSE indexes



ING Bank Śląski ratings

Confirmation of our stable financial position and very good sustainability performance is provided by external credit and ESG ratings. Our bank cooperates with three rating agencies:

- on credit ratings:
 - Fitch Ratings and
 - Moody's Investors Service,
- in terms of ESG ratings from Sustainable Fitch.

The history of the credit 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 2023 half-yearly management report, 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 an announcement published by Fitch on 14 September 2022, as part of its annual review, the agency downgraded the *viability* rating on ING Bank Śląski S.A. from bbb+ to bbb, due to increased regulatory pressure from the Polish government on the bank's loan portfolio and performance (credit holiday). Fitch indicated that this follows a similar change in this rating for the Polish banking sector as a whole.

The outlook for the entity's long-term rating and the outlook for this rating on a national scale is Stable.

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 half-yearly management report for 2023, 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 20 December 2022, the Agency sustained the ratings assigned to the bank. The Agency stressed that the bank's rating reflects the bank's good capitalisation and profitability, which provide sufficient risk absorption buffers.

Sustainable Fitch Ltd.

In 2022, our bank started working with Sustainable Fitch Agency (Sustainable Fitch Limited, based in London). The agency has assigned an ESG rating of "2" for ING Bank Śląski on a five-point scale, with "1" being the best rating and "5" being the worst. The agency indicated that the rating awarded reflects the bank's very good sustainability performance and the integration of environmental and social criteria and corporate governance principles into its operations, strategy and management.

Our bank was the first company in Poland with an ESG rating from Sustainable Fitch.



ING Bank Hipoteczny ratings

Moody's Investors Service Ltd.

Moody's Investors Service (the Agency) provides a full risk assessment of ING Bank Hipoteczny. 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 entity – i.e. ING Bank Śląski – in a stress situation will change its priorities in terms of fulfilling its obligations in a way that is detrimental to ING Bank Hipoteczny is low. In addition, the Agency maintained 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 all regulatory requirements.

Changes to statutory bodies

Supervisory Board

In H1 2023, the following changes took place in the composition of the Supervisory Board and the Management Board Committees:

- On 26 January 2023, Mr Aris Bogdaneris 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, i.e. 26 April 2023. The reason for the resignation was the planned termination of the ING Group.
- On 26 April 2023, the Annual General Meeting passed resolutions to change the number of members of the Supervisory Board from seven to eight members and to appoint Mr Hans De Munck and Ms Katarzyna Zajdel-



Kurowska to the Bank's Supervisory Board. Mr Hans De Munck is affiliated with the ING Group, while Ms Katarzyna Zajdel-Kurowska has no affiliation with the ING Group and has independent member status.

- In addition, the Annual General Meeting adopted an assessment of the individual and collective suitability of the Supervisory Board members, as recommended by the Remuneration and Nomination Committee.
- On 02 June 2023, after reviewing the suitability 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 on 05 June 2023.

Thus, the composition of the Supervisory Board and the Management Board Committees as at 30 June 2023 was as follows:

Composition of the Supervisory Board as at 30 June 2023

Member of the Supervisory Board	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 Stephen Creese	Member			●
Ms Dorota Dobija	Independent Member	●	●	●
Ms Monika Marcinkowska	Independent Member	●		●
Mr Hans De Munck	Member	●		
Ms Katarzyna Zajdel-Kurowska	Independent Member	●		●

● – Chairperson(s) ● – Member

Bank's Management Board

There were no changes to the composition of the Bank's Management Board in H1 2023. On 23 June 2023, the Supervisory Board, on the basis of a positive recommendation of the Remuneration and Nomination Committee, approved the secondary individual and collective suitability assessment of the members of the Bank's Management Board. The composition of the Bank's Management Board and responsibilities of Members of the Management Board as at 30 June 2023 were as follows:

Composition of the Management and responsibilities as at 30 June 2023

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 S.A.
Ms Bożena Graczyk	Vice-President of the Bank's Management Board overseeing the CFO Division and supervising the subsidiary 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 S.A. and ING Investment Holding (Polska) S.A.
Mr Michał H. Mrozek	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 the Management Board and the Supervisory Board members

Benefits due to members of the Management Board of ING Bank Śląski (PLN million)

Period	Remuneration	Other benefits*	Total
H1 2022	5.7	1.0	6.7
H1 2023	6.3	1.2	7.5

*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 2023 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 2023 bonus to be paid out in 2024–2031. Accordingly, a provision was set up for the payment of the 2023 bonus for the Management Board members, which as at 30 June 2023 stood at PLN 5.5 million. The Bank's Supervisory Board will take a final decision on the amount of the bonus.

