ING Bank Śląski S.A. Group

Quarterly consolidated report for the 3rd quarter 2020

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Performance highlights

	3rd quarter 2020 period from 01 Jul 2020 to 30 Sep 2020	3 quarters 2020 YTD period from 01 Jan 2020 to 30 Sep 2020	3rd quarter 2019 period from 01 Jul 2019 to 30 Sep 2019	3 quarters 2019 YTD period from 01 Jan 2019 to 30 Sep 2019
Net interest income	1 136.3	3 387.6	1 127.8	3 201.2
Net commission income	393.6	1 096.7	332.6	1 004.1
Result on basic activities	1 548.4	4 614.8	1 469.3	4 307.0
Result before tax	618.1	1 435.2	576.0	1 639.8
Net profit attributable to shareholders of ING Bank Śląski S.A	440.2	1 023.7	414.8	1 208.4
Earnings per ordinary share (PLN)	3.38	7.87	3.19	9.29

	As at **30 Sep 2020**	As at **30 Jun 2020**	As at **31 Dec 2019**	As at **30 Sep 2019**
Loans and other receivables to customers (net)	122 601.8	120 831.5	118 288.1	115 728.9
Liabilities to customers	154 399.8	150 979.3	130 473.5	125 786.3
Total assets	184 859.5	180 639.3	158 610.7	156 013.8
Total equity attributable to shareholders of ING Bank Śląski S.A.	18 595.8	18 235.5	15 223.3	15 262.7
Share capital	130.1	130.1	130.1	130.1

Key performance indicators

	As at **30 Sep 2020**	As at **30 Jun 2020**	As at **31 Dec 2019**	As at **30 Sep 2019**
C/I - Cost/Income ratio (%)	45.1	46.2	43.1	44.3
ROA - Return on assets (%)	0.9	0.9	1.1	1.1
ROE - Return on equity (%)	8.7	9.0	11.6	12.1
NIM - net interest margin (%)	2.71	2.83	2.95	2.96
L/D - Loans-to-deposits ratio (%)	79.4	80.0	90.7	92.0
Total capital ratio (%)	18.64	18.31	16.87	15.46

Explanations:

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

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

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

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

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

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

Interim condensed consolidated financial statements (PLN million)

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

Interim condensed consolidated income statement

	note	3rd quarter 2020 period from 01 Jul 2020 to 30 Sep 2020	3 quarters 2020 YTD period from 01 Jan 2020 to 30 Sep 2020	3rd quarter 2019 period from 01 Jul 2019 to 30 Sep 2019	3 quarters 2019 YTD period from 01 Jan 2019 to 30 Sep 2019
Interest income, including:		1 277.3	3 967.9	1 367.5	3 944.7
Interest income calculated using effective interest rate method		1 276.6	3 965.7	1 366.5	3 941.5
Other interest income		0.7	2.2	1.0	3.2
Interest expenses		141.0	580.3	239.7	743.5
Net interest income	7.1	**1 136.3**	**3 387.6**	**1 127.8**	**3 201.2**
Commission income		505.6	1 414.5	432.8	1 276.2
Commission expenses		112.0	317.8	100.2	272.1
Net commission income	7.2	**393.6**	**1 096.7**	**332.6**	**1 004.1**
Net income on financial instruments at fair value through profit or loss and FX result	7.3	24.4	82.6	26.6	83.1
Net income on the sale of securities measured at amortised cost	7.4	0.0	7.3	0.0	0.0
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	7.4	5.4	26.0	3.6	35.8
Net income on hedge accounting	7.5	-14.1	14.5	-6.7	-8.8
Net income on other basic activities		2.8	0.1	-14.6	-8.4
Net income on basic activities		**1 548.4**	**4 614.8**	**1 469.3**	**4 307.0**
General and administrative expenses	7.6	666.7	2 083.2	604.4	1 906.6
Impairment for expected losses	7.7	145.3	749.4	180.2	441.1
including profit on sale of receivables		0.0	4.1	0.0	9.8
Tax on certain financial institutions		122.0	359.1	111.5	322.1
Share of profit/(loss) of associates accounted for using the equity method		3.7	12.1	2.8	2.6
Gross profit		**618.1**	**1 435.2**	**576.0**	**1 639.8**
Income tax		177.9	411.5	161.2	431.4
Net profit attributable to shareholders of ING Bank Śląski S.A.		**440.2**	**1 023.7**	**414.8**	**1 208.4**

Net profit attributable to shareholders of ING Bank Śląski S.A.	**440.2**	**1 023.7**	**414.8**	**1 208.4**
Weighted average number of ordinary shares	130 100 000	130 100 000	130 100 000	130 100 000
Basic earnings per ordinary share (PLN)	3.38	7.87	3.19	9.29

No material operations were discontinued during 3 quarters of 2020 and 2019.

Diluted earnings per share are the same as basic earnings per one ordinary share.

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

Interim condensed consolidated financial statements (PLN million)

Interim condensed consolidated statement of comprehensive income

	3rd quarter 2020 period from 01 Jul 2020 to 30 Sep 2020	3 quarters 2020 YTD period from 01 Jan 2020 to 30 Sep 2020	3rd quarter 2019 period from 01 Jul 2019 to 30 Sep 2019	3 quarters 2019 YTD period from 01 Jan 2019 to 30 Sep 2019
Net profit for the period	**440.2**	**1 023.7**	**414.8**	**1 208.4**
Total other comprehensive income, including:	**-79.9**	**2 348.8**	**628.1**	**1 187.9**
Items which can be reclassified to income statement, including:	**-79.9**	**2 342.8**	**628.1**	**1 152.6**
debt instruments measured at fair value through other comprehensive income – gains/(losses) on revaluation carried through equity	55.2	-23.4	-6.8	-1.5
debt instruments measured at fair value through other comprehensive income – reclassification to the financial result due to sale	-4.4	-14.2	-2.9	-23.3
cash flow hedging – gains/(losses) on revaluation carried through equity	52.6	2 774.7	737.1	1 474.3
cash flow hedging – reclassification to profit or loss	-183.3	-394.3	-99.3	-296.9
Items which will not be reclassified to income statement, including:	**0.0**	**6.0**	**0.0**	**35.3**
equity instruments measured at fair value through other comprehensive income – gains/(losses) on revaluation carried through equity	0.0	6.0	0.0	35.3
Net comprehensive income for the reporting period, including:	**360.3**	**3 372.5**	**1 042.9**	**2 396.3**
attributable to shareholders of ING Bank Śląski S.A.	360.3	3 372.5	1 042.9	2 396.3

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

Interim condensed consolidated financial statements (PLN million)

Interim condensed consolidated statement of financial position

	note	As at 30 Sep 2020	As at 30 Jun 2020	As at 31 Dec 2019	As at 30 Sep 2019
Assets					
Cash in hand and balances with the Central Bank		1 193.6	1 910.3	1 402.9	2 792.5
Loans and other receivables to other banks	7.8	731.3	744.4	798.5	804.7
Financial assets held for trading	7.9	1 039.3	878.0	1 224.2	1 243.7
Derivative hedge instruments		1 054.1	1 095.9	851.6	883.6
Investment securities	7.10	56 084.2	53 077.7	33 824.5	32 063.4
Loans and other receivables to customers	7.11	122 601.8	120 831.5	118 288.1	115 728.9
Investments in associates measured at equity method		170.2	166.4	181.0	171.5
Property, plant and equipment	7.13	917.1	925.2	956.0	921.6
Intangible assets		424.6	423.2	429.9	424.8
Assets held for sale		3.4	3.4	3.6	2.8
Deferred tax assets		409.7	380.1	445.6	399.2
Other assets		230.2	203.2	204.8	577.1
Total assets		**184 859.5**	**180 639.3**	**158 610.7**	**156 013.8**
Liabilities					
Liabilities to other banks	7.14	4 883.1	4 594.6	6 256.1	7 593.1
Financial liabilities at fair value through profit or loss	7.15	696.9	617.2	915.1	991.5
Derivative hedge instruments		449.7	480.9	546.0	569.7
Liabilities to customers	7.16	154 399.8	150 979.3	130 473.5	125 786.3
Liabilities under issue of debt securities		397.3	395.4	399.7	302.2
Subordinated liabilities		2 265.2	2 235.1	2 131.1	2 188.7
Provisions	7.17	196.1	203.0	205.7	227.9
Current income tax liabilities		445.2	426.2	381.3	389.0
Deferred income tax		5.3	5.3	0.0	0.0
Other liabilities	7.18	2 525.1	2 466.8	2 078.9	2 702.7
Total liabilities		**166 263.7**	**162 403.8**	**143 387.4**	**140 751.1**
Equity					
Share capital		130.1	130.1	130.1	130.1
Share premium		956.3	956.3	956.3	956.3
Accumulated other comprehensive income		4 216.1	4 296.0	1 867.3	2 357.3
Retained earnings		13 293.3	12 853.1	12 269.6	11 819.0
Equity attributable to shareholders of ING Bank Śląski S.A.		**18 595.8**	**18 235.5**	**15 223.3**	**15 262.7**
Non-controlling interests		0.0	0.0	0.0	0.0
Total equity		**18 595.8**	**18 235.5**	**15 223.3**	**15 262.7**
Total equity and liabilities		**184 859.5**	**180 639.3**	**158 610.7**	**156 013.8**

Carrying amount	18 595.8	18 235.5	15 223.3	15 262.7
Number of shares	130 100 000	130 100 000	130 100 000	130 100 000
Carrying amount per share (PLN)	142.93	140.17	117.01	117.32

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

Interim condensed consolidated financial statements (PLN million)

Interim condensed consolidated statement of changes in equity

3 quarters 2020 YTD
period from 01 Jan 2020 to 30 Sep 2020

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total equity
Opening balance of equity	**130.1**	**956.3**	**1 867.3**	**12 269.6**	**0.0**	**15 223.3**
Profit for the current period	-	-	-	1 023.7	-	**1 023.7**
Other net comprehensive income, including:	**0.0**	**0.0**	**2 348.8**	**0.0**	**0.0**	**2 348.8**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	-17.4	-	-	-17.4
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	-14.2	-	-	-14.2
cash flow hedging – gains/losses on revaluation carried through equity	-	-	2 774.7	-	-	2 774.7
cash flow hedging – reclassification to profit or loss	-	-	-394.3	-	-	-394.3
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Closing balance of equity	**130.1**	**956.3**	**4 216.1**	**13 293.3**	**0.0**	**18 595.8**

Year 2019
Period from 01 Jan 2019 to 31 Dec 2019

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total equity
Opening balance of equity	**130.1**	**956.3**	**1 169.7**	**11 080.2**	**0.0**	**13 336.3**
adjustment in recognition the repo transactions	-	-	-	-14.7	-	**-14.7**
Opening balance of equity adjusted for changes to the accounting principles	**130.1**	**956.3**	**1 169.7**	**11 065.5**	**0.0**	**13 321.6**
Profit for the current period	-	-	-	1 658.7	-	**1 658.7**
Other net comprehensive income, including:	**0.0**	**0.0**	**697.6**	**0.6**	**0.0**	**698.2**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	39.5	-	-	39.5
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	-23.7	-	-	-23.7
cash flow hedging – gains/losses on revaluation carried through equity	-	-	1 083.3	-	-	1 083.3
cash flow hedging – reclassification to profit or loss	-	-	-391.0	-	-	-391.0
fixed assets revaluation	-	-	0.3	-	-	0.3
disposal of fixed assets	-	-	-0.6	0.6	-	0.0
actuarial gains/losses	-	-	-10.2	-	-	-10.2
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**-455.2**	**0.0**	**-455.2**
valuation of share-based payments	-	-	-	0.2	-	0.2
dividends paid	-	-	-	-455.4	-	-455.4
Closing balance of equity	**130.1**	**956.3**	**1 867.3**	**12 269.6**	**0.0**	**15 223.3**

Interim condensed consolidated financial statements (PLN million)

3 quarters 2019 YTD
period from 01 Jan 2019 to 30 Sep 2019

	Share capital	Supplementary capital - issuance of shares over nominal value	Cumulative other comprehensive income	Retained earnings	Non-controlling interests	Total equity
Opening balance of equity	**130.1**	**956.3**	**1 169.7**	**11 080.2**	**0.0**	**13 336.3**
adjustment in recognition the repo transactions	0.0	0.0	0.0	-14.7	-	**-14.7**
Opening balance of equity after adjustmentss	**130.1**	**956.3**	**1 169.7**	**11 065.5**	**0.0**	**13 321.6**
Net result for the current period	-	-	-	1 208.4	-	**1 208.4**
Other net comprehensive income, including:	**0.0**	**0.0**	**1 187.6**	**0.3**	**0.0**	**1 187.9**
financial assets measured at fair value through other comprehensive income – gains on revaluation carried through equity	-	-	33.8	-	-	**33.8**
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	-23.3	-	-	**-23.3**
cash flow hedging – gains on revaluation carried through equity	-	-	1 474.3	-	-	**1 474.3**
cash flow hedging – reclassification to profit or loss	-	-	-296.9	-	-	**-296.9**
disposal of non-current assets	-	-	-0.3	0.3	-	**0.0**
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**-455.2**	**0.0**	**-455.2**
valuation of share-based payments	-	-	-	0.2	-	**0.2**
profit distribution with dividend payout allocation	-	-	-	-455.4	-	**-455.4**
Closing balance of equity	**130.1**	**956.3**	**2 357.3**	**11 819.0**	**0.0**	**15 262.7**

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

Interim condensed consolidated financial statements (PLN million)

Interim condensed consolidated cash flow statement

	3 quarters 2020 YTD period from 01 Jan 2020 to 30 Sep 2020	3 quarters 2019 YTD period from 01 Jan 2019 to 30 Sep 2019
Net profit	**1 023.7**	**1 208.4**
Adjustments	**18 827.9**	**-229.8**
Share of profit (loss) of associates accounted for using the equity method	-13.8	-2.6
Depreciation and amortisation	215.8	206.4
Interest accrued (from the income statement)	-3 387.6	-3 201.2
Interest paid	-546.9	-721.9
Interest received	3 744.8	4 018.0
Dividends received	-8.4	-7.0
Gains (losses) on investing activities	0.6	-1.2
Income tax (from the income statement)	411.5	431.4
Income tax paid from the income statement	-306.4	-323.7
Change in provisions	-9.6	75.5
Change in loans and other receivables to other banks	-134.3	-159.2
Change in financial assets held for trading	188.9	690.2
Change in debt securities measured at fair value through other comprehensive income	-2 331.7	97.7
Change in hedge derivatives	2 081.6	1 162.0
Change in loans and other receivables to customers	-4 163.7	-12 642.0
Change in other assets	330.7	-58.3
Change in liabilities to other banks	-1 223.4	2 003.9
Change in liabilities at fair value through profit or loss	-217.9	-696.0
Change in liabilities to customers	23 938.3	8 098.3
Change in other liabilities	259.4	799.9
Net cash flow from operating activities	**19 851.6**	**978.6**
Purchase of property plant and equipment	-56.1	-46.0
Disposal of property plant and equipment	1.3	1.9
Purchase of intangible assets	-55.3	-61.6
Disposal of assets held for sale	0.1	14.3
Acquisition of shares in associates	-1.1	-171.1
Purchase of debt securities measured at amortized cost	-23 001.4	-494.4
Disposal of debt securities measured at amortized cost	3 116.3	245.2
Dividends received	10.1	7.0
Net cash flow from investing activities	**-19 986.1**	**-504.7**
Long-term loans received	663.9	2 299.4
Long-term loans repaid	-841.2	-804.6
Interest on long-term loans repaid	-19.9	-18.6
Interests from issued debt securities	0.0	-3.8
Leasing liabilities repaid	-78.0	-69.3
Dividends paid	0.0	-455.4
Net cash flow from financing activities	**-275.2**	**947.7**
Effect of exchange rate changes on cash and cash equivalents	134.2	151.3
Net increase/decrease in cash and cash equivalents	**-409.7**	**1 421.6**
Opening balance of cash and cash equivalents	**1 997.4**	**1 956.4**
Closing balance of cash and cash equivalents	**1 587.7**	**3 378.0**

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

Additional information

1. Information about the Bank and the ING Bank Śląski S.A. Group

1.1. General information about the Bank

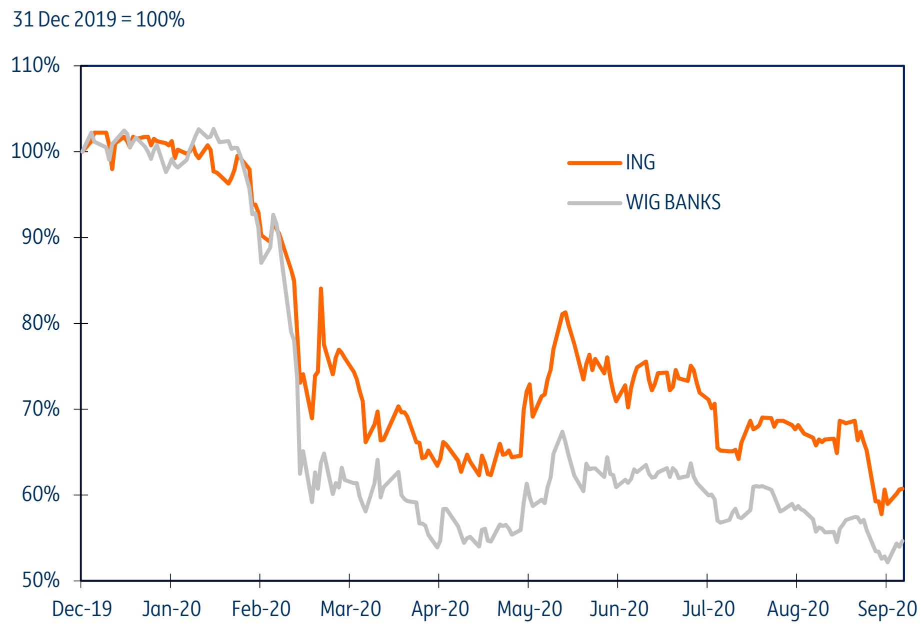
ING Bank Śląski S.A. ("Parent company", "parent entity", "Bank") with the registered office in Katowice, Sokolska Str. 34, was entered into the Entrepreneurs Register with the National Court Register maintained by the Commercial Division of the District Court in Katowice under the number KRS 5459. The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

1.2. Principal activities and duration of operations

ING Bank Śląski S.A. offers a broad range of banking services rendered to individual and institutional clients in line with the scope of services outlined in the Bank's charter. The Bank runs operations both in the Polish zloty and in foreign currencies and is also active in the domestic and foreign financial markets. Additionally, through subsidiaries the Group conducts leasing and factoring activity, and provides banking and other financial services. The duration of the parent company is unlimited.