Benefits paid to members of the Management Board of ING Bank Śląski (PLN million)

Period	Remuneration	Bonus*	Other benefits**	Total
H1 2022	5.7	6.4	1.0	13.1
H1 2023	6.3	6.2	1.2	13.7

*Rewards for H1 2023 cover the following components: 1) Bonus resulting from the Variable Remuneration Programme: for 2022 non-deferred cash, for 2021 1st tranche deferred cash, for 2020 1st tranche deferred cash, for 2019 2nd tranche deferred cash, for 2018 3rd tranche deferred cash and for 2017 4th tranche deferred cash. 2) Phantom Shares arising from the Variable Remuneration Programme: for 2021 held, for 2019 1st tranche deferred, for 2018 2nd tranche deferred and for 2017 3rd tranche deferred; Awards for H1 2022 include components such as: 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.

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

In H1 2023 the total amount of remuneration due and disbursed by ING Bank Śląski to member of the Supervisory Board was PLN 0.5 million.

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

Period	Remuneration	Prizes and other benefits	Total
H1 2022	0.4	0.0	0.4
H1 2023	0.5	0.0	0.5

As at 30 June 2022 and the date of the report, the members of the Bank's Supervisory Board did not hold any shares in ING Bank Śląski.

Bank share-based incentive scheme

The Bank's Annual General Meeting, by Resolution No. 29 of 7 April 2022, resolved to establish an incentive programme at the bank aimed at individuals with a significant impact on the bank's risk profile. Under the Scheme, treasury shares are granted free of charge as a component of variable remuneration to *Identified Staff* within the meaning of the [Regulation of the Minister of Finance, Funds and Regional Policy](#).

The new scheme replaced the previous arrangement, which provided for the payment of part of the variable remuneration in a financial instrument, which was a phantom share. The new programme took effect from 1 July 2022. For the period from 1 January to 30 June 2022, the variable part of the remuneration was determined in phantom shares, under the terms of the existing scheme, and in treasury shares, under the terms of the new scheme, in proportion to the duration of the existing and new scheme for the period from 1 July to 31 December 2022.

On 13 March 2022, the Polish Financial Supervision Authority (PFSA) issued a decision to authorise the repurchase of own shares by our bank for the purpose of implementing an incentive programme. Between 12 May and 19 June 2023, we completed the repurchase of the first tranche of treasury shares, acquiring 24,931 shares for a total amount of PLN 4.2 million, representing approx. 0.01916% of the share capital and approx. 0.01916% in the total number of votes at our General Meeting. We reported on the completion of the buyback in our [current report](#) (including the [appendix](#)).

The first tranche of shares acquired represents non-deferred financial instruments granted for the period from 1 July to 31 December 2022. The shares are subject to a holding period of one year from the date of grant – in the case of members of the Management Board, transactions in the acquired shares may take place after 20 March 2024, and in the case of other *Identified Staff* after 17 March 2024.

The following table presents information on the number of shares in our bank granted (3 July 2023) to members of the Management Board. We also reported on the acquisition of shares by the members of the Management Board in [a current report](#) (including the [appendix](#)).



Ownership of the Bank's shares by the Members of the Management Board – as allocated on 3 July 2023

Member of the Management Board	Number of shares
Mr Brunon Bartkiewicz	1,438
Ms Joanna Erdman	926
Mr Marcin Giżycki	987
Ms Bożena Graczyk	1,058
Ms Ewa Łuniewska	873
Mr Michał H. Mrozek	937
Mr Sławomir Soszyński	771
Ms Alicja Żyła	782
Total	7,772

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 Bank's Articles of Association provides that the criteria of independence should be met by the majority of members of the Management 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 four 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 Management 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 Management Board, Chairperson of the Remuneration and Nominations Committee,

- Ms Dorota Dobija, Chairperson of the Management Board, Chairperson of the Risk Committee,
- Ms Monika Marcinkowska, Member of the Management Board, Chairperson of the Audit Committee.
- Ms Katarzyna Zajdel-Kurowska, Member of the Council.

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 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 Bank's Management Board, 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 for underrepresented gender has been set at 30% women and 70% men.

At the end of H1 2023, the Management Board comprised 4 women out of 8 members (50% of the number of Management Board members) and the Supervisory Board comprised 4 women out of 8 members (50% 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 2023.

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 Half-Yearly Report of the ING Bank Śląski S.A. Capital Group for the six months ended 30 June 2023.

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 2023. 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 and its subsidiaries provide sureties to loans and guarantees as part of its statutory activity. The value of off-balance-sheet financial liabilities granted at the end of H1 2023 was PLN 51.0 billion.

Off-balance liabilities of the ING Bank Śląski S.A. Group						
PLN billion	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Unutilised credit lines	43.7	41.2	38.6	37.2	40.3	39.9
Guarantees	6.7	6.9	7.3	7.5	7.8	7.8
Undrawn overdrafts in current account	1.5	1.5	1.5	1.5	1.4	1.4
Credit card limits	1.5	1.5	1.5	1.5	1.6	1.6
Letters of Credit	0.4	0.5	0.4	0.4	0.4	0.3
Total	53.9	51.6	49.3	48.2	51.5	51.0



Changes in the banking sector regulations

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 01 January 2022/01 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 01 December 2022 amending the Excise Duty Act and certain other acts	31 December 2022 / 01 January 2023	Among other things, the act introduced an obligation for banks to provide the National Fiscal Administration with information about a merchant's payment transactions carried out using a payment terminal, software or ICT system.
Act of 07 October 2022 amending the act on corporate income tax and certain other acts	01 January 2023 with exceptions	<p>By virtue of this act, referred to as the Polish Deal 3.0, the provisions of the CIT Act, among others, were amended, in particular with regard to:</p> <ul style="list-style-type: none"> • modifying the legislation and extending the exemption from minimum income tax, • the repeal, with effect from 01 January 2023, of the 'hidden dividend' provisions introduced by the Act of 29 October 2021 (the so-called Polish Deal 1.0) on the basis of added Article 16(1)(15b) and (1d) and (1e) of the CIT Act, • amendments to the regulations on foreign controlled entities, • amendments and clarifications to the provisions on tax on pass-through income, • changes to withholding tax (WHT), • changes to the accounting for debt financing costs in tax costs (CIT Act), • changes to the provisions on relief for bad debts consisting of the repeal of Article 18f item 19 of the CIT Act and, respectively, Article 26i item 19 of the PIT Act , resulting in the resignation from the relevant appendix to the tax return (CIT and PIT Act) in which such data was disclosed, • improvement of PSH legislation (CIT Act), • amendments to the provisions on flat-rate taxation of corporate income (CIT Act), • simplification of the tax refund procedure for building income (CIT and PIT Act), • amendments to the regulations on the documentation obligation in respect of so-called "paradise transactions" (CIT and PIT Act), • changes to the obligation to submit transfer pricing information to the taxpayer's competent Head of the Tax Office (Tax Ordinance), • the introduction of a transitional provision regulating the settlement of losses in companies forming PGK (Polish governance 1.0), • changes to the provisions concerning the first deadline for filing the JPK/CIT in the event of an early end of the tax year (Polish Deal 1.0).
Act of 01 December 2022 on the Financial Information System	10 February 2023	A Financial Information System was created by the Act. Obligated institutions, i.e., among others, national banks, have been obliged to provide the Financial Information System with the information on accounts indicated in the Act, as well as contracts for the safekeeping of objects and securities and the provision of a safe deposit box.



[Act of 01 December 2022 amending the Act – Labour Code and certain other acts](#)

07 April 2023

The Act is specifically concerned with the introduction of remote working as a permanent form of work provision mandated by the Labour Code.

[The Act of 9 March 2023 amending the Act on the Code of Civil Procedure and certain other acts](#)

01 July 2023

Changes to civil proceedings include, inter alia, a new procedure in cases involving consumers, as well as a change in the local jurisdiction of courts in cases involving consumer claims related to the conclusion of a credit agreement that is valorised, denominated or indexed to a currency other than the Polish currency.