1.3. Share capital

The share capital of ING Bank Śląski S.A. is PLN 130,100,000 and is divided in 130,100,000 ordinary bearer shares of a par value of PLN 1.00 each. Bank's shares are quoted on the Warsaw Stock Exchange (sector: banks). As at 30 September 2020, the share price of ING Bank Śląski S.A. was PLN 123.0, whereas as of 30 September 2019 was at the level of PLN 199.4. During the 9 months period of 2020, the price of ING Bank Śląski S.A. shares was as follows:



Interim condensed consolidated financial statements (PLN million)

1.4. ING Bank Śląski S.A. Group

ING Bank Śląski S.A. is the parent company of the ING Bank Śląski S.A. Group ("Capital Group", "Group"). As at 30 September 2020, the composition of ING Bank Śląski S.A. Group was the following:

Name	Type of activity	Registered office	% of the Group share in equity	% of the Group share in the General Meeting votes	Recognition in the Group Financial Statements
ING Investment Holding (Polska) S.A.	financial holding	Katowice	100	100	full consolidation
ING Commercial Finance S.A.*	factoring services	Warszawa	100	100	full consolidation
ING Lease (Polska) Sp. z o.o. **	leasing services	Warszawa	100	100	full consolidation
ING Bank Hipoteczny S.A.	banking services	Katowice	100	100	full consolidation
ING Usługi dla Biznesu S.A.	accountancy services, payroll services	Katowice	100	100	full consolidation
Nowe Usługi S.A.	education and promotion for the financial market and TURBO Certificates	Katowice	100	100	full consolidation
Solver Sp. Z o.o.	holiday and training courses organisation	Katowice	100	100	full consolidation
NN Investment Partners TFI S.A.*	*investment funds*	Warszawa	45	45	equity method consolidation

*) ING Bank Śląski S.A. has an indirect share in the company via ING Investment Holding (Polska) S.A.

**) ING Bank Śląski S.A. has an indirect share in the company via ING Investment Holding (Polska) S.A. The ING Lease (Polska) Sp. z o.o Group incorporates 5 special-purpose vehicles wherein ING Lease Polska Sp. z o.o holds 100% of shares

1.5. Shareholding structure of ING Bank Śląski S.A.

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 30 September 2020 held 75% share in the share capital of ING Bank Śląski S.A. and 75% shares in the total number of votes at the General Meeting. ING Bank NV belongs to the Group, herein referred to as ING Group.

The remaining part of the Bank's shares (25.0%) is in free float. They are owned by institutional investors - in particular Polish pension funds and domestic and foreign investment funds, as well as individual investors. The largest of them as at 30 June 2020 was AVIVA Otwarty Fundusz Emerytalny AVIVA Santander, which, according to the semi-annual information on the structure of assets of Aviva Otwarty Fundusz Emerytalny AVIVA Santander, as at 30 June 2020, held 8.44% of the share capital and the total number of votes for The General Meeting:

No.	Entity	Number of shares and votes	% of total number of shares and votes at General Meeting
1.	ING Bank NV	97 575 000	75.00
2.	AVIVA Otwarty Fundusz Emerytalny AVIVA Santander	10 981 068	8.44

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

As at 30 September 2020, neither Management Board nor Supervisory Board members held shares of ING Bank Śląski S.A. So was the situation also at the date of rendering the financial statements for the previous reporting period into the public domain.

1.7. Approval of financial statements

The annual consolidated financial statements of the ING Bank Śląski S.A. Group for the period from 1 January 2019 to 31 December 2019 were approved by the General Meeting on 2 April 2020.

These interim condensed consolidated financial statements have been approved by the Bank's Management Board on 3 November 2020.

2. Significant events in 3rd quarter 2020

- *Information on the impact of the coronavirus epidemic on the operations of the ING Bank Śląski S.A. Capital Group*

In the period of 3 quarters of 2020, the operating, business and financial activities of the Bank's Capital Group were affected by the COVID-19 coronavirus epidemic. Poland and the global economy are in a period of deep shock and uncertainty, and state institutions and regulators are taking a number of steps and offering assistance programs that are designed to reduce recession.

In its current reports on 27 March, 15 April and 3 June 2020, the Management Board of ING Bank Śląski S.A. informed about preliminary estimates of the impact of negative effects associated with the spread of the COVID-19 coronavirus epidemic on the activities of the Bank's Capital Group.

The Management Board of the Bank analyses the current economic situation on an ongoing basis and makes decisions aimed primarily at protecting the interests of the current customers of the Bank and its own enterprise.

The Bank and its subsidiaries maintain a good and stable liquidity and capital position. The Group's LCR ratio as at 30 September 2020 was 213% (130% as at 31 December 2019). The Tier 1 ratio and the total capital ratio of the Group amounted to 16.04% and 18.64% respectively as at 30 September 2020 (14.41% and 16.87% as at 31 December 2019 respectively).

The impact of the epidemic on the Group's operations in the period from 1 January 2020 to 30 September 2020 is presented below.

Government measures supporting the economy

To mitigate the economic effects of the COVID-19 pandemic, the Government and the National Bank of Poland offer tax and financial support to enable companies and employees to continue operating, and to ensure access to liquidity for the financial sector. The tools used to support the economy include measures such as:

- co-financing of a part of employee remuneration costs,
- co-financing the business activity, e.g. in the form of subsidies,
- launching a system of sureties and guarantees for entrepreneurs,
- exemptions / delays in the payment of contributions and taxes,
- temporal extension of deadlines for fulfilling selected reporting obligations,
- introducing a maximum level of non-interest costs,
- temporal suspension of administrative proceedings,
- allowing the suspension of loan agreements for three months for borrowers who have lost their job or their main source of income.

The above activities were supported by the PFR Financial Shield of the Polish Development Fund (PFR): the Financial Shield for micro-enterprises and the Financial Shield for small and medium-sized enterprises launched in Q2 2020 (the deadline for submitting applications for subsidies was 31 July 2020), and the PFR Financial Shield for large companies launched at the beginning of the third quarter of 2020.

On 17 March and 8 April 2020, the Monetary Policy Council decided to lower interest rates, including lowering the reference rate from 1.5% to 0.5% and the required reserve rate from 3.5% to 0.5%.

Another reduction took place on 28 May 2020 - the reference rate was lowered to 0.1%.

Bank support for customers in response to the COVID-19 crisis

The Bank and its subsidiaries actively encourage their clients to use mobile applications and online banking. In addition, in order to alleviate the situation of retail customers and business banking negatively affected by the coronavirus epidemic, the Bank allowed the suspension of loan instalments, leasing and factoring for up to 6 months (deferment of repayment).

Customers can use one of two options:

1) only repayment of principal is suspended, the customer will continue to pay interest, or

2) the entire principal and interest instalment is suspended, with interest being calculated and charged directly to the outstanding balance of debt.

In the Wholesale Banking Division, the applications of clients requiring possible support are considered individually.

The Bank's deferral option is part of a non-statutory moratorium as defined by the European Banking Authority ("EBA") guidelines on statutory and non-statutory loan repayment moratorium that banks are applying in connection with the COVID-19 crisis (the "Guidelines"). This moratorium was finalized in May 2020 by banks that are members of the Polish Bank Association and notified to the EBA by the Polish Financial Supervision Authority ("UKNF"). It covers aid instruments granted from 13 March to 30 June 2020.

On 19 June 2020, the EBA issued a communication on the extension of the application of the Guidelines until 30 September 2020. The non-statutory moratorium introduced by members of the Polish Bank Association was extended by the same date and notified by the KNF Office to the EBA.

Moreover, in June 2020, based on the introduced regulations, the Bank made it possible for consumers to suspend the loan agreement for a period of up to 3 months, without charging interest for the use of capital (statutory moratorium). This moratorium was also notified to the EBA by the KNF Office.

As at 30 September 2020, credit receivables with a gross carrying amount of PLN 9 891.5 million were covered by the Group's suspension programs (of which active as at 30 September 2020 amounted to PLN 4 898.4 million, including PLN 46.7 million that concerns the statutory moratorium), of which retail banking is PLN 2 942.8 million, and corporate banking is PLN 6 948.7 million.

In the second quarter, the Bank, like some commercial banks, joined the Polish Development Fund (PFR) program in the field of intermediation in granting entrepreneurs subsidies from the Government Program regarding financial support of the PFR for micro, small and medium enterprises. The Bank supports the government program by accepting clients' applications for payment of subsidies, executing withdrawals and servicing customer repayments.

On the basis of the portfolio guarantee line agreement of the Liquidity Guarantee Fund concluded with Bank Gospodarstwa Krajowego (BGK), the Bank also introduced a guarantee offer for securing revolving and non-revolving working capital loans (80% of the loan amount) to provide financial liquidity for medium and large enterprises. The total value of guarantees received from the Liquidity Guarantee Fund of BGK was PLN 1 537.1 million.

From 21 July 2020, the Bank cooperates with BGK in the implementation of the program of subsidizing interest for clients from the SME segment. The program is available until 31 December 2020. Supplements are applied to revolving and non-revolving working capital loans, granted in PLN, in order to ensure financial liquidity, in particular short-term and medium-term, lost or threatened with loss due to COVID-19. The subsidies are paid up to 12 months from the conclusion of the loan agreement and are part of the interest due to the bank corresponding to: 2 percentage points or 1 percentage point - depending on the fulfillment of the relevant program conditions. The customer repays a part of the interest due to the Bank, which is the difference between the interest accrued at the interest rate and the additional payment. At the end of Q3 2020, the amount of loans granted under the program was PLN 341.7 million, and the amount of subsidies PLN 0.2 million.

Impact of the epidemic on the Bank's operating activities

The Bank and its subsidiaries maintained operational continuity, and all key processes are carried out smoothly. At the same time, the Bank has taken measures that enable it to manage increased operational risk, fraud risk and data security.

Impact of the COVID-19 epidemic on the financial and capital situation of the Bank in the three quarters 2020

Lowering the level of the systemic risk buffer from 3% to 0% since 19 March effectively reduced the minimum capital requirement for the Bank and the Group to 9.0% for Tier 1 ratio and to 11.0% for total capital ratio. The Tier 1 ratio and the total capital ratio of the Group contributed 16.04% and 18.64% respectively as at 30 September 2020 (14.41% and 16.87% as at 31 December 2019 respectively). Details on the capital ratio and changes in risk management are presented in Note 7.20 *Total capital ratio*.

In its current reports on 27 March, 15 April and 3 June 2020, the Bank's Management Board announced that the decisions of the Monetary Policy Council regarding changes in interest rates will have a negative impact on the interest result of the Bank's Capital Group for 2020.

Impairment losses

The methodology for calculating the expected losses was presented in the annual consolidated financial statements of the ING Bank Śląski S.A. Capital Group for the period from 1 January 2019 to 31 December 2019 and in Item 5 *Significant accounting principles and key estimates*. In the three quarters of 2020, the Group continued the adopted approach, including in terms of probability-weighted macroeconomic scenarios, supplementing them with management adjustments where, in the opinion of management, recent economic events were not fully captured.

<u>Macroeconomic forecasts</u>

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

As at 30 September 2020, the Group revised its macroeconomic indicator forecasts, which also included the effect of COVID-19 on these assumptions. The macroeconomic assumptions used to determine the expected credit losses are based on the consensus built on the basis of macroeconomic forecasts collected from a wide range of institutions.

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

The Group is reviewing macroeconomic assumptions in determining write-offs for expected losses on a quarterly basis. The estimated impact of COVID-19 on these parameters may change in subsequent quarters depending on, among others on the scale of the pandemic, its duration, the impact of government support on economy, and external conditions.

Management overlays

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

As in the second quarter, in the third quarter an additional provision was made for the potential risk of underestimating the PD parameter on individual portfolios subject to non-statutory moratoria. Particularly exposed to the risk of underestimating parameters is the retail portfolio and the portfolio of Micro-enterprises, where programs consisting in the possibility of suspending and deferring repayments have been implemented. In connection with the above, on these portfolios with an active suspension of repayments resulting from non-statutory moratoria, the level of write-offs for credit risk was increased by an additional PLN 61.8 million compared to Q2 2020 (as at 30 September 2020, it amounted to PLN 75.0 million).

The high scale of public aid programs directed directly to enterprises significantly improved their financial and liquidity situation. In order to take into account these aspects, an adjustment was made in Q2 2020 consisting in a reduction in the amount of write-offs calculated on the basis of macroeconomic shock scenarios and write-offs were reduced by PLN 42 million due to the estimated positive impact of public support programs. The amount of this adjustment did not change in the third quarter of 2020.

Classification of exposures subject to credit moratoria into Stages

The Group does not identify the possibility of deferring repayments offered from the end of March 2020 to retail and corporate customers under the non-statutory moratorium as a stand-alone indication of a significant increase in credit risk. In such cases, the Group performs portfolio or individual assessment together with other indications of a significant increase in credit risk.

An exposure subject to the statutory moratorium should, in principle, be classified under Stage 3. Classification under Stage 2 is only possible in exceptional cases, taking into account the specific circumstances and facts arising from additional analyzes carried out by the bank.

As a result, as at 30 September 2020, an additional allowance in the amount of PLN 24.4 million was created, resulting from the classification of active and completed statutory holidays to Stage 3.

Credit moratorium and modification of financial assets

Allowing clients to postpone loan payments resulted in a change in the distribution of future contractual cash flows over the original contractual arrangements. Additionally, in the event of suspension of the loan agreement as a result of job loss or the main source of income, the agreement is suspended in its entirety, including the suspension of charging contractual interest, which results in a loss of cash flows for the period of suspension.

Deferral/suspension of repayment programs were assessed by the Group in the light of the requirements regarding the modification of financial assets. In the light of the Group's accounting policy, the change did not constitute grounds for derecognition of financial assets from the statement of financial position.

Fair value

The appearance of the COVID-19 epidemic in the period of 9 months of 2020 had a significant impact on market conditions, including in particular those arising from:

- uncertainty and predictions of market participants regarding the impact of the epidemic on the economic situation in Poland and in the world, which affected market activity and fluctuations in exchange rates and benchmark interest rates,
- actions taken by regulators, governments and central banks to mitigate the effects of the epidemic,
- interest rate cuts in Poland,
- excess liquidity in the banking sector related to the deposition of aid funds in bank accounts,
- NBP intervention and a significant strengthening of the value of Treasury bonds due to the increase in market demand,
- increased volatility in the currency market, in particular the weakening of the zloty against the euro.

Changing economic conditions had a significant impact on the fluctuations in the valuation of financial instruments at fair value (three quarters period to three quarters period), in particular:

- result on hedge accounting increased by PLN 23.3 million (from minus PLN 8.8 million in three quarters of 2019 to PLN 14.5 million in three quarters of 2020). The factors that had the most significant impact on the results in this item were mainly related to the reduction of interest rates in Poland in the first half of 2020 and the excess liquidity of the banking sector. The above resulted in a greater mismatch between the valuation of the hedging instrument and the hedged item in the strategies used in the Group,
- debt securities measured at fair value through other comprehensive income - the most significant impact on the increase in the fair value of the assets in question was the reduction in interest rates in Poland and the changing demand on the bond market caused by the uncertainty and predictions of market participants as to the impact of the epidemic on the economic situation in Poland and in the world. Due to the large scale of the application of fair value hedge accounting against interest rate risk in other comprehensive income, a decrease in the result on valuation by PLN 21.3 million (minus PLN 1.5 million in three quarters of 2019 to minus PLN 23.4 million in three quarters of 2020) - a positive change in the fair value of bonds due to the hedged risk was excluded from other comprehensive income and presented in the profit and loss account in the item: "Result on hedge accounting".
- cash flow hedge - an increase in the effective part of the hedging relationship recognized in other comprehensive income was recorded by PLN 1 299.7 million (from PLN 1 474.3 in three quarters of 2019 to PLN 2 774.7 million in three quarters of 2020), which is mainly the result of forecasts as to the future market interest rates, taking into account current market conditions, including in particular reductions interest rates made in the first half of this year in Poland.

Legal and regulatory changes

Capital adequacy

In order to limit the impact of the coronavirus pandemic on the economy, market regulators have adopted a number of modifications to regulations. They mainly include:

- Amendments to the Regulation No. 575/2013 of 26 June 2013 on prudential requirements for credit and financial institutions (with subsequent amendments) - CRR;
- Amendments to the Prudential Regulation 101/2016 (AVA);
- EBA guidelines for dealing with deferral programs;
- Additional measures taken by Polish financial market regulators to reduce capital and non-capital burdens on banks.

The EBA guidelines of 2 April 2020 assume no reclassification to forebearance and default of entities using deferred repayment programs offered to them by the banking sector or under legally regulated programs. This only applies to programs notified to the EBA. Originally, these guidelines were to apply until 30 June 2020, however, on 18 June 2020, their validity was extended until 30 September 2020.

On 28 April 2020, the European Commission proposed changes to the CRR, aimed at releasing additional capital to finance the crisis-affected economy. After consultations with the government and the financial sector as well as work in the European Parliament, the amendment was published on 24 June. It includes, among others:

- transitional period as regards risk weights for government and central bank exposures denominated in the currency of any EU Member State;
- transition for the recognition of unrealized gains and losses on securities valued through other comprehensive income issued by central governments and central banks;
- accelerating the implementation of the SME supporting factor;
- accelerate the implementation of the correction factor 0.75 to the risk weight for infrastructure exposures;
- modification of the transition period related to the implementation of IFRS 9. The changes include the possibility of applying a transition period and separating the dynamic part related to provisions established after 31 December 2019;
- changes to the treatment of software intangible assets (will take effect after publication of the relevant Delegated Regulation). Consultations have been conducted in this regard and the final version of the document is expected.

The above changes are also supported by the modifications of the Prudential Regulation 101/2016 (AVA), where in the formula used for aggregation purposes the parameter was changed from 50% to 66%.

Following the changes to the CRR, the Disclosure Guidelines were published:

- on supervisory reporting and disclosures in line with the targeted fast-track changes to the CRR in response to the COVID-19 pandemic;
- amending the EBA/GL/2018/01 guidelines on uniform disclosure pursuant to Art. 473a of Regulation (EU) No 575/2013 (CRR), information on the transition period to mitigate the impact of IFRS 9 on own funds to comply with the accelerated targeted changes to the CRR in response to the COVID-19 pandemic;

In addition to the proposals at the European level, a number of local supporting activities were also undertaken, e.g.

- regulation of the Minister of Finance of 7 April 2020 on the determination of other deadlines for the performance of certain reporting and information obligations;
- possibility of applying a 0% risk weight to customer exposures up to the amount hedged by BGK, EIB, EIF and other development institutions. Initially, the amount of the guarantee or surety was up to 80% of the loan value, but in accordance with the provisions of the Act of 7 October, this level was increased to 90%;

– shifting the implementation of Recommendation S from 31 December 2020 to 30 June 2021.

The Group's capital ratio is presented in Note 7.20 *Total capital ratio*.

Liquidity adequacy

In the area of liquidity, the following actions were taken on the part of the National Bank of Poland and the Monetary Policy Council:

– Operations supplying banks with liquidity, so-called repo operations. Access to these operations will be a type of insurance in the event of a need to provide banks with liquidity.
– Purchase of large-scale government bonds on the secondary market as part of structural open market operations, which will change the long-term liquidity structure in the banking sector. The effect of these operations should also be maintaining the liquidity of the secondary government bond market.
– Bill of exchange credit for banks, which - like the TLTRO program introduced by the ECB - will allow refinancing of loans granted by banks to non-financial sector enterprises.
– A significant reduction in the required reserve rate from 3.5% to 0.5% and an increase in the interest rate on the provision from 0.1% to the reference rate. This will enable the creation of an additional liquidity buffer for banks and reduce their costs due to maintaining the reserve.

- *Confirmation of ratings by Fitch*

On 30 September 2020, Fitch Ratings, as part of its annual review, upheld the ratings for ING Bank Śląski S.A.

The bank's rating assigned by the Fitch Agency is presented in the section *Other information* in point 16.1. *Ratings*.

3. Significant events after the balance sheet date

None.

4. Compliance with International Financial Reporting Standards

These interim condensed consolidated financial statements of the ING Bank Śląski S.A. Group for the 3rd quarter 2020 were prepared under the IAS 34 *Interim Financial Reporting* (International Accounting Standards) in a version approved by the European Commission and effective as at the reporting date, that is 30 September 2020 as well as in accordance with the Ordinance of Finance Minister of 29 March 2019 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws of 2018, item 757).

Presented financial statements have been prepared in a condensed version. The interim condensed financial statements do not provide all data or disclosures required in the annual financial statements and should be interpreted together with the Bank's financial statements for the year ended 31 December 2019 approved by the General Meeting on 2 April 2020.

Interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated cash flow statement for the period from 1 January 2020 to 30 September 2020 and interim condensed consolidated statement of financial position as at 30 September 2020, together with comparable data were prepared according to the same principles of accounting for each period.

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4.1. Changes in accounting standards

In these interim condensed consolidated financial statements, the same accounting standards have been applied as in the case of annual consolidated financial statements for the year 2019 (Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Capital Group for the year ended 31 Dec 2019) and the standards and interpretations adopted by the European Union and applicable to the annual periods starting 1 January 2020 or afterwards, which have been presented in the Interim condensed consolidated financial statements of the ING Bank Śląski S.A. Capital Group for the 1 half of the year 2020.

The standards and interpretations which were already issued but are still ineffective since not approved by the European Union or approved by the European Union but not previously applied by the Group were presented in the 2019 Group Annual Consolidated Financial Statements.

In the 3rd quarter 2020 the following changes in accounting standards were published:

Change	Impact on financial statements
IFRS 9, IFRS 7, IFRS 4, IFRS 16 and IAS39 Benchmark interest rate reform – 2nd phase (financial year beginning on or after 1 January 2021)	Changes to standards in connection with the reform of benchmark interest rates. The application of the amendments will enable the continuation of recognition of financial instruments and hedging relationships under hedge accounting. It will also increase the scope of disclosures to the Group's Financial Statements.

As at the date of approval of this report for publication, taking into account the ongoing process of introducing IFRS standards in the EU and the Group's operations, within the accounting principles applied by the Group there is no difference between the effective IFRS standards and the IFRS standards approved by the EU.

4.2. Going concern

These interim condensed consolidated financial statements of the ING Bank Śląski S.A. Capital Group have been prepared on a going-concern basis as regards the foreseeable future, namely as regards the period of minimum 12 months from the approval date, i.e. from 3 November 2020. As at the approval date hereof, the Bank Management Board have not identified any events that could pose a threat to the Group members continuing their operations during the period of 12 months from the approval date as a result of intentional or forced abandonment or significant limitation of its operations by the Capital Group.

4.3. Discontinued operations

No material operations of the Group were discontinued during the 3 quarters of 2020 and 2019.

4.4. Financial statements scope and currency

These interim condensed consolidated financial statements of the Capital Group for the 3rd quarter 2020 contain data of the Bank and its subsidiaries and associates (collectively referred to as the "Group"). These interim condensed consolidated financial statements have been prepared in Polish zloty ("PLN"). All figures, unless otherwise indicated, are rounded to the nearest million. Therefore, there may be instances of mathematical inconsistencies in additions or between individual notes.

4.5. Comparative data

The comparative data cover the following periods:

- for the interim condensed consolidated profit and loss account and the interim condensed consolidated statement of comprehensive income - the period from 1 January 2019 to 30 September 2019 and the period from 1 July 2019 to 30 September 2019,

- for the interim condensed consolidated cash flow statement - the period from 1 January 2019 to 30 September 2019,
- for the interim condensed consolidated statement of changes in equity - the period from 1 January 2019 to 30 September 2019 and the period from 1 January 2019 to 31 December 2019, and
- for the interim condensed consolidated statement of financial position - data as at 30 June 2020, 31 December 2019 and 30 September 2019.

5. Accounting estimates

The detailed accounting principles and key estimates were presented in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for the period from 1 January 2019 to 31 December 2019, published on 6 March 2020 and available on the website of ING Bank Śląski S.A. (www.ingbank.pl).

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

In the three quarters of 2020, no significant changes in the accounting principles applied by the Group were introduced.

At the same time, as a result of the outbreak of the COVID-19 coronavirus, key estimates were changed, which are described in detail in point 2 of this report (Significant events in the three quarters of 2020, Information on the impact of the coronavirus outbreak on the operations of the ING Bank Śląski S.A.Capital Group) and described below.

The definition of exposures in default status, default exposures and non-performing exposures has been clarified in accordance with the guidelines of the European Banking Authority (EBA) No. EBA/GL/2016/07 and as a result, the Group aligned its approach to regulatory requirements in this respect. The debtor or exposure assessed as being in default status is considered to be both impaired and non-performing at the same time. This change resulted in charging the Group's financial result for the first quarter in the amount of PLN 7.8 million. Detailed information in this respect was provided in the semiannual consolidated financial statements of the ING Bank Śląski S.A. Capital Group for the period ended 30 June 2020 and published on 6 August 2020.

The assumptions regarding the significant change in credit risk (SICR) for the retail cash loan portfolio were updated. In particular, the relative threshold of PD parameter that results in reclassification to Stage 2 was changed from 75 bp to 350 bp. The change in the SICR threshold resulted in a decrease in the value of impairment losses on expected losses in the amount of approximately PLN 55 million.

As a result of the update of the model results, the amount of the provision for legal risk was changed for the portfolio of CHF indexed mortgage loans. As at 30 September 2020, this provision amounted to PLN 75.0 million (including PLN 12.6 million as a provision for disputes for repaid exposures and PLN 62.4 million for losses of expected loans for current and future disputes for balance sheet exposures) compared to PLN 45.0 million at the end of 2019.

6. Comparability of financial data

When compared with the interim consolidated financial statements for previous periods, in the interim condensed consolidated financial statements prepared for the period from 1 January 2020 to 30 September 2020, the Group made changes in the presentation of individual items of the consolidated income statement and the consolidated statement of cash flows. The changes are as follows:

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- *changing the presentation of commissions for the purchase of invoices under factoring* (**change a**)

The Group changed the presentation of the commission for the purchase of invoices under factoring - in the previous periods it was recognized in commission income, while now it is recognized in interest income. In the Group's opinion, this change increases the transparency and information value of the consolidated profit and loss account.

- *change in cash flows from securities* (**change b**)

The Group changed the presentation resulting from the reclassification of cash flows from the portfolio measured at amortized cost and the presentation of reclassifications related to the implementation of IFRS 9 in 2018.

- *change in cash flows from lease payments* (**change c**)

The Group changed the presentation of repayment of lease liabilities (IFRS 16).

The table below presents individual items of the consolidated profit and loss account according to the values presented in the interim consolidated financial statements for the period from 1 January 2019 to 30 September 2019 and according to the values presented in the current report.

	Period form 1 Jan 2019 to 30 Sep 2019		
	In consolidated financial statements for the period from 01 Jan 2019 to 30 Sep 2019 (approved data)	change a)	In consolidated financial statements for the period from 01 Jan 2020 to 30 Sep 2020 (comparable data)
Interest income	3 921.7	23.0	3 944.7
Interest expenses	743.5		743.5
Net interest income	**3 178.2**	**23.0**	**3 201.2**
Commission income	1 299.2	-23.0	1 276.2
Commission expenses	272.1		272.1
Net commission income	**1 027.1**	**-23.0**	**1 004.1**
Net income on financial instruments at fair value through profit or loss and FX result	83.1		83.1
Net income on the sale of securities measured at amortised cost	0.0		0.0
Net income on the sale of securities measured at fair value through other comprehensive income and dividend income	35.8		35.8
Net income on hedge accounting	-8.8		-8.8
Net income on other basic activities	-8.4		-8.4
Net income on basic activities	**4 307.0**	**0.0**	**4 307.0**
General and administrative expenses	1 906.6		1 906.6
Impairment losses on financial assets and provisions for off-balance sheet liabilities	441.1		441.1
Tax on certain financial institutions	322.1		322.1
Share in net profit of associates accounted for using the equity method	2.6		2.6
Gross profit (loss)	**1 639.8**	**0.0**	**1 639.8**
Income tax	431.4		431.4
Net profit	**1 208.4**	**0.0**	**1 208.4**

Interim condensed consolidated financial statements (PLN million)

The table below presents individual items of the consolidated cash flow statement according to the values presented in the interim condensed consolidated financial statements for the period from 1 January 2019 to 30 September 2019 and according to the values presented in these financial statements.

	As at **30.09.2019**				As at **30.09.2019**	As at **30.09.2019**
	in Consolidated Financial Statements for the period from 1 Jan 2019 to 30 Sep 2019	change a)	change b)	change c)		in Consolidated Financial Statements for the period from 1 Jan 2020 to 30 Sep 2020
	(approved data)					(comparable data)
Net cash flow from operating activities	**956.8**	**0.0**	**21.8**	**0.0**		**978.6**
Accrued interest (from the profit and loss account)	-3 178.2	-23.0				-3 201.2
Interest received	3 995.0	23.0				4 018.0
Change in fixed assets due to lease recognition	66.0			-66.0		0.0
Change in other assets	-55.0			-3.3		-58.3
Change in other liabilities	730.6			69.3		799.9
Change in debt securities measured at fair value through other comprehensive income	75.9		21.8			97.7
Net cash flow from investing activities	**-482.9**	**0.0**	**-21.8**	**0.0**		**-504.7**
Purchase of debt securities measured at amortized cost	-227.4		-267.0			-494.4
Disposal of debt securities measured at amortized cost	0.0		245.2			245.2

Interim condensed consolidated financial statements (PLN million)

7. Supplementary notes to interim condensed consolidated financial statements

7.1. Net interest income

	3rd quarter 2020 period from 01 Jul 2020 to 30 Sep 2020	3 quarters 2020 YTD period from 01 Jan 2020 to 30 Sep 2020	3rd quarter 2019 period from 01 Jul 2019 to 30 Sep 2019	3 quarters 2019 YTD period from 01 Jan 2019 to 30 Sep 2019
Interest income, including:	**1 277.3**	**3 967.9**	**1 367.5**	**3 944.7**
Interest income calculated using effective interest rate method, including:	**1 276.6**	**3 965.7**	**1 366.5**	**3 941.5**
Interest on financial instruments measured at amortized cost	**1 205.3**	**3 669.2**	**1 255.9**	**3 622.2**
interest on loans and receivables to other banks measured at amortised cost	2.1	17.0	11.0	30.9
interest on loans and receivables to customers measured at amortised cost	1 089.9	3 382.6	1 178.5	3 397.3
interest on securities measured at amortised cost	113.3	269.6	66.4	194.0
Interest on securities measured at fair value through other comprehensive income	71.3	296.5	110.6	319.3
Other interest income, including:	**0.7**	**2.2**	**1.0**	**3.2**
interest on loans and receivables to other customers measured at fair value through profit or loss	0.7	2.2	1.0	3.2
Interest expense on financial liabilities not measured at fair value through profit or loss, including:	**141.0**	**580.3**	**239.7**	**743.5**
interest on deposits from other banks	1.7	18.3	14.5	45.2
interest on deposits from customers	128.5	528.7	216.4	674.2
interest on issue of debt securities	2.1	7.0	1.9	5.7
interest on subordinated liabilities	7.7	23.1	4.1	12.4
interest on lease liabilities	1.0	3.2	2.8	6.0
Net interest income	**1 136.3**	**3 387.6**	**1 127.8**	**3 201.2**

Interim condensed consolidated financial statements (PLN million)

7.2. Net commission income

	3rd quarter 2020 period from 01 Jul 2020 to 30 Sep 2020	3 quarters 2020 YTD period from 01 Jan 2020 to 30 Sep 2020	3rd quarter 2019 period from 01 Jul 2019 to 30 Sep 2019	3 quarters 2019 YTD period from 01 Jan 2019 to 30 Sep 2019
Commission income, including:				
transaction margin on currency exchange transactions	109.8	313.9	100.5	287.4
account maintenance	91.7	248.0	75.1	219.3
lending	86.4	265.5	78.6	242.5
payment and credit cards	95.8	259.5	89.5	264.3
participation units distribution	19.8	57.6	19.0	53.5
insurance product offering	40.6	119.3	35.0	97.9
factoring and lease agreements	10.2	24.6	6.5	19.6
brokerage activity	23.0	54.3	5.1	15.6
fiduciary and custodian	9.0	24.5	7.0	21.2
foreign commercial business	10.0	23.1	10.0	28.5
other	9.3	24.2	6.5	26.4
Total commission income	**505.6**	**1 414.5**	**432.8**	**1 276.2**
Commission expenses	**112.0**	**317.8**	**100.2**	**272.1**
including payment and credit cards	61.4	174.2	56.4	144.1
Net commission income	**393.6**	**1 096.7**	**332.6**	**1 004.1**

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

	3rd quarter 2020 period from 01 Jul 2020 to 30 Sep 2020	3 quarters 2020 YTD period from 01 Jan 2020 to 30 Sep 2020	3rd quarter 2019 period from 01 Jul 2019 to 30 Sep 2019	3 quarters 2019 YTD period from 01 Jan 2019 to 30 Sep 2019
FX result and net income on interest rate derivatives, including:	14.2	52.7	12.9	40.9
FX result	4.1	139.9	101.7	79.1
currency derivatives	10.1	-87.2	-88.8	-38.2
Net income on interest rate derivatives	6.3	-6.1	10.2	22.6
Net income on debt instruments held for trading	4.2	36.1	3.4	19.5
Result on measurement of loans to customers which are measured at fair value through profit or loss	-0.3	-0.1	0.1	0.1
Net income on financial instruments at fair value through profit or loss and FX result	**24.4**	**82.6**	**26.6**	**83.1**

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

	3rd quarter 2020 period from 01 Jul 2020 to 30 Sep 2020	3 quarters 2020 YTD period from 01 Jan 2020 to 30 Sep 2020	3rd quarter 2019 period from 01 Jul 2019 to 30 Sep 2019	3 quarters 2019 YTD period from 01 Jan 2019 to 30 Sep 2019
Net income on the sale of securities measured at amortised cost	**0.0**	**7.3**	**0.0**	**0.0**
Net income on sale of securities measured at fair value through other comprehensive income and dividend income, including:	**5.4**	**26.0**	**3.6**	**35.8**
sale of debt securities	5.4	17.6	3.6	28.8
dividend income	0.0	8.4	0.0	7.0
Total	**5.4**	**33.3**	**3.6**	**35.8**

7.5. Net income on hedge accounting

	3rd quarter 2020 period from 01 Jul 2020 to 30 Sep 2020	3 quarters 2020 YTD period from 01 Jan 2020 to 30 Sep 2020	3rd quarter 2019 period from 01 Jul 2019 to 30 Sep 2019	3 quarters 2019 YTD period from 01 Jan 2019 to 30 Sep 2019
Fair value hedge accounting for securities:	**-13.7**	**22.9**	**1.1**	**6.5**
valuation of the hedged transaction	-25.2	398.0	50.3	102.1
valuation of the hedging transaction	11.5	-375.1	-49.2	-95.6
Cash flow hedge accounting:	**-0.4**	**-8.4**	**-7.8**	**-15.3**
ineffectiveness under cash flow hedges	-0.4	-8.4	-7.8	-15.3
Net income on hedge accounting	**-14.1**	**14.5**	**-6.7**	**-8.8**

7.6. General and administrative expenses

	3rd quarter 2020 period from 01 Jul 2020 to 30 Sep 2020	3 quarters 2020 YTD period from 01 Jan 2020 to 30 Sep 2020	3rd quarter 2019 period from 01 Jul 2019 to 30 Sep 2019	3 quarters 2019 YTD period from 01 Jan 2019 to 30 Sep 2019
Personnel expenses	**330.9**	**949.4**	**315.9**	**895.0**
Other general and administrative expenses, including:	**335.8**	**1 133.8**	**288.5**	**1 011.6**
cost of marketing and promotion	32.4	84.2	30.4	88.5
depreciation and amortisation	72.5	215.9	67.3	206.4
obligatory Bank Guarantee Fund payments, including:	41.9	246.9	17.7	184.3
for a compulsory restructuring fund	0.0	125.4	0.0	131.2
to the bank guarantee fund	41.9	121.5	17.7	53.1
fees to the Polish Financial Supervision Authority	0.0	13.3	0.0	16.1
IT costs	70.6	209.5	66.7	180.5
maintenance and rental of buildings	26.0	77.3	25.6	75.9
costs of short-term leasing and low-value assets leasing	3.1	9.5	5.1	17.1
other	89.3	277.2	75.7	242.8
Total	**666.7**	**2 083.2**	**604.4**	**1 906.6**

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7.6.1. Number of employees

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

	As at 30 Sep 2020	As at 30 Jun 2020	As at 31 Dec 2019	As at 30 Sep 2019
FTEs	8 238.0	8 131.4	8 071.6	8 053.0
Individuals	8 290	8 181	8 135	8 113

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

	As at 30 Sep 2020	As at 30 Jun 2020	As at 31 Dec 2019	As at 30 Sep 2019
FTEs	7 807.3	7 699.9	7 640.7	7 631.3
Individuals	7 842	7 737	7 690	7 677

7.7. Impairment for expected losses

	3rd quarter 2020 period from 01 Jul 2020 to 30 Sep 2020	3rd quarters 2020 YTD period from 01 Jan 2020 to 30 Sep 2020	3rd quarter 2019 period from 01 Jul 2019 to 30 Sep 2019	3rd quarters 2019 YTD period from 01 Jan 2019 to 30 Sep 2019
corporate banking	62.9	489.7	119.4	318.6
retail banking	82.4	259.7	60.8	122.5
Total	**145.3**	**749.4**	**180.2**	**441.1**