[Act of 14 April 2023 amending the act on tax on goods and services and certain other acts](#)

01 January 2024

The amendment is designed to tighten up the VAT system in the e-commerce sector. National banks, branches of foreign banks, credit institutions, payment institutions and credit unions will be obliged to keep, store and send to the head of the National Revenue Administration records of cross-border payments if a payment service provider makes more than 25 payments to the same payee in a quarter.

[Act of 26 May 2023 amending the act on tax on goods and services and certain other acts](#)

01 July 2023

The amendment to the act, referred to as the SLIM VAT 3 package, introduces changes to, among other things:

- an increase in the amount allowing the proportion of the deduction determined by the taxpayer to be deemed to be 100%, where this proportion exceeded 98% for it, from the current PLN 500 to PLN 10,000,
- using the option to waive the adjustment if the difference between the initial and final proportion does not exceed 2 percentage points, taking into account the insignificance of this amount,
- the abolition of the obligation to agree with the head of the tax office, in the form of a report, the proportion of input tax to be deducted, and instead introduces the requirement to notify the head of the tax office of the proportion adopted; a similar change is also introduced with regard to pre-proportions,
- extending the possibility of allocating funds accumulated in the VAT account to further taxes and charges,
- the recognition in cash equity income of revenue from the issuer's redemption of bonds on which periodic benefits are due,
- easing the obligation to keep and send electronically the tax revenue and expense ledger, the accounting ledger and the records of tangible and intangible assets,
- clarification of WHT payer obligations.

[Regulation of the Minister of Health of 14 June 2023 on the cancellation of an epidemic emergency in the territory of the Republic of Poland](#)

01 July 2023

The regulation implies the cancellation of an epidemic emergency. The cancellation of an epidemic emergency has the effect of abolishing the special arrangements associated with the emergency, among which are:

- reinstatement of the standard, i.e. 3-month, deadline for issuing an individual interpretation,
- commencement of the deadlines for reporting domestic tax schemes – in accordance with Article 31y of the Covid Act, the running of the deadlines for reporting so-called domestic tax schemes has been suspended until the 30th day following the day on which the state of emergency and state of epidemic declared in connection with COVID-19 is revoked. The suspension of the obligation to report domestic tax schemes will therefore only apply until the end of July 2023.
- reinstatement of the standard deadline for filing a ZAW-NR notice, which is 7 days,
- the need for payers of lump-sum income tax to use up-to-date tax residency certificates, i.e. from 01 September 2023 – according to Section 31ya of the Covid Act, during the epidemic and epidemic threat period and two months beyond, the payer may use the taxpayer's existing tax residency certificate covering 2019 or 2020, provided a statement is obtained from the taxpayer that the data contained therein has not changed.



[Act of 26 May 2023 on the mCitizen application](#)

14 July 2023

The act provides for the legal equalisation of digital documents handled in the mCitizen app with documents in traditional form. In particular, this includes clarifying the conditions for the use and recognition of an electronic document, supported by the mCitizen app, to be used as a mobile identity document.



Representations of the Management Board of ING Bank Śląski S.A.

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 2023, including a description of core hazards and risks.



SIGNATURES OF THE MANAGEMENT BOARD MEMBERS OF ING BANKU ŚLĄSKIEGO S.A.

2023-08-02	Brunon Bartkiewicz President	The original Polish document is signed with a qualified electronic signature
2023-08-02	Joanna Erdman Vice-President	The original Polish document is signed with a qualified electronic signature
2023-08-02	Marcin Giżycki Vice-President	The original Polish document is signed with a qualified electronic signature
2023-08-02	Bożena Graczyk Vice-President	The original Polish document is signed with a qualified electronic signature
2023-08-02	Ewa Łuniewska Vice-President	The original Polish document is signed with a qualified electronic signature
2023-08-02	Michał H. Mrożek Vice-President	The original Polish document is signed with a qualified electronic signature
2023-08-02	Sławomir Soszyński Vice-President	The original Polish document is signed with a qualified electronic signature
2023-08-02	Alicja Żyła Vice-President	The original Polish document is signed with a qualified electronic signature