7.8. Loans and other receivables to other banks

	As at 30 Sep 2020	As at 30 Jun 2020	As at 31 Dec 2019	As at 30 Sep 2019
Current accounts	209.7	242.7	258.3	205.4
Interbank deposits	0.0	12.0	74.1	90.4
Loans and advances	337.5	302.2	204.1	218.7
Placed call deposits	184.3	187.7	262.1	290.2
Total (gross)	**731.5**	**744.6**	**798.6**	**804.7**
Impairment for expected losses, including:	-0.2	-0.2	-0.1	0.0
concerning loans and advances	-0.2	-0.2	-0.1	0.0
Total (net)	**731.3**	**744.4**	**798.5**	**804.7**

7.9. Financial assets held for trading

	As at 30 Sep 2020	As at 30 Jun 2020	As at 31 Dec 2019	As at 30 Sep 2019
Valuation of derivatives	**716.6**	**700.3**	**554.3**	**708.2**
Other financial assets held for trading, including:	**322.7**	**177.7**	**669.9**	**535.5**
debt securities:	310.4	177.7	498.4	330.3
Treasury bonds	293.6	160.9	480.6	311.6
European Investment Bank bonds	16.8	16.8	17.8	18.7
repo transactions	12.3	0.0	171.5	205.2
Total	**1 039.3**	**878.0**	**1 224.2**	**1 243.7**

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7.10. Investment securities

	As at 30 Sep 2020	As at 30 Jun 2020	As at 31 Dec 2019	As at 30 Sep 2019
Measured at fair value through other comprehensive income (FVOCI), including:	**23 547.5**	**22 912.6**	**21 244.1**	**19 918.3**
debt securities, including:	23 422.3	22 789.1	21 133.4	19 791.4
treasury bonds	20 836.8	20 222.3	18 682.4	17 281.0
treasury bonds in EUR	1 038.0	1 016.1	982.6	1 025.7
European Investment Bank bonds	1 062.5	1 075.2	1 021.5	1 014.7
Austrian government bonds	485.0	475.5	446.9	470.0
equity instruments, including:	125.2	123.5	110.7	126.9
Biuro Informacji Kredytowej S.A.	57.8	57.8	63.8	81.0
Krajowa Izba Rozliczeniowa S.A.	15.2	15.1	14.7	15.0
other	51.2	50.6	32.2	30.9
Measured at amortised cost, including:	**32 536.7**	**30 165.1**	**12 580.4**	**12 145.1**
debt securities, including:	32 536.7	30 165.1	12 580.4	12 145.1
treasury bonds	17 724.6	17 218.1	5 962.9	5 927.1
treasury bonds in EUR	4 015.2	3 960.9	3 272.7	3 355.7
BGK bonds	2 119.8	520.2	508.5	530.7
European Investment Bank bonds	5 502.7	3 476.9	2 606.4	2 264.6
bonds of the Polish Development Fund	3 002.3	2 989.0	0.0	0.0
treasury bills	172.1	0.0	0.0	0.0
NBP bills	0.0	2 000.0	229.9	67.0
Total	**56 084.2**	**53 077.7**	**33 824.5**	**32 063.4**

7.11. Loans and other receivables to customers

	As at 30 Sep 2020	As at 30 Jun 2020	As at 31 Dec 2019	As at 30 Sep 2019
Measured at amortised cost	122 382.0	120 598.1	118 127.8	115 551.0
Measured at fair value through profit or loss	219.8	233.4	160.3	177.9
Total (net)	**122 601.8**	**120 831.5**	**118 288.1**	**115 728.9**

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Loans and other receivables measured at amortised cost

	As at 30 Sep 2020			As at 30 Jun 2020			As at 31 Dec 2019			As at 30 Sep 2019		
	gross	impairment	net	gross	impairment	net	gross	impairment	net	gross	impairment	net
Portfolio of loans, including:	**123 807.4**	**-3 247.9**	**120 559.5**	**121 505.6**	**-3 090.4**	**118 415.2**	**118 312.3**	**-2 481.3**	**115 831.0**	**116 205.5**	**-2 534.9**	**113 670.6**
households	64 107.7	-1 651.1	62 456.6	62 569.1	-1 531.5	61 037.6	58 524.1	-1 239.2	57 284.9	56 220.3	-1 327.1	54 893.2
business entities	56 604.1	-1 596.3	55 007.8	55 989.5	-1 558.3	54 431.2	56 769.0	-1 241.8	55 527.2	56 793.9	-1 207.4	55 586.5
the government and self-government institutions' sector	3 095.6	-0.5	3 095.1	2 947.0	-0.6	2 946.4	3 019.2	-0.3	3 018.9	3 191.3	-0.4	3 190.9
Total, including:	**123 807.4**	**-3 247.9**	**120 559.5**	**121 505.6**	**-3 090.4**	**118 415.2**	**118 312.3**	**-2 481.3**	**115 831.0**	**116 205.5**	**-2 534.9**	**113 670.6**
Corporate banking segment	**69 981.0**	**-2 181.5**	**67 799.5**	**68 854.4**	**-2 110.5**	**66 743.9**	**69 916.7**	**-1 686.0**	**68 230.7**	**70 010.5**	**-1 659.6**	**68 350.9**
loans in the current account	5 871.6	-588.2	5 283.4	10 095.9	-565.6	9 530.3	11 515.3	-515.8	10 999.5	9 239.6	-521.1	8 718.5
term loans and advances	46 811.7	-1 409.1	45 402.6	42 455.3	-1 375.6	41 079.7	41 166.6	-1 067.4	40 099.2	43 348.1	-1 047.8	42 300.3
leasing receivables	9 626.2	-121.3	9 504.9	9 477.2	-113.2	9 364.0	9 396.8	-62.1	9 334.7	9 469.6	-46.5	9 423.1
factoring receivables	4 674.2	-62.3	4 611.9	4 597.6	-55.2	4 542.4	5 333.4	-40.1	5 293.3	5 333.5	-43.6	5 289.9
corporate and municipal debt securities	2 997.3	-0.6	2 996.7	2 228.4	-0.9	2 227.5	2 504.6	-0.6	2 504.0	2 619.7	-0.6	2 619.1
Retail banking segment	**53 826.4**	**-1 066.4**	**52 760.0**	**52 651.2**	**-979.9**	**51 671.3**	**48 395.6**	**-795.3**	**47 600.3**	**46 195.0**	**-875.3**	**45 319.7**
mortgages	45 986.2	-317.5	45 668.7	44 975.2	-266.5	44 708.7	40 807.0	-209.6	40 597.4	38 618.2	-209.0	38 409.2
loans in the current account	654.3	-53.2	601.1	612.5	-53.4	559.1	645.2	-48.7	596.5	650.1	-55.9	594.2
other loans and advances	7 185.9	-695.7	6 490.2	7 063.5	-660.0	6 403.5	6 943.4	-537.0	6 406.4	6 926.7	-610.4	6 316.3
Other receivables, including:	**1 822.6**	**-0.1**	**1 822.5**	**2 183.0**	**-0.1**	**2 182.9**	**2 296.8**	**0.0**	**2 296.8**	**1 880.4**	**0.0**	**1 880.4**
call deposits placed as collateral	1 213.0	-0.1	1 212.9	1 368.3	-0.1	1 368.2	1 598.6	0.0	1 598.6	1 451.7	0.0	1 451.7
other receivables	609.6	0.0	609.6	814.7	0.0	814.7	698.2	0.0	698.2	428.7	0.0	428.7
Total	**125 630.0**	**-3 248.0**	**122 382.0**	**123 688.6**	**-3 090.5**	**120 598.1**	**120 609.1**	**-2 481.3**	**118 127.8**	**118 085.9**	**-2 534.9**	**115 551.0**

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Quality of loan portfolio

	As at 30 Sep 2020			As at 30 Jun 2020			As at 31 Dec 2019			As at 30 Sep 2019		
	gross	impairment	**net**	gross	impairment	**net**	gross	impairment	**net**	gross	impairment	**net**
Corporate banking	**69 981.0**	**-2 181.5**	**67 799.5**	**68 854.4**	**-2 110.5**	**66 743.9**	**69 916.7**	**-1 686.0**	**68 230.7**	**70 010.5**	**-1 659.6**	**68 350.9**
assets in stage 1	57 069.4	-182.0	56 887.4	55 541.6	-172.4	55 369.2	61 733.3	-67.0	61 666.3	62 383.1	-67.2	62 315.9
assets in stage 2	9 792.7	-256.8	9 535.9	10 185.7	-252.4	9 933.3	5 261.7	-144.9	5 116.8	4 955.8	-148.3	4 807.5
assets in stage 3	3 117.9	-1 742.7	1 375.2	3 125.8	-1 685.7	1 440.1	2 920.2	-1 474.1	1 446.1	2 671.6	-1 444.1	1 227.5
POCI assets	1.0	0.0	1.0	1.3	0.0	1.3	1.5	0.0	1.5	0.0	0.0	0.0
Retail banking	**53 826.4**	**-1 066.4**	**52 760.0**	**52 651.2**	**-979.9**	**51 671.3**	**48 395.6**	**-795.3**	**47 600.3**	**46 195.0**	**-875.3**	**45 319.7**
assets in stage 1	50 226.6	-120.4	50 106.2	48 111.9	-79.5	48 032.4	44 045.1	-56.2	43 988.9	40 233.4	-56.5	40 176.9
assets in stage 2	2 709.5	-291.1	2 418.4	3 751.7	-321.9	3 429.8	3 741.9	-304.2	3 437.7	5 228.6	-260.2	4 968.4
assets in stage 3	888.0	-654.9	233.1	785.0	-578.5	206.5	608.6	-434.9	173.7	733.0	-558.6	174.4
POCI assets	2.3	0.0	2.3	2.6	0.0	2.6	0.0	0.0	0.0	0.0	0.0	0.0
Total loan portfolio	**123 807.4**	**-3 247.9**	**120 559.5**	**121 505.6**	**-3 090.4**	**118 415.2**	**118 312.3**	**-2 481.3**	**115 831.0**	**116 205.5**	**-2 534.9**	**113 670.6**

The Group identifies POCI financial assets whose carrying value as at 30 September 2020 is PLN 3.3 million (PLN 1.5 million as at 31 December 2019). This group covers exposures under impaired receivables purchased in connection with the takeover of Bieszczadzka SKOK in 2017 and exposures that were significantly modified as a result of restructuring, which required the removal of the original credit exposure and re-recognition of the asset in the statement of financial position.

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Changes in impairment for expected losses

	3 quarters 2020 YTD period from 01 Jan 2020 to 30 Sep 2020				3 quarters 2019 YTD period from 01 Jan 2019 to 30 Sep 2019			
	Stage 1	Stage 2	Stage 3	**Total**	Stage 1	Stage 2	Stage 3	**Total**
Opening balance of impairment	**123.2**	**449.1**	**1 909.1**	**2481.4**	**114.2**	**424.8**	**1 731.0**	**2 270.0**
Changes in the period, including:	**179.2**	**98.8**	**488.5**	**766.5**	**9.5**	**-16.3**	**271.7**	**264.9**
impairments for granted loans during the period	104.1	-	-	**104.1**	56.8	-	-	**56.8**
transfer to stage 1	30.4	-135.5	-6.7	**-111.8**	9.4	-85.6	-6.8	**-83.0**
transfer to stage 2	-23.6	218.7	-19.8	**175.3**	-23.8	183.9	-24.6	**135.5**
transfer to stage 3	-3.0	-68.7	415.9	**344.2**	-4.7	-55.4	439.2	**379.1**
changed provisioning under expected losses	70.6	83.3	82.2	**236.1**	-28.4	-60.1	-2.3	**-90.8**
derecognition from the balance sheet (write-downs, sale)	-	-	-35.7	**-35.7**	-	-	-168.1	**-168.1**
calculation and write-off of effective interest	-	-	71.1	**71.1**	-	-	43.0	**43.0**
other	0.7	1.0	-18.5	**-16.8**	0.2	0.9	-8.7	**-7.6**
Closing balance of impairment	**302.4**	**547.9**	**2 397.6**	**3 247.9**	**123.7**	**408.5**	**2 002.7**	**2 534.9**

7.12. Debt securities

	As at **30 Sep 2020**	As at **30 Jun 2020**	As at **31 Dec 2019**	As at **30 Sep 2019**
Debt securities held for trading (Note 7.9)	310.4	177.7	498.4	330.3
Debt securities measured at fair value through other comprehensive income in the investment securities portfolio (Note 7.10)	23 422.3	22 789.1	21 133.4	19 791.4
Debt securities measured at amortised cost in the investment securities portfolio (Note 7.10)	32 536.7	30 165.1	12 580.4	12 145.1
Debt securities measured at amortised cost in the loans and other receivables to customers portfolio (Note 7.11)	2 996.7	2 227.5	2 504.0	2 619.1
Total	**59 266.1**	**55 359.4**	**36 716.2**	**34 885.9**

7.13. Property, plant and equipment

	As at **30 Sep 2020**	As at **30 Jun 2020**	As at **31 Dec 2019**	As at **30 Sep 2019**
Right-of-use assets	380.5	400.1	398.4	405.4
Real estate and leasehold improvements	326.2	329.1	330.8	313.6
Computer hardware	104.0	102.0	106.8	95.7
Other property, plant and equipment	68.2	72.0	76.0	70.9
Fixed assets in progress	38.2	22.0	44.0	36.0
Total	**917.1**	**925.2**	**956.0**	**921.6**

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7.14. Liabilities to other banks

	As at 30 Sep 2020	As at 30 Jun 2020	As at 31 Dec 2019	As at 30 Sep 2019
Current accounts	474.3	281.9	474.9	1 334.8
Interbank deposits	284.7	119.2	1 559.5	422.0
Loans received*	3 462.1	3 487.3	3 639.5	3 789.5
Repo transactions	0.0	0.0	31.1	1 413.9
Call deposits received	652.0	700.6	549.2	604.2
Other	10.0	5.6	1.9	28.7
Total	**4 883.1**	**4 594.6**	**6 256.1**	**7 593.1**

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

7.15. Financial liabilities at fair value through profit or loss

	As at 30 Sep 2020	As at 30 Jun 2020	As at 31 Dec 2019	As at 30 Sep 2019
Valuation of derivatives	**684.8**	**613.6**	**667.2**	**724.8**
Other financial liabilities at fair value through profit or loss, including:	**12.1**	**3.6**	**247.9**	**266.7**
book short position in trading securities	12.1	0.0	167.2	176.4
financial liabilities held for trading, including:	0.0	3.6	80.7	90.3
repo transactions	0.0	3.6	80.7	90.3
Total	**696.9**	**617.2**	**915.1**	**991.5**

7.16. Liabilities to customers

	As at 30 Sep 2020	As at 30 Jun 2020	As at 31 Dec 2019	As at 30 Sep 2019
Deposits, including:	**152 724.2**	**149 301.0**	**128 800.1**	**123 715.9**
households	99 145.9	99 065.9	87 643.7	84 106.9
business entities	50 502.2	48 100.3	36 191.2	36 685.1
the government and self-government institutions' sector	3 076.1	2 134.8	4 965.2	2 923.9
Total (gross), including:	**152 724.2**	**149 301.0**	**128 800.1**	**123 715.9**
Corporate banking	**65 293.3**	**61 911.3**	**49 848.1**	**47 240.3**
current accounts	48 310.0	45 550.1	34 707.2	29 598.6
savings accounts	16 144.6	15 497.5	13 513.1	13 204.4
term deposits	838.7	863.7	1 627.8	4 437.3
Retail banking	**87 430.9**	**87 389.7**	**78 952.0**	**76 475.6**
current accounts	20 297.9	18 942.0	15 706.7	14 954.7
savings accounts	65 342.5	66 078.4	60 812.0	58 951.3
term deposits	1 790.5	2 369.3	2 433.3	2 569.6
Other liabilities, including:	**1 675.6**	**1 678.3**	**1 673.4**	**2 070.4**
liabilities under cash collateral	501.3	460.2	400.1	423.5
other liabilities	1 174.3	1 218.1	1 273.3	1 646.9
call deposits	32.6	19.9	11.6	26.5
other liabilities	1 141.7	1 198.2	1 261.7	1 620.4
Total	**154 399.8**	**150 979.3**	**130 473.5**	**125 786.3**

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7.17. Provisions

	As at 30 Sep 2020	As at 30 Jun 2020	As at 31 Dec 2019	As at 30 Sep 2019
Provision for off-balance sheet liabilities	97.3	103.6	107.1	126.1
Provision for retirement benefits	58.3	57.5	55.9	42.5
Provision for disputes	18.3	18.3	18.1	42.3
Other provisions	22.2	23.6	24.6	17.0
Total	**196.1**	**203.0**	**205.7**	**227.9**

*) For further information on provisions for litigations, see item 12. *Settlements due to disputable cases* hereof.

7.18. Other liabilities

	As at 30 Sep 2020	as at 30 Jun 2020	As at 31 Dec 2019	As at 30 Sep 2019
Accruals, including:	**409.9**	**354.5**	**417.1**	**396.0**
due to employee benefits	233.8	176.7	281.1	234.5
due to commissions	171.1	172.9	131.4	150.3
other	5.0	4.9	4.6	11.2
Other liabilities, including:	**2 115.2**	**2 112.3**	**1 661.8**	**2 306.7**
lease liability	395.8	413.5	404.5	414.9
interbank settlements	873.6	770.8	569.4	1 127.6
settlements with suppliers	379.4	372.0	317.1	324.9
public and legal settlements	101.8	92.8	97.2	101.3
other	364.6	463.2	273.6	338.0
Total	**2 525.1**	**2 466.8**	**2 078.9**	**2 702.7**

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7.19. Fair value

Please find below the breakdown of carrying amounts of financial assets and liabilities measured at fair value into individual categories of valuation levels. In the year 2020 there were no movements between particular valuation levels.

as at **30 Sep 2020**

	Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	**23 745.0**	**1 770.7**	**345.0**	**25 860.7**
Valuation of derivatives	**0.0**	**716.6**	**0.0**	**716.6**
Financial assets held for trading, including:	**322.7**	**0.0**	**0.0**	**322.7**
debt securities, including:	310.4	0.0	0.0	310.4
treasury bonds	293.6	0.0	0.0	293.6
European Investment Bank bonds	16.8	0.0	0.0	16.8
repo transactions	12.3	0.0	0.0	12.3
Derivative hedge instruments	**0.0**	**1 054.1**	**0.0**	**1 054.1**
Financial assets measured at fair value through other comprehensive income, including:	**23 422.3**	**0.0**	**125.2**	**23 547.5**
debt securities, including:	23 422.3	0.0	0.0	23 422.3
treasury bonds	20 836.8	0.0	0.0	20 836.8
treasury bonds in EUR	1 038.0	0.0	0.0	1 038.0
European Investment Bank bonds	1 062.5	0.0	0.0	1 062.5
Austrian Government bonds	485.0	0.0	0.0	485.0
equity instruments	0.0	0.0	125.2	125.2
Loans and other liabilities measured at fair value through profit or loss	**0.0**	**0.0**	**219.8**	**219.8**
Financial liabilities, including:	**12.1**	**1 134.5**	**0.0**	**1 146.6**
Valuation of derivatives	**0.0**	**684.8**	**0.0**	**684.8**
Other financial liabilities measured at fair value through profit or loss, including:	**12.1**	**0.0**	**0.0**	**12.1**
liabilities from short position in trading securities	12.1	0.0	0.0	12.1
Derivative hedge instruments	**0.0**	**449.7**	**0.0**	**449.7**

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as at **31 Dec 2019**

	Level 1	Level 2	Level 3	TOTAL
Financial assets, including:	**21 803.3**	**1 405.9**	**271.0**	**23 480.2**
Valuation of derivatives	**0.0**	**554.3**	**0.0**	**554.3**
Financial assets held for trading, including:	**669.9**	**0.0**	**0.0**	**669.9**
debt securities, including:	498.4	0.0	0.0	498.4
treasury bonds	480.6	0.0	0.0	480.6
European Investment Bank bonds	17.8	0.0	0.0	17.8
Repo transactions	171.5	0.0	0.0	171.5
Derivative hedge instruments	**0.0**	**851.6**	**0.0**	**851.6**
Financial assets measured at fair value through other comprehensive income, including:	**21 133.4**	**0.0**	**110.7**	**21 244.1**
debt securities, including:	21 133.4	0.0	0.0	21 133.4
treasury bonds	18 682.4	0.0	0.0	18 682.4
treasury bonds in EUR	982.6	0.0	0.0	982.6
European Investment Bank bonds	1 021.5	0.0	0.0	1 021.5
Austrian Government bonds	446.9	0.0	0.0	446.9
equity instruments	0.0	0.0	110.7	110.7
Loans and other liabilities measured at fair value through profit or loss	**0.0**	**0.0**	**160.3**	**160.3**
Financial liabilities, including:	**247.9**	**1 213.2**	**0.0**	**1 461.1**
Valuation of derivatives	**0.0**	**667.2**	**0.0**	**667.2**
Other financial liabilities measured at fair value through profit or loss, including:	**247.9**	**0.0**	**0.0**	247.9
liabilities from short position in trading securities	167.2	0.0	0.0	167.2
financial liabilities held for trading	80.7	0.0	0.0	80.7
Derivative hedge instruments	**0.0**	**546.0**	**0.0**	**546.0**

In 3rd quarter 2020 the measurement techniques for levels 1 and 2 did not change. The financial assets classified to measurement level 3 as at 30 September 2020 include unquoted equity instruments and loans which did not meet the SPPI criterion as per IFRS 9.

Fair value measurement of unlisted shares in other companies is based on the dividend discount model. The estimates concerning future dividend payments were estimated on the basis of mid-term profitability forecasts prepared by the management boards of those companies. The discount rate is based on the cost of equity which is estimated according to the CAPM, or the Capital Asset Pricing Model.

Methodology of the fair value measurement of the lending portfolio is based on the discounted cash flow method. In this method, the expected cash flows and individual payment dates discount factors are estimated for each measured contract; the value of the discounted cash flows as at the measurement date is also determined. Pricing models are fed with business parameters for individual contracts and parameters observable by the market such as interest rate curves, liquidity cost and capital cost. The change of the parameters used in the measurement did not have a material impact on the measurement as at 30 September 2020.

In three quarters period of 2020 the revaluation of the equity instruments classified to measurement level 3 recognised in the comprehensive income totalled PLN 7.4 million.

The impact of the valuation of equity instruments and loans classified under level 3 on the profit and loss account was immaterial.

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7.19.1. Financial assets and liabilities not carried at fair value in statement of financial position

as at **30 Sep 2020**

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	TOTAL
Investment securities measured at amortised cost	**32 536.7**	**30 048.5**	**3 208.0**	**0.0**	**33 256.5**
treasury bonds	17 724.6	18 182.6	0.0	0.0	18 182.6
treasury bonds in EUR	4 015.2	4 063.8	0.0	0.0	4 063.8
BGK bonds	2 119.8	2 197.4	0.0	0.0	2 197.4
European Investment Bank bonds	5 502.7	5 604.7	0.0	0.0	5 604.7
bonds of the Polish Development Fund	3 002.3	0.0	3 035.8	0.0	3 035.8
treasury bills	172.1	0.0	172.2	0.0	172.2
Loans and receivables to customers at amortised cost	**122 382.0**	**0.0**	**0.0**	**121 683.3**	**121 683.3**
Corporate banking segment, including:	**67 799.5**	**0.0**	**0.0**	**67 918.1**	**67 918.1**
loans and advances (in the current account and term ones)	50 686.0	0.0	0.0	50 884.7	50 884.7
leasing receivables	9 504.9	0.0	0.0	9 499.1	9 499.1
factoring receivables	4 611.9	0.0	0.0	4 611.9	4 611.9
corporate and municipal debt securities	2 996.7	0.0	0.0	2 922.4	2 922.4
Retail banking segment, including:	**52 760.0**	**0.0**	**0.0**	**51 942.7**	**51 942.7**
mortgages	45 668.7	0.0	0.0	44 817.5	44 817.5
other loans and advances	7 091.3	0.0	0.0	7 125.2	7 125.2
Other receivables	1 822.5	0.0	0.0	1 822.5	1 822.5
Liabilities to customers	**154 399.8**	**0.0**	**0.0**	**154 405.6**	**154 405.6**
Liabilities from the issue of securities	**397.3**	**0.0**	**0.0**	**413.8**	**413.8**
Subordinated liabilities	**2 265.2**	**0.0**	**0.0**	**2 119.4**	**2 119.4**

as at **31 Dec 2019**

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	TOTAL
Investment securities measured at amortised cost	**12 580.4**	**12 127.2**	**229.9**	**0.0**	**12 357.1**
treasury bonds	5 962.9	5 806.5	0.0	0.0	5 806.5
treasury bonds in EUR	3 272.7	3 223.2	0.0	0.0	3 223.2
BGK bonds	508.5	525.3	0.0	0.0	525.3
European Investment Bank bonds	2 606.4	2 572.2	0.0	0.0	2 572.2
NBP bills	229.9	0.0	229.9	0.0	229.9
Loans and receivables to customers at amortised cost	**118 127.8**	**0.0**	**0.0**	**117 932.6**	**117 932.6**
Corporate banking segment, including:	**68 230.7**	**0.0**	**0.0**	**68 141.2**	**68 141.2**
loans and advances (in the current account and term ones)	51 098.7	0.0	0.0	51 169.7	51 169.7
leasing receivables	9 334.7	0.0	0.0	9 333.3	9 333.3
factoring receivables	5 293.3	0.0	0.0	5 293.3	5 293.3
corporate and municipal debt securities	2 504.0	0.0	0.0	2 344.9	2 344.9
Retail banking segment, including:	**47 600.3**	**0.0**	**0.0**	**47 494.6**	**47 494.6**
mortgages	40 597.4	0.0	0.0	40 461.7	40 461.7
other loans and advances	7 002.9	0.0	0.0	7 032.9	7 032.9
Other receivables	2 296.8	0.0	0.0	2 296.8	2 296.8
Liabilities to customers	**130 473.5**	**0.0**	**0.0**	**130 473.6**	**130 473.6**
Liabilities from the issue of securities	**399.7**	**0.0**	**0.0**	**399.7**	**399.7**
Subordinated liabilities	**2 131.1**	**0.0**	**0.0**	**2 139.0**	**2 139.0**

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7.20. Total capital ratio

	As at 30 Sep 2020	As at 30 Jun 2020	As at 31 Dec 2019	As at 30 Sep 2019
Own funds				
A. Own equity in the statement of financial position, including:	**18 595.8**	**18 235.5**	**15 223.3**	**15 262.7**
A.I. Own equity included in the own funds calculation	14 122.5	14 071.7	12 879.3	12 617.1
A.II. Own equity excluded from own funds calculation	4 473.3	4 163.8	2 344.0	2 645.6
B. Other elements of own funds (decreases and increases), including:	**2 093.8**	**2 065.1**	**1 712.4**	**699.1**
subordinated debt	2 263.4	2 233.0	2 129.3	1 093.4
goodwill and other intangible assets	-514.0	-514.3	-521.5	-518.4
AIRB shortfall/surplus of credit risk adjustments to expected losses	-0.1	-0.1	-67.4	-105.7
adjustment in the transitional period due to adaptation to IFRS 9 requirements*	370.0	370.2	220.3	256.3
value adjustments due to the requirements for prudent valuation	-25.5	-23.7	-48.3	-26.5
Own funds taken into account in total capital ratio calculation (A.I. + B), including:	**16 216.3**	**16 136.8**	**14 591.7**	**13 316.2**
Core Tier 1 capital	13 952.9	13 903.8	12 462.4	12 222.8
Tier 2 capital	2 263.4	2 233.0	2 129.3	1 093.4
Risk weighted assets	**86 997.5**	**88 113.6**	**86 477.3**	**86 120.1**
for credit risk	76 671.3	77 920.0	75 706.5	75 110.6
for operational risk	9 344.0	9 344.0	8 762.9	8 762.9
other	982.2	849.6	2 007.9	2 246.6
Total capital requirements	**6 959.8**	**7 049.1**	**6 918.1**	**6 889.6**
Total capital ratio (TCR)	**18.64%**	**18.31%**	**16.87%**	**15.46%**
Minimum required level	11.001%	11.002%	13.955%	13.966%
Surplus TCR ratio (p.p)	7.64	7.31	2.91	1.49
Tier 1 ratio (T1)	**16.04%**	**15.78%**	**14.41%**	**14.19%**
Minimum required level	9.001%	9.002%	11.955%	11.966%
Surplus T1 ratio (p.p)	7.04	6.78	2.45	2.22

* In calculating the capital ratios, the Group used the transitional provisions to mitigate the impact of the implementation of IFRS 9 on the level of equity. If the impact of the implementation of IFRS 9 was fully recognized, the total capital ratio would be 18.38% and the Tier 1 capital ratio at 15.62% (16.64% and 14.18%, respectively, as at 31 December 2019 and 15.18% and 13.91% as at 30 September 2019).

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

- The developed economies got out of the collapse after the first wave of the pandemic relatively fast. This is the effect of a rapid shutdown of the economy, which slowed down the spread of the disease and then the rapid lifting of administrative restrictions supported by fiscal impulses - in Poland referred to as "anti-crisis shields".
- The risk for the global economic situation at the turn of the year, especially in Europe, increased again. The rate of spread of Covid-19 is now much faster than during the first wave. The lifting of lock-downs led to the second wave of the pandemic, which is spreading faster than the first wave. However, the situation is deteriorating so quickly that a return to partial lock-downs may be inevitable. However, the course of the second wave in Western Europe is less dramatic - new cases have even jumped several times (France, UK), but the number of deaths per 100 new patients has dropped from 20 to about 1. As a result, governments feel less pressure to inhibit Covid-19 infection and they use less drastic prevention, for example, bars and pubs are closed, but not shops. The restrictions are also geographically limited. Their impact on the economy is therefore smaller than that of lock-downs in spring.

- The risk for the global economic situation related to the pandemic may force further loosening of the policy of major central banks. In the opinion of ING economists, the chances of further interest rate cuts by the European Central Bank or the Federal Reserve are relatively small. The scale of asset purchase programs is more likely to be increased. On the one hand, it will support the economic situation, e.g. by limiting the increases in corporate bond yields. On the other hand, it will help stabilize the sovereign debt markets in the face of the large supply of bonds financing record aid programs.
- Also in Poland, the recovery of the economic situation after Q2 was strong. The favorable structure of GDP helped - a small share of the automotive industry or tourism, and a large diversification of Polish exports. The support programs launched by the government also helped to stop the rise in unemployment and limited the number of bankruptcies. The second wave of the epidemic came quickly, however, Poland is approaching the daily increases in new cases observed in Italy at the peak of the first wave, but the number of deaths is still 10 times lower than in Italy at that time. This factor, as well as the high costs of closing the economy, make the "creeping lockdown" scenario the most likely (increasing the number of red counties, temporary suspension of education in schools), but no official closing of shops. In the opinion of the economists of ING Bank Śląski, the economic situation will recover again next year.
- Almost a year remains to mobilize investments from the EU Reconstruction Fund, which may require the mobilization of additional funds, eg in the event of a deepening lockdown. According to the estimates of the economists of ING Bank Śląski, public finances may generate an additional anti-crisis program amounting to approximately PLN 110.0 billion, by meeting the planned high deficits and by using the existing BGK issuance mandates, or PFR. However, this is a last resort, because Poland is preparing for the record inflow of EU funds from the end of 2021 and wants to support public investments, not only aid programs.
- Uncertain outlook for economic recovery most likely means that interest rates in Poland will not change until at least 2022. The central bank should also continue the program of purchase of Treasury bonds and bonds guaranteed by the Treasury. The high fiscal costs of the pandemic and related aid programs mean a high supply of bonds next year. Without the support of the NBP, high supply would mean a significant weakening of treasury bonds and an increase in debt servicing costs.
- Concerns about the effects of the second wave of the pandemic may support the US dollar at the end of the year. These risks are now much more affecting the euro area. The chances of a fiscal loosening in the US are also growing after this year's presidential election. In 2021, however, the € / US $ exchange rate should rise above 1.20. The zloty in the horizon of next year will probably remain weak against the euro. According to the economists of ING Bank Śląski, the € / PLN exchange rate should remain above 4.40-45. This mainly reflects the extremely mild attitude of the National Bank of Poland, including the lowest level of interest rates in the region.
- The further dynamics of the pandemic development, its duration, the impact of government support on the economy and external conditions may also have a significant impact on the level of credit risk related to loans and other receivables granted to customers. The impact of macroeconomic parameters on the level of write-offs for expected losses and the associated uncertainty of estimates are described in point 2 of this report (*Significant events in Q3 2020, Information on the impact of the coronavirus epidemic on the operations of the ING Bank Śląski S.A. Capital Group*).

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9. Off-balance sheet items

	As at 30 Sep 2020	As at 30 Jun 2020	As at 31 Dec 2019	As at 30 Sep 2019
Off-balance sheet liabilities granted	41 656.8	39 330.8	36 547.7	35 760.1
Off-balance sheet liabilities received	11 477.4	9 018.5	8 645.7	7 644.3
Off-balance sheet financial instruments	816 244.4	766 352.9	646 273.0	683 942.2
Total off-balance sheet items	**869 378.6**	**814 702.2**	**691 466.4**	**727 346.6**

In the third quarter of 2020, the Group decided to change the presentation of received guarantees. The current presentation takes into account only those guarantees that provide the basis for the reduction of risk-weighted assets and impairment losses on expected losses.

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

In the third quarter of 2020, as in the third quarter of 2019, there were no issues, redemptions or repayments of debt and equity securities.

As at 30 September 2020, the Group had liabilities due to the issue of covered bonds issued under the Covered Bond Issue Program of ING Bank Hipoteczny S.A. established in 2019. ('Program"). The purpose of establishing the Program was to create a legal infrastructure within which the Group would be able to issue covered bonds both on the local and foreign markets. The funds obtained from the inaugural 5-year "green" issue, carried out in the fourth quarter of 2019, were used to refinance PLN mortgage loans for individuals, secured on real estate belonging to 15% of the most energy-efficient buildings in Poland. The redemption of the issue will take place in October 2024.

11. Dividends paid

The Bank's Management Board decided to change the motion regarding the distribution of the profit for 2019 and the draft resolution submitted to the General Meeting on the distribution of the profit for 2019 in such a way that the amount previously allocated to the dividend, i.e. PLN 494,380,000.00, will be left undivided.

On 29 March 2019, the General Meeting adopted a resolution on the payment of dividends for 2018, pursuant to which the Bank paid a dividend for 2018 in the total amount of PLN 455.35 million, i.e. in the gross amount of PLN 3.50 per share. Shareholders acquired the right to dividend on 18 April 2019, the dividend was paid on 6 May 2019.

12. Settlements due to disputable cases

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

Provision for disputes

The value of proceedings regarding liabilities or receivables pending in Q3 2020 did not exceed 10% of the Group's equity, as in Q3 2019. In the Group's opinion, none of the individual proceedings pending in 2020 before a court, an arbitration body or a body public administration, as well as all proceedings taken together do not pose a threat to the financial liquidity of the Group.

Changes to the litigation reserves (in PLN million)

	3rd quarter 2020 period from 01 Jul 2020 to 30 Sep 2020	3 quarters 2020 YTD period from 01 Jan 2020 to 30 Sep 2020	3rd quarter 2019 period from 01 Jul 2019 to 30 Sep 2019	3 quarters 2019 YTD period from 01 Jan 2019 to 30 Sep 2019
Opening balance	**18.3**	**18.1**	**37.9**	**32.5**
provisions recognised	0.6	1.4	4.7	11.1
provisions reversed	-	-0.4	-	-0.4
provisions utilised	-0.6	-0.7	-	-0.3
reclassifications	-	-0.1	-0.3	-0.6
Closing balance	**18.3**	**18.3**	**42.3**	**42.3**

<u>Proceedings before the President of the Office of Competition and Consumer Protection (OCCP)</u>

- *<u>Proceedings concerning provisions providing for the possibility of changing the standard contract, contract or table of fees and commissions for important reasons (the so-called modification clauses)</u>*

On 1 April 2020 The President of OCCP instituted proceedings regarding the recognition of a standard contract as prohibited in the scope of provisions that may violate Art. 23a of the Act on competition and consumer protection. The proceedings concern provisions providing for the possibility of changing the standard contract, contract or table of fees and commissions for important reasons (the so-called modification clauses).

The scope of the proceedings refers to the provisions in various general terms of contracts, regulations and contracts concluded with consumers: for cash loans, account debt limit, granting and repayment of loans in a brokerage account, using a credit card - in the version effective from 7 March 2016; for savings and billing accounts and savings accounts - in the version in force from 9 November 2015; for keeping payment accounts - in the version in force from 6 August 2018; for pre-paid cards - in the version effective from 1 January 2016.

According to the President of OCCP, the analysed modified clauses may constitute prohibited contratual provisions due to:

- the possibility of unilaterally changing the general terms and conditions of the agreement as to its essential provisions, as regards contracts enabling the generation of indebtedness on the part of consumers, concluded for a specific period of time,
- general, unspecified nature of the conditions for a unilateral change of the contract, which does not give consumers the possibility to verify them correctly, and in some cases there are no time limits as to the scope of changes,
- no provisions regarding the possibility of continuing a contract concluded for a specific period of time relating to the crediting of consumer needs on the current basis in the event of non-acceptance of unilateral proposals for changes directed by the bank.

On 31 July 2020, UOKiK decided to extend the termination of the proceedings.

- *<u>Proceedings regarding the application of practices violating collective consumer interests</u>*

Before the President of the OCCP there are the proceedings pending which were initiated *ex officio* by the Office President on 9 July 2014 regarding the application of the practices infringing collective consumer interests by the Bank. The practices consist in: making cards replacement during the payment card contract from cards which are not equipped with the contactless function to the contactless cards without changing the content of the contract, derive the legal consequences from Announcement to General terms and conditions of providing by ING Bank Śląski S.A. services as part of maintaining personal accounts and savings accounts for individuals, not provided consumers with information about the opportunities and principles for using payment cards to contactless transactions, spending limits for payment transactions executed by these cards, on paper or on another durable medium, in time before conclusion of the contract All proposals of the bank's liabilities towards OCCP in the framework of the above-mentioned proceedings have been implemented. On 18 December 2018, OCCP decided to extend the proceedings.

- *Proceedings regarding the allegation of practices limiting competition on the market of acquiring services for the payments made with payment cards in Poland*

Following the antimonopoly proceedings conducted against ING Bank Śląski S.A. and other banks upon the request of the Polish Trade and Distribution Organization – Employers' Confederation, on 29 December 2006, the President of the Office of Competition and Consumer Protection issued a decision stating that the Bank applied the practices limiting competition. The Office of Competition and Consumer Protection deemed as competition limiting the practice whereby various Polish banks, the Bank included, participated in the arrangement limiting competition on the market of acquiring services for clearance of consumer liabilities towards merchants under the payment of goods and services acquired by consumers using payment cards in Poland by setting together the interchange fees charged on the transactions made using the Visa and MasterCard system cards in Poland. In consequence of recognition of the practices limiting competition, the Office of Competition and Consumer Protection imposed fines on banks, the Bank included – of PLN 14.1 million.

The decision was appealed against inter alia by the Bank with the Court of Competition and Consumer Protection. With its judgement of 12 November 2008, the Court of Competition and Consumer Protection changed the decision of the Office of Competition and Consumer Protection in that it did not recognise the practice limiting competition. On 22 April 2010, the judgement was repealed with the judgement of the Court of Appeal which referred the case for re-review.

With its judgment of 21 November 2013, the Court did not change the decision of the Office of Competition and Consumer Protection on the allegation of limiting competition, but reduced the Bank's fine to PLN 403,209. Nonetheless, the judgement of the Court of Competition and Consumer Protection was changed with the judgment of the Court of Appeal of 6 October 2015 which ruled to change the judgment of the Court of Competition and Consumer Protection in that all appeals were dismissed in their entirety. Following the ruling, the President's decision became final and binding and in October 2015 the Bank paid the fine of PLN 14.1 million as ruled.

The Bank, like other banks participating in the proceedings, filed a cassation appeal against the judgment of the Court of Appeal. On 25 October 2017, the Supreme Court quashed the judgment of the Court of Appeal, referring the case to that court for re-examination. In line with the position of UOKiK, the penalty was returned to the Bank. Currently, proceedings are pending before the Court of Appeal, which adjourned the hearing on 24 October 2018, at the same time, imposing certain obligations on the parties' attorneys with regard to submitting statements or documents. This commitment has been fulfilled. The Court of Appeal scheduled the next hearing for 23 November 2020. Due to the lack of final decisions, the amount of the refunded penalty was not recognized in the profit and loss account. As at 30 September 2020, the Group maintains a provision in the amount of PLN 14.1 million.

Other provisions

This item includes provisions for repaid mortgage loans indexed by the Swiss franc and provisions for the refund of commission on consumer loans pre-paid by customers.

Legal risk related to the portfolio of loans indexed to CHF

The court cases, including those relating to the CHF-indexed mortgage portfolio, are subject to regular assessment pursuant to the Bank's internal procedures.

As at 30 September 2020, the Bank had PLN 917.2 million gross worth of retail mortgage loans indexed in CHF (in total loans indexed to various currencies amounted to PLN 934.3 million). The Bank does not have any loans denominated in foreign currencies. As at 31 December 2019, the Bank had PLN 915.9

million gross worth of retail mortgage loans indexed in CHF (in total loans indexed to various currencies amounted to PLN 986.7 million).

As at 30 September 2020, the Bank had 360 pending court cases relating to agreements on PLN-loans indexed to the Swiss franc, comparing to 156 pending court cases as at 31 December 2019. The total balance sheet value of the exposures covered by the said proceedings was PLN 96.1 million (PLN 50.2 million as at 31 December 2019).

The Bank has not received any class action lawsuit; also, no clause used by the Bank in its agreements has been entered to the Register of Prohibited Clauses. The Bank is observing the diverse jurisprudence of court cases initiated by clients with foreign currency mortgages.

In relation to a lawsuit against a Polish bank brought before the Regional Court in Warsaw, in April 2018 the said court asked the Court of Justice of the European Union (CJEU) for a preliminary ruling on the unfair terms in consumer contracts and effects of the abusiveness, if any, of the terms of an agreement on a mortgage loan indexed to the Swiss franc.

On 3 October 2019, the CJEU gave a judgement that did not refer to an assessment of clauses of loan contracts indexed to CHF in terms of their unfairness, but rather focused on the possible consequences if a given term is found unfair by a national court. The judgement gives some guidance to the national courts. The CJEU again confirmed that contracts should not be assessed automatically. It is also for the national court to assess whether or not, upon determining that a given term is unfair, the contract may continue to be binding in the absence of such a term. Only after the court finds that the contract may not continue in force without a condition that had been found unfair, the client either consents to keeping the terms that were found unfair or explicitely rejects them. The assessment of potential consequences for the consumer if a given loan contract is found invalid is also up to the national court. CJEU also expressed its concerns regarding the possibility of transforming the loan into a PLN loan bearing interest based on LIBOR. According to CJEU the option of transforming FX loans into PLN loans and keeping the LIBOR rate might be a too far reaching intrusion into the main subject matter of the contract.

In July 2019 the Polish Bank Association (hereinafter PBA) requested the President of the Supreme Court that the Supreme Court analyse the concept of turning the agreement on a loan indexed to CHF into a PLN-loan based on LIBOR, which is expressed in the opinion of the CJEU Advocate General and which is flawed from both the legal- and economic perspective. In August 2019 The Supreme Court issued a publication in which the above solution was, however, accepted.

In light of the above, the Bank is of the opinion that the verdicts of national courts in such cases may still vary.

At the same time, the information recently provided by proxies representing banks in franc disputes shows that a few months after the judgment of the CJEU, in many courts the practice of not examining the premises of abusiveness of indexation clauses is starting to take shape. More and more judges are of the opinion that it has already been decided that if the indexation clause refers to the bank's exchange rate table it is abusive. Therefore, the judges refrain from assessing a given specific contractual provision, and their considerations focus only on analyzing whether the contract can continue to be performed without that provision. Recent rulings show that most often courts do not see this possibility and annul the loan agreement. The above practice is manifested in the increase in the number of court cases lost by banks in the first half of the year. If this approach continues and other courts take them (at the moment such a conclusion seems premature) there is a possibility that in the future the Bank will lose other cases. However, due to the overall number of cases and the number of courts, this will be a process spread over time. One should also take into account the current state of the epidemic in the country, which will certainly result in extending the time limit for courts to consider cases.

As at 30 September 2020, the total amounts of impairment allowances and provisions arising from legal risk for the portfolio of mortgage loans indexed to CHF amounted to PLN 62.4 million (PLN 35.0 million as at 31 December 2019), respectively, for loans still disclosed in the statement of financial position (the amount presented as a reduction of receivables from the said loans) and PLN 12.6 million

(PLN 9.6 million as at 31 December 2019) for loans already removed from the statement of financial position (amount presented in liabilities under "Provisions").

Provision for commission refunds on prepaid consumer loans

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

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

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

In connection with the judgment of the CJEU and the statement of the Office of Competition and Consumer Protection, the Group currently automatically returns proportionally the commission in the event of early repayment of consumer credit (for repayments made after 11 September 2019). For early repayments made before 11 September 2019, the Group makes returns if the customer submits a complaint and its verification shows that the return is justified.

On 9 October 2019, the Bank was notified of the initiation of the investigation by the Office of Competition and Consumer Protection and a call for information regarding banking products on offer from 16 May 2016, to which the provisions of the Consumer Credit Act apply, including art. 49 of this Act. The explanatory proceedings concern the bank's settlement of commission returns in cases of early repayment of consumer loans. The bank provided the requested information to UOKIK by letter of 29 October 2019. On 24 December 2019, the Bank received another letter from UOKIK in the same proceedings with a request for additional information. The Bank replied by letter of 3 January 2020.

The amount of the provision for returns made on the complaint path in 2019 amounted to PLN 17.1 million.

In the three quarters of 2020, the Bank did not create additional provisions for commission returns made on the complaint path.

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

KNF: proceedings on breach of depositary obligations

On 12 October 2018, the Polish Financial Supervision Authority imposed a fine of PLN 500 thousand on ING Bank Śląski SA, pursuant to Art. 232 sec. 1 of the Act on Investment Funds and Alternative Investment Funds Management, in the wording before the amendment made by the Act of 31 March 2016, in connection with the breach of the Act by:

- failure to ensure, in the period from 23 June 2014 to 3 October 2014, that the sale of participation units of Inventum Bonds of the Subfund, Inventum Pieniężny Subfundusz, Inventum Akcji Subfundusz, Inventum Surowcowe Plus Subfundusz and Inventum Rynków

Wschodnie Subfundusz, separated within the Inventum Fund Parasol Open-End Investment Fund was conducted in accordance with the law;
- failure to ensure that the net value of assets and the value of the participation units of Inventum Bonds of the Subfund, Inventum Pieniężny Subfundusz, Inventum Akcji Subfundusz, Inventum Surowcowe Plus Subfundusz and Inventum Rynków Wschodnie Subfundusz separated within the fund Inventum Parasol Fundusz Inwestycyjny Otwarty are calculated in accordance with the provisions of law in connection with the allocation of participation units despite the lack of payment of funds for their purchase;
- failure to ensure that the net asset value and unit value of the fund Inventum Premium Specjalistyczny Fundusz Inwestycyjny Otwarty, as well as Inventum Bonds of the Subfund, Inventum Stabilnego Growth Subfundusz and Inventum Pieniężny Subfundusz, separated within the fund Inventum Parasol Fundusz Inwestycyjny Otwarty is calculated in accordance with the law, in connection with with the valuation of the assets of the indicated fund and the sub-funds mentioned.

The Commission unanimously issued a final decision upholding the KNF's decision of 12 October 2018, concerning the imposition of a financial penalty on ING Bank Śląski SA. In the course of reconsidering the case, the PFSA confirmed the violations and did not identify any circumstances that would justify reducing the fine.

In connection with the proceedings, a provision of PLN 0.5 million was created in December 2018. The bank paid the penalty in Q3 2020.

13. Seasonality or cyclicity of activity

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

14. Transactions with related entities

ING Bank Śląski S.A. is a subsidiary of ING Bank NV, which as at 30 September 2020 held 75% share in the initial capital of ING Bank Śląski and 75% shares in the total number of votes at the General Meeting of Shareholders.

ING Bank Śląski performs operations with ING Bank NV and its subsidiaries on the inter-bank market. These are both short-term deposits and loans, as well as operations in derivatives. The Bank also maintains bank accounts of ING Group entities. Moreover, ING Lease Sp. z o.o. received long-term funding for leasing contracts in EUR (“matched funding”).

The abovementioned transactions are carried out on an arm's length basis.

There were also other transactions between the related entities and ING Bank Śląski which originated from agreements concluded as to co-operation, sublease of premises, lease of equipment, data processing as well as employees' insurance contributions.

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

Transactions between related entities (PLN million)

	ING Bank NV	other ING Group entities	associated entities	ING Bank NV	other ING Group entities	associated entities
	as at 30 Sep 2020			as at 31 Dec 2019		
Receivables						
Current accounts	24.2	3.6	0.0	6.6	17.9	0.0
Deposits placed	0.0	0.0	0.0	74.1	0.0	0.0
Loans	22.7	22.9	0.0	32.0	35.6	0.0
Positive valuation of derivatives	115.1	0.0	0.0	49.8	34.9	0.0
Other receivables	5.8	1.8	0.0	9.9	2.9	0.0
Call deposits placed	30.8	0.0	0.0	0.0	0.0	0.0
Liabilities						
Deposits received	103.7	67.9	59.9	791.0	47.8	4.6
Loans received	3 331.6	0.0	0.0	3 472.8	0.0	0.0
Subordinated loan	2 265.3	0.0	0.0	2 131.1	0.0	0.0
Loro accounts	58.8	57.7	0.0	11.7	33.6	0.0
Negative valuation of derivatives	149.4	0.0	0.0	38.4	32.6	0.0
Other liabilities	86.3	0.9	0.0	82.6	2.7	0.0
Off-balance-sheet operations						
Off-balance sheet liabilities granted	371.5	721.5	0.1	470.7	750.3	0.0
Off-balance sheet liabilities received	796.1	17.3	0.0	412.9	21.4	0.0
FX transactions	11 027.6	17.0	0.0	6 666.5	0.0	0.0
IRS	1 321.8	0.0	0.0	2 312.7	2 403.9	0.0
Options	2 475.0	27.7	0.0	2 851.9	31.3	0.0

	3 quarters 2020 period from 01 Jan 2020 to 30 Sep 2020			3 quarters 2019 period from 01 Jan 2019 to 30 Sep 2019		
Income and expenses						
Income, including:	-93.7	8.0	36.6	39.5	25.7	25.6
interest and commission income/expenses	-36.6	3.5	36.6	-21.5	7.3	25.6
income on financial instruments	-57.8	4.3	0.0	59.5	5.6	0.0
net income on other basic activities	0.7	0.2	0.0	1.5	12.8	0.0
General and administrative expenses	103.3	5.5	0.0	53.9	4.7	0.0
Outlays for fixed assets						
Outlays for intangible assets	0.0	0.0	0.0	0.0	1.4	0.0

15. Segment reporting

Segments of operation

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

- retail banking segment,
- corporate banking segment.

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

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

Retail banking segment

Within the framework of retail banking, the Group provides services for individual customers - segments of mass customers and wealthy customers.

This activity is analysed by the leading products, including i.e.: credit products (overdraft on the savings and settlement account - ROR, loans related to cards, hire purchase loans, housing loans, mortgage loans), deposit products (current accounts, term deposits, savings accounts), structured product, ING fund units, brokerage services and bank cards.

Corporate banking segment

Corporate banking area encompasses as follows:

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

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

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

Measurement

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

Interim condensed consolidated financial statements (PLN million)

3 quarters 2020 period from 01 Jan 2020 to 30 Sep 2020

	Retail banking segment	Corporate banking segment	TOTAL
Income total	**2 184.5**	**2 430.3**	**4 614.8**
net interest income	1 807.1	1 580.5	3 387.6
net commission income	332.3	764.4	1 096.7
commission income	539.1	875.4	1 414.5
transaction margin on currency exchange transactions	47.8	266.1	313.9
keeping payment accounts	72.6	175.4	248.0
granting credits	16.6	248.9	265.5
payment and credit cards	189.9	69.6	259.5
distribution of participation units	57.6	0.0	57.6
offering insurance products	100.0	19.3	119.3
factoring and leasing services	0.0	24.6	24.6
other commissions	54.6	71.5	126.1
commission costs	206.8	111.0	317.8
other income/expenses	45.1	85.4	130.5
Expenses total	**1 095.7**	**987.5**	**2 083.2**
Segment result	**1 088.8**	**1 442.8**	**2 531.6**
Impairment for expected losses	259.7	489.7	749.4
Tax on certain financial institutions	145.7	213.4	359.1
Investments in associates measured at equity method	12.1	0.0	12.1
Segment profit before tax	**695.5**	**739.7**	**1 435.2**
Income tax	-	-	411.5
Result after tax	-	-	**1 023.7**
attributable to shareholders of ING Bank Śląski S.A.	-	-	1 023.7
Allocated equity	7 849.8	10 746.0	**18 595.8**
ROE - Return on equity (%)*	10.4	7.5	8.7

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

Interim condensed consolidated financial statements (PLN million)

3 quarters 2019 period from 01 Jan 2019 to 30 Sep 2019

	Retail banking segment	Corporate banking segment	TOTAL
Income total	**2 082.4**	**2 224.6**	**4 307.0**
net interest income	1 702.9	1 498.3	3 201.2
net commission income	314.8	689.3	1 004.1
commission income	494.9	781.3	1 276.2
transaction margin on currency exchange transactions	41.5	245.9	287.4
keeping payment accounts	74.0	145.3	219.3
granting credits	19.6	222.9	242.5
payment and credit cards	203.4	60.9	264.3
distribution of participation units	53.5	0.0	53.5
offering insurance products	80.2	17.7	97.9
factoring and leasing services	0.0	19.6	19.6
other commissions	22.7	69.0	91.7
commission costs	180.1	92.0	272.1
other income/expenses	64.7	37.0	101.7
Expenses total	**1 024.9**	**881.7**	**1 906.6**
Segment result	**1 057.5**	**1 342.9**	**2 400.4**
Impairment for expected losses	122.5	318.6	441.1
Tax on certain financial institutions	122.5	199.6	322.1
Investments in associates measured at equity method	3.1	-0.5	2.6
Segment profit before tax	**815.6**	**824.2**	**1 639.8**
Income tax	-	-	431.4
Result after tax	-	-	**1 208.4**
attributable to shareholders of ING Bank Śląski S.A.	-	-	1 208.4
Allocated equity	5 900.5	9 362.2	**15 262.7**
ROE - Return on equity (%)	15.8	9.8	12.1

Geographical segments

The business activities of the Capital Group are performed on the territory of the Republic of Poland.

16. Other information

16.1. Ratings

16.1.1. Ratings for ING Bank Śląski S.A.

Fitch Ratings Ltd.

The Fitch Ratings Ltd. Agency assigns full rating to ING Bank Śląski S.A. under the agreement between the Bank and the Agency.

As at 30 September 2020 the Bank's rating from the Agency is as follows:

Rating	**Level**
Long-term IDR	A+
Outlook for sustaining the above rating	Negative
Short-term IDR	F1+
Viability rating	bbb+
Support rating	1
National Long-Term Rating	AAA (pol)
Outlook for sustaining the above rating	Stable
National Short-Term Rating	F1+ (pol)

In a statement published by Fitch on 30 September 2020, as part of the annual review, it upheld the ratings for ING Bank Śląski S.A. The Fitch agency emphasized in its announcement that the maintained ratings for ING Bank Śląski S.A. reflect its moderate risk appetite, good asset quality, solid capital buffers, strong deposit-based funding and high liquidity.

The entity's long-term rating outlook is Negative. Fitch agency indicated that it is a direct result of the negative rating perspective for the Bank's parent, ING Bank N.V.

The perspective of the long-term rating on the national scale is Stable.

Moody's Investors Service Ltd.

The Moody's Investors Service Ltd. Agency assigns rating to ING Bank Śląski S.A. on the basis of the universally available public information. As at 30 September 2020 the Bank's rating from the Agency is as follows:

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

In the announcement published on 21 October 2019, the Agency upheld the ratings assigned to the Bank. The agency emphasized in its communication that the Bank's rating reflects:

- good-quality, though unseasoned, bank loan portfolio with very limited exposure to foreign currency mortgage loans,
- adequate capital ratio,
- moderate profitability, and
- stable bank financing profile based on deposits and high liquidity buffers.

16.2. Number of Branches and ATMs, CDMs

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

	As at 30 Sep 2020	As at 30 Jun 2020	As at 31 Dec 2019	As at 30 Sep 2019
Number of outlets	298	304	317	330
Number of ING Express sales points at shopping malls	63	62	65	65

As at 30 September 2020, clients could use 1 009 machines for cash self-service, including 176 standard ATMs and 833 dual machines.

As at 30 September 2019, there were 1 042 machines for cash self-service, including 181 standard ATMs and 861 dual machines.

16.3. Electronic distribution channels

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

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

	As at 30 Sep 2020	As at 30 Jun 2020	As at 31 Dec 2019	As at 30 Sep 2019
Moje ING, ING BusinessOnLine (in million)	4.2	4.1	4.1	4.2
ING BankMobile. Moje ING Mobile* (in million)	3.7	3.4	4.5	4.3
ING BusinessMobile (in thousands)	31.9	30.1	26.6	25.1

*) The number of downloaded applications

The monthly number of transactions carried out using electronic banking systems in September 2020 reached the level of 39.2 million, and in the same period of the previous year amounted to 29.6 million.

16.4. Banking cards

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

in thousands	As at 30 Sep 2020	As at 30 Jun 2020	As at 31 Dec 2019	As at 30 Sep 2019
debit cards	3 205	3 155	3 050	3 008
credit cards	275	272	271	266
other cards*	162	159	156	157
Total payment cards. in which:	**3 642**	**3 586**	**3 477**	**3 430**
paywave**	3 435	3 389	3 298	3 257
virtual cards	207	197	179	173

* including charge and prepaid cards

** including cards: Contactless VISA, Contactless Visa Business, Contactless MasterCard Debit, Visa Zbliżak, Zbliżak, VISA 2016, VISA NFC, Mastercard in EUR, MasterCard Debit in mobile phone, Mastercard in Business mobile phone.

Interim condensed consolidated financial statements (PLN million)

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

2020-11-04	**Brunon Bartkiewicz** *President*	*The original Polish document is signed with a qualified electronic signature*
2020-11-04	**Michał Bolesławski** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-11-04	**Joanna Erdman** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-11-04	**Marcin Giżycki** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-11-04	**Bożena Graczyk** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-11-04	**Michał Mrożek** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-11-04	**Sławomir Soszyński** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-11-04	**Lorenzo Tassan-Bassut** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2020-11-04	**Jolanta Alvarado Rodriguez**	Director of Accounting Department Chief Accountant	*The original Polish document is signed with a qualified electronic signature*

Interim condensed standalone financial statements (PLN million)

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

Interim condensed standalone income statement

	3rd quarter 2020 period from 01 Jul 2020 to 30 Sep 2020	3 quarters 2020 YTD period from 01 Jan 2020 to 30 Sep 2020	3rd quarter 2019 period from 01 Jul 2019 to 30 Sep 2019	3 quarters 2019 YTD period from 01 Jan 2019 to 30 Sep 2019
Interest income, including:	1 209.6	3 759.7	1 306.4	3 775.2
Interest income calculated using effective interest rate method	1 208.9	3 757.5	1 305.4	3 772.0
Other interest income	0.7	2.2	1.0	3.2
Interest expenses	138.0	570.5	239.1	742.0
Net interest income	**1 071.6**	**3 189.2**	**1 067.3**	**3 033.2**
Commission income	491.5	1 378.3	422.3	1 248.7
Commission expenses	113.4	322.3	102.6	280.1
Net commission income	**378.1**	**1 056.0**	**319.7**	**968.6**
Net income on financial instruments at fair value through profit or loss and FX result	22.5	80.1	26.4	83.4
Net income on the sale of securities measured at amortised cost	0.0	7.3	0.0	0.0
Net income on the sale of financial assets measured at fair value through other comprehensive income and dividend income	5.4	14.4	-10.2	9.7
Net income on hedge accounting	-14.1	14.5	-6.7	-8.8
Net income on other basic activities	1.6	-2.1	-7.9	-5.0
Net income on basic activities	**1 465.1**	**4 359.4**	**1 388.6**	**4 081.1**
General and administrative expenses	631.9	1 977.9	571.9	1 811.5
Impairment for expected losses	131.4	661.1	178.8	429.0
including profit on sale of impaired receivables	0.0	4.1	0.0	9.8
Tax on certain financial institutions	122.0	359.1	111.5	322.1
Share of profit (loss) of subsidiaries and associates accounted for using the equity method	30.7	54.0	39.8	97.8
Gross profit	**610.5**	**1 415.3**	**566.2**	**1 616.3**
Income tax	170.3	391.6	151.4	407.9
Net profit	**440.2**	**1 023.7**	**414.8**	**1 208.4**
Weighted average number of ordinary shares	130 100 000	130 100 000	130 100 000	130 100 000
Earnings per ordinary share (PLN)	3.38	7.87	3.19	9.29

No material operations were discontinued during 3 quarters of 2020 and 2019.

Diluted earnings per share are the same as basic earnings per one ordinary share.

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

Interim condensed standalone financial statements (PLN million)

Interim condensed standalone statement of comprehensive income

	3rd quarter 2020 period from 01 Jul 2020 to 30 Sep 2020	3 quarters 2020 YTD period from 01 Jan 2020 to 30 Sep 2020	3rd quarter 2019 period from 01 Jul 2019 to 30 Sep 2019	3 quarters 2019 YTD period from 01 Jan 2019 to 30 Sep 2019
Net profit for the period	**440.2**	**1 023.7**	**414.8**	**1 208.4**
Total other comprehensive income, including:	**-218.1**	**2 135.4**	**641.5**	**1 129.9**
Items which can be reclassified to income statement, including:	**-218.1**	**2 129.4**	**641.5**	**1 094.6**
debt instruments measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	55.2	-23.4	-6.8	-1.5
debt instruments measured at fair value through other comprehensive income – reclassification to the financial result due to sale	-4.4	-14.2	-2.9	-23.3
loans measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-138.2	-213.4	13.4	-58.0
cash flow hedging – gains/losses on revaluation carried through equity	52.6	2 774.7	737.1	1 474.3
cash flow hedging – reclassification to profit or loss	-183.3	-394.3	-99.3	-296.9
Items which will not be reclassified to income statement, including:	**0.0**	**6.0**	**0.0**	**35.3**
equity instruments measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	0.0	6.0	0.0	35.3
Net comprehensive income for the reporting period	**222.1**	**3 159.1**	**1 056.3**	**2 338.3**

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

Interim condensed standalone financial statements (PLN million)

Interim condensed standalone statement of financial position

	note	As at 30 Sep 2020	As at 30 Jun 2020	As at 31 Dec 2019	As at 30 Sep 2019
Assets					
Cash in hand and balances with the Central Bank		1 193.6	1 910.3	1 402.9	2 792.6
Loans and other receivables to other banks		3 784.4	3 905.7	3 285.3	3 271.9
Financial assets held for trading		1 039.3	878.0	1 224.2	1 242.9
Derivative hedge instruments		1 054.1	1 095.9	851.6	883.6
Investment securities		56 033.4	53 026.8	33 559.6	31 961.9
Loans and other receivables to customers	4.1	114 307.7	112 422.4	110 536.5	108 638.5
Investments in subsidiaries and associates measured at equity method		1 332.2	1 301.1	1 112.2	1 096.1
Property, plant and equipment		894.9	902.2	932.8	898.0
Intangible assets		400.9	401.6	408.4	405.3
Assets held for sale		3.4	3.4	3.6	2.8
Deferred tax assets		243.2	209.6	270.8	208.7
Other assets		173.2	162.3	329.4	237.4
Total assets		**180 460.3**	**176 219.3**	**153 917.3**	**151 639.7**
Liabilities					
Liabilities to other banks		1 487.2	1 176.2	2 622.5	3 810.3
Financial liabilities at fair value through profit or loss		696.9	617.3	915.1	990.7
Derivative hedge instruments		449.7	480.9	546.0	569.7
Liabilities to customers		154 220.5	150 672.8	130 036.8	125 365.4
Liabilities under issue of debt securities		0.0	0.0	0.0	302.2
Subordinated liabilities		2 265.2	2 235.1	2 131.1	2 188.7
Provisions		191.8	198.8	201.9	225.2
Current income tax liabilities		445.6	429.0	377.9	387.2
Other liabilities		2 429.5	2 357.4	1 971.2	2 595.6
Total liabilities		**162 186.4**	**158 167.5**	**138 802.5**	**136 435.0**
Equity					
Share capital		130.1	130.1	130.1	130.1
Share premium		956.3	956.3	956.3	956.3
Accumulated other comprehensive income		3 894.2	4 112.3	1 758.8	2 299.3
Retained earnings		13 293.3	12 853.1	12 269.6	11 819.0
Total equity		**18 273.9**	**18 051.8**	**15 114.8**	**15 204.7**
Total equity and liabilities		**180 460.3**	**176 219.3**	**153 917.3**	**151 639.7**
Carrying amount		18 273.9	18 051.8	15 114.8	15 204.7
Number of shares		130 100 000	130 100 000	130 100 000	130 100 000
Carrying amount per share (PLN)		140.46	138.75	116.18	116.87

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

Interim condensed standalone financial statements (PLN million)

Interim condensed standalone statement of changes in equity

3 quarters 2020 YTD
period from 01 Jan 2020 to 30 Sep 2020

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	**Total equity**
Opening balance of equity	**130.1**	**956.3**	**1 758.8**	**12 269.6**	**0.0**	**15 114.8**
Profit for the current period	-	-	0.0	1 023.7	-	1 023.7
Other net comprehensive income, including:	**0.0**	**0.0**	**2 135.4**	**0.0**	**0.0**	**2 135.4**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	-230.8	-	-	**-230.8**
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	-14.2	-	-	**-14.2**
cash flow hedging – gains/losses on revaluation carried through equity	-	-	2 774.7	-	-	**2 774.7**
cash flow hedging – reclassification to profit or loss	-	-	-394.3	-	-	**-394.3**
Other changes in equity	**-**	**-**	**0.0**	**0.0**	**-**	**0.0**
Closing balance of equity	**130.1**	**956.3**	**3 894.2**	**13 293.3**	**0.0**	**18 273.9**

Year 2019
Period from 01 Jan 2019 to 31 Dec 2019

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	**Total equity**
Opening balance of equity	**130.1**	**956.3**	**1 169.7**	**11 080.2**	**0.0**	**13 336.3**
adjustment in recognition the repo transactions	0.0	0.0	0.0	-14.7	0.0	-14.7
Opening balance of equity adjusted for changes to the accounting principles	**130.1**	**956.3**	**1 169.7**	**11 065.5**	**0.0**	**13 321.6**
Profit for the current period	0.0	0.0	0.0	1 658.7	0.0	**1 658.7**
Other net comprehensive income, including:	**0.0**	**0.0**	**589.1**	**0.6**	**0.0**	**589.7**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	0.0	0.0	-69.0	0.0	0.0	-69.0
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	0.0	0.0	-23.7	0.0	0.0	-23.7
cash flow hedging – gains/losses on revaluation carried through equity	0.0	0.0	1 083.3	0.0	0.0	1 083.3
cash flow hedging – reclassification to profit or loss	0.0	0.0	-391.0	0.0	0.0	-391.0
fixed assets revaluation	0.0	0.0	0.3	0.0	0.0	0.3
disposal of fixed assets	0.0	0.0	-0.6	0.6	0.0	0.0
actuarial gains/losses	0.0	0.0	-10.2	-	0.0	-10.2
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**-455.2**	**0.0**	**-455.2**
valuation of share-based payments	0.0	0.0	0.0	0.2	0.0	0.2
dividend paid	0.0	0.0	0.0	-455.4	0.0	-455.4
Closing balance of equity	**130.1**	**956.3**	**1 758.8**	**12 269.6**	**0.0**	**15 114.8**

Interim condensed standalone financial statements (PLN million)

3 quarters 2019 YTD
period from 01 Jan 2019 to 30 Sep 2019

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total equity
Opening balance of equity	**130.1**	**956.3**	**1 169.7**	**11 080.2**	**0.0**	**13 336.3**
adjustment in recognition the repo transactions	0.0	0.0	0.0	-14.7	-	**-14.7**
Opening balance of equity adjusted for changes to the accounting principles	**130.1**	**956.3**	**1 169.7**	**11 080.2**	**0.0**	**13 321.6**
Profit for the current period	**-**	**-**	**-**	**1 208.4**	**-**	**1 208.4**
Other net comprehensive income, including:	**0.0**	**0.0**	**1 129.6**	**0.3**	**0.0**	**1 129.9**
financial assets measured at fair value through other comprehensive income – gains/losses on revaluation carried through equity	-	-	-24.2	-	-	**-24.2**
debt securities measured at fair value through other comprehensive income – reclassification to profit or loss due to sale	-	-	-23.3	-	-	**-23.3**
cash flow hedging – gains/losses on revaluation carried through equity	-	-	1 474.3	-	-	**1 474.3**
cash flow hedging – reclassification to profit or loss	-	-	-296.9	-	-	**-296.9**
disposal of fixed assets	-	-	-0.3	0.3	-	**-**
Other changes in equity, including:	**0.0**	**0.0**	**0.0**	**-455.2**	**0.0**	**-455.2**
valuation of share-based payments	-	-	-	0.2	-	**0.2**
distribution of profit for dividend payment	-	-	-	-455.4	-	**-455.4**
Closing balance of equity	**130.1**	**956.3**	**2 299.3**	**11 819.0**	**0.0**	**15 204.7**

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

Interim condensed standalone financial statements (PLN million)

Interim condensed standalone cash flow statement

	3 quarters 2020 YTD period from 01 Jan 2020 to 30 Sep 2020	3 quarters 2019 YTD period from 01 Jan 2019 to 30 Sep 2019
Net profit (loss)	**1 023.7**	**1 208.4**
Adjustments	**19 029.3**	**377.8**
Share of profit (loss) of associates accounted for using the equity method	-55.7	-97.8
Depreciation and amortisation	207.5	200.3
Interest accrued (from the income statement)	-3 189.2	-3 033.2
Interest paid	-559.1	-720.4
Interest received	3 536.8	3 855.6
Dividends received	-8.4	-7.0
Gains (losses) on investing activities	0.7	-0.8
Income tax (from the income statement)	391.6	407.9
Income tax paid from the income statement	-296.3	-284.9
Change in provisions	-10.1	75.7
Change in loans and other receivables to other banks	-700.6	-2 626.4
Change in financial assets held for trading	188.9	691.0
Change in debt securities measured at fair value through other comprehensive income	-2 545.4	74.1
Change in hedge derivatives	2 081.6	1 162.0
Change in loans and other receivables to customers	-3 624.7	-9 558.6
Change in other assets	480.9	73.4
Change in liabilities to other banks	-1 135.2	2 004.7
Change in liabilities at fair value through profit or loss	-217.9	-696.9
Change in liabilities to customers	24 195.7	8 066.2
Change in other liabilities	288.2	792.9
Net cash flow from operating activities	**20 053.0**	**1 586.2**
Purchase of property plant and equipment	-54.6	-44.0
Disposal of property plant and equipment	0.0	1.3
Purchase of intangible assets	-46.8	-53.2
Disposal of assets held for sale	0.1	14.3
Acquisition of shares in associates	0.0	-461.5
Purchase of equity instruments measured at fair value through other comprehensive income	-170.0	0.0
Purchase of debt securities measured at amortized cost	-22 986.1	-427.4
Disposal of debt securities measured at amortized cost	2 886.3	245.2
Dividends received	8.4	7.0
Net cash flow from investing activities	**-20 362.7**	**-718.3**
Long-term loans received	0.0	1 093.4
Long-term loans repaid	0.0	0.0
Interest on long-term loans repaid	-24.2	-12.9
Interests from issued debt securities	0.0	-3.8
Leasing liabilities repaid	-75.8	-67.3
Dividends paid	0.0	-455.4
Net cash flow from financing activities	**-100.0**	**554.0**
Effect of exchange rate changes on cash and cash equivalents	134.2	151.3
Net increase/decrease in cash and cash equivalents	**-409.7**	**1 421.9**
Opening balance of cash and cash equivalents	**1 997.4**	**1 956.4**
Closing balance of cash and cash equivalents	**1 587.7**	**3 378.3**

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

Additional information to the interim condensed standalone financial statements

1. Introduction

1.1. Going concern

These interim condensed standalone financial statements of the ING Bank Śląski S.A. have been prepared on a going-concern basis as regards the foreseeable future, namely as regards the period of minimum 12 months from the date of approval, i.e. from 3 November 2020. As at the approval date hereof, the Bank Management Board have not identified any events that could pose a threat to the Group members continuing their operations during the period of 12 months from the date of publication as a result of intentional or forced abandonment or significant limitation of its operations by the Bank.

1.2. Discontinued operations

No material operations of the Bank were discontinued during the 9 months periods of 2020 and 2019.

1.3. Compliance with International Financial Reporting Standards

These interim condensed standalone financial statements of the ING Bank Śląski S.A. for the 3rd quarter 2020 were prepared under the IAS 34 Interim Financial Reporting (International Accounting Standards) in a version approved by the European Commission and effective as at the reporting date, that is 30 September 2020 as well as in accordance with the Ordinance of Finance Minister of 29 March 2018 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws of 2018, item 757).

Presented financial statements have been prepared in a condensed version. The interim condensed financial statements do not provide all data or disclosures required in the annual financial statements and should be interpreted together with the interim condensed consolidated financial statements for the 3rd quarter 2020 and Bank's financial statements for the year ended 31 December 2019 approved by the General Meeting on 2 April 2020.

Interim condensed standalone income statement, interim condensed standalone statement of comprehensive income, interim condensed standalone statement of changes in equity and interim condensed standalone cash flow statement for the period from 1 January 2020 to 30 September 2020 and interim condensed standalone statement of financial position as at 30 September 2020, together with comparable data were prepared according to the same principles of accounting for each period.

1.4. Comparative data

The comparative data cover the following periods:

- for the interim condensed profit and loss account and the interim condensed statement of comprehensive income - the period from 1 January 2019 to 30 September 2019 and the period from 1 July 2019 to 30 September 2019,
- for the interim condensed cash flow statement - the period from 1 January 2019 to 30 September 2019,
- for the interim condensed statement of changes in equity - the period from 1 January 2019 to 30 September 2019 and the period from 1 January 2019 to 31 December 2019,
- for the interim condensed statement of financial position - data as at 30 June 2020, 31 December 2019 and 30 September 2019.

1.5. Financial statements scope and currency

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

These interim condensed standalone financial statements have been prepared in Polish zloty ("PLN"). All figures, unless otherwise indicated, are rounded to the nearest million. Therefore, there may be instances of mathematical inconsistencies in additions or between individual notes.

1.6. Approval of financial statements

These interim condensed standalone financial statements have been approved by the Bank's Management Board on 3 November 2020.

1.7. Changes in accounting standards

In these interim condensed standalone financial statements, the same accounting standards have been applied as in the case of annual financial statements for the year 2019 (Annual Financial Statements of the ING Bank Śląski S.A. for the period started 1 January 2019 and ended 31 December 2019) and the standards and interpretations adopted by the European Union and applicable to the annual periods starting 1 January 2020 or afterwards which were presented in the interim condensed consolidated financial statements of the Capital Group of ING Bank Śląski S.A. for the 3rd quarter 2020.

2. Significant accounting principles

Detailed accounting principles were presented in the Annual Financial Statements of the ING Bank Śląski S.A. for the period started 1 January 2019 and ended 31 December 2019, published on 6 March 2020 and available on the website of ING Bank Śląski S.A. (www.ingbank.pl).

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

There were no changes to the accounting policies in Q3 2020, however, changes were made to key estimates regarding the loss allowances expected in connection with the effects of the COVID-19 coronavirus outbreak, as well as the definition of default, as described in the interim condensed consolidated financial statements in chapter Supplementary information in item 5 *Significant accounting principles and key estimates*.

3. Comparability of financial data

When compared with the interim standalone financial statements for previous periods, in the interim condensed standalone financial statements prepared for the period from 1 January 2020 to 30 September 2020, the Bank made changes in the presentation of individual items of the income statement and the statement of financial position. The changes are as follows:

- *change in cash flows from securities* (***change a***)

The Bank changed the presentation resulting from the reclassification of cash flows from the portfolio measured at amortized cost and the presentation of reclassifications related to the implementation of IFRS 9 in 2018.

- *change in cash flows from lease payments* (***change b***)

The Bank changed the presentation of repayment of lease liabilities (IFRS 16).

Interim condensed standalone financial statements (PLN million)

The table below presents individual items of the cash flow statement according to the values presented in the interim standalone financial statements for the period from 1 January 2019 to 30 September 2019 and according to the values presented in the current report.

	As at 30.09.2019 in standalone financial statements for the period from 1 Jan 2019 to 30 Sep 2019 (approved data)	change a)	change b)	As at 30.09.2019 in standalone financial statements for the period from 1 Jan 2020 to 30 Sep 2020 (comparable data)
Net cash flow from operating activities	**1 631.3**	**-45.2**	**0.1**	**1 586.2**
Change in fixed assets due to lease recognition	65.2		-65.2	0.0
Change in other assets	-458.8		532.2	73.4
Change in other liabilities	1 259.8		-466.9	792.9
Change in debt securities measured at fair value through other comprehensive income	119.3	-45.2		74.1
Net cash flow from investing activities	**-763.5**	**45.2**	**0.0**	**-718.3**
Purchase of debt securities measured at amortized cost	-227.4	-200.0		-427.4
Disposal of debt securities measured at amortized cost	0.0	245.2		245.2

4. Supplementary notes to interim condensed standalone financial statements

4.1. Loans and other receivables to customers

	As at 30 Sep 2020	As at 30 Jun 2020	As at 31 Dec 2019	As at 30 Sep 2019
Measured at amortised cost	104 922.2	103 549.1	102 524.2	101 031.4
Measured at fair value through other comprehensive income	9 165.7	8 639.9	7 852.0	7 429.2
Measured at fair value through profit or loss	219.8	233.4	160.3	177.9
Total (net)	**114 307.7**	**112 422.4**	**110 536.5**	**108 638.5**

Some mortgage loans may be sold to ING Bank Hipoteczny S.A. as part of a so-called pooling. In connection with receipt by ING Bank Hipoteczny S.A. of the consent to start operations in the first quarter of 2020, some of the mortgage loans were designated by the Bank for the new business model “hold to collect and sell" and are currently valued at fair value through other comprehensive income. Carrying amount of reclassified loans as at the reclassification date was PLN 7 904.6 million (gross value PLN 7 906.7 million) and fair value PLN 7 820.6 million.

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

The Bank applies a discounted cash flow model to the value of mortgage loans designated to the portfolio measured at fair value. Due to the use in the valuation model of input data which are not based on observable market data, the valuation technique belongs to Level 3.

Interim condensed standalone financial statements (PLN million)

Loans and other receivables measured at amortised cost

	as at **30 Sep 2020**			as at **30 Jun 2020**			as at **31 Dec 2019**			as at **30 Sep 2019**		
	gross	impairment	**net**	gross	impairment	**net**	gross	impairment	**net**	gross	impairment	**net**
Portfolio of loans, including:	**106 085.4**	**-2 985.7**	**103 099.7**	**104 206.4**	**-2 840.2**	**101 366.2**	**102 523.3**	**-2 295.9**	**100 227.4**	**101 519.0**	**-2 368.0**	**99 151.0**
households	48 583.6	-1 622.0	46 961.6	47 693.1	-1 502.7	46 190.4	45 328.1	-1 227.1	44 101.0	43 991.1	-1 317.4	42 673.7
business entities	54 412.4	-1 363.2	53 049.2	53 573.0	-1 336.9	52 236.1	54 183.0	-1 068.5	53 114.5	54 344.2	-1 050.3	53 293.9
the government and self-government institutions' sector	3 089.4	-0.5	3 088.9	2 940.3	-0.6	2 939.7	3 012.2	-0.3	3 011.9	3 183.7	-0.3	3 183.4
Total gross, including:	**106 085.4**	**-2 985.7**	**103 099.7**	**104 206.4**	**-2 840.2**	**101 366.2**	**102 523.3**	**-2 295.9**	**100 227.4**	**101 519.0**	**-2 368.0**	**99 151.0**
Corporate banking segment	**65 605.4**	**-1 931.4**	**63 674.0**	**64 333.0**	**-1 868.7**	**62 464.3**	**65 193.1**	**-1 504.7**	**63 688.4**	**65 485.2**	**-1 495.2**	**63 990.0**
loans in the current account	12 511.4	-588.2	11 923.2	12 466.2	-565.6	11 900.6	14 048.4	-515.8	13 532.6	16 026.4	-521.1	15 505.3
term loans and advances	50 096.7	-1 342.6	48 754.1	49 638.4	-1 302.2	48 336.2	48 640.1	-988.3	47 651.8	46 839.1	-973.5	45 865.6
corporate and municipal debt securities	2 997.3	-0.6	2 996.7	2 228.4	-0.9	2 227.5	2 504.6	-0.6	2 504.0	2 619.7	-0.6	2 619.1
Retail banking segment	**40 480.0**	**-1 054.3**	**39 425.7**	**39 873.4**	**-971.5**	**38 901.9**	**37 330.2**	**-791.2**	**36 539.0**	**36 033.8**	**-872.8**	**35 161.0**
mortgages	32 639.8	-305.4	32 334.4	32 197.4	-258.1	31 939.3	29 741.6	-205.6	29 536.0	28 457.1	-206.5	28 250.6
loans in the current account	654.3	-53.2	601.1	612.5	-53.4	559.1	645.2	-48.7	596.5	650.0	-55.9	594.1
other loans and advances	7 185.9	-695.7	6 490.2	7 063.5	-660.0	6 403.5	6 943.4	-536.9	6 406.5	6 926.7	-610.4	6 316.3
Other receivables, including:	**1 822.6**	**-0.1**	**1 822.5**	**2 183.0**	**-0.1**	**2 182.9**	**2 296.8**	**0.0**	**2 296.8**	**1 880.4**	**0.0**	**1 880.4**
call deposits placed as collateral	1 213.0	-0.1	1 212.9	1 368.3	-0.1	1 368.2	1 598.6	0.0	1 598.6	1 451.7	0.0	1 451.7
other receivables	609.6	0.0	609.6	814.7	0.0	814.7	698.2	0.0	698.2	428.7	0.0	428.7
Total	**107 908.0**	**-2 985.8**	**104 922.2**	**106 389.4**	**-2 840.3**	**103 549.1**	**104 820.1**	**-2 295.9**	**102 524.2**	**103 399.4**	**-2 368.0**	**101 031.4**

Interim condensed standalone financial statements (PLN million)

Quality of loan portfolio

	as at 30 Sep 2020			as at 30 Jun 2020			as at 31 Dec 2019			as at 30 Sep 2019		
	gross	impairment	**net**	gross	impairment	**net**	gross	impairment	**net**	gross	impairment	**net**
Corporate banking	**65 605.4**	**-1 931.4**	**63 674.0**	**64 333.0**	**-1 868.7**	**62 464.3**	**65 193.1**	**-1 504.7**	**63 688.4**	**65 485.2**	**-1 495.2**	**63 990.0**
assets in stage 1	55 860.7	-160.9	55 699.8	54 915.8	-152.7	54 763.1	59 501.9	-62.8	59 439.1	59 999.4	-62.3	59 937.1
assets in stage 2	7 309.0	-225.4	7 083.6	6 964.1	-221.7	6 742.4	3 430.3	-138.6	3 291.7	3 336.3	-137.8	3 198.5
assets in stage 3	2 434.7	-1 545.1	889.6	2 451.8	-1 494.3	957.5	2 259.4	-1 303.3	956.1	2 149.5	-1 295.1	854.4
POCI assets	1.0	0.0	1.0	1.3	0.0	1.3	1.5	0.0	1.5	0.0	0.0	0.0
Retail banking	**40 480.0**	**-1 054.3**	**39 425.7**	**39 873.4**	**-971.5**	**38 901.9**	**37 330.2**	**-791.2**	**36 539.0**	**36 033.8**	**-872.8**	**35 161.0**
assets in stage 1	36 975.0	-115.5	36 859.5	35 419.3	-75.2	35 344.1	33 023.6	-53.7	32 969.9	30 090.2	-54.4	30 035.8
assets in stage 2	2 620.9	-286.0	2 334.9	3 667.5	-318.2	3 349.3	3 698.6	-302.7	3 395.9	5 210.6	-259.7	4 950.9
assets in stage 3	881.8	-652.8	229.0	784.0	-578.1	205.9	608.0	-434.8	173.2	733.0	-558.7	174.3
POCI assets	2.3	0.0	2.3	2.6	0.0	2.6	0.0	0.0	0.0	0.0	0.0	0.0
Total loan portfolio	**106 085.4**	**-2 985.7**	**103 099.7**	**104 206.4**	**-2 840.2**	**101 366.2**	**102 523.3**	**-2 295.9**	**100 227.4**	**101 519.0**	**-2 368.0**	**99 151.0**

The Bank identifies POCI financial assets, the carrying amount of which as at 30 September 2020 is PLN 3.3 million (PLN 1.5 million as at 31 December 2019). These are exposures for impaired receivables acquired in connection with the acquisition of Bieszczadzka SKOK in 2017 and exposures that were significantly modified as a result of restructuring, which required the removal of the original credit exposure and re-recognition of the asset in the statement of financial position.

Interim condensed standalone financial statements (PLN million)

4.2. Total capital ratio

	as at 30 Sep 2020	as at 30 Jun 2020	as at 31 Dec 2019	as at 30 Sep 2019
Own funds	15 986.6	16 042.9	14 603.0	13 386.8
Total capital requirements	6 478.1	6 567.4	6 383.6	6 286.7
Total capital ratio	**19.74%**	**19.54%**	**18.30%**	**17.04%**
Tier 1 ratio	**16.95%**	**16.82%**	**15.63%**	**15.64%**

When calculating the capital ratios, the Bank was using the transitional provisions concerning alleviation of the IFRS 9 implementation impact on own funds. If the IFRS 9 implementation impact had been recognised in full, the total capital ratio would have arrived at 19.48% and the Tier 1 capital ratio at 16.52% (18.05% and 15.38%, respectively, as at 31 December 2019 and 16.73% and 15.34% as at 30 September 2019).

5. Significant events in 3rd quarter 2020

Significant events that occurred in 3rd quarter 2020 are described in the interim condensed consolidated financial statement in chapter Additional information in note 2. Significant events in 3rd quarter 2020.

6. Significant events after the balance sheet date

Significant events after the balance sheet date are described in the interim condensed consolidated financial statement in chapter Additional information in note 3. Significant events after the balance sheet date.

7. Seasonality or cyclicity of activity

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

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

None.

9. Dividends paid

The Bank's Management Board decided to change the motion regarding the distribution of the profit for 2019 and the draft resolution submitted to the General Meeting on the distribution of the profit for 2019 in such a way that the amount previously allocated to the dividend, i.e. PLN 494,380,000.00, will be left undivided.

On 29 March 2019, the General Meeting adopted a resolution on the payment of dividends for 2018, pursuant to which the Bank paid a dividend for 2018 in the total amount of PLN 455.35 million, i.e. in the gross amount of PLN 3.50 per share. Shareholders acquired the right to dividend on 18 April 2019, the dividend was paid on 6 May 2019.

10. Acquisitions

In 3rd quarter 2020 ING Bank Śląski S.A. did not make any acquisitions, as in 3rd quarter 2019.

11. Off-balance sheet items

	as at 30 Sep 2020	as at 30 Jun 2020	as at 31 Dec 2019	as at 30 Sep 2019
Off-balance sheet liabilities granted	47 405.8	45 669.0	37 583.1	34 455.8
Off-balance sheet liabilities received	10 734.8	8 342.2	8 285.7	7 311.3
Off-balance sheet financial instruments	816 244.4	766 352.9	646 273.0	683 940.3
Total off-balance sheet items	**874 385.0**	**820 364.1**	**692 141.8**	**725 707.4**

In the third quarter of 2020, the Bank decided to change the presentation of the guarantees received. The present presentation takes into account only those guarantees that provide the basis for the reduction of risk-weighted assets and impairment losses on expected losses

12. Transactions with related entities

Transactions between related entities (PLN million)

	ING Bank NV	Other ING Group entities	Subsidiaries	Associated entities	ING Bank NV	Other ING Group entities	Subsidiaries	Associated entities
	as at **30.09.2020**				as at **31.12.2019**			
Receivables								
Current accounts	24.2	3.6	0.0	0.0	6.6	17.9	0.0	0.0
Deposits placed	0.0	0.0	0.0	0.0	74.1	0.0	0.0	0.0
Loans	0.0	0.1	12 254.6	0.0	0.0	0.2	11 734.0	0.0
Positive valuation of derivatives	115.1	0.0	2.4	0.0	49.8	34.9	2.5	0.0
Other receivables	5.8	1.8	0.9	0.0	9.9	2.9	172.4	0.0
Call deposits placed	30.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities								
Deposits received	103.7	67.9	248.2	59.9	791.0	47.8	202.4	4.6
Subordinated loan	2 265.3	0.0	0.0	0.0	2 131.1	0.0	0.0	0.0
Loro accounts	58.8	57.7	0.0	0.0	11.7	33.6	0.3	0.0
Negative valuation of derivatives	149.4	0.0	0.2	0.0	38.4	32.6	0.0	0.0
Other liabilities	86.3	0.9	2.1	0.0	82.6	2.7	0.6	0.0
Off-balance-sheet operations								
Off-balance sheet liabilities granted	358.0	696.6	10 125.6	0.1	419.4	677.4	5 143.2	0.0
Off-balance sheet liabilities received	53.6	17.3	0.0	0.0	52.9	21.4	0.0	0.0
FX transactions	11 027.6	17.0	0.0	0.0	6 666.5	0.0	0.0	0.0
Forward transactions	0.0	0.0	13.8	0.0	0.0	0.0	40.8	0.0
IRS	1 321.8	0.0	59.0	0.0	2 312.7	2 403.9	59.0	0.0
Options	2 475.0	27.7	0.0	0.0	2 851.9	31.3	0.0	0.0
	3 quarters 2020 period from 01 Jan 2020 to 30 Sep 2020				**3 quarters 2019** period from 01 Jan 2019 to 30 Sep 2019			
Income and expenses								
Income. including:	-90.9	7.4	138.1	36.6	44.0	24.8	146.3	25.6
interest and commission income/expenses	-33.1	2.9	147.8	36.6	-16.7	6.4	170.9	25.6
income on financial instruments	-57.8	4.3	-0.2	0.0	59.5	5.6	1.2	0.0
net income on the sale of securities measured at fair value through other comprehensive income	0.0	0.0	-11.6	0.0	0.0	0.0	-26.1	0.0
net income on other basic activities	0.0	0.2	2.1	0.0	1.2	12.8	0.3	0.0
General and administrative expenses	103.2	3.0	0.6	0.0	54.4	2.5	-2.5	0.0
Outlays for non-current assets	0.0	0.0	0.5	0.0	0.0	1.4	0.8	0.0

In the third quarter of 2020, the Bank did not make any payments to ING Bank Hipoteczny S.A. (a subsidiary of the Bank) of the portfolio of mortgage-secured housing loans.
On 9 January 2020, an entry was made in the Register of Entrepreneurs of the National Court Register regarding the increase of the share capital of ING Bank Hipoteczny S.A. by the amount of PLN 170,000,000.00 through the issue of 170,000 ordinary registered series C shares with a par value of PLN 1,000 each. The issue price of the shares is equal to their nominal value. The shares were fully covered by a cash contribution.

Interim condensed standalone financial statements (PLN million)

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

2020-11-04	**Brunon Bartkiewicz** *President*	*The original Polish document is signed with a qualified electronic signature*
2020-11-04	**Michał Bolesławski** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-11-04	**Joanna Erdman** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-11-04	**Marcin Giżycki** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-11-04	**Bożena Graczyk** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-11-04	**Michał Mrożek** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-11-04	**Sławomir Soszyński** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*
2020-11-04	**Lorenzo Tassan-Bassut** *Vice-President*	*The original Polish document is signed with a qualified electronic signature*

SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTS

2020-11-04	**Jolanta Alvarado Rodriguez**	Director of Accounting Department Chief Accountant	*The original Polish document is signed with a qualified electronic signature